HUNG HING

HUNG HING PRINTING GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 450)

VERY SUBSTANTIAL DISPOSAL

IN RELATION TO THE PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN A SUBSIDIARY AND RESUMPTION OF TRADING

On 27 February 2017, the Company (as guarantor), the Vendor and the Purchaser entered into the Equity Transfer Agreement pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Equity.

As one of the applicable ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Disposal. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have any material interest in the Disposal or are required to abstain from voting at the EGM to approve the Disposal.

The Board is pleased to announce that on 27 February 2017, the Company, the Vendor and the Purchaser entered into the Equity Transfer Agreement pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Equity.

THE EQUITY TRANSFER AGREEMENT

Date: 27 February 2017

Parties: (1) The Vendor

(2) The Purchaser

(3) The Company (as guarantor)

(the Vendor and the Purchaser collectively, the "**Parties**")

The Vendor is a wholly-owned subsidiary of the Company. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) is an Independent Third Party.

Assets to be disposed of

Pursuant to the Equity Transfer Agreement, the Vendor shall dispose of the Sale Equity, representing the entire equity interests in the Target Company.

Consideration

The Vendor agrees to sell the Sale Equity to the Purchaser, and the Purchaser agrees to purchase the Sale Equity at a Consideration of RMB1,026,000,000.

Payment Schedule

The Purchaser shall, