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HUNG HING PRINTING GROUP LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 0450)

FINAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	2015 HK\$'000	2014 HK\$'000 (Restated)
Revenue	2	3,036,933	3,015,918
Cost of sales		(2,585,536)	(2,587,616)
Gross profit		451,397	428,302
Other revenue		32,183	31,509
Other net loss		(18,293)	(37,503)
Distribution costs		(76,061)	(77,518)
Administrative and selling expenses		(317,567)	(303,752)
Operating profit		71,659	41,038
Finance costs	3	(6,632)	(9,538)
Profit before income tax		65,027	31,500
Income tax	5	(22,516)	(22,107)
Profit for the year		42,511	9,393
Attributable to:			
Equity shareholders of the Company		38,199	7,914
Non-controlling interests		4,312	1,479
Profit for the year		42,511	9,393
		HK cents	HK cents
Earnings per share attributable to equity shareholders of the Company	6		
Basic		4.2	0.9
Diluted		4.2	0.9
		HK\$'000	HK\$'000
Dividends	7	36,315	27,236

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2015 HK\$'000	2014 HK\$'000
Profit for the year	42,511	9,393
Other comprehensive income for the year (net of tax):		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	(46,746)	(25,183)
Change in fair value of intangible assets	500	(50)
Change in fair value of available-for-sale financial assets	3,333	1,508
	(42,913)	(23,725)
Total comprehensive income for the year	(402)	(14,332)
Attributable to:		
Equity shareholders of the Company	3,217	(11,546)
Non-controlling interests	(3,619)	(2,786)
	(402)	(14,332)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2015 HK\$'000	At 31 December 2014 HK\$'000
Non-current assets			
Property, plant and equipment		1,183,805	1,256,678
Land use rights		82,641	87,249
Properties under construction		1,219	1,910
Intangible assets		9,735	9,438
Deposits for acquisition of non-current assets		23,364	17,669
Available-for-sale financial assets		46,231	43,929
Deferred tax assets		8,675	12,050
		1,355,670	1,428,923
Current assets			
Inventories		522,328	515,293
Trade and bills receivables	8	786,864	781,007
Prepayments, deposits and other receivables		51,598	40,149
Pledged time deposits		85,403	82,558
Time deposits with original maturity over three months		180,958	47,549
Cash and cash equivalents		546,391	917,658
Income tax recoverable		3,821	1,340
		2,177,363	2,385,554

Current liabilities

Trade and bills payables	9	196,315	244,317
Other payables and accrued liabilities		180,722	166,309
Derivative financial instruments		-	3,749
Bank borrowings		188,698	290,058
Income tax payable		11,951	14,467
		<u>577,686</u>	<u>718,900</u>

Net current assets**Total assets less current liabilities**

1,599,677	1,666,654
<u>2,955,347</u>	<u>3,095,577</u>

Non-current liabilities

Bank borrowings	85,000	194,667
Deferred tax liabilities	58,472	56,858
	<u>143,472</u>	<u>251,525</u>

Net assets

<u>2,811,875</u>	<u>2,844,052</u>
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Capital and reserves

Share capital	1,652,854	1,652,854
Reserves	981,140	1,014,238
Proposed dividend	22,697	18,157

Total equity attributable to equity shareholders of the Company

<u>2,656,691</u>	<u>2,685,249</u>
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Non-controlling interests

155,184	158,803
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Total equity

<u>2,811,875</u>	<u>2,844,052</u>
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	2015 HK\$'000	2014 HK\$'000
Net cash inflow/(outflow) from:		
Operating activities	79,463	197,571
Investing activities	(188,941)	102,434
Financing activities	(249,747)	18,873
Net (decrease)/increase in cash and cash equivalents	<u>(359,225)</u>	<u>318,878</u>
Cash and cash equivalents at 1 January	917,658	608,906
Exchange loss in cash and cash equivalents	(12,042)	(10,126)
Cash and cash equivalents at 31 December	<u>546,391</u>	<u>917,658</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	328,119	269,055
Time deposits with original maturity less than three months	218,272	648,603
	<u>546,391</u>	<u>917,658</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of final results for the year ended 31 December 2015 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2014, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 in due course. The Company's auditor has reported on these financial statements for both years. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(a) New and amended standards adopted by the Group

The following amendments to standards and interpretations are mandatory for the Group's accounting year beginning on 1 January 2015:

HKFRSs (amendment)	Annual Improvements to HKFRSs 2010 - 2012 Cycle
HKFRSs (amendment)	Annual Improvements to HKFRSs 2011 - 2013 Cycle

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 and HKAS 28 (amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 11 (amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKAS 16 and HKAS 38 (amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation

HKAS 27 (amendment)	Equity Method in Separate Financial Statements
HKFRSs (amendment)	Annual Improvements to HKFRSs 2012 - 2014 Cycle
HKFRS 15	Revenue from Contracts with Customers
HKFRS 9	Financial Instruments

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

(c) Prior period adjustment

In the consolidated income statement for the year ended 31 December 2014, sales commission paid/payable to third party agents of HK\$26,585,000 was incorrectly recognised as an adjustment to revenue, rather than as an expense. The consolidated income statement has been corrected retrospectively by reclassifying such sales commission from revenue to administrative and selling expenses for the year ended 31 December 2014.

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 committee 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 net loss 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.

	2015			Segment results
	Segment revenue			
	Sales to external customers	Inter-segment sales	Total	
	HK'\$000	HK'\$000	HK'\$000	
Book and Package Printing	1,724,132	870	1,725,002	57,327
Consumer Product Packaging	696,129	1,059	697,188	11,386
Corrugated Box	187,604	98,316	285,920	10,619
Paper Trading	429,068	385,406	814,474	14,155
Eliminations	-	(485,651)	(485,651)	1,264
	<u>3,036,933</u>	<u>-</u>	<u>3,036,933</u>	<u>94,751</u>
Interest, dividend income and other income				22,943
Corporate and unallocated expenses				(46,035)
Operating profit				<u>71,659</u>
Finance costs				(6,632)
Profit before income tax				<u>65,027</u>
Income tax				(22,516)
Profit for the year				<u>42,511</u>

	2014			Segment results
	Segment revenue			
	Sales to external customers	Inter-segment sales	Total	
	HK'\$000 (Restated)	HK'\$000	HK'\$000 (Restated)	
Book and Package Printing	1,698,352	1,785	1,700,137	42,268
Consumer Product Packaging	727,528	3,137	730,665	7,274
Corrugated Box	198,267	92,914	291,181	5,336
Paper Trading	391,771	430,760	822,531	13,514
Eliminations	-	(528,596)	(528,596)	1,758
	<u>3,015,918</u>	<u>-</u>	<u>3,015,918</u>	<u>70,150</u>
Interest, dividend income and other income				20,083
Corporate and unallocated expenses				(49,195)
Operating profit				<u>41,038</u>
Finance costs				(9,538)
Profit before income tax				<u>31,500</u>
Income tax				(22,107)
Profit for the year				<u>9,393</u>

3. Finance Costs

	2015 HK\$'000	2014 HK\$'000
Interests on bank borrowings	<u>6,632</u>	<u>9,538</u>

4. Profit Before Income Tax

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

	2015 HK\$'000	2014 HK\$'000
After charging -		
Depreciation	104,769	108,054
Amortisation of land use rights	2,951	1,738
Amortisation of intangible assets	873	631
Provision for impairment loss of trade receivables	-	1,135
Operating lease charges in respect of land and buildings	7,563	6,941
Provision for impairment of inventories, net	181	3,585
Employee benefits expense (including directors' emoluments)	806,341	812,620
Fair value loss on derivative financial instruments not qualified as hedges, net	-	15,324
Foreign exchange loss, net	<u>16,566</u>	<u>18,242</u>
After crediting -		
Dividend income from available-for-sale financial assets	381	348
Bank interest income	22,672	19,735
Fair value gain on derivative financial instruments not qualified as hedges, net	271	-
Reversal of provision for impairment loss of trade receivables	<u>2,000</u>	<u>-</u>

5. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

	2015 HK\$'000	2014 HK\$'000
Current tax		
- Hong Kong profits tax		
- Provision for the year	1,732	4,475
- Under provision in respect of prior years	91	346
	<u>1,823</u>	<u>4,821</u>
- PRC corporate income tax		
- Provision for the year	13,375	11,873
- Under provision in respect of prior years	632	146
	<u>14,007</u>	<u>12,019</u>
Total current tax	15,830	16,840
Deferred tax	6,686	5,267
	<u>22,516</u>	<u>22,107</u>

