



HUNG HING PRINTING GROUP LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 0450)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2011

FINANCIAL HIGHLIGHTS

- Revenue was HK\$2,765 million, an increase of 15% over the previous year
- Profit attributable to the Company's shareholders declined by 6% to HK\$156 million
- Basic earnings per share were HK17.3 cents, compared to HK18.2 cents for the previous year
- Balance sheet remains strong with a net cash position of HK\$377 million
- The Board of Directors has proposed a final dividend of HK5 cents. Together with the special and interim dividends of HK17 cents and HK5 cents, total dividend for the year is HK27 cents per share compared to HK23 cents in the previous year

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 March 2011 as follows:

CONSOLIDATED INCOME STATEMENT

| | Notes | 2011 HK\$'000 | 2010 HK\$'000 |
|--|-------|------------------|------------------|
| Continuing operations | | | |
| REVENUE | 2 | 2,764,789 | 2,397,850 |
| Cost of sales | | (2,286,491) | (1,894,244) |
| Gross profit | | 478,298 | 503,606 |
| Other income and gains | | 41,140 | 16,964 |
| Gain on deemed disposal of associates | 3 | 52,178 | - |
| Distribution costs | | (73,933) | (60,728) |
| Administrative and selling expenses | | (265,449) | (243,422) |
| Other expenses | | (9,168) | (11,901) |
| Operating profit | | 223,066 | 204,519 |
| Finance costs | 4 | (10,341) | (11,411) |
| Share of losses of associates | | (15,616) | (2,639) |
| PROFIT BEFORE INCOME TAX | | 197,109 | 190,469 |
| Income tax expense | 6 | (37,053) | (24,890) |
| Profit for the year from continuing operations | | 160,056 | 165,579 |
| Discontinued operations | | | |
| Profit for the year from discontinued operations | 7 | - | 19,117 |
| Profit for the year | | 160,056 | 184,696 |

PROFIT ATTRIBUTABLE TO:

Equity holders of the Company

| | | |
|-------------------------|----------------|---------|
| Continuing operations | 156,493 | 148,169 |
| Discontinued operations | - | 18,435 |
| | 156,493 | 166,604 |

Non-controlling interests

| | | |
|-------------------------|----------------|---------|
| Continuing operations | 3,563 | 17,410 |
| Discontinued operations | - | 682 |
| | 3,563 | 18,092 |
| | 160,056 | 184,696 |

DIVIDENDS

| | | |
|---|----------------|---------|
| 8 | 245,123 | 209,512 |
|---|----------------|---------|

EARNINGS PER SHARE FOR PROFIT FROM CONTINUING
AND DISCONTINUED OPERATIONS ATTRIBUTABLE
TO EQUITY HOLDERS OF THE COMPANY

| | | |
|------------------------------|-----------------|----------|
| 9 | HK cents | HK cents |
| | | |
| Basic | | |
| From continuing operations | 17.3 | 16.2 |
| From discontinued operations | - | 2.0 |
| | 17.3 | 18.2 |
| | | |
| Diluted | | |
| From continuing operations | 17.2 | 16.1 |
| From discontinued operations | - | 2.0 |
| | 17.2 | 18.1 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | |
|--|-----------------|----------|
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| PROFIT FOR THE YEAR | 160,056 | 184,696 |
| OTHER COMPREHENSIVE INCOME: | | |
| Cash flow hedges, net of tax | (293) | (1,198) |
| Currency translation differences | 44,038 | 6,989 |
| Fair value gain on intangible assets | - | 658 |
| Fair value gain on available-for-sale financial assets | 17 | 1,123 |
| Impairment of available-for-sale financial assets | - | 199 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | 43,762 | 7,771 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 203,818 | 192,467 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | |
| ATTRIBUTABLE TO: | | |
| Equity holders of the Company | | |
| Continuing operations | 193,769 | 152,481 |
| Discontinued operations | - | 19,800 |
| | 193,769 | 172,281 |

