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**HUNG HING PRINTING GROUP LIMITED**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 450)

**CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 27 February 2012 and 27 November 2012, in relation to, among others, (i) the renewal of the Existing Purchase Framework Agreement and the Sale of Waste Paper Framework Agreement; (ii) the execution of a supplemental agreement to extend the term of the Basic Sales and Purchase Agreement; and (iii) the execution of the Corrugated Board Agreement.

In light of the expanding scope and value of the continuing connected transactions with the Rengo Group, the Group and the Rengo Group have on 19 December 2012 entered into, subject to the approval of the Independent Shareholders, two agreements to streamline the underlying transactions, namely, (i) the Sale of Paper Products Framework Agreement; and (ii) the Purchase of Paper Products Framework Agreement each for a term of three years with effect from the Effective Date. Upon receipt of the Independent Shareholders' approval, the New Framework Agreements will replace the existing agreements governing the continuing connected transactions between the Group and the Rengo Group, in their entirety.

The proposed Annual Caps for the Sale of Paper Products Framework Agreement and the Purchase of Paper Products Framework Agreement for each of the three financial years ending 31 December 2013, 31 December 2014 and 31 December 2015 are expected to exceed 5% of one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules and the relevant annual transaction amount are expected to exceed HK\$10 million. Accordingly, the New Framework Agreements and the proposed Annual Caps, are subject to the reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors will convene an EGM to seek the approval of the Independent Shareholders on the New Framework Agreements and the proposed Annual Caps. The Company has established an Independent Board Committee comprising all independent non-executive Directors to advise the Independent Shareholders as to whether the New Framework Agreements, and the proposed Annual Caps are in the ordinary and usual course of business of the Group; on normal commercial terms; and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee will advise the Independent Shareholders on how to vote at the EGM.

The Company will issue a circular to the Shareholders on or before 14 January 2013 to set out further

details of the New Framework Agreements and the relevant Annual Caps, a letter from an independent financial adviser containing its advice to the Independent Board Committee, recommendation from the Independent Board Committee to the Independent Shareholders and a notice to convene the EGM.

## **1. BACKGROUND**

Reference is made to the announcement of the Company dated 27 February 2012 and 27 November 2012, in relation to, among others, (i) the renewal of the Existing Purchase Framework Agreement and the Sale of Waste Paper Framework Agreement to 31 March 2013; (ii) the execution of a supplemental agreement to extend the term of the Basic Sales and Purchase Agreement to 31 December 2013; and (iii) the execution of the Corrugated Board Agreement which will expire on 31 December 2013. Prior to entering into the New Framework Agreements, the continuing connected transactions and the relevant annual cap under the afore-mentioned agreements are exempt from the approval by the independent shareholders of the Company but are subject to announcement, annual review and reporting obligations under the Listing Rules.

In light of the expanding scope and value of the continuing connected transactions with the Rengo Group, the Group and the Rengo Group have on 19 December 2012 entered into, subject to the approval of the Independent Shareholders, two agreements to streamline the underlying transactions, namely, (i) the Sale of Paper Products Framework Agreement; and (ii) the Purchase of Paper Products Framework Agreement each for a term of three years with effect from the Effective Date. Upon receipt of the Independent Shareholders' approval, the Sale of Paper Products Framework Agreement will replace the Sale of Waste Paper Framework Agreement and the Basic Sales and Purchase Agreement, in their entirety; whereas the Purchase of Paper Products Framework Agreement will replace the Existing Purchase Framework Agreement and Corrugated Board Agreement, in their entirety.

## **2. BACKGROUND AND REASON FOR THE CONTINUING CONNECTED TRANSACTIONS, PRICING POLICIES AND PROPOSED ANNUAL CAPS**

Based on the proposed Annual Caps for the three years ending 31 December 2015, the transactions contemplated under the New Framework Agreements are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## 2.1 The Sale of Paper Products Framework Agreement

The Group entered into the Sale of Paper Products Framework Agreement with the Rengo Group, pursuant to which the Group agrees to sell and the Rengo Group agrees to purchase paper products for the period from the Effective Date to 31 December 2015.

**Background and reasons for transactions:** The Rengo Group engages in, among other things, packaging business which requires different types of paper products as supplies in its ordinary course of business. The Group has, in its ordinary course of business, sold paper products, such as waste paper, paper, paper packaging material and printed products to the Rengo Group pursuant to the Sale of Waste Paper Framework Agreement and the Basic Sales and Purchase Agreement. Subject to the approval of Independent Shareholders, the Sale of Paper Products Framework Agreement will replace the Sale of Waste Paper Framework Agreement and the Basic Sales and Purchase Agreement with effect from the Effective Date.