6. Earnings Per Share Attributable to Equity Shareholders of the Company

(a) Basic earnings per share

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

	2015	2014
Profit attributable to equity shareholders of the Company (HK\$'000)	38,199	7,914
Weighted average number of ordinary shares in issue (thousands)	907,865	907,865
Weighted average number of own held shares for share award scheme (thousands)	(1,633)	(1,951)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share (thousands)	<u>906,232</u>	<u>905,914</u>
Basic earnings per share (HK cents per share)	4.2	0.9

(b) Diluted earnings per share

For the year ended 31 December 2015 and 2014, diluted earnings per share is the same as the basic earnings per share as there was no dilutive potential ordinary shares.

7. Dividends

	2015 HK\$'000	2014 HK\$'000
Interim dividend of HK1.5 cents (2014: HK1 cent) per ordinary share	13,618	9,079
Proposed final dividend of HK2.5 cents (2014: HK2 cents) per ordinary share	22,697	18,157
	<u>36,315</u>	<u>27,236</u>

The Directors recommend the payment of a final dividend of HK2.5 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 dividends in reserves.

8. Trade and Bills Receivables

	2015 HK\$'000	2014 HK\$'000
Trade receivables	788,941	800,046
Less: provision for impairment loss of trade receivables	(12,481)	(24,708)
	<u>776,460</u>	<u>775,338</u>
Trade receivables due from related parties	819	1,746
Total trade receivables, net	<u>777,279</u>	<u>777,084</u>
Bills receivables	9,585	3,923
	<u>786,864</u>	<u>781,007</u>

Trade receivables are normally due within 30 to 90 days from the date of billing.

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:

	2015	2014
	HK\$'000	HK\$'000
1 - 30 days	311,193	322,043
31 - 60 days	172,666	184,295
61 - 90 days	102,273	95,625
Over 90 days	191,147	175,121
	<u>777,279</u>	<u>777,084</u>

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

	2015	2014
	HK\$'000	HK\$'000
At 1 January	24,708	24,256
(Reversal of)/provision for impairment loss of trade receivables	(2,000)	1,135
Amount written off as uncollectible	(9,974)	(507)
Exchange differences	(253)	(176)
At 31 December	<u>12,481</u>	<u>24,708</u>

9. Trade and Bills Payables

	2015	2014
	HK\$'000	HK\$'000
Trade payables	158,081	196,289
Bills payables	38,234	48,028
	<u>196,315</u>	<u>244,317</u>

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

	2015	2014
	HK\$'000	HK\$'000
1 - 30 days	122,213	142,908
31 - 90 days	30,696	48,904
Over 90 days	5,172	4,477
	<u>158,081</u>	<u>196,289</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Improved performance in a consolidating market

The Group achieved modest growth in 2015 with whole-year revenues reaching HK\$3,037 million (2014: HK\$3,016 million). Most of the Group's business units, especially Book and Package Printing and Paper Trading, delivered improved revenues and profit contributions as a result of increased marketing efforts across key markets, strengthened partnerships with major customers and prudent financial strategies.

Profit from operating activities grows by 75% year-on-year

The Group deployed a range of measures across business units to improve operating profits. An augmented management structure helped streamline operations and business processes in the Book and Package Printing business unit. At all our facilities, operating efficiency was enhanced through workflow analysis and rationalization. Organization-wide efforts to reduce costs continued and savings were recorded in both distribution costs and other selling expenses.

Efforts were stepped up to secure higher margin business, including special projects with comprehensive investment and value-added services. These initiatives were effective in counteracting the effects of unpredictable paper prices and pressures of competitive margins, enabling us to increase profit from operating activities to HK\$72 million (2014: HK\$41 million).

Net profit triples due to cautious hedging strategies and cash management

The Group pursued more agile hedging strategies throughout the year to manage our exposure to abrupt adjustments in global exchange rates, particularly in the Renminbi. These were adapted dynamically in response to market developments, reducing the negative impact on business due to exchange differences.

We also rebalanced our funding portfolio and paid down debts to proactively address potential adversities in interest rates. Consequently profit attributable to equity shareholders of the company increased by 383% year-on-year to HK\$38 million.

