HUNG HING PRINTING GROUP LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 0450)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

Effective from 2012, Hung Hing Printing Group Limited changed its financial year end to 31 December. The previous period represents a reporting period of nine months (April - December 2012).

	Current year*	Previous year**	Previous period#
		(Unaudited)	(Audited)
Current year vs. Previous year	HK$ million	HK$ million	HK$ million
● Group revenue rose 1%	3,013	2,988	2,407
● Operating profit increased by 32%	112	85	89
● Profit before income tax increased by 75%	105	60	71
● Profit attributable to shareholders rose 82%	77	42	54
● Earnings per share were HK8.5 cents, up 81%	HK8.5 cents	HK4.7 cents	HK6 cents
● Balance sheet remains strong with net cash of HK$471 million			
● Proposed final dividend of HK5.3 cents, total dividend for the year HK7 cents			

* *Current year – 1 January 2013 to 31 December 2013*

** *Previous year – 1 January 2012 to 31 December 2012, presented for comparative purpose only*

Previous period – 1 April 2012 to 31 December 2012

The directors of Hung Hing Printing Group Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013, together with the comparative figures for the nine months period ended 31 December 2012, as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**Year Ended 31 December 2013 HK$'000**	Period from 1 April to 31 December 2012 HK$'000
Revenue	2	**3,013,490**	2,406,673
Cost of sales		**(2,586,482)**	(2,058,565)
Gross profit		**427,008**	348,108

Other income and gains		**48,241**	24,765
Gain on disposal of available-for-sale financial assets	3	**17,183**	-
Gain on disposal of an associate		**-**	5,934
Loss on redesignation of investments in associates to available-for-sale financial assets		**-**	(3,196)
Distribution costs		**(83,714)**	(65,968)
Administrative and selling expenses		**(292,691)**	(214,059)
Other expenses		**(4,270)**	(6,562)
Operating profit		**111,757**	89,022
Finance costs	4	**(6,729)**	(7,214)
Share of losses of associates		**-**	(10,669)
Profit before income tax		**105,028**	71,139
Income tax expense	6	**(22,869)**	(15,232)
Profit for the year/period		**82,159**	55,907
Attributable to:			
Owners of the Company		**77,209**	53,930
Non-controlling interests		**4,950**	1,977
		82,159	55,907
		HK cents	HK cents
Earnings per share attributable to owners of the Company	7		
Basic		**8.5**	6
Diluted		**8.5**	6
		HK$'000	HK$'000
Dividends	8	**63,551**	45,393

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year Ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Profit for the year/period	**82,159**	55,907
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Currency translation differences	**28,686**	8,730
Change in value of intangible assets	**(450)**	(800)
Change in value of available-for-sale financial assets	**26,048**	82
Exchange reserve released upon disposal of an associate	**-**	298
Exchange reserve released upon redesignation of investments in associates to available-for-sale financial assets	**-**	(14,759)
Non-controlling interests released upon redesignation of investments in associates to available-for-sale financial assets	**-**	19
Other comprehensive income/(loss) for the year/period, net of tax	**54,284**	(6,430)
Total comprehensive income for the year/period	**136,443**	49,477

Attributable to:		
Owners of the Company	**121,702**	46,142
Non-controlling interests	**14,741**	3,335
Total comprehensive income for the year/period	**136,443**	49,477

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 31 December 2013 HK$'000**	At 31 December 2012 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**1,307,708**	1,352,430
Land use rights		**105,069**	107,162
Intangible assets		**8,501**	8,940
Available-for-sale financial assets		**42,929**	22,463
Properties under construction		**10,084**	12,262
Trade receivables		**1,797**	7,006
Deferred income tax assets		**14,090**	9,664
Deposits paid for acquisition of property, plant and equipment		**8,744**	-
Total non-current assets		**1,498,922**	1,519,927
Current assets			
Inventories		**549,664**	613,469
Trade and bills receivables	9	**832,721**	823,837
Prepayments, deposits and other receivables		**60,538**	43,622
Derivative financial instruments		**2,561**	1,117
Tax recoverable		**3,237**	4,205
Pledged time deposits		**47,808**	46,114
Time deposits with original maturity over three months		**213,685**	43,587
Cash and cash equivalents		**608,906**	533,345
Total current assets		**2,319,120**	2,109,296
Total assets		**3,818,042**	3,629,223
Equity			
Equity attributable to owners of the Company			
Share capital		**90,787**	90,787
Reserves		**2,614,904**	2,555,591
Proposed dividend		**48,117**	18,157
		2,753,808	2,664,535
Non-controlling interests		**161,589**	149,190
Total equity		**2,915,397**	2,813,725
Liabilities			
Non-current liabilities			
Borrowings		**195,000**	228,937
Deferred income tax liabilities		**54,412**	47,749
Total non-current liabilities		**249,412**	276,686