| | | |
|---|----------------|---------|
| Non-controlling interests | | |
| Continuing operations | 10,049 | 18,549 |
| Discontinued operations | - | 1,637 |
| | 10,049 | 20,186 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 203,818 | 192,467 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at | |
|---|------------------|------------|------------|
| | 31 March | 31 March | 1 April |
| | 2011 | 2010 | 2009 |
| Notes | HK\$'000 | HK\$'000 | HK\$'000 |
| | | (Restated) | (Restated) |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 1,330,903 | 1,304,175 | 1,362,602 |
| Land use rights | 110,951 | 112,328 | 147,859 |
| Intangible assets | 9,405 | 8,698 | 5,231 |
| Available-for-sale financial assets | 8,653 | 8,490 | 7,367 |
| Properties under construction | 35,255 | 249 | 35,994 |
| Interests in associates | 54,018 | 21,638 | - |
| Derivative financial instruments | - | 193 | - |
| Deferred income tax assets | 10,926 | 11,429 | 4,348 |
| Deposits paid for acquisition of property, plant and equipment | 8,492 | - | - |
| Total non-current assets | 1,568,603 | 1,467,200 | 1,563,401 |
| CURRENT ASSETS | | | |
| Inventories | 682,574 | 656,162 | 503,957 |
| Trade and bills receivables | 558,893 | 524,762 | 538,295 |
| Prepayments, deposits and other receivables | 34,869 | 48,137 | 40,793 |
| Derivative financial instruments | 1,844 | 1,492 | 3,691 |
| Amounts due from associates | 4,524 | 15,383 | 504 |
| Tax recoverable | 6,099 | 1,052 | 11,577 |
| Pledged time deposits | 94,573 | - | 115,628 |
| Cash and cash equivalents | 692,940 | 1,108,778 | 1,310,268 |
| Total current assets | 2,076,316 | 2,355,766 | 2,524,713 |
| Total assets | 3,644,919 | 3,822,966 | 4,088,114 |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | 90,787 | 91,158 | 92,428 |
| Reserves | 2,537,564 | 2,594,941 | 2,689,259 |
| Proposed final and special dividends | 45,393 | 172,989 | 92,428 |
| | 2,673,744 | 2,859,088 | 2,874,115 |
| Non-controlling interests | 138,427 | 128,378 | 218,958 |
| Total equity | 2,812,171 | 2,987,466 | 3,093,073 |

NON-CURRENT LIABILITIES

| | | | |
|----------------------------------|---------------|--------|--------|
| Derivative financial instruments | - | 233 | - |
| Borrowings | 10,714 | - | 60,000 |
| Deferred income tax liabilities | 46,117 | 40,654 | 39,797 |
| Total non-current liabilities | 56,831 | 40,887 | 99,797 |

CURRENT LIABILITIES

| | | | | |
|--|----|------------------|-----------|-----------|
| Trade and bills payables | 11 | 204,467 | 166,580 | 128,434 |
| Current income tax liabilities | | 23,986 | 24,971 | 23,417 |
| Other payables and accrued liabilities | | 142,154 | 168,859 | 123,557 |
| Derivative financial instruments | | 823 | 9,111 | 6,858 |
| Amount due to an associate | | 4,489 | - | - |
| Borrowings | | 399,998 | 425,092 | 612,978 |
| Total current liabilities | | 775,917 | 794,613 | 895,244 |
| Total liabilities | | 832,748 | 835,500 | 995,041 |
| Total equity and liabilities | | 3,644,919 | 3,822,966 | 4,088,114 |
| Net current assets | | 1,300,399 | 1,561,153 | 1,629,469 |
| Total assets less current liabilities | | 2,869,002 | 3,028,353 | 3,192,870 |

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 following new/revised standards and amendments to standards are mandatory and adopted by the Group for the financial year beginning 1 April 2010.

| | |
|---------------------|---|
| HKAS 17 (Amendment) | Leases |
| HKAS 27 (Revised) | Consolidated and separate financial statements |
| HKAS 36 (Amendment) | Impairment of assets |
| HKAS 39 (Amendment) | Eligible hedged items |
| HK Interpretation 5 | Presentation of financial statements - classification by the borrower of a term loan that contains a repayment on demand clause |
| HK(IFRIC) - Int 9 | Reassessment of embedded derivatives |
| HK(IFRIC) - Int 16 | Hedges of a net investment in a foreign operation |
| HK(IFRIC) - Int 17 | Distributions of non-cash assets to owners |
| HK(IFRIC) - Int 18 | Transfers of assets from customers |
| HKFRS 1 (Amendment) | Additional exemptions for first-time adopters |
| HKFRS 2 (Amendment) | Group cash-settled share-based payment transactions |
| HKFRS 3 (Revised) | Business combinations |
| HKFRS 5 | Non-current assets held for sale and discontinued operations |

Various improvements to HKFRSs published by the HKICPA in May 2009.

Apart from the effects of adopting Hong Kong Interpretation 5 “Presentation of financial statements - classification by the borrower of a term loan that contains a repayment on demand clause” (“Hong Kong Interpretation 5”) as stated below, the adoption of these new/ revised standards and amendments has no significant impact on the Group’s financial statements.

In November 2010 the HKICPA issued Hong Kong Interpretation 5. The Interpretation is effective immediately and is a clarification of an existing standard, HKAS 1 “Presentation of financial statements” (“HKAS 1”). It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of Hong Kong Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 April 2009, with consequential reclassification adjustments to comparatives for the year ended 31 March 2010. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

Effect of adoption of Hong Kong Interpretation 5 on the consolidated statement of financial position:

| | 31 March 2011 HK\$'000 | As at 31 March 2010 HK\$'000 | 1 April 2009 HK\$'000 |
|-------------------------------------|---------------------------------------|---------------------------------------|-----------------------------|
| Increase in current liabilities | | | |
| Borrowings | <u>42,949</u> | <u>185,898</u> | <u>275,824</u> |
| Decrease in non-current liabilities | | | |
| Borrowings | <u>(42,949)</u> | <u>(185,898)</u> | <u>(275,824)</u> |

As a result of the above retrospective reclassification, an additional consolidated statement of financial position as at 1 April 2009 is presented in accordance with the requirements of HKAS 1.

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:

1. Book and Package Printing segment;
2. Consumer Product Packaging segment;
3. Corrugated Box segment; and
4. Paper Trading segment.

In prior year, upon the completion of the partial disposal of the subsidiaries engaged in the paper manufacturing business in February 2010 (Note 7), the paper manufacturing segment was presented as discontinued operations. 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 arm's length.

An analysis by segment is as follows:

Continuing operations:

| | 2011 | | | SEGMENT RESULTS |
|---|-----------------------------|---------------------|------------------|-----------------|
| | SEGMENT REVENUE | | | |
| | Sales to external customers | Inter-segment sales | Total sales | |
| | HK'\$000 | HK'\$000 | HK'\$000 | HK'\$000 |
| Book and Package Printing | 1,452,115 | 4,102 | 1,456,217 | 90,839 |
| Consumer Product Packaging | 706,408 | 7,033 | 713,441 | (1,481) |
| Corrugated Box | 290,300 | 102,039 | 392,339 | 46,048 |
| Paper Trading | 315,966 | 391,318 | 707,284 | 55,533 |
| Eliminations | - | (504,492) | (504,492) | (1,299) |
| | <u>2,764,789</u> | <u>-</u> | <u>2,764,789</u> | <u>189,640</u> |
| Interest, dividend income and other gains | | | | 14,195 |
| Corporate and unallocated expenses | | | | (32,947) |
| | | | | <u>170,888</u> |
| Gain on deemed disposal of associates | | | | 52,178 |
| Operating profit | | | | <u>223,066</u> |
| Finance costs | | | | (10,341) |
| Share of losses of associates | | | | (15,616) |
| | | | | <u>197,109</u> |
| Profit before income tax | | | | (37,053) |
| Income tax expense | | | | <u>160,056</u> |
| Profit for the year | | | | <u>160,056</u> |

| | 2010 | | | SEGMENT RESULTS |
|---|-----------------------------|---------------------|------------------|-----------------------|
| | SEGMENT REVENUE | | | |
| | Sales to external customers | Inter-segment sales | Total sales | |
| | HK'\$000 | HK'\$000 | HK'\$000 | HK'\$000 |
| Book and Package Printing | 1,178,290 | 23,744 | 1,202,034 | 119,304 |
| Consumer Product Packaging | 621,178 | 14,256 | 635,434 | 39,367 |
| Corrugated Box | 255,727 | 78,258 | 333,985 | 33,868 |
| Paper Trading | 342,655 | 396,706 | 739,361 | 45,408 |
| Eliminations | - | (512,964) | (512,964) | (4,177) |
| | <u>2,397,850</u> | <u>-</u> | <u>2,397,850</u> | <u>233,770</u> |
| Interest, dividend income and other gains | | | | 9,216 |
| Corporate and unallocated expenses | | | | (38,467) |
| Operating profit | | | | <u>204,519</u> |
| Finance costs | | | | (11,411) |
| Share of losses of associates | | | | <u>(2,639)</u> |
| Profit before income tax | | | | 190,469 |
| Income tax expense | | | | (24,890) |
| Profit for the year | | | | <u><u>165,579</u></u> |

Discontinued operations:

| | 2010 | | | SEGMENT RESULTS |
|---|-----------------------------|---------------------|----------------|----------------------|
| | SEGMENT REVENUE | | | |
| | Sales to external customers | Inter-segment sales | Total sales | |
| | HK'\$000 | HK'\$000 | HK'\$000 | HK'\$000 |
| Paper Manufacturing | 380,750 | 65,555 | 446,305 | 8,136 |
| Eliminations | - | (65,555) | (65,555) | - |
| | <u>380,750</u> | <u>-</u> | <u>380,750</u> | <u>8,136</u> |
| Interest, dividend income and other gains | | | | 2,026 |
| | | | | <u>10,162</u> |
| Gain on partial disposal of subsidiaries | | | | 17,460 |
| | | | | <u>27,622</u> |
| Finance costs | | | | (7,062) |
| Profit before income tax | | | | <u>20,560</u> |
| Income tax expense | | | | (1,443) |
| Profit for the year | | | | <u><u>19,117</u></u> |