**Historical transaction amounts:** The table below sets forth the historical aggregated amounts of sales of paper products by the Group to the Rengo Group:

	For the Eight Months ended 30 November 2012	For the Year Ended 31 March		
		2012	2011	2010
		(in HK\$ Million)		
<b>Sale of paper products by the Group to the Rengo Group</b>	24.30 <sup>1</sup>	19.11	17.29	44.68

**Pricing:** Pursuant to the terms of the Sale of Paper Products Framework Agreement, the price of paper products shall be determined on an arm's length basis and with reference to the prevailing market prices. The Rengo Group is required to settle payments in accordance with the payment terms set out in each of the purchasing orders for the purchase of paper products.

**Annual cap:** For the three years ending 31 December 2013, 31 December 2014 and 31 December 2015, the Company proposes that the annual transaction value in relation to the sale of paper products to the Rengo Group shall not, in aggregate, exceed the annual cap of HK\$59 million, HK\$77 million and HK\$98 million, respectively. The annual cap is determined with reference to the historical aggregated amounts of sales of paper products to the Rengo Group as aforementioned and the potential increase in Rengo Group's demand for paper products.

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<sup>1</sup> Based on the Group's unaudited management accounts

## 2.2. The Purchase of Paper Products Framework Agreement

The Group entered into the Purchase of Paper Products Framework Agreement with the Rengo Group on 19 December 2012, pursuant to which the Group agrees to purchase and Rengo Group agrees to sell paper products for the period from the Effective Date to 31 December 2015.

**Background and reasons for transactions:** The Group has, in its ordinary course of business, purchased paper products, such as paper and corrugated board as raw materials for its corrugated box and consumer product packaging businesses. It has purchased from the Rengo Group different types of paper and corrugated board pursuant to the Existing Purchase Framework Agreement and the Corrugated Board Agreement. Based on past transactions with the Rengo Group, the Company is of the view that the Rengo Group is a reliable and cooperative provider for paper products. Subject to the approval of Independent Shareholders, the Purchase of Paper Products Framework Agreement will replace the Existing Purchase Framework Agreement and the Corrugated Board Agreement with effect from the Effective Date.

**Historical transaction amounts:** The table below sets forth the historical figures of the aggregate purchase of paper products from the Rengo Group by the Group:

	For the Eight Months ended 30 November 2012	For the Year Ended 31 March		
		2012	2011	2010
		(in HK\$ Million)		
Purchase of paper products from the Rengo Group by the Group	51.60 <sup>2</sup>	71.05	109.40	73.49

**Pricing:** Pursuant to the terms of the Purchase of Paper Products Framework Agreement, the price of paper products shall be determined on an arm's length basis and with reference to the prevailing market prices. The Group is required to settle payments in accordance with the payment terms set out in each of the purchasing orders for the purchase of paper products.

**Annual cap:** For the three years ending 31 December 2013, 31 December 2014 and 31 December 2015, the Company proposes that the annual transaction value in relation to the purchase of paper products

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<sup>2</sup> Based on the Group's unaudited management accounts

from the Rengo Group shall not, in aggregate, exceed the annual cap of HK\$116 million, HK\$143 million and HK\$154 million respectively. The annual cap is determined with reference to the historical amounts of purchase of paper products from the Rengo Group as aforementioned and potential growth of our corrugated box and consumer product packaging businesses.

### **3. IMPLICATIONS UNDER THE LISTING RULES**

Rengo, which is holding approximately 29.9% equity interest in the Company, is a substantial shareholder of the Company and therefore a connected person of the Company. Transactions between the Group and the Rengo Group on continuing or recurring basis in the ordinary and usual course of business of the Group, constitutes continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules.

The proposed Annual Caps for the Sale of Paper Products Framework Agreement and the Purchase of Paper Products Framework Agreement for each of the three financial years ending 31 December 2013, 31 December 2014 and 31 December 2015 are expected to exceed 5% of one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules and the relevant annual transaction amount are expected to exceed HK\$10 million. Accordingly, the New Framework Agreements and the proposed Annual Caps, are subject to the reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the Non-Exempt Transactions will be included in the annual report and accounts of the Company in accordance with Listing Rules.