Current liabilities			
Trade and bills payables	10	**230,946**	181,887
Current income tax liabilities		**34,193**	21,363
Other payables and accrued liabilities		**183,884**	182,244
Borrowings		**204,210**	153,318
Total current liabilities		**653,233**	538,812
Total liabilities		**902,645**	815,498
Total equity and liabilities		**3,818,042**	3,629,223
Net current assets		**1,665,887**	1,570,484
Total assets less current liabilities		**3,164,809**	3,090,411

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, and modified by the revaluation of intangible assets, available-for-sale financial assets and derivative financial instruments, which are carried at fair value.

(a) New and amended standards adopted by the Group

The following amendments to standards and interpretations are mandatory for accounting year beginning on 1 January 2013:

HKAS 1 (Revised) (Amendment)	Presentation of financial statements – Presentation of items of other comprehensive income
HKAS 19 (Amendment)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HKFRS 1 (Amendment)	First-time adoption of government loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures - Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosures of interests in other entities
HKFRS 13	Fair value measurement
HKFRSs (Amendment)	Annual improvements to HKFRSs 2009-2011 cycle
HK (IFRIC) - Int 20	Stripping costs in the production phase of a surface mine

The adoption of these new/revised standards, amendments and interpretations to existing standards do not result in any substantial changes to the Group ' s accounting policy nor any impact on the consolidated financial statements.

(b) The following amendments to standards and interpretations are not yet effective and have not been early adopted by the Group:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment entities
HKAS 32 (Amendment)	Financial instruments: Presentation - Offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets
HKAS 39 (Amendment)	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) - Int 21	Levies
HKFRS 7 and HKFRS 9 (Amendment)	Financial instruments: Disclosures - Mandatory effective date of HKFRS 9 and transition disclosures
HKFRS 9	Financial instruments
Additions to HKFRS 9	Financial instruments - financial liabilities
HKFRSs (Amendment)	Annual improvements to HKFSs 2010-2012 cycle
HKFRSs (Amendment)	Annual improvements to HKFSs 2011-2013 cycle

The impact of adoption of these new standards and amendments to standards in future periods is not currently known or cannot be resaonably estimated.

Pursuant to the resolution of the board of Directors of the Company dated 16 April 2012, the Company's financial year end date has been changed from 31 March to 31 December.

The change is to align with the financial year end date of the Company with that of its subsidiaries established in the People's Republic of China (the "PRC"), the financial results of which are consolidated into its consolidated financial statements each year, and their financial statements are statutorily required to use 31 December as the financial year end.

2. Segment Information

The management committee (being the chief operating decision-maker) has determined the operating segments based on the reports reviewed by the management committee. The management committee, comprising the executive chairman, the chief executive officer and other senior management, that are used to make strategic decisions and assess performance.

Management has determined the operating segments based on these reports. The Group is organised into four business segments:

(a) Book and Package Printing segment;
(b) Consumer Product Packaging segment;
(c) Corrugated Box segment; and
(d) Paper Trading segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Management assesses the performance of the operating segments based on a measure of gross profit less distribution costs, administrative and selling expenses, and other expenses that are allocated to each segment. Other information provided is measured in a manner consistent with that in the financial statements.

Sales between segments are carried out at an arm's length basis.

