

鴻興印刷集團有限公司

Hung Hing Printing Group Limited

Annual Results Presentation For the Financial Year ended 31 Dec. 2014

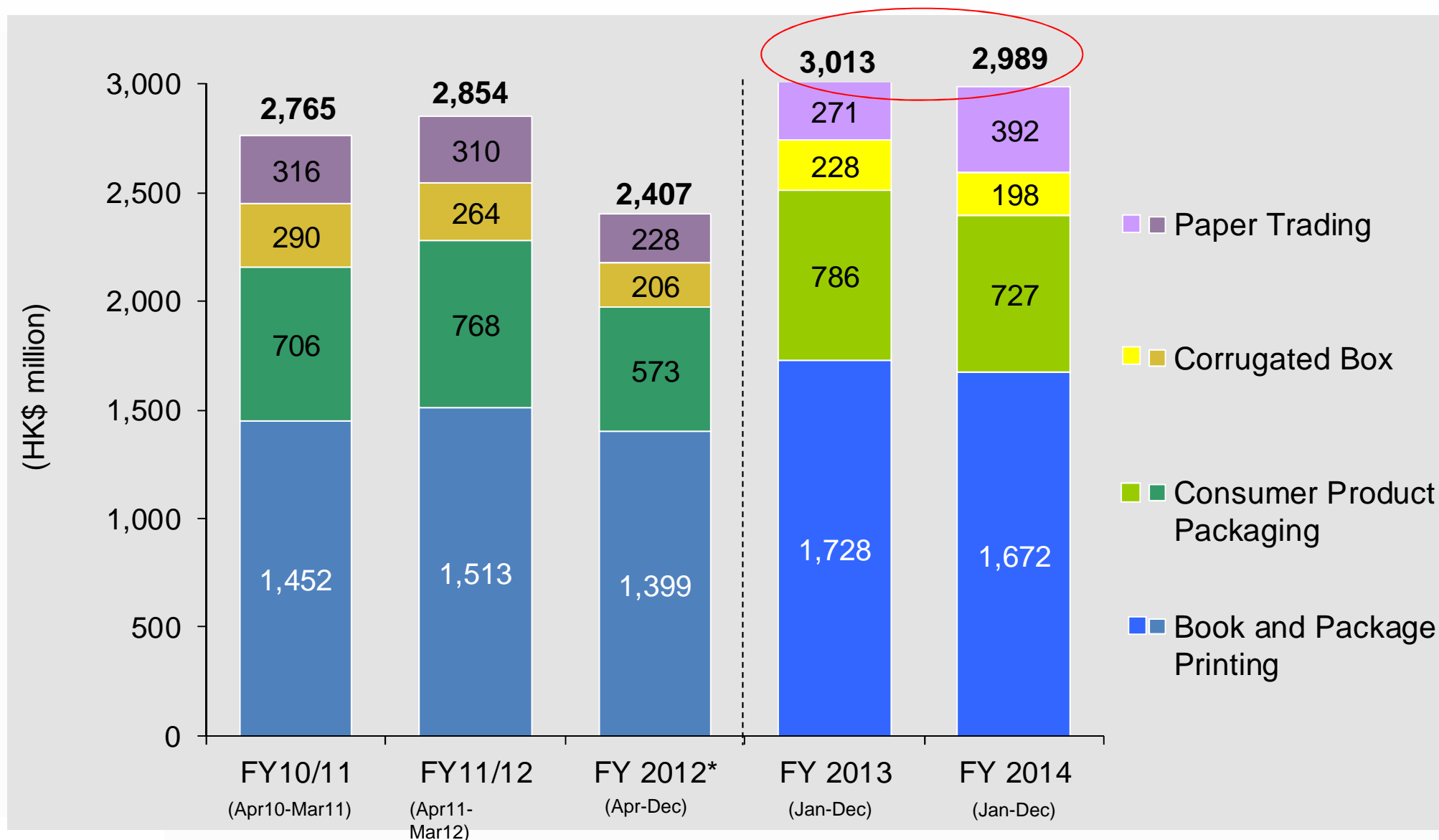


Result Highlights - Year ended 31 Dec. 2014

(HK\$ mil.)	2014	2013	(HK¢ per Share)	2014	2013
Group Revenue	2,989	3,013	Earnings Attributable to Shareholders	0.9	8.5
Operating Profit	41	112	Interim Dividends	1.0	1.7
Profit Attributable to Shareholders	8	77	Proposed Final Dividends	2.0	5.3
Net Cash	563	471	Dividends in the Financial Year	3.0	7.0

- Revenue remained stable at around HK\$ 3 billion
- Earnings declined primarily due to unfavorable exchange fluctuations, absence of disposal gains and sales mix shift
- Robust financial position; Net cash up +19% to HK\$563m
- Confident to maintain decent dividend payout; Proposed HK¢ 2 as final dividends

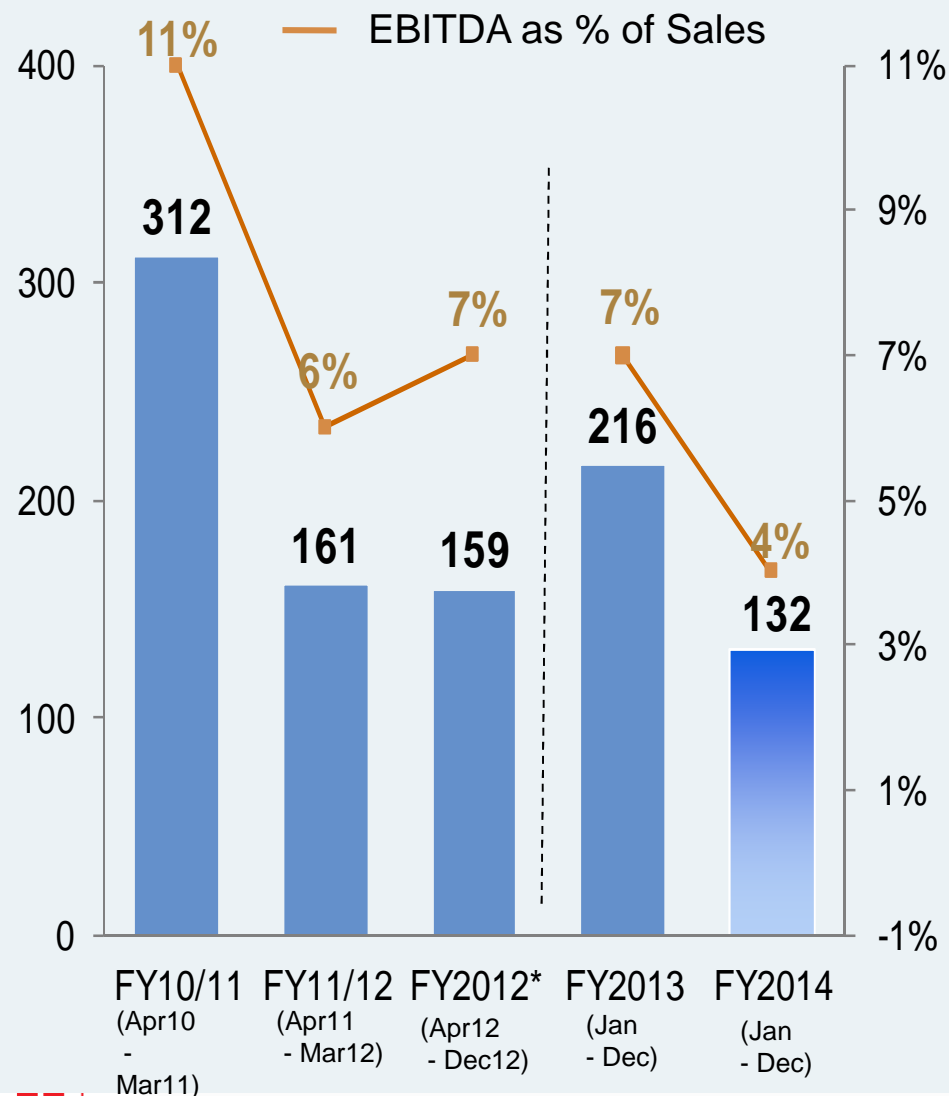
Group external sales remained stable at \$3 billion