Strong liquidity position with net cash standing at HK\$539 million

As at 31 December 2015, the Group continued to maintain strong net cash on hand (total cash net of bank borrowings) of HK\$539 million, which represents a slight drop from HK\$563 million in 2014. Capital investment of around HK\$63 million was funded by cash generated from operating activities of HK\$79 million. We also increased the funds placed in time deposits over three months by HK\$133 million to generate higher interest income, while reducing gearing ratio to a more conservative level of 10% (2014: 17%).

To meet operating needs, approximately 75% of cash was held in RMB, with the bulk of the remainder held in HKD (11%) and USD (10%). Loans were also confined to HKD and USD to control currency exposures and reduce interest expenses. We also carefully managed our loan portfolio, using a balanced mix of floating and fixed interest rate facilities depending on market conditions to minimize interest rate risk.

Market factors

The Chinese domestic economy grew by 6.9% in 2015, a more settled growth pattern that reflects slack demand from developed economies^[1]. However, consumer confidence remains encouraging with retail sales in December up 11.2% from a year ago. The adoption of the two-child policy in China will contribute to recovery based on domestic consumption rather than exports. This will be favorable to the Group's packaging and children's books business in the medium to long term.

Globally, economic activities remained subdued with restrained customer demand. There was modest recovery in certain advanced economies such as the USA, our primary export markets. Commodity prices softened^[2] while paper prices remained volatile throughout the year. Through agile inventory management and capacity utilization, we were able to take advantage of these persistent adjustments to improve margins in the paper trading and book and package printing business units.

In Mainland China the Central Government continued to implement reforms designed to encourage environmental compliance. In 2014 the Standing Committee of the National People's Congress passed the first set of amendments to China's Environmental Protection Law (EPL)^[3]. To adhere to new regulations limiting the use of Volatile Organic Chemicals (VOCs), the Group increased its use of water-based materials instead of solvent-based materials reducing over half (109 tons) of VOC consumption. It also installed air filters in all plants with a total filtering capacity of 298.9 million cubic meters per year.

The Group pursued a multi-fold diversification strategy to achieve growth in this global environment. Firstly, we broadened our geographic footprint through expanded sales and marketing in order to minimize our exposure to any one economy. Secondly, we sourced business from a wide range of industry sectors including toys, cosmetics, personal healthcare and hygiene, fast-moving consumer goods (FMCG) and publishing. Last but not least, we recognize the importance of upgrading our offerings and moving up the value chain to achieve sustainable growth. As an additional service offering, we have begun, on behalf of rights owners, to promote the publication rights of popular book titles to domestic and overseas publishers. This service of connecting publishers in different markets has been well received by clients and led to increased book printing and service revenues for the Group.

With a strong balance sheet and cash position, the group is well placed to continue to invest in automation and advanced equipment to achieve competitive advantage. Over HK\$63 million was invested during the year on advanced machinery and equipment, including two new printing press of five-colour and seven-colour.

^[1] Wall Street Journal article dated 19 Jan 2016 by Mark Magnier

^[2] <https://www.imf.org/external/pubs/ft/weo/2016/update/01/pdf/0116.pdf>

^[3] <http://www.latham.london/2015/11/what-multinationals-need-to-know-about-chinas-amended-environmental-protection-law/>

Environmental Sustainability

The Group follows principles of sustainable manufacturing and strives to minimize energy use, emissions, and waste produced. During the year, we consumed 64,400 Mwh of power (2014: 61,000 Mwh), controlling our increase in consumption to just 6% despite more equipment being installed to support new businesses and drive process automation. Following concerted efforts by all business units, water consumed reduced by 1% to 965,300 cubic meters (2014: 971,000 cubic meters). Natural gas consumption also dropped 5% from 2014 to 1.88 million cubic meters.

During the year 46,200 tons of paper, 532 tons of plastic waste and 86,700 kilograms of metal waste were recycled.

The Group's support of recycled paper and responsible forestry continues to increase. Consumption of FSCTM (Forest Stewardship CouncilTM) and PEFC (Programme for the Endorsement of Forest Certification) paper increased from 68,000 tons in 2014 to 68,500 tons in 2015. Certified and recycled paper accounted for up to 91% of the Group's manufacturing consumption in 2015 (2014: 90%).

Our People

Hung Hing believes in bringing in the right people and providing the right environment and tools to develop them to their full potential. As at 31 December 2015, we employed 9,510 skilled employees, a decline of 5% from 9,990 at the end of 2014.