	Year Ended 31 December 2013			
	Segment revenue			**Segment results**
	Sales to external customers	**Inter-segment sales**	**Total**	
	HK'$000	**HK'$000**	**HK'$000**	**HK'$000**
Book and Package Printing	**1,728,430**	**1,448**	**1,729,878**	**54,272**
Consumer Product Packaging	**786,047**	**4,411**	**790,458**	**13,479**
Corrugated Box	**227,850**	**105,647**	**333,497**	**13,413**
Paper Trading	**271,163**	**419,963**	**691,126**	**7,294**
Eliminations	**-**	**(531,469)**	**(531,469)**	**(1,333)**
	3,013,490	**-**	**3,013,490**	**87,125**
Interest, dividend income and other gains				**34,056**
Corporate and unallocated expenses				**(26,607)**
				94,574
Gain on disposal of available-for-sale financial assets				**17,183**
Operating profit				**111,757**
Finance costs				**(6,729)**
Profit before income tax				**105,028**
Income tax expense				**(22,869)**
Profit for the year				**82,159**

	Period from 1 April to 31 December 2012			
	Segment revenue			Segment results
	Sales to external customers	Inter-segment sales	Total	
	HK'$000	HK'$000	HK'$000	HK'$000
Book and Package Printing	1,399,108	1,084	1,400,192	42,358
Consumer Product Packaging	573,484	12,494	585,978	16,189
Corrugated Box	205,601	73,491	279,092	21,767
Paper Trading	228,480	317,162	545,642	9,236
Eliminations	-	(404,231)	(404,231)	3,208
	2,406,673	-	2,406,673	92,758
Interest, dividend income and other gains				12,455
Corporate and unallocated expenses				(18,929)
				86,284
Gain on disposal of an associate				5,934
Loss on redesignation of investments in associates to available-for-sale financial assets				(3,196)
Operating profit				89,022
Finance costs				(7,214)
Share of losses of associates				(10,669)
Profit before income tax				71,139
Income tax expense				(15,232)
Profit for the period				55,907

3. Gain on Disposal of Available-for-sale Financial Assets

On 31 July 2013, the Company entered into equity transfer agreements with a third party, Zhongshan Fong Ya Industry Company Limited, pursuant to which the Company agreed to dispose of 7.5% of its equity interests in Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited and Zhongshan Ren Hing Paper Manufacturing Company Limited ("Paper Mills Entities") to the third party at an aggregate consideration of RMB18,179,000 (the "Disposal").

Upon completion, the effective equity interest held by the Group in the Paper Mills Entities would be reduced from 16.62% to 9.12%.

The Disposal was considered completed during the year and a gain of HK$17,183,000 was recognised in the consolidated income statement for the year ended 31 December 2013.

4. Finance Costs

	Year Ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Interests on bank borrowings wholly repayable within five years	**6,729**	7,214

5. Profit Before Income Tax

The Group's profit before income tax is arrived at after charging or crediting the following items:

	Year Ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
After charging -		
Depreciation	**113,152**	85,996
Amortisation of land use rights	**3,211**	2,390
Amortisation of intangible assets	**822**	1,032
Provision for impairment of trade receivables	**3,499**	4,075
Operating lease charges in respect of land and buildings	**7,497**	5,225
Provision for impairment of inventories, net	**2,314**	-
Employee benefit expense (including directors' emoluments)	**816,161**	578,054
Foreign exchange loss, net	**-**	489
After crediting -		
Dividend income from available-for-sale financial assets	**348**	348
Bank interest income	**12,944**	8,807
Fair value gain on derivative financial instruments not qualified as hedges, net	**11,692**	3,239
Interest income from a derivative financial instrument	**2,041**	-
Reversal of provision for impairment of inventories, net	-	583
Foreign exchange gain, net	**10,562**	-

6. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (period ended 31 December 2012: 16.5%) on the estimated assessable profit for the year/period. Taxation on overseas profit has been calculated on the estimated assessable profit for the year/period at the rates of taxation prevailing in the countries in which the Group operates.