3. Gain on Deemed Disposal of Associates

In December 2010, the board of directors of Zhongshan Ren Hing Paper Manufacturing Company Limited (“Ren Hing”) and Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited (“Rengo”) (collectively referred to as the “Paper Mill Entities”) agreed the existing shareholders, with the exception of the Group, of the Paper Mill Entities, to inject a total of US\$37.5 million (approximately HK\$291 million) cash as additional capital contributions (“Capital Injection”) to the Paper Mill Entities.

As a result, the effective interest held by the Group in the Paper Mill Entities was reduced from 30.94% to 16.62%. This transaction was considered a deemed disposal given the Group's interests in the Paper Mill Entities were diluted through additional capital contributions by the other shareholders.

A gain on deemed disposal of HK\$52,178,000 has been recognised in the consolidated income statement for the year ended 31 March 2011.

| | 2011 HK'\$000 |
|--|--------------------------------|
| Carrying value of the Group's investments in the Paper Mill Entities | |
| After Capital Injection | 56,354 |
| Prior to Capital Injection | (14,906) |
| | 41,448 |
| Realisation of exchange reserve upon deemed disposal of partial interest in associates | 10,730 |
| Gain on deemed disposal | 52,178 |

4. Finance Costs

| | 2011 HK'\$000 | 2010 HK'\$000 |
|---|--------------------------------|------------------|
| Interests on bank borrowings wholly repayable within five years | 10,341 | 11,411 |

5. Profit Before Income Tax

The Group's profit before income tax for continuing operations and discontinued operations is arrived at after charging or crediting the following items:

| | 2011 HK'\$000 | 2010 HK'\$000 |
|--|--------------------------------|------------------|
| After charging - | | |
| Depreciation | 107,618 | 113,682 |
| Amortisation of land use rights | 3,183 | 3,930 |
| Amortisation of intangible assets | 827 | 638 |
| Impairment of trade and bills receivables | 3,979 | 7,299 |
| Operating lease charges in respect of land and buildings | 8,010 | 6,825 |
| Write-down of inventories to net realisable value | 72 | 4,502 |
| Employee benefits expenses (including directors' remuneration) | 587,311 | 522,420 |
| After crediting - | | |
| Dividend income from available-for-sale financial assets | 347 | 347 |
| Bank interest income | 7,502 | 8,074 |
| Fair value gain on derivative financial instruments not qualified as hedges, net | 5,347 | 116 |
| Foreign exchange gain, net | 20,963 | 2,709 |

6. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

| | 2011 HK\$'000 | 2010 HK\$'000 |
|----------------------------|------------------|------------------|
| Current income tax | | |
| - Hong Kong profits tax | 19,866 | 14,345 |
| - PRC corporate income tax | 12,691 | 16,926 |
| Total current tax | 32,557 | 31,271 |
| Deferred tax | 4,496 | (6,381) |
| Income tax expense | 37,053 | 24,890 |

7. Discontinued Operations

There was no discontinued operation for the year.

In prior year, the Group's paper manufacturing operation was discontinued following the disposal of 25% and 5% equity interests in each of the two subsidiaries, Ren Hing and Rengo to LeMonde Inc. and Homegrace Consultants Limited, respectively. As a result, the effective interest held by the Group in the Paper Mill Entities reduced from 58.84% to 30.94% and hence the Paper Mill Entities have been accounted for as associates of the Company since February 2010, using the equity method of accounting and are initially recognised at the Group's share of net asset value.

This partial disposal resulted in a gain on partial disposal of subsidiaries of HK\$17,460,000.

The results pertaining to the paper manufacturing segment was presented as discontinued operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The results of the discontinued operations for the period from 1 April 2009 to the effective date of disposal, which have been included in the consolidated income statement, were as follows:

| | 2010 HK\$'000 |
|---|------------------|
| Revenue | 380,750 |
| Cost of sales | (365,406) |
| Other income and gains - compensation from loss of fire | 18,009 |
| Other income and gains - others | 2,804 |
| Distribution costs | (5,462) |
| Administrative and selling expenses | (20,313) |
| Other expenses | (220) |
| Finance costs | (7,062) |
| Profit before income tax | 3,100 |
| Income tax expense | (1,443) |
| Profit for the period | 1,657 |
| Gain on partial disposal of subsidiaries | 17,460 |
| Profit from discontinued operations | 19,117 |