We continue to be an employer of choice in China's competitive labor market by offering attractive remuneration packages together with opportunities for career advancement.

Training is an important way to enhance staff productivity and safety awareness. During the year, we provided on-site health and safety demonstrations and training to our workers. Both internal and external training programs were offered, covering employees' rights, health and safety, skill development and production automation. A total of 251,500 classroom training hours (2014: 272,000) were provided.

As a result of these measures, we achieved a low total incident rate (TIR) of 0.22 (2014: 0.19).

These steps have helped enhance efficiency, allowing the Group to manage wage inflation, which has been a challenge to all manufacturers in Mainland China.

Business Unit Reports

The Hung Hing Printing Group comprises four key business units: Book and Package Printing, Consumer Product Packaging, Corrugated Box, and Paper Trading.

Book and Package Printing (BPP)

Book and Package Printing is the Group's largest business unit, with 57% of total sales.

BPP is one of the world's leading producers of folding cartons and packaging for toys, cosmetics and other consumer products, and conventional and children's novelty books.

The business unit operates three plants in Shenzhen and Heshan in China's Guangdong province, and Hong Kong with a combined production space of 300,000 square meters and employs around 7,500 workers.

The BPP business reported the following results in 2015:

- Revenues of HK\$1,724 million, an increase of 2% over the previous year's revenues of HK\$1,698 million
- Profit contribution of HK\$57 million, a 36% increase over HK\$42 million in 2014

Review of Operations

The BPP business unit generated improved revenues from export markets such as the US and the UK, which served to offset sluggish European markets, largely due to economic uncertainty and currency depreciation. Steady demand was observed for books, printing and packaging services, especially products with an increased proportion of machine work and automation. During the year, the BPP business unit was successful in penetrating a new market segment – marketing and display materials – generating additional revenue streams for the business.

The Group continued to embrace new technologies and product designs. During the year the Group launched the world's first BridgingBook technology-enabled book, *Meet the Animal*, an innovative and smart learning product for young readers. Through Beluga Limited, a creative service provider and a subsidiary of the Group that was established four years ago, we extended our capabilities beyond printing production to include complementary design, marketing and distribution services. These expanded capabilities have helped us enhance relationships with existing customers and capture opportunities in new service and geographic areas.

The division's widespread geographical footprint exposed it to exchange rate volatility, which was managed through a disciplined hedging strategy. Improved revenues combined with streamlined workflow and cost controls enabled the division to achieve a significant increase in profit contribution of 36% over the previous year.

Consumer Product Packaging (CPP)

Consumer Product Packaging accounts for 23% of the Group's total revenues.

CPP provides high quality packaging solutions for customers worldwide, with a particular focus on mainland China's fast-growing consumer market.

Production is done at facilities in Zhongshan in southern China and Wuxi near Shanghai with a combined production space of 180,000 square meters and a skilled workforce of approximately 1,900.

The CPP business reported the following results in 2015:

- Revenue of HK\$696 million, down 4% from the HK\$728 million recorded in the previous year
- Profit contribution of HK\$11 million, a 57% increase over HK\$7 million in 2014

Review of Operations

In 2015, a transition in mainland China's economic reforms had a dampening effect on the China domestic high-end consumer packaging market. In the second half of the year, the Group implemented a range of initiatives to expand the unit's capabilities and achieve business transformation. This included new equipment such as a new seven-color printing press, revamped operating processes, and diversification of product lines and customer base. Sales strategies were adjusted to boost profit contribution. Rewards and skills enhancement programs introduced during the year had a positive impact on productivity and staff retention.

The business transformation program enabled the CPP unit to successfully improve profit contribution and grow its business with key clients.

Corrugated Box (CB)

The Corrugated Box business unit recorded revenues of HK\$286 million, including HK\$188 million in external sales and HK\$98 million in inter-business unit sales.

CB supplies corrugated cartons for packaging to a wide range of companies, including toy, food and beverage, electronics and household product manufacturers. Over 60% of the CB business is generated from exports out of mainland China.

The business unit operates a manufacturing facility in Shenzhen and a distribution center in Hong Kong.

The CB business reported the following results in 2015:

- External revenues of HK\$188 million, down 5% from the HK\$198 million recorded in the previous year
- Profit contribution of HK\$11 million, an increase of over twice the HK\$5 million achieved during the previous year

Review of Operations

The CB business faced similar challenges as the BPP and CPP business units during the period under review with respect to domestic and export demand.