* Nine months' results for financial year FY2012 due to change of year end from 31-Mar to 31-Dec.

Earnings declined primarily due to unfavorable exchange fluctuations, absence of disposal gains and sales mix shift

EBITDA (HK\$ million)



Commentary

- Net fair value losses of approx. HK\$15m arising from forward currency and swap contracts (vs. HK\$14m gain in 2013) for hedging against the RMB fluctuations to support core operations in PRC.
- Exchange losses of HK\$18m (vs. HK\$ 11m gain in 2013) were related to translation of foreign currency monetary assets with no cash-flow impact
(2014 total exchange losses of HK\$34m vs. 2013 exchange gains HK\$25m)
- Absence of HK\$17m disposal gains of Paper Mills in 2013
- Distribution & overheads savings offset partly the impact from unfavorable sales mix shift

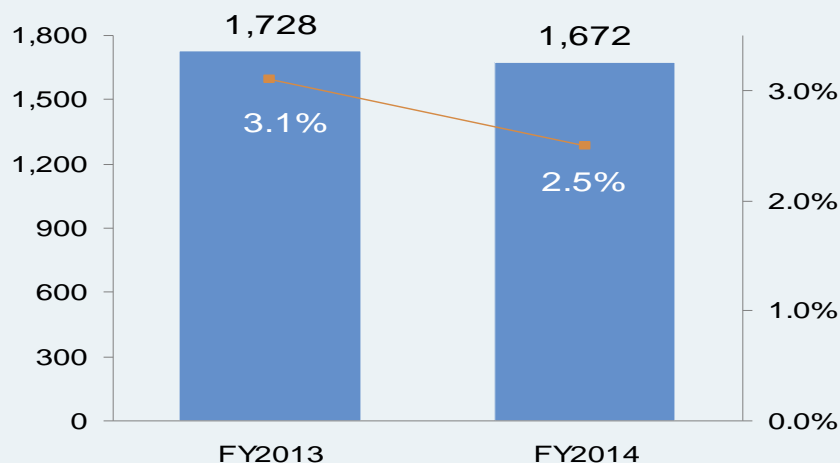
* Nine months' results for financial year FY2012 due to change of year end from 31-Mar to 31-Dec.

Segment Revenue & Profits: Unfavourable sales mix shift

(Except for PT, margins of core BUs were dragged by reduced sales & capacity utilization)

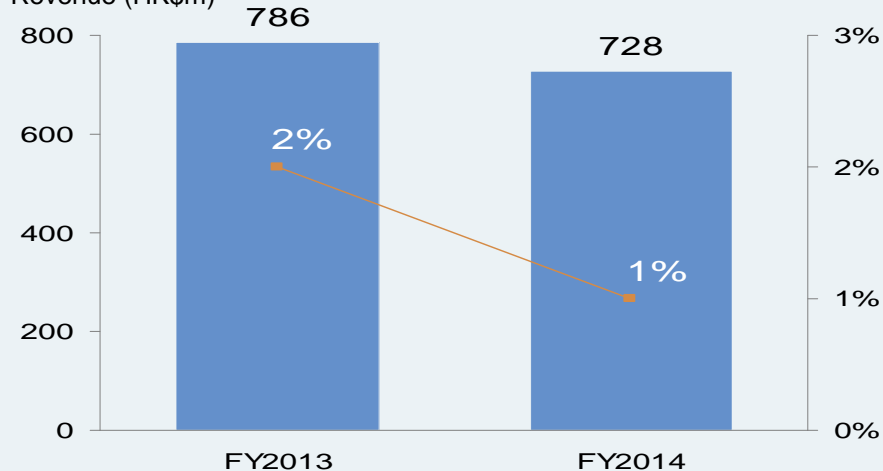
Books and Package Printing (BPP)

Revenue (HK\$m)



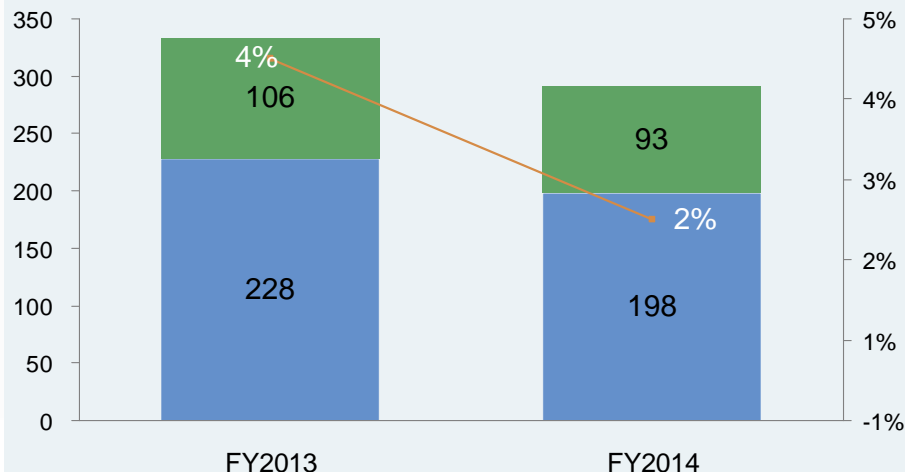
Consumer Product Packaging (CPP)