	Year Ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Current income tax		
- Hong Kong profits tax		
- Provision for the year/period	**2,381**	3,725
- Over provision for prior years	**(458)**	(2,760)
	1,923	965
- PRC corporate income tax		
- Provision for the year/period	**19,327**	6,719
- (Over)/under provision for prior years	**(96)**	117
	19,231	6,836
Total current tax	**21,154**	7,801
Deferred income tax	**1,715**	7,431
Income tax expense	**22,869**	15,232

7. Earnings Per Share Attributable to Owners of the Company

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year/period excluding ordinary shares purchased by the Company.

	Year Ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Profit attributable to owners of the Company	**77,209**	53,930
Weighted average number of ordinary shares in issue excluding own held shares (thousands)	**904,651**	903,139
Basic earnings per share (HK cents per share)	**8.5**	6

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: shares repurchased for the purpose of share award scheme. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the outstanding shares to be granted.

	Year Ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Profit attributable to owners of the Company	**77,209**	53,930
Weighted average number of ordinary shares in issue excluding own held shares (thousands)	**904,800**	904,331
Diluted earnings per share (HK cents per share)	**8.5**	6

8. Dividends

	Year Ended 31 December 2013 HK$'000	Period from 1 April to 31 December 2012 HK$'000
Interim dividend of HK1.7 cents (period ended 31 December 2012 : HK3 cents) per ordinary share	**15,434**	27,236
Proposed final dividend of HK5.3 cents (period ended 31 December 2012 : HK2 cents) per ordinary share	**48,117**	18,157
	63,551	45,393

The Directors recommend the payment of a final dividend of HK5.3 cents per ordinary share. Such dividend is to be approved by the shareholders at the forthcoming annual general meeting of the Company. These consolidated financial statements do not reflect this as dividend payable but account for it as proposed dividend in reserves.

9. Trade and Bills Receivables

	At 31 December 2013 HK$'000	At 31 December 2012 HK$'000
Trade receivables	**850,054**	844,022
Less: provision for impairment of trade receivables	**(24,256)**	(26,650)
	825,798	817,372
Trade receivables due from related parties	**386**	4,689
Total trade receivables, net	**826,184**	822,061
Bills receivables	**8,334**	8,782
	834,518	830,843
Less: Non-current trade receivables	**(1,797)**	(7,006)
	832,721	823,837

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 and 90 days from date of issuance. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk.

Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a number of diversified customers, there is no significant concentration of credit risk.

The aging analysis of total trade receivables at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	At 31 December 2013 HK$'000	At 31 December 2012 HK$'000
1 - 30 days	**323,352**	311,860
31 - 60 days	**186,427**	185,256
61 - 90 days	**103,366**	118,927
Over 90 days	**213,039**	206,018
	826,184	822,061

The movements in provision for impairment of trade receivables are as follows:

	At 31 December 2013 HK$'000	At 31 December 2012 HK$'000
Beginning balance	**26,650**	23,025
Provision for impairment of trade receivables	**3,499**	4,075
Amount written off as uncollectible	**(6,151)**	(577)
Exchange differences	**258**	127
Ending balance	**24,256**	26,650

10. Trade and Bills Payables

	At 31 December 2013 HK$'000	At 31 December 2012 HK$'000
Trade payables	**196,844**	151,882
Trade payables due to related parties	**2,463**	16,546
Total trade payables	**199,307**	168,428
Bills payables	**31,639**	13,459
	230,946	181,887

The aging analysis of total trade payables as at the end of the reporting period, based on the invoice date, is as follows :

	At 31 December 2013 HK$'000	At 31 December 2012 HK$'000
1 - 30 days	**132,764**	120,230
31 - 60 days	**49,180**	36,538
61 - 90 days	**13,803**	6,236
Over 90 days	**3,560**	5,424
	199,307	168,428

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

This is the first annual results report for the Hung Hing Printing Group for the full twelve-month period from 1 January to 31 December. To facilitate meaningful comparison, data for the comparable previous period (1 January to 31 December 2012) are used in our discussion below.