Mr. Sung Chee Keung, Mr. Yoshitaka Ozawa, Mr. Hiroyuki Kimura, Mr. Katsuaki Tanaka, each has a material interest in the Non-Exempt Transactions, abstained from voting on the board resolution approving the New Framework Agreements and the relevant Annual Caps. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the independent financial adviser) consider that the terms of the New Framework Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors will convene an EGM to seek the approval of the Independent Shareholders on the New Framework Agreements and the proposed Annual Caps. Shareholders who have material interest in the Non-Exempt Transactions will be required to abstain from voting at the EGM. Rengo and its associates (who in aggregate hold 271,552,000 Shares, representing approximately 29.9% of the issued share capital of the Company) and Mr. Sung Chee Keung (who holds 1,483,064 Shares, representing approximately 0.16% of the issued share capital of the Company) will abstain from voting at the EGM in respect of the resolution approving the New Framework Agreements and the proposed Annual Caps.

The Company has established an Independent Board Committee comprising all independent non-executive Directors to advise the Independent Shareholders as to whether the New Framework Agreements and the proposed Annual Caps are (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee will advise the Independent Shareholders on how to vote at the EGM on the resolutions in respect of the New Framework Agreements and the proposed Annual Caps, after taking into account the recommendations of the independent financial adviser.

In this connection, the Company has appointed an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the New Framework Agreements and the relevant Annual Caps. A circular containing, among others, (i) the details of the New Framework Agreements and the proposed Annual Caps; (ii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the New Framework Agreements and the proposed Annual Caps; (iii) recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the EGM will be despatched by the Company to the Shareholders in accordance with the Listing Rules on or before 14 January 2013.

#### **4. GENERAL INFORMATION**

The Company and its subsidiaries are principally engaged in integrated and technologically-advanced operations in book and packaging printing, consumer products packaging, corrugated box manufacturing and paper trading.

Rengo is a paper and packaging materials manufacturer listed on the Tokyo Stock Exchange (Stock Code: 3941). The Rengo Group is engaged in general packaging industry, providing solutions for the full spectrum of packaging needs of diverse industries.

#### **5. DEFINITION**

“Annual Caps”	The proposed Annual Caps set out on pages 3 and 4 under the sections headed “The Sale of Paper Products Framework Agreement” and “The Purchase of Paper Products Framework Agreement”
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Basic Sales and Purchase Agreement”	the basic sales and purchase agreement entered into between the Group and the Rengo Group for

	sales of paper products by the Group to the Rengo Group dated 1 May 2012
“Company”	Hung Hing Printing Group Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person”	has the meaning as is given by the Listing Rules
“continuing connected transactions”	has the meaning as is given by the Listing Rules
“Directors”	Directors of the Company
“Effective Date”	the date when the New Framework Agreements are approved by the Independent Shareholders in an extraordinary general meeting to be convened by the Company to approve the transactions contemplated in this announcement
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider the New Framework Agreements and the proposed Annual Caps
“Existing Purchase Framework Agreement”	the framework agreement entered into between the Company and the Paper Mill Entities for purchase of paper by the Group from the Paper Mill Entities dated 29 August 2011 (renewed on 27 February 2012)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the board of Directors established for the purpose of reviewing the New Framework Agreements and the proposed Annual Caps
“Independent Shareholders”	Shareholders other than Rengo and Mr. Sung Chee Keung and their respective associates
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Framework Agreements”	the Purchase of Paper Products Framework Agreement and the Sale of Paper Products Framework Agreement
“Corrugated Board Agreement”	the agreement entered into between the Group and the Rengo Group for purchase of corrugated board by the Group from the Rengo Group dated 27

November 2012

“Paper Mill Entities”

Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited and Zhongshan Ren Hing Paper Manufacturing Company Limited, each a Sino-foreign joint venture company established under the laws of the People’s Republic of China, and each is a subsidiary of Rengo

“Non-exempt Transactions”

the continuing connected transactions contemplated under the New Framework Agreements

“Purchase of Paper Products Framework Agreement”

the framework agreement entered into between the Group and the Rengo Group for purchase of paper products by the Group from the Rengo Group dated 19 December 2012

“Rengo”

Rengo Co., Ltd., a paper and packaging materials manufacturer listed on the Tokyo Stock Exchange (Stock Code: 3941)

“Rengo Group”

Rengo and its subsidiaries

“Sale of Paper Products Framework Agreement”

the framework agreement entered into between the Group and the Rengo Group for the sale of paper products by the Group to the Rengo Group dated 19 December 2012

“Sale of Waste Paper Framework Agreement”

the framework agreement entered into between the Company and the Paper Mill Entities for the sale of waste paper by the Group to the Paper Mill Entities dated 29 August 2011 (renewed on 27 February 2012)

“Shareholders”

shareholders of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“substantial shareholder”

has the meaning as is given by the Listing Rules

By order of the Board

**Hung Hing Printing Group Limited**

**Tung Yu Biu**

*Company Secretary*

Hong Kong, 19 December 2012

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