8. Dividends

| | 2011 HK\$'000 | 2010 HK\$'000 |
|--|------------------|------------------|
| Interim dividend of HK5 cents (2010: HK4 cents) per ordinary share | 45,393 | 36,523 |
| Special interim dividend of HK17 cents (2010: nil) per ordinary share | 154,337 | - |
| Proposed final dividend of HK5 cents (2010: HK10 cents) per ordinary share | 45,393 | 91,047 |
| Proposed special final dividend of HK nil cent (2010: HK9 cents) per ordinary share | - | 81,942 |
| | 245,123 | 209,512 |

The Directors recommend the payment of a final dividend of HK 5 cents per ordinary share. The dividend is to be approved by shareholders at the Annual General Meeting of the Company to be held on 29 August 2011. These consolidated financial statements do not reflect this as dividend payable but account for it as proposed dividend in reserves.

9. Earnings Per Share Attributable to Equity Holders of the Company

(a) Basic earnings per share

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

| | 2011 HK\$'000 | 2010 HK\$'000 |
|---|------------------|------------------|
| Profit from continuing operations attributable to equity holders of the Company | 156,493 | 148,169 |
| Profit from discontinued operations attributable to equity holders of the Company | - | 18,435 |
| Weighted average number of ordinary shares in issue excluding own held shares (thousands) | 905,395 | 916,978 |
| Basic earnings per share (HK cents per share) | | |
| - Continuing operations | 17.3 | 16.2 |
| - Discontinued operations | - | 2.0 |

(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.

| | 2011 HK\$'000 | 2010 HK\$'000 |
|---|--------------------------------|------------------|
| Profit from continuing operations attributable to equity holders of the Company | 156,493 | 148,169 |
| Profit from discontinued operations attributable to equity holders of the Company | - | 18,435 |
| Weighted average number of ordinary shares in issue excluding own held shares (thousands) | 909,521 | 919,528 |
| Diluted earnings per share (HK cents per share) | | |
| - Continuing operations | 17.2 | 16.1 |
| - Discontinued operations | - | 2.0 |

10. Trade and Bills Receivables

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 and 90 days 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. Trade and bills receivables are non-interest-bearing.

| | 2011 HK\$'000 | 2010 HK\$'000 |
|---|--------------------------------|------------------|
| Trade receivables | 579,720 | 553,239 |
| Less: provision for impairment of receivables | (24,591) | (30,463) |
| Trade receivables, net | 555,129 | 522,776 |
| Bills receivables | 3,764 | 1,986 |
| | 558,893 | 524,762 |

The aging analysis of trade receivables at the balance sheet date, based on the invoice date and net of provisions, is as follows:

| | 2011 | 2010 |
|--------------|-----------------------|----------------|
| | HK\$'000 | HK\$'000 |
| 1 - 30 days | 248,782 | 237,921 |
| 31 - 60 days | 107,027 | 103,957 |
| 61 - 90 days | 97,105 | 101,668 |
| Over 90 days | 102,215 | 79,230 |
| | <u>555,129</u> | <u>522,776</u> |

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

| | 2011 | 2010 |
|---|----------------------|---------------|
| | HK\$'000 | HK\$'000 |
| At the beginning of the year | 30,463 | 33,271 |
| Provision for impairment of receivables | 3,979 | 7,299 |
| Amount written off as uncollectible | (10,465) | (1,348) |
| Disposal of subsidiaries | - | (8,743) |
| Exchange differences | 614 | (16) |
| At the end of the year | <u>24,591</u> | <u>30,463</u> |

11. Trade and Bills Payables

| | 2011 | 2010 |
|----------------|-----------------------|----------------|
| | HK\$'000 | HK\$'000 |
| Trade payables | 204,331 | 142,148 |
| Bills payables | 136 | 24,432 |
| | <u>204,467</u> | <u>166,580</u> |

The aging analysis of trade payables as at the balance sheet date, based on the invoice date, is as follows :

| | 2011 | 2010 |
|--------------|-----------------------|----------------|
| | HK\$'000 | HK\$'000 |
| 1 - 30 days | 162,963 | 105,892 |
| 31 - 60 days | 28,579 | 24,579 |
| 61 - 90 days | 9,886 | 3,112 |
| Over 90 days | 2,903 | 8,565 |
| | <u>204,331</u> | <u>142,148</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Our results for the 12 months ended 31 March 2011 reflect the on-going economic recovery in our major markets following the significant declines in demand during the prior year. The gradual improvements allowed us to increase sales revenue across all business units except Paper Trading, finishing the year with a 15% increase in Group revenues to HK\$2,765 million. Increases came from both volume and price improvements compared to the previous year.