Compared to the same period ending 31 December 2012, the Group reported revenue growth of 1% in 2013, and significantly improved EPS (earnings per share) as well as net cash position:

- Revenues remained stable at HK$3 billion with 1% growth
- 2013 EPS (earnings per share) attributable to shareholders improved significantly by 81% to HK8.5 cents per share
- EBITDA increased by 22% to HK$216 million
- Net cash (excluding bank borrowings) as of 31 December 2013 increased by HK$230million (up 95%) to reach HK$471 million

Demand and consumer confidence in 2013 remained soft amidst continuing global economic uncertainties. The Group was able to leverage its core competences, diversified business portfolio and economies of scale to achieve improved results. Pressures on operating environment and profitability are likely to persist in the years ahead. However, as exports stabilize and the mainland Chinese domestic market improves, the Group anticipates that a gradual recovery of the global economy is imminent.

Profit attributable to shareholders increased by 82% to HK$77 million, mainly attributable to:

(i) profit from partial disposal of equity interests in paper mill entities;

(ii) exchange gains on Renminbi forward contracts and Renminbi monetary assets; and

(iii) the absence of share of losses incurred during previous year from the paper mills, upon the re-designation of the Group’s investment from associates to available-for sale financial assets.

Together with productivity savings from automation initiatives, the Group was able to more than offset operating cost increases related to adverse currency movements, social security insurance and increases in the minimum wage.

Strength to address evolving business requirements

In 2013 the printing industry saw increasing demand for assured quality and on-time delivery, but subject to smaller and more frequent orders with shorter lead times. Hung Hing’s track record of reliable, on-time delivery, economies of scale and strong customer service levels enabled the Group to continue to grow its blue-chip customer base.

During the year, the Group continued to adhere closely to the requirements of the government and its customers, conforming to high environmental, safety and ethical standards. We consistently improve on our own standards to be prepared for ever more stringent compliance requirements in the long-run.

Innovative Bridging Book technology allowing close-to-home expansion

The BelugaBloo children’s e-bookstore, launched in 2011, continued to expand and innovate. Leveraging the platform, the Group signed a worldwide exclusive license agreement with University of Minho of Portugal for its Bridging Book technology, which enables the development of innovative ‘hybrid’ combinations of paper books with electronic devices. The technology enables a unique multimedia experience without batteries or wires. The Group believes the technology will add value to its printing business.

Strong financial position

During the year under review the Group leveraged its strong liquidity position to secure higher returns and to hedge against RMB fluctuation. The strategy was successful and the Group achieved favorable exchange gain on RMB appreciation.

The Group's balance sheet remains robust with a net cash position of HK$471 million at 31 December 2013, an increase of HK$230 million from the previous year. Backed by the Group's strong cash flow and solid financial position, the Board of Directors has proposed a final dividend of HK5.3 cents per share.

Business Unit Reports

The two largest business units, Book and Package Printing and Consumer Product Packaging, which combined account for over 83% of the Group's overall sales revenue, achieved moderate sales growth of 2% and 6% respectively. The other two businesses, Corrugated Box and Paper Trading, reported sales declines primarily as a result of export volatility. All business followed a conservative inventory strategy in response to adverse paper price adjustments during the year.

Book and Package Printing (BPP)

The BPP business reported the following results:

- Revenue of HK$1,728 million, an increase of 2% from the previous year
- Profit contribution of HK$54 million, an increase of 47% or HK$17 million from previous year
- Profit contribution margin of 3%, up from 2% the previous year

Review of Operations
Book and Package Printing continued its growth trend, despite being affected by soft macro-economic conditions in the European and United Kingdom markets. The Group successfully expanded into new European territories such as Russia, France and Spain which served to offset weaker demand in other markets. Economic activities in the U.S. picked up steadily and stimulated new orders for children's and novelty book products.

Hung Hing continued to benefit from consolidation of the print industry in southern China. In the wake of changes in environmental, safety and social compliance requirements in export markets, large publishing companies are turning to reputable suppliers. With its emphasis on high compliance standards, Hung Hing continued to be selected as a preferred supplier to major toy manufacturers and publishers.

Exports to Japan have also grown. Through a partnership with Rengo Co. Ltd., Japan, BPP supplied unique point-of-sales paper displays to Japanese clientele that required superior quality and innovative product design including skilled hand-craftsmanship.