Revenue (HK\$m)



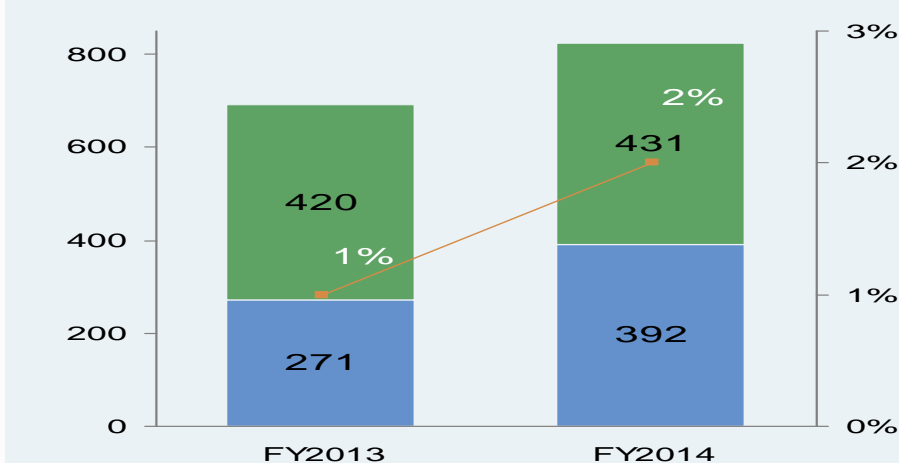
Corrugated Box (CB)

Revenue (HK\$m)



Paper Trading (PT)

Revenue (HK\$m)



■ External revenue ■ Intersegment revenue — Segment profit (%)

Key Income Statement Items

For the Year Ended 31 Dec (HK\$'000)	2014	2013	% Chg	Commentary
Revenue	2,989,333	3,013,490	-0.8%	• Sales dropped slightly, and basically remained stable at around HK\$3 bil.
Cost of sales	(2,587,616)	(2,586,482)	0.0%	
Gross profit	401,717	427,008	-5.9%	• Core BUs (except PT) were dragged by reduced sales and capacity utilization due to weak export & domestic demand and extreme weather of NA at 1 st half 2014.
GP%	13.4%	14.2%	-0.7 pt	Gross margins were impacted by unfavourable sales mix shift from books / corrugated / packaging to paper trade.
Other income and gains	31,509	48,241	-34.7%	
Gain on disposal of AFS financial assets	-	17,183	-100.0%	
Distribution costs	(77,518)	(83,714)	-7.4%	• Overheads saving mainly from distribution costs and productivity improvement.
Administrative and selling expenses	(276,412)	(292,691)	-5.6%	
Other expenses	(38,258)	(4,270)	-796.0%	• Exchange loss 34m in 2014 related to fair value of forward hedging and translation of forex monetary assets held to support core operations in PRC (mostly no cash-flow impact)
Operating profit	41,038	111,757	-63.3%	
Finance costs	(9,538)	(6,729)	41.7%	
Profit before income tax	31,500	105,028	-70.0%	• Interest income 20m in 2014, up 7m vs. 2013; and exchange gain 24m in 2013
Income tax expense	(22,107)	(22,869)	-3.3%	
Profit for the year	9,393	82,159	-88.6%	• 17m Paper Mills disposal gains in 2013

Strong Financial Position: Robust Net Cash and Low Gearing

	As at Dec 31		
(HK\$ million)	2014	2013	Changes
Assets			
Non-current	1,429	1,499	(70)
Current	2,386	2,319	67
Total Assets	3,815	3,818	(3)
<i>Included in assets: Cash&Bank + Time deposits</i>	<i>1,048</i>	<i>870</i>	<i>178</i>
Liabilities			
Non-current	252	249	3
Current	719	653	66
Total Liabilities	971	902	69
<i>Included in liabilities - Borrowings</i>	<i>485</i>	<i>399</i>	<i>86</i>
Net Assets	2,844	2,916	(72)
Equity			
Equity attributable to owners of the company	2,685	2,754	(69)
Non-controlling interest	159	162	(3)
	2,844	2,916	(72)
Gearing Ratio	17%	14%	3%
Net Cash (Incl. bank deposits & less Bank loans)	563	471	92

Current Assets up 67m; with higher Cash & Deposits by 178m and lower operating working capital of Inv. / AR / Prepay 101m

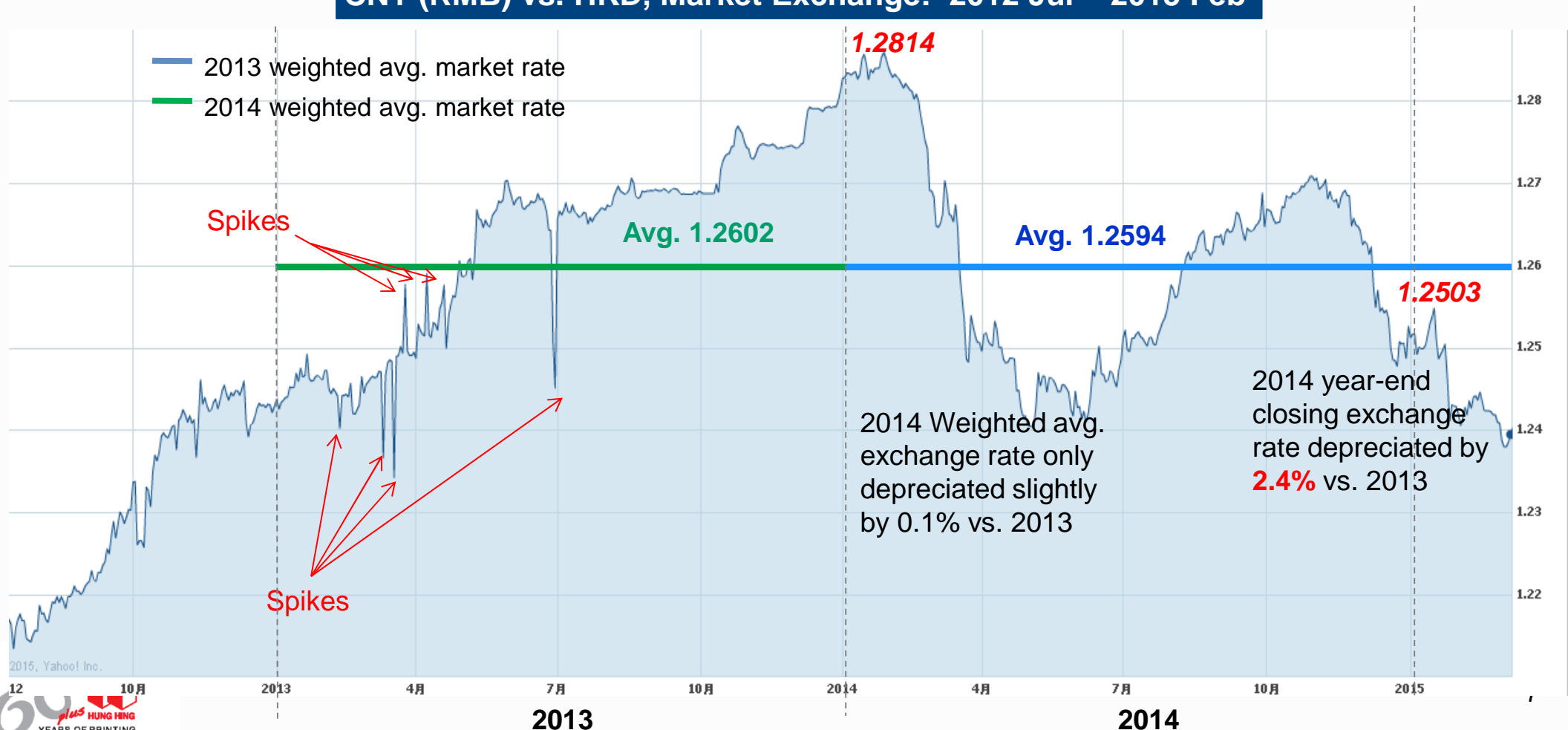
Utilized more short-term trade financing for net interest gains

