鴻興印刷集團有限公司
HUNG HING
Hung Hing Printing Group Limited
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PRESS RELEASE

Hung Hing reports 2014 interim results

- Revenue remained stable at HK$1,345 million, comparable to the corresponding period in 2013
- A loss attributable to the owners of the Company of HK$52 million was recorded, largely due to fluctuations in Renminbi exchange rate mostly with no cash-flow impact
- Balance sheet remains strong with net cash of HK$343 million, almost at the same level as the corresponding period last year
- Interim dividend of HK1 cent per ordinary share

Hong Kong, 28 August 2014 – Hung Hing Printing Group Limited (HKSE: 450) today announced stable revenue of HK$1,345 million in its interim results for the six month ended 30 June 2014 amid a slowdown in domestic and export activities in the first half of the year.

As a result of a change in its sales mix as well as fluctuations in Renminbi exchange rate, the Group posted a loss attributable to the owners of the Company of HK$52 million.

During the first half of 2014, a shift in the sales mix resulted in a significant increase in revenue contributed from the Paper Trading business unit, which reported a 34% year-on-year growth in sales. However, extreme cold weather in North America led to disruptions in daily business activities of the Group's overseas customers, which had an impact on the sales and capacity utilization of the Group's other three business units - Book and Package Printing, Consumer Product Packaging and Corrugated Boxes, leading to a loss of HK$14 million in total.

The decrease in earnings in the first half of 2014 is also attributable to the fluctuations in the exchange rate of Renminbi amounting to HK$38 million which can be broken down as fair value losses of HK$23 million on forward contracts hedging against the Group's Renminbi exposure; and exchange losses of HK$15 million on the translation of Renminbi monetary assets supporting the Group's core operations in China. HK$31 million of the HK$38 million were unrealized losses related to fair value booking and exchange losses with no cash-flow impact.

As of 30 June 2014, the Group maintained a solid net cash position of HK$343 million, the same level compared to 2013.

Based on confidence in improvements of business performance during the rest of the year and backed by the Group's strong cash and financial position, the Board of Directors has declared an interim dividend of HK1 cent per share.

Mr. Matthew C.M. Yum, Executive Chairman of Hung Hing Printing Group Limited, said, "During the first half of 2014, the Group's performance was affected by the delays in customers' order placement as well as indirect factors such as the slowdown in the retail market. We have already witnessed an upturn in revenue during the second quarter of 2014 and in particular, our upstream Paper Trading business unit recorded strong first-half performance."

Business Unit Review

Revenue from the **Book and Package Printing** business unit, the Group's largest, fell 5% to HK$728 million during the six months under review. As a result of delays in customers' activities due to the extreme cold weather in North America, the Group reported a loss of HK$7 million for the business unit, compared to a profit of HK$16 million in the previous year.

The Group, however, continued to strengthen its relationships with a growing number of key customers for the Book and Packaging Printing business unit. Its partnership with shareholder Rengo Japan is expanding to cover more well-known brands with point-of-purchase print and display accessories, for both the export and domestic market in mainland China.

The **Consumer Product Packaging** business unit saw revenues decline by 5% to HK$339 million. However, a slow pick-up in consumer sentiment in China and a more cautious approach to order placement by customers affected the performance of this business unit, which recorded a loss of HK$4 million, compared to a profit of HK$2 million in the previous year.

The **Corrugated Box** business unit reported a 12% drop in external revenue to HK$89 million. Growth was primarily affected by the slowdown in export activities and softer domestic demand in China in the first half of the year. Relocation of customers' facilities imposed additional strain on sales and logistics costs. These factors led to a loss of HK$3 million for the business unit, compared to a profit of HK$4 million in the previous year.

The **Paper Trading** business reported a 54% increase in external revenue to HK$190 million and more than doubled its profit contribution to HK$11 million, largely due to the Group's development of direct export channels to Southeast Asian countries, and its strengthening of value-added partnerships with existing customers.

Outlook

Despite uncertainty surrounding the global macroeconomic environment in the short term, the Group remains optimistic about the prospects of the domestic market in mainland China. Increased investment in research and development and early adoption of new technologies will allow the Group to offer more value-added services to its customers and deepen its relationships with them.

Mr. Yum said, "We are cautiously optimistic about demand levels in the second half. However, the Group is well prepared with a strong cash position and appropriate inventory levels in anticipation of increases in orders and shorter lead times for the rest of the year."

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About Hung Hing Printing Group Limited (HKSE: 450)
Hung Hing was founded by the Company's former Honorary Chairman Mr Yam Cheong Hung in 1950. Over the past six decades, the Company has developed into one of the largest printers in Asia, with significant operations in book and package printing, consumer product packaging, corrugated box manufacturing and paper trading. Headquartered in Hong Kong, the Company has plants in four locations across China, including Shenzhen, Zhongshan and Heshan in the Guangdong province, and Wuxi, near Shanghai. With its main focus on customers' success, the Company harnesses the latest in technology and ideas to create print solutions through sustainable operating practice, and services multinational corporations from the U.S. and Europe as well as from domestic companies in China. The Company has a workforce of over 10,000 employees. It has been listed on The Hong Kong Stock Exchange since 1992.

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