Actions were taken to upgrade cost controls and review pricing, in particular for labor-intensive children's novelty books which demand special craftsmanship, a competitive strength of Hung Hing. However, lower customer confidence resulting in smaller order quantities, along with delays in paper deliveries from third-party suppliers impacted BPP's profitability.

The Group is attuned to the latest technological advances, and continues to explore how they can be applied to add value to our existing product offerings. One of the initiatives undertaken during the year is the partnership with a renowned children's choral and performing arts center in Hong Kong to launch an innovative printed musical product that can interact with tablet computers to provide music-related entertainment and education to children. Combining printing and advanced technologies to create other innovative new applications and offerings will yield new business opportunities for the Group in a broad range of areas across the BPP as well as other businesses.

Consumer Product Packaging (CPP)

The CPP business reported the following results:
- Revenue of HK$786 million, up 6% from HK$744 million the previous year
- Profit contribution of HK$13 million, down from HK$20 million last year
- Profit contribution margin of 2%, down from 3% the previous year

Review of Operations
The large China domestic consumer packaging market continues to be highly fragmented. Certain Government measures had a short-term cooling impact on the Group's high-end luxury packaging business. Increased competition and price pressure on the mid/low-end packaging segments also affected the Group's performance. However there are indications that a gradual recovery in domestic consumption is under way, and long-term growth opportunities in the China domestic consumer packaging market remain strong.

During the year, the Group acquired a large format lamination machine and also upgraded other post-finishing equipment. The dust-free manufacturing zones in our Zhongshan and Wuxi plants render Hung Hing well positioned to meet the hygiene and quality requirements of the packaged food and personal care sectors.

Corrugated Box (CB)

The CB business reported the following results:
- Revenue of HK$228 million, down 11% from HK$255 million the previous year
- Profit contribution of HK$13 million, down from HK$22 million the previous year
- Profit contribution margin of 4%, down from 6% the previous year

Review of Operations
The Corrugated Box business was affected by the wider slowdown in exports and softer than expected domestic consumption in mainland China. In response to weak demand and rising labor and logistics costs, the CB business placed a special focus on business development activities targeting customers with more demanding compliance requirements, which Hung Hing is well positioned to fulfill. A number of production efficiency initiatives were undertaken during the year to improve margins in the long run.

Paper Trading (PT)

The PT business reported the following results:
- Revenue of HK$271 million, down 8% from HK$294 million the previous year
- Profit contribution of HK$7 million, down slightly from HK$8 million last year
- Profit contribution margin of 1%, similar to the previous year

Review of Operations
Over 80% of the PT business' revenues came from export manufacturers in south China, with the balance mainly coming from the China domestic market. During the year, the PT business was impacted by the decline of paper price and reduced orders from small to medium-sized customers. To diversify risk, the PT business took proactive steps to expand its customer base geographically and tighten credit management.

Investment in Paper Mill

At the end of 2013, Hung Hing still had a 9.1% equity interest (net of minority interest) in the paper mill entities located in Zhongshan, which convert waste paper into corrugated medium and testliner, selling to both external customers and the Corrugated Box division within Hung Hing.

On 31 July 2013, Hung Hing Printing Group, among others, entered into Equity Transfer Agreements with Zhongshan Yong Fa, pursuant to which the Group agreed to dispose of 7.5% of its equity interests in each of the paper mill entities to Zhongshan Yong Fa at an aggregate consideration of RMB18,179,000.

With reference to the carrying value of the paper mill entities, the Group recognized in its income statement a gain of approximately HK$17 million from the disposal, and separately more than HK$26 million as asset revaluation reserves for the remaining equity holdings. As of 31 December 2013, disposal receivable of HK$23 million was recorded as other receivables in the consolidated statement of financial position accordingly.

Liquidity and Capital Resources

The Group's financial position continued to remain strong. As of 31 December 2013, the Group had net cash on hand (total cash net of bank borrowings) of HK$471 million, an increase of HK$230 million compared to 31 December 2012. The increase was driven by earnings growth and continued improvement in trade working capital. While trade receivables were maintained at similar levels as last year, inventory reduced by 10% and improved trade terms with suppliers have resulted in an increase in our trade payable by 27%, contributing to a net reduction in trade working capital of HK$104 million.