Strong liquidity with Net Cash increased by 92m

CNY (RMB) Exchange Rate Movement

- Consistent up-trend with spikes in the past signaled higher risks & needs for hedging
- Weighted avg. rate basically unchanged in 2014; Minimal benefits from RMB spending
- Losses from translation mainly due to significant Year-end rates depreciation (-2.4%)

CNY (RMB) vs. HKD, Market Exchange: 2012 Jul ~ 2015 Feb



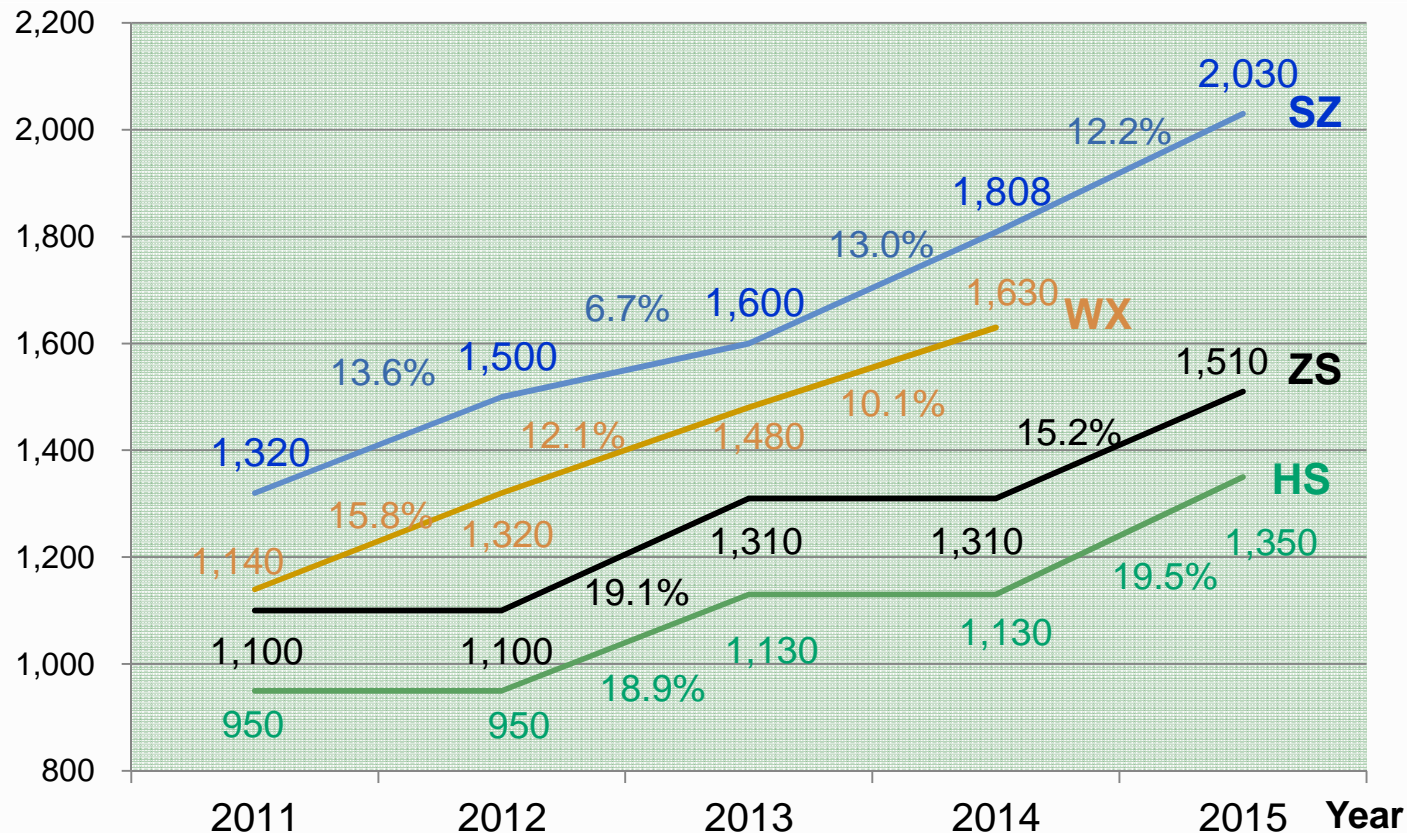
2014 Exchange Gain/(Loss)