Although revenue improved, earnings were affected by the rising commodity prices, which impacted our cost of materials, especially paper which makes up a significant portion of our total material costs. In addition, the Chinese government's decision to re-instate annual wage rate increases required us to adjust wage rates across all of our manufacturing operations. The appreciation of the Chinese currency (RMB) further raised the impact of wage rate increases as well as the cost of manufacturing in China in general. As a result, our gross profit (as a percentage of sales revenue) went down to 17% compared with 21% in the previous year.

The RMB appreciation during the year generated HK\$21 million exchange gain, mostly from our RMB bank deposit, served to partially hedge against our RMB-denominated manufacturing expenses. During the year, the shareholders (other than the Group) of our associate paper manufacturing business injected US\$ 37.5 million into the Paper Mill Entities. While the Group's equity stake is reduced from 31 % to 17%, a HK\$ 52 million deemed disposal gain is recognized by the Group upon the significant enhancement in the net asset value of this associate business.

Profit before tax went up by 3% to HK\$197 million. Profit attributable to the Company's shareholders declined by 6% to HK\$156 million.

Business Unit Review

Most of the Group's business units reported increased volumes as well as revenues.

Book and Packaging Printing, the largest business unit, saw both volume and revenue increase as a result of signs of recovery in some key export markets. The business unit recorded revenues of HK\$1,452 million, up 23% from HK\$1,178 million the previous year. Profit contribution was HK\$91 million, down 24% from HK\$119 million last year. Management continued with several initiatives to increase manufacturing efficiency, including upgrades to print and post-print technology, as well as supply chain, procurement and operations planning.

The **Consumer Product Packaging** business reported increased revenues of 14% to HK\$706 million, up from HK\$621 million the previous year. However, the delay in passing the increases in raw material and operating costs on to selling prices resulted in the business unit incurring an operating loss of HK\$1 million, compared with a profit contribution of HK\$39 million last year. The business unit made steady progress on its strategy to grow its mainland China business, especially in sectors such as food & beverage, healthcare, cosmetics and pharmaceuticals.

The **Corrugated Box** business benefited from internal demand as well as sales synergies to deliver revenues of HK\$290 million, an increase of 14% from the HK\$256 million recorded in the previous year. On the back of price increases, enhanced customer portfolio and improved operations practices, profit contribution stood at HK\$46 million, up 36% from HK\$34 million last year.

The **Paper Trading** business faced more cautious trading conditions within the region's manufacturing sector. As a result its revenue decreased 8% from HK\$343 million last year to HK\$316 million. However, increases in paper prices enabled it to benefit from higher margins, yielding a profit contribution of HK\$56 million, up 22% from HK\$45 million last year.

Strategic Focus

Our strategy is centered on two imperatives – to improve the efficiencies of our existing manufacturing operations and build a China consumer packaging business to meet the growing needs of targeted customers in mainland China. During this year we were encouraged by the progress made by management in both of these areas.

A complete review of our supply chain was made in order to re-evaluate existing business processes and explore ways to increase operational efficiency so as to maximize our capabilities. The Company's senior leadership was actively involved in executing improvements, particularly in the areas of planning, manufacturing, procurement and logistics. The result has been a streamlining of the business including a reduction in the amount of inventory held through stocking unit rationalization, implementation of a centrally visible paper inventory system, development of an OEE (Optimal Equipment Efficiency) monitoring program in two of our facilities and further progress in formalizing a Sales & Operations Planning discipline at our largest business unit.

Our capital investment decisions have also given priority to equipment that increased throughput, reduced labor requirements and improved quality. During the year this included the purchase of several state-of-the-art offset printing presses, automated post print equipment and projects to improve our production workflow. Total capital expenditure spending amounted to HK\$157 million during the year. Additionally, we have also made commitments to buy three printing presses which will be delivered and installed in the first half of FY 2011/2012 to replace older presses.

To progress our China growth strategy, early in the year we re-organized our Consumer Product Packaging business unit, putting it under the leadership of a dedicated team responsible for China-wide packaging sales as well as the manufacturing and supply operations in South China (Zhongshan) and East China (Wuxi). We have benefited from renewed focus by enhancing engagement at senior levels within our targeted customers which has begun to result in incremental business from these accounts to reach our growth targets. Our China revenue for the year increased by 14% compared to previous year.

Financial and Capital Resources

The Group ended the year in a sound financial position. As of 31 March 2011, the Group had a net cash (total cash net of bank borrowings) balance of HK\$377 million.

We saw continued improvement in our working capital management. While our sales revenue had increased by 15%, we managed to hold our accounts receivable and inventory increase to 6% and 4% respectively.