Through improved operating practices, cost controls and re-alignment of the customer portfolio, the business significantly enhanced operating margins and profitability. The CB business followed a disciplined material control policy and worked closely with key suppliers, which enabled it to increase profits despite increased pressures from upward adjustments in paper prices.

Paper Trading (PT)

The Paper Trading business unit recorded revenues of HK\$814 million, including HK\$429 million in external sales and HK\$385 million in inter-business unit sales.

PT is one of the largest paper trading operators in Asia (ex-Japan) and can supply a large variety of paper types and quantities with short lead times at competitive prices. Apart from sales to external customers, the business unit serves as a key strategic partner for paper supply to the Group's other business units.

The business unit operates a 60,000-ton paper storage facility in Shenzhen.

The PT business reported the following results in 2015:

- External revenues of HK\$ 429 million, an increase of 10% from HK\$392 million in 2014
- Profit contribution of HK\$14 million, an increase of 5% from HK\$13.5 million the previous year

Review of Operations

The PT unit maintained strong partnerships with existing clients and reported stable growth during the year. There was increased export business to customers in South East Asia, which represents a growing geography for the division. The Group was able to take advantage of economies of scale to consolidate orders from various internal and external printers so as to obtain competitive sourcing terms during paper procurement.

In addition to warehousing and distribution services, the division enlarged its service portfolio and expertise to cover an expanded range of suppliers and materials. New paper cutting equipment has been installed that now enable it to offer new services at a superior quality. In tandem with growing demand for paper and printing supplies from sustainable sources, the business is able to offer a larger proportion of environmentally friendly and recycled materials.

Contingent Liabilities and Pledge of Assets

As at 31 December 2015, the Group has provided corporate guarantees to the extent of HK\$18 million to secure the banking facilities of a former related company governed by shareholders' agreement.

Certain buildings, land use rights and time deposits of the Group with a total carrying value of HK\$167 million as at 31 December 2015 have been pledged to secure banking and trading facilities granted to the Group.

Outlook

We expect business in the mainland China domestic market to grow steadily, including long-term increases in the demand for children's products and packaging. Globally, market conditions are likely to remain soft over the coming few quarters. Despite the prevailing uncertainties of the external environment, we remain cautiously optimistic about prospects in our export markets. The US is expected to achieve modest economic recovery through 2016 with consumer confidence remaining stable.

Operating costs in the year ahead will be affected by a number of factors such as ongoing increases in wages, paper price adjustments, and fluctuations in interest and exchange rates. To address these uncertainties, we will maintain cost controls, improve efficiency, promote our value-added services and actively pursue higher-margin business across all our business units. We will also follow the cautious inventory and financial strategies of 2015, adapting them in accordance with market developments.

Consolidation within the printing industry will continue to enable financially sound companies to increase market share. We believe that our core strengths – high quality, a strong financial position, vertically integrated operations and a team of skilled employees – will give us a competitive advantage.

I would like to offer my heartfelt thanks to the Board, our senior management and staff, whose skill and effort underpin our enduring growth and success.

FINAL DIVIDEND

The directors recommend a final dividend of HK2.5 cents (2014: 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 HK1.5 cents (2014: HK1 cent) per share paid in October 2015, will make a total dividend of HK4 cents (2014: HK3 cents) per share for the financial year.

The proposed final dividend will be paid by cash on 23 June 2016 to shareholders whose names appear on the Register of Members of the Company on 8 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 20 May 2016 to Tuesday, 24 May 2016, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 19 May 2016.

The Register of Members of the Company will be closed from Monday, 6 June 2016 to Wednesday, 8 June 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 3 June 2016.

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 all the applicable code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2015 except for the following deviations:

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. The roles of the chief executive officer have been undertaken by Mr. Yum Chak Ming, Matthew, the Executive Chairman of the Company. 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 effective to monitor and assess business performance 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.

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 2015 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 2015 have been agreed by the Group's auditor, KPMG ("KPMG"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2015. The work performed by KPMG 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 KPMG on the preliminary announcement.

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

Hong Kong, 24 March 2016

As at the date of this announcement, the Board comprises Mr. Yum Chak Ming, Matthew and Mr. Sung Chee Keung as executive directors; Mr. Sadatoshi Inoue, Mr. Hirofumi Hori, 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.