	Exchange Movement Impact in P&L				
	RMB	Euro	GBP	USD	Total Eqv.
	<u>¥ mil.</u>	<u>€ mil.</u>	<u>£ mil.</u>	<u>\$ mil.</u>	<u>HK\$ mil.</u>
2014 Year-End Exch Rate	1.250	9.36	12.06	7.755	
% Appr / (%Depr) vs. 2013 Year-End	(2.4%)	(12.3%)	(6.2%)	0.1%	
Annual Sales - HKD entities	¥119	€ 4.4	£4.5	\$162	1509
Net Monetary Assets at 2014 Year-End	¥450	€ 1.2	£3.6	\$18	752
Annual Opex./Out-flow HKD entities	(¥867)	(€ 5.3)	(£1.8)	(\$161)	
A) Exchange Gain/(Loss) - HKD mil.	(14.5)	(2.3)	(2.8)	0.3	(19.3)
B) Hedge Gain/(Loss) - HKD mil.	(15.3)	0.9	-	-	(14.5)
Total Exch Gain/Loss, HKD mil.	(29.8)	(1.5)	(2.8)	0.3	(33.8)

Labor Cost Inflation

Announced higher %increase of minimum wage in 2015 than 2014

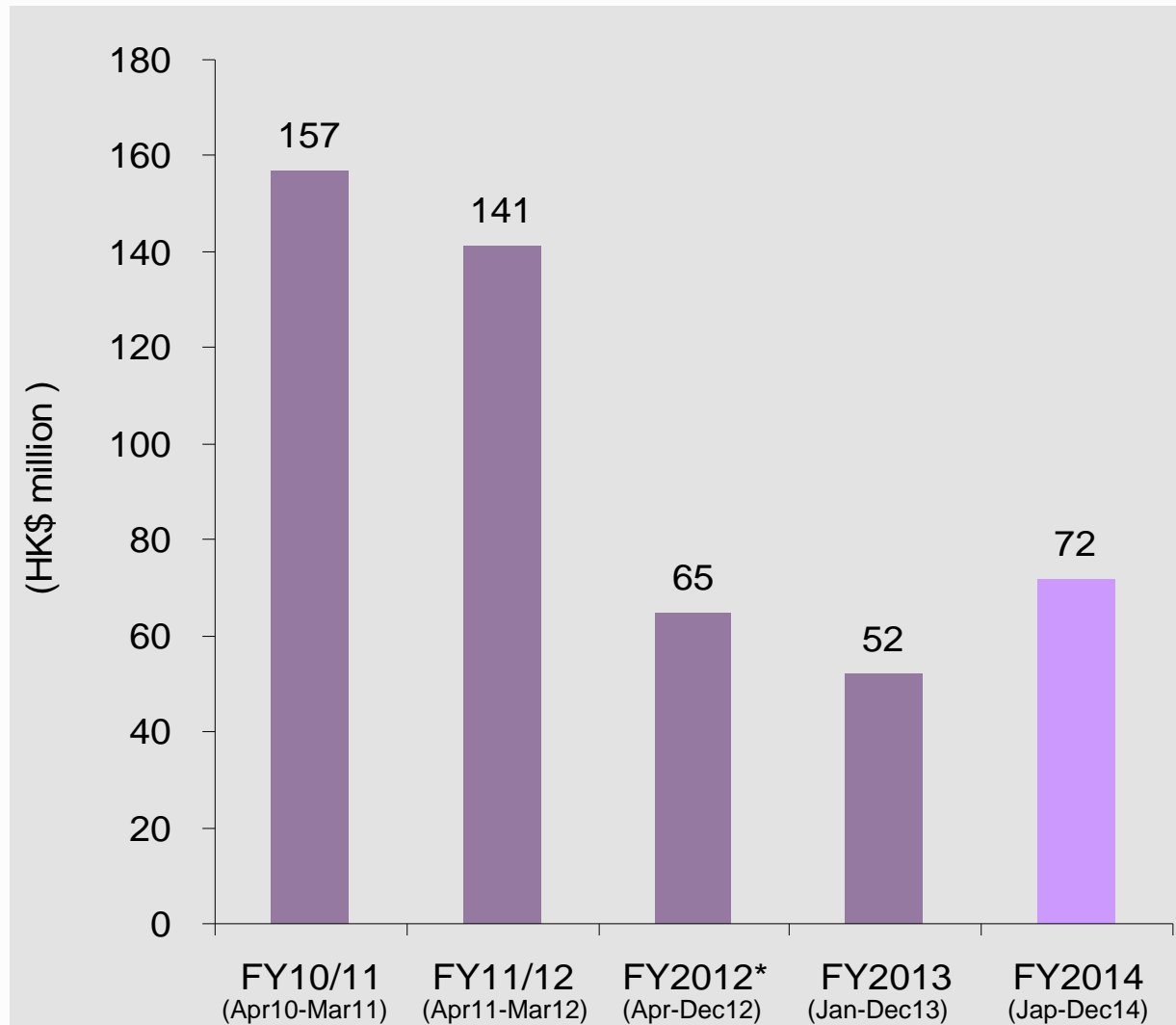
Minimum Wage Rate: Shenzhen / Wuxi / Zhongshan / Heshan (in RMB)



Min. Wage Rate	
Location	2014 Incr%
Shenzhen	13%
Wuxi	10%
Zhongshan	Nil.
Heshan	Nil.

Min. wage announced to increase by 12% in SZ from Mar/15; and 15% & 19% in ZS & HS respectively from May/15

CAPEX Investment: Continue to grow our capabilities with strengthened technology and value-added product offerings