During the year the Group paid a total dividend of HK\$373 million. This is comprised of the FY 2009/2010 final and special dividends totaling HK19 cents per share, and FY 2010/2011 interim and special dividends adding another HK22 cents per share.

The Group repaid bank loans totaling HK\$175 million during the year under review. As of 31 March 2011, the Group's total bank borrowings amounted to HK\$411 million, of which 80% was denominated in Hong Kong dollars, 18% in U.S. dollars and 2% in RMB. Of our bank borrowings, 85% were owed to banks in Hong Kong with interest rate mostly at HIBOR (Hong Kong interbank offered rate) plus 0.5% to 1.5% markup; the remaining 15% were owed to banks in mainland China mostly at banks' cost of fund plus 1.5% margin. In accordance with scheduled repayment terms, HK\$357 million is repayable within the next twelve months while HK\$54 million is due for repayment within the next two years.

As some of the bank loan agreements carry a 'repayable upon bank demand' term, another HK\$43 million has been grouped under current liabilities and only HK\$11 million is classified under non-current liabilities. The Group's gearing ratio, comparing bank borrowing to its equity, stood at 15%, compared with 14% in the previous year.

The opening of RMB as a currency for trade settlement in Hong Kong allows more flexibility for the Group to hold RMB. As of 31 March 2011, the Group held the equivalent of HK\$788 million cash in its bank accounts, of which 88% was in RMB, 6% in HK\$ and 6% in US\$. Our significant RMB cash balance also helped to partially mitigate the impact of RMB appreciation to our operating costs.

Contingent Liabilities and Pledge of Assets

As at 31 March 2011, guarantees amounting to HK\$1,758 million were given to banks by the Company for banking and trading facilities granted to the Group's subsidiaries and associates.

Certain buildings, leasehold land and pledged time deposits of the Group with a total carrying value of HK\$191 million as at 31 March 2011 were pledged to secure certain banking facilities granted to the Group.

Employees

As in past years, the Group has managed staff numbers to meet the requirements of its overall business demand. As of 31 March 2011, the Group employed a total of 12,706 people – of whom 356 are based in Hong Kong and 12,350 based in China. This represents an increase of 7 % compared with the previous year.

The Group provides competitive salaries and bonuses based on experience and performance while all employees enjoy equal opportunities at work. Hung Hing also places a high priority on health and safety, with safety standards and measures monitored regularly to ensure a comfortable and safe working environment for all our employees.

Business Sustainability

The Group is committed to sustainable manufacturing practices that help to protect the environment.

Paper from sustainable source

Hung Hing was awarded the Forest Stewardship Council (FSC) certification in 2007 and the Chain of Custody (CoC) certification from the Programme for the Endorsement of Forest Certification Schemes (PEFC) in 2008. Since then, our use of certified papers has been increasing steadily. Last year, a record high of 8,000 tons of certified papers were used, doubling the volume used the year before.

Environmental friendly initiatives

Last year, three of our environmental projects were recognized and awarded the Hong Kong-Guangdong Cleaner Production Partner scheme. The first is investment on new energy-efficient machines and lighting that saves 270,000kWh annually. Second is the reuse of treated industrial waste water for dormitories' toilet flushing water which saves 500,000 tons of water per year. The third project which was also awarded the Hang Seng Pearl River Delta Environmental Category Award – Air Emission, is our investment in new machinery that use water-based instead of solvent-based glue in the process where plastic film is laminated onto paper board. The new process reduces over 6,000kg of volatile organic chemical emission annually.

Aside from the above projects, our Zhongshan packaging plant has converted the steam boilers from using heavy oil to biomass fuel, thus eliminating toxic SO₂ gas emission. Our Shenzhen plant also invested HK\$2.1 million to convert steam boilers from using heavy oil to natural gas which is more environment-friendly.

Our Heshan plant has obtained the China Environmental Labelling for printing industry. The scheme requires printing factories to use material that comply with certain environmental regulation, and has a management system that ensures continuous improvement on environmental management and high quality products that comply with safety and environmental regulations. Other plants are undergoing different stages of similar certification processes.

The Heshan plant was also awarded the ISO14001 which is a standard for an environmental management system. By now, all of the Group's manufacturing sites are ISO 14001 accredited.

Energy reduction initiatives

The Group is always on the lookout for ways to reduce the consumption of energy. As a result of our on-going efforts, we have managed to reduce our energy consumption per production unit by 3% last year. We have also changed to T5 lighting which helps lower our office lighting electricity consumption by 45%.

Outlook

While 2010/2011 saw substantial increases in commodity prices and worker wages in our mainland China plants, the Group's measures to improve operational productivity have proven to be effective, and investments made on this front have begun to pay off.