To mitigate the impact of Renminbi fluctuation and to hedge the Group's operating expenses in mainland China, most of the Group's cash is held in Renminbi. Of the Group's total bank deposits and cash on hand totaling HK$870 million, 89% was held in RMB, 8% in HKD, 2% in USD, and 1% in Euros and Sterling Pounds.

As of 31 December 2013, the Group had total bank borrowings of HK$399 million. The Group's gearing ratio (comparing total bank borrowings with total equity) was kept at 14% (31 December 2012: 14%). Per the loan repayment schedules in the Group's loan agreements with banks, HK$180 million is repayable within 1 year, HK$107 million is repayable within 1-2 years, and HK$112 million is repayable within 2-4 years.

The Group's bank borrowings were entirely in HKD. Of this, 94% was arranged with banks in Hong Kong with interest rate at fixed rate, HIBOR or the banks' cost of funds plus a certain mark-up. The remaining 6% was owed to banks in PRC at interest rate with reference to the banks' cost of fund plus a certain mark-up. On average, the Group's level of borrowing was lower than in 2012 and in particular there was no Renminbi borrowing during the year. The Group's interest expenses declined by 35% to HK$7 million. The Group had unutilized bank loan and trade facilities for back up of HK$290 million and HK$490 million, respectively, as of 31 December 2013.

With the continued increases in labour costs in mainland China, the Group prepares for the future by investing in appropriate equipment to save costs and improve efficiency. During the year under review, the Group invested HK$52 million and committed additional HK$34 million in machinery and equipment to realign our production base and strengthen automation to enhance production efficiency.

Contingent Liabilities and Pledge of Assets

As at 31 December 2013, guarantees amounting to HK$2,084 million were given to banks by the Company for banking and trading facilities granted to the Group's subsidiaries and a related company. Out of the total guarantees HK$430 million has been expired at the end of February 2014 and HK$940 million is for back-up facility free of any costs.

Certain buildings, land use rights and time deposits of the Group with a total carrying value of HK$142 million as at 31 December 2013 have been pledged to secure banking and trading facilities granted to the Group.

Environmental Sustainability

The Group's factories have dedicated environmental teams to identify opportunities for continuous improvement. For instance, data is collected from water and electricity sub-meters across all facilities and used to analyze usage patterns. The findings will consequently help to improve resource efficiency.

In 2013, energy and water use across the Group's manufacturing units were effectively controlled within 62,000 Mwh and 1,220,000 cubic meters respectively.

In 2013 the Group's Shenzhen factory participated in the carbon emission trade program organized by the Shenzhen environmental authority. By end of 2013, the factory scored an emission index of 0.84 against a target of 0.95 for the sector. As such, Hung Hing achieved lower carbon emissions per standard unit of value-added production.

As part of our efforts to support sustainable forestry, the Group has increased its inventory of paper made from certified sources and now offers FSC (Forest Stewardship Council) certified paper of all types for both its book and packaging printing as well as corrugated operations. During the year under review, the Group consumed over 62,000 tons of certified paper and 167,000 tons of recycled paper.

Our people

The Group has a skilled and dedicated team at both the management and worker level. We offer above-average remuneration packages and good working conditions. Remuneration packages are reviewed annually with reference to market conditions and the performance of the individual as well as the companies within the Group. As of 31 December 2013, the Group employed 10,457 employees, slightly down from 10,556 in the previous year.

Employees' health and safety is the top priority of the Group. Through training and other awareness programs, the Group's health and safety performance has steadily improved over the past five years, with total incident rate improving significantly from 0.71 in 2009 to 0.17 in 2013.

	2009	2010	2011	2012	2013
Total Incident Rate (No. of incidents per 200,000 working hours)	Apr 09 - Mar 10	Apr 10 - Mar 11	Apr 11 - Mar 12	Apr 12 - Dec 12	Jan 13- Dec 13
Group	0.71	0.46	0.34	0.28	0.17

In 2013, employees attended over 300,000 hours of training covering health and safety, employee rights and skill development. Health and safety is also promoted through awareness campaigns and recreational activities to increase employee knowledge and participation.