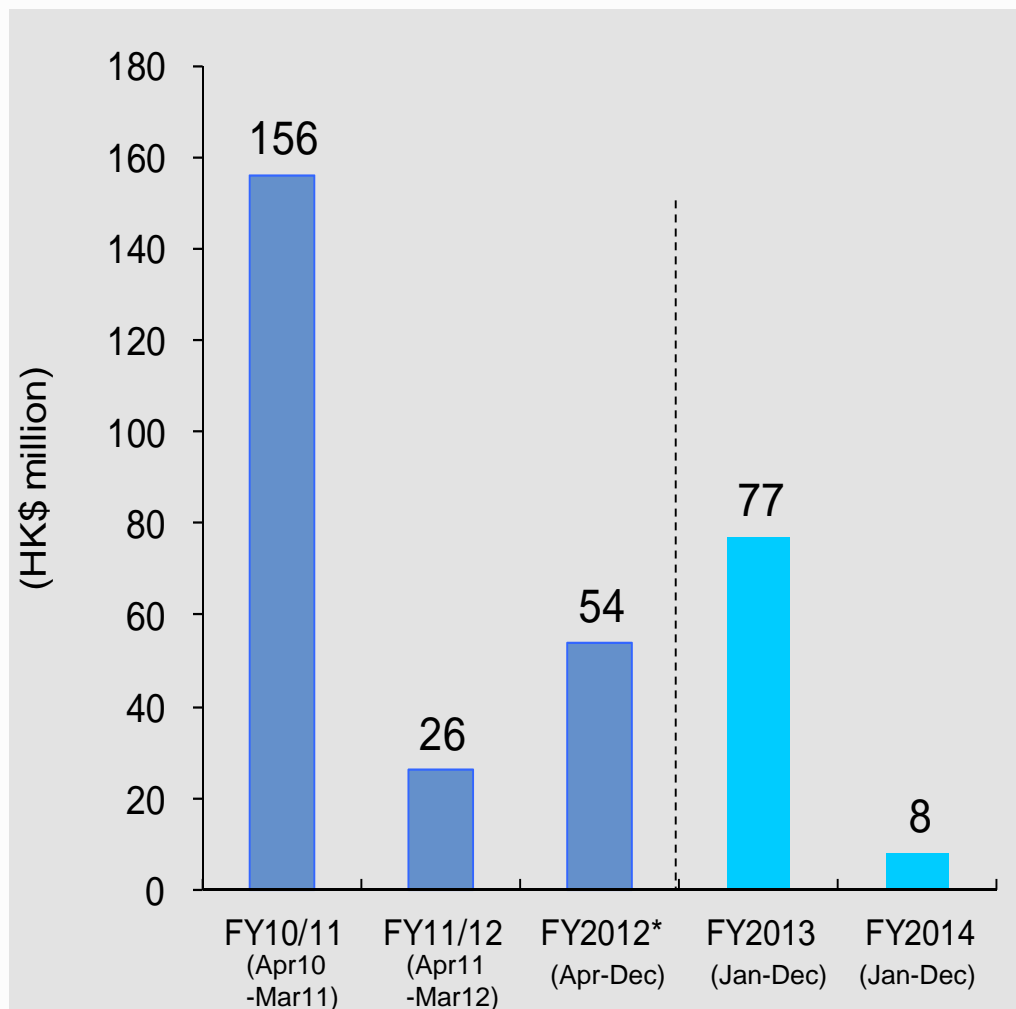


Commentary

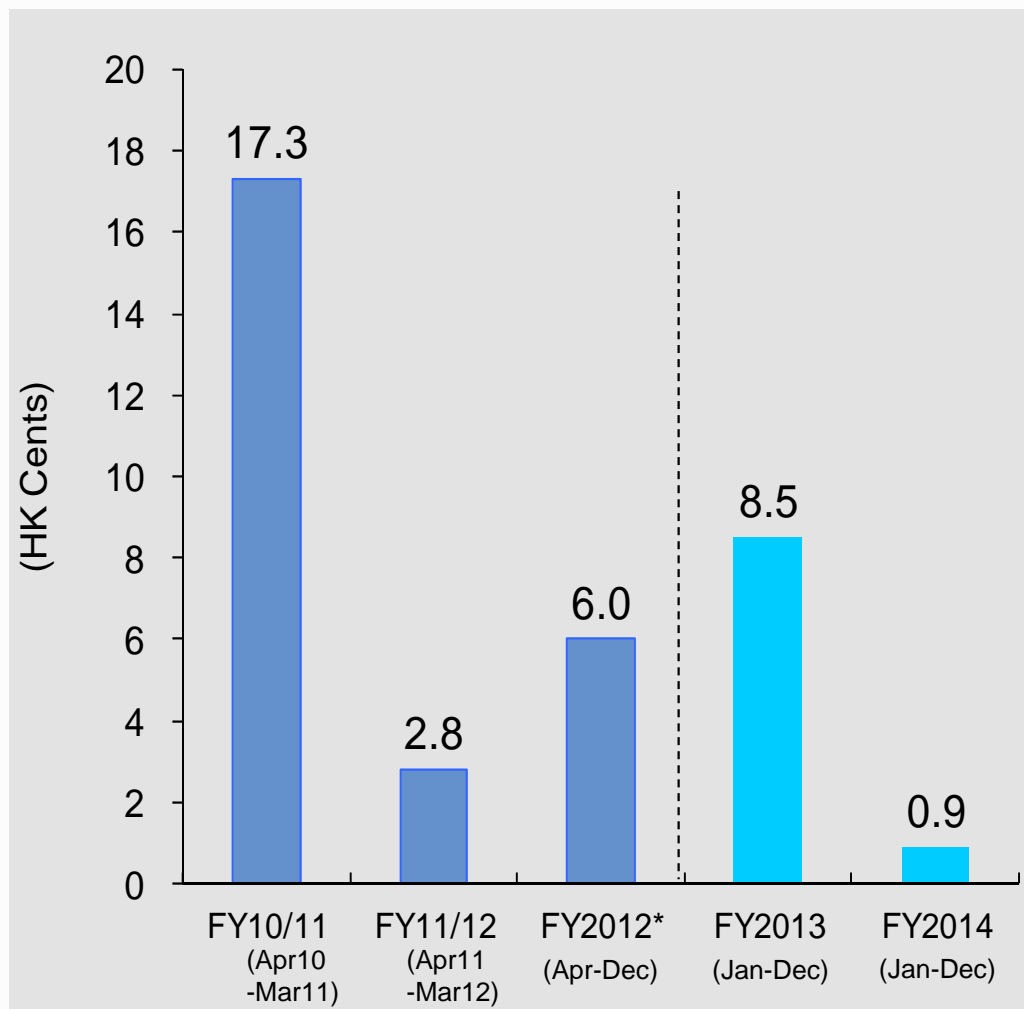
- Unwavering long-term investment commitments and continued to drive technological capabilities, process automation and capacity upgrade
- Support on-going business development with significant investment and focus on value-added customer offerings in terms of innovation, quality and efficiency improvement

Shareholders' Earning & Earnings per Share (EPS)