The coming year is predicted to see a slow recovery in GDP at the global level. Unemployment levels in some of our export markets may still remain high and impact consumer confidence level and their readiness to spend. In the face of these conditions, the Group will maintain its cost-conscious approach and stay poised to respond quickly to market developments.

The Group's diversified geographic footprint in the North American and European markets, as well as our strategic focus on the Chinese domestic packaging market, will help us make continued progress while minimizing our vulnerability to any one region. Further, we have seen encouraging results from our engagement with new target clients.

Despite the challenging market conditions, we believe that Hung Hing, with its strong market leadership position, highly efficient operations and strong balance sheet, will be in a good position to seize opportunities for further growth.

DISTRIBUTABLE RESERVES

In May 2010, the HKICPA issued Accounting Bulletin 4 (“AB 4”) – “Guidance on the Determination of Realised Profits and Losses in the Context of Distributions under the Hong Kong Companies Ordinance (“Companies Ordinance”)”. The guidance was issued in response to concerns over the lack of clarity on the meaning of “realized profits” in the context of the Companies Ordinance expressed by respondents to a consultation exercise to re-write the Companies Ordinance carried out in June 2008 by the Hong Kong Government.

In the light of the publication of the guidance, management has conducted a review of the approach to the determination of the Company’s “realized profits” and profits available for distribution (“Distributable Reserves”) and the payment of dividends.

The Company confirms that, on a consolidated basis, the Group has at all times previously had sufficient profits available for its past dividends. However, the Company notes that, by reference to AB 4, dividend income which has been re-invested into the same subsidiary cannot be treated as “realized profit” therefore is not distributable.

The Company’s financial statements on an unconsolidated basis and on a consolidated basis were prepared in accordance with accounting standards and the revised approach mentioned above does not impact the audited financial statements for all prior years.

As a result, during the year, sufficient dividend payments were made from the subsidiary of the Group such that as at 31 March 2011, calculated under the Companies Ordinances and with reference to AB 4, the Company’s distributable reserves amounted to HK\$113 million.

FINAL DIVIDEND

The directors recommend a final dividend of HK 5 cents (2010: a final dividend of HK10 cents and special final dividend of HK9 cents) per share. The proposed final dividend is subject to shareholders' approval at the forthcoming annual general meeting to be held on 29 August 2011. This, together with an interim dividend of HK5 cents (2010: HK4 cents) and a special interim dividend of HK17 cents (2010: nil) per share paid in January 2011, will make a total dividend of HK 27 cents (2010: HK23 cents) per share for the financial year.

The final dividend will be paid by cash on 14 September 2011 to shareholders whose names appear on the Register of Members of the Company on 29 August 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 25 August 2011 to 29 August 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Tengis Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 24 August 2011.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2011, the Company repurchased a total of 3,712,000 shares on the Stock Exchange at an aggregate consideration of approximately HK\$8,842,000 (including expenses) and all the repurchased shares were cancelled.

Particulars of the repurchased shares are as follows:

| Month | Number of ordinary shares of HK\$0.10 each | Price per share | | Aggregate consideration paid (including expenses) HK\$'000 |
|--------------|--|-----------------|----------------|--|
| | | Highest HK\$ | Lowest HK\$ | |
| April 2010 | 156,000 | 2.40 | 2.39 | 375 |
| May 2010 | 950,000 | 2.40 | 2.34 | 2,258 |
| July 2010 | 832,000 | 2.49 | 2.42 | 2,059 |
| October 2010 | 1,774,000 | 2.49 | 2.27 | 4,150 |
| | <u>3,712,000</u> | | | <u>8,842</u> |

On 21 December 2009, the Company adopted a Restricted Share Award Scheme. During the year ended 31 March 2011, the Trustee of the Restricted Share Award Scheme purchased 517,969 shares at a total consideration of approximately HK\$1,237,000 on the Stock Exchange pursuant to the Scheme Rules and Trust Deed.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's securities during the year ended 31 March 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual results, with the exception that under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the Company's articles of association.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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 annual results.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the audited financial statements of the Company for the year ended 31 March 2011. 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 the year ended 31 March 2011 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. 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
Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 28 June 2011

As at the date of this announcement, the Board comprises Mr. Yum Chak Ming, Matthew and Mr. Sung Chee Keung as executive directors; Mr. Peter Martin Springford, Mr. Ho Chi Kit, Mr. Lam Tsz Wang, Alvin, Miss Mak Lok Qun, Denise and Mr. Yam Ho Ming, Michael as non-executive directors; Mr. Yap, Alfred Donald, Mr. Luk Koon Hoo and Mr. Lo Chi Hong as independent non-executive directors.