Outlook

There are indications that a gradual recovery in domestic consumption is under way, and long-term growth opportunities in the China domestic consumer packaging and corrugated carton markets remain strong.

In our overseas markets, we expect improvements in consumer sentiment to persist in 2014 but customer orders particularly those from the U.S. and Europe, will continue to follow a more intense cyclical pattern than in previous years with customers placing smaller orders with shorter lead times. The scope and scale of our production facilities, strong cash position and prudent inventory policies are advantageous in this regard. The Group will continue to review and enhance its cost control and efficiency measures to address seasonality.

We will progress our ongoing efforts to realign our cost structure by geographically diversifying our production base to areas with lower costs and by increasing automation at our established facilities to improve efficiency. We are investing in technology through partnerships, patents and skills to enable us to cater to technology-driven shifts that will change the competitive environment.

Prudent and transparent management practices have enabled us to end 2013 in a strong financial position despite economic and currency volatility. We will persist with our efforts to maintain and manage every aspect of our operations in line with our ethos of sustainable, partnership-based growth.

FINAL DIVIDEND

The directors recommend a final dividend of HK5.3 cents (period ended 31 December 2012: HK2 cents) per share. The proposed final dividend is subject to shareholders' approval at the forthcoming annual general meeting of the Company. This, together with an interim dividend of HK1.7 cents (period ended 31 December 2012: HK3 cents) per share paid in October 2013, will make a total dividend of HK7 cents (period ended 31 December 2012: HK5 cents) per share for the financial year.

The proposed final dividend will be paid by cash on 25 June 2014 to shareholders whose names appear on the Register of Members of the Company on 13 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 16 May 2014 to Tuesday, 20 May 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 15 May 2014. The Share Registrar's address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014.

The Register of Members of the Company will be closed from Wednesday, 11 June 2014 to Friday, 13 June 2014, both days inclusive, during which period no transfer of shares will be registered. In order to quality for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 10 June 2014. The Share Registrar's address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions listed in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the final results, with the exception that:

1. Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Currently the roles of chairman and chief executive officer have been undertaken by Mr. Yum Chak Ming, Matthew. The Board is of the opinion that it is appropriate and in the best interests of the Company that Mr. Yum should hold these offices. The Board believes that it is able effectively to monitor and assess management in a manner that properly protects the interests of shareholders.

2. Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company are not appointed for a specific term. However under the Articles of Association of the Company, one-third of the directors who have served longest on the Board shall retire from office by rotation every year at the annual general meeting. All directors of the Company retire by rotation at least once every three years and hence the terms of appointment of the non-executive directors are limited accordingly.

3. In respect of Code Provision D.1.4, the Company did not have formal letters of appointment for three of its Directors, namely Mr. Yoshitaka Ozawa, Mr. Katsuaki Tanaka and Mr. Hiroyuki Kimura (resigned on 1 April 2013) to setting out the key terms and conditions of their appointment for the period from 1 January to 31 March 2013. However, all Directors shall be subject to retirement in accordance with the Articles of Association of the Company. The Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. Formal letters of appointment for Mr. Yoshitaka Ozawa and Mr. Katsuaki Tanaka have been issued and accepted by them with effect from 1 April 2013. Hence, the Company has complied Code Provision D.1.4 commencing from 1 April 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the final results.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the final results for the year ended 31 December 2013 and the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters. The audit committee comprises three independent non-executive directors and a non-executive director of the Company.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for year ended 31 December 2013 have been agreed by the Group's auditor, PricewaterhouseCoopers ("PwC Hong Kong"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2013. The work performed by PwC Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC Hong Kong on the preliminary announcement.

By Order of the Board
Hung Hing Printing Group Limited
Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 17 March 2014

As at the date of this announcement, the Board comprises Mr. Yum Chak Ming, Matthew and Mr. Sung Chee Keung as executive directors; Mr. Shigechika Ishida, Mr. Yoshitaka Ozawa, Mr. Katsuaki Tanaka and Mr. Yam Hon Ming, Tommy as non-executive directors; Mr. Yap, Alfred Donald, Mr. Luk Koon Hoo and Mr. Lo Chi Hong as independent non-executive directors.