Profit Attributable to Owners of HHPG



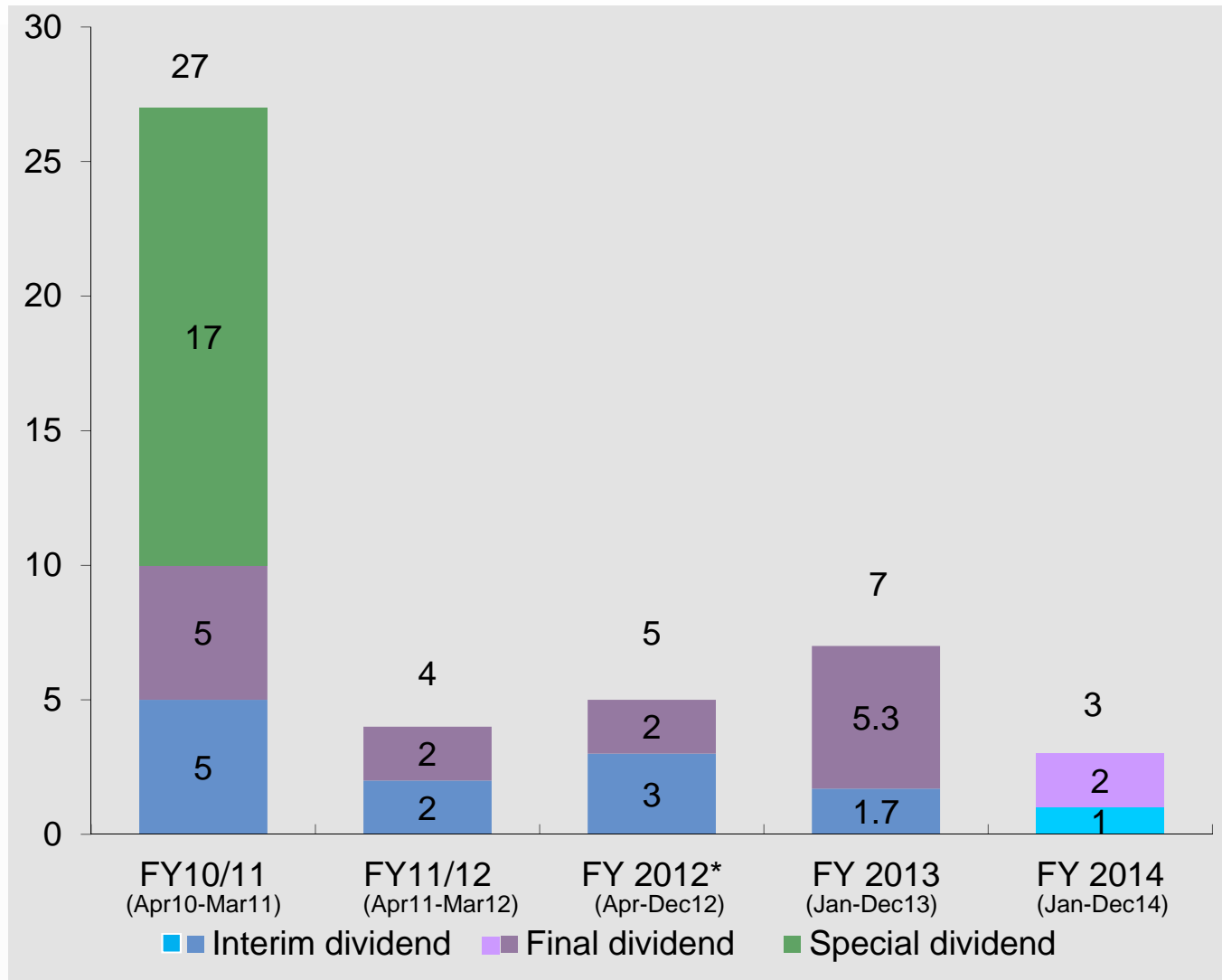
Basic Earnings per share



* Nine months' results for financial year FY2012 due to change of year end from 31-Mar to 31-Dec.

Proposed HK¢ 2 as final dividends

The Group is confident to maintain decent dividend distribution



Commentary

■ 2014 Dividends

Interim (paid)	1 cent
Final (proposed)	2 cents
Total 2014	3 cents

■ Dividend yield: 2.8 %

■ Payout ratio: 333 %

* Nine months' results for financial year FY2012 due to change of year end from 31-Mar to 31-Dec.

Appendix: Current Business Outlook

General business environment: opportunities and uncertainties

China's economic growth rate has been gradually adjusting to a “new normal”, softening but staying within a reasonable range. It may signal modest growth momentum in industrial output and softer domestic demand, particularly with anticipated uncertainty in the recovery of the regional and global economies.

1. Export & Domestic Market Conditions

Cautiousness about the China's business outlook increased alongside a policy shift toward a less industrial- and export-dependent economy. Meanwhile, Chinese imports and retail sales growth have been lacklustre, reflecting clear weaknesses in domestic demand and consumption in 2014. China's trade and manufacturing sectors will likely continue to face challenges in the early part of 2015 given the current international and domestic complications.

On the other hand, economic reforms are on track towards more market driven and less interventions. Together with urbanization and relaxation of one-child policy, we remain confident to see significant positive impact on consumer demand in the long-run for both packaging and cultural products. Despite hiccups of slower growth in the Chinese economy for short-term, we believe consumer spending will continue to grow and accelerate at the backdrop of severe competition.

Appendix: Current Business Outlook (Cont')

2. Increasing consolidation among export printers

Challenges and opportunities also arise from stricter policy enforcement by the Government to de-register suppliers and printers using sub-standard manufacturing processes and inferior equipment. The trend toward consolidation is expected to accelerate. Hung Hing has a long track record of implementing best compliance practices to satisfy or exceed the requirements of its international clients and to support the government's environmental policy. Our commitment on green manufacturing and quality products will be highly recognized by large / MNC customers, thus, renders Hung Hing a beneficiary to this trend.

3. Investment in the future with value-added offerings

The Group will continue to invest proactively in innovations to upgrade to our product range as well as processes. We believe that by leveraging partnerships with leading companies from diverse industries (including our second-largest shareholder Rengo Co. Ltd., Japan), our team will be able to gain access to an even wider range of new ideas, technologies and business development opportunities, and eventually bring value-added benefits to mutual customers. This also allows Hung Hing to go beyond what a traditional printer can offer, creating additional business channels and long-term growth.

Safety

Quality

Green

Green

ECO Factory



In year 2014, we consumed over 68,000 Tons FSCR and PEFC paper, and awarded various environmental recognitions.

FSC: Forest Stewardship Council - Chain of Custody to ensure paper originates from well-managed forest

PEFC: Programme for the Endorsement of Forest Certification Schemes - Chain of Custody provides link between paper products and sustainably managed forest.

Cleaner Production: Our environmental projects are awarded the Cleaner Production Program organized by Hong Kong Productivity Council

Hang Seng Pan Pearl River Delta Environmental Awards: We secured continuously for more than 5 years the Green Medal in environmental programme sponsored by Hang Seng Bank

China Environmental Labelling: Our materials, manufacturing processes and products comply with China environmental requirement

ISO14001: International Standard in environmental management system to minimize the environmental impact and look for continuous improvement.



Quality

Green

Safety



Safety

Workspace And Products Safety

Our factories have accredited different ethical standards, e.g. Raw Materials and products comply with international safety standards.

Caring Company: We participated more than five years in Caring Company program

ICTI-Care: International Council of Toy Industries – Care program, an ethical standard adopted by toy industries worldwide

GSV: Global Security Verification, a standard to verify the supply chain security practice meets the requirement of export goods to the United States

CNAS: We have China National Accreditation Service certified laboratory to perform chemical tests on our materials to ensure compliance with safety standards

EN71: European toy safety standard

ASTMF963: US toy safety standard

Rohs: European regulation on Restriction Of Hazardous Substances in electrical and electronic equipment.

REACH: Raw materials comply with REACH and no chemicals in SVHC List (Substances of Very High Concern)



Safety

Green

Quality

Quality



Quality Products Produce From Hygienic Workspace

gmi

Our factories have achieved various quality and hygienic workspace standards

GMI: Graphic Measures International Ltd, an approach adopted by some large retailing companies to monitor and measure the quality performance of packaging suppliers.

PSA: Printing Standards Audit certification is a rigorous, objective process for assessing a printer's color control ability to operate a standards-compliant workflow.

ISO9001: International Standard in Quality Management System for continuous quality improvement through the implementation of Plan-DO-Check-Act cycle.

BRC: British Retail Consortium, a standard to ensure workplace hygiene and process is suitable to produce indirect food contact items.



Beluga + Design + Engineering Team

open work area to encourage communications,
brainstorm new innovative ideas.

Beluga has evolved into a platform that provides a **total printing+digital solution** for customers. We don't just show our clients the technology and stop there. We go a step further by guiding them all the way from research to idea development, and to production.



Little Musician

LITTLE
MUSICIAN



- 5 titles + Gift set
- **\$2 Million** dollar business
- Distribution in various parts of Asia

Expansion into other markets

smashbox
COSMETICS

AsDaily

JCI  國際青年商會香港總會
Junior Chamber International Hong Kong

Cosmetics



Education
Games

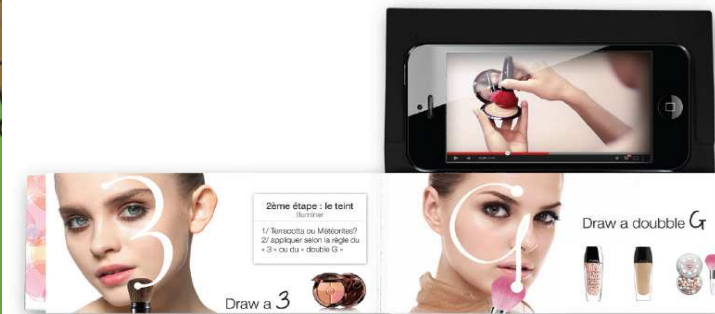


Event
Management

Combination of print and digital to create a multisensory (Sight, Touch, Taste. Smell. Sound) to the product.



Brand Marketing



Appendix: Four Complementary Hung Hing Business Segments



	Book & Package Printing	Consumer Product Packaging	Corrugated Box	Paper Trading
Market position	■ Leader globally	■ Major player in China	■ Major player in South China	■ Major player in South China
% 2014 revenue	■ 56% (HK\$1,672mm)	■ 24% (HK\$727mm)	■ 7% (HK\$198mm)	■ 13% (HK\$392mm)
Key products	<ul style="list-style-type: none"> ■ Conventional & Children's books ■ Toys Packaging ■ Luxury Packaging 	<ul style="list-style-type: none"> ■ Personal care products ■ Packaged food ■ Consumer goods & electronics 	<ul style="list-style-type: none"> ■ Primarily for export and transportation purposes 	<ul style="list-style-type: none"> ■ High quality papers sourced from Europe, Americas, Southeast Asia and China. 
Key facilities	<ul style="list-style-type: none"> ■ Three production facilities in Shenzhen, Heshan, and Hong Kong ■ Total capacity of ~850 million impressions 	<ul style="list-style-type: none"> ■ Two production facilities in Zhongshan and Wuxi, both equipped with dust-free manufacturing zone and BRC (British Retail Consortium) certified. 	<ul style="list-style-type: none"> ■ Main production facility in Shenzhen ■ Additional facility in Zhongshan included under Consumer Product Packaging 	<ul style="list-style-type: none"> ■ Two warehouses in Shenzhen and Hong Kong, with total storage capacity of ~80,000 tons

Appendix: Hung Hing established multi-locations infrastructure

Zhongshan



- Printing and manufacturing of folding cartons, litho lam and corrugated containers
- Awarded ISO9001 certification
- Production area: 130,000 m²
- Production capacity: 222 million impressions

Wuxi

- Printing & mfg. of folding cartons, litho lam and corrugated containers
- Awarded ISO9001 and ISO14001 certifications
- Production area: 50,000 m²
- Production capacity: 147 million impressions



Shenzhen

- Printing & mfg. of folding carton, children's & conventional books, litho-lam, corrugated containers
- Paper Trading: warehouse of 36,600m² and storage capability of 60,000 tons
- Awarded ISO9001, ISO14001 and ICTI-COBP certifications
- Production area: 175,000 m²
- Production capacity: 638 million impressions



Hong Kong

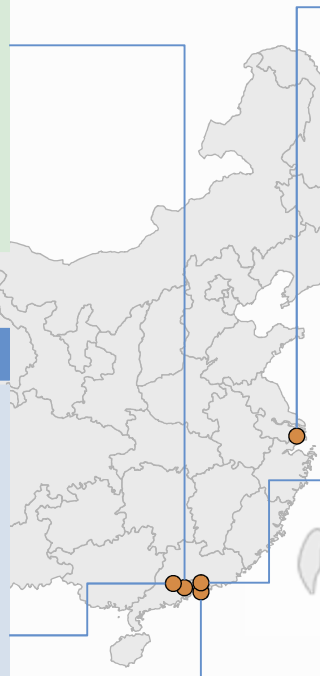
- Corporate headquarters
- Printing of conventional books
- Paper Trading: warehouse of 11,560 m² and storage capability of 20,000 tons



Heshan



- Printing children's and conventional books
- ~330,000 m² of land available for further expansion, enough to double current operations
- Awarded ISO9001 and ICTI-COBP certifications
- Production area: 110,000 m²
- Production capacity: 213 million impressions



Disclaimer

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Note:

The financial year end of Hung Hing Printing Group Limited (HHPG) has been changed from 31 March to 31 December since 2012.

Thank you

Q&A

A Leading Printer in Asia

With unrivalled market leadership, well-balanced portfolio and sustained growth for over six decades, Hung Hing is in an excellent position to take advantage of growing opportunities as the economic recovery continues to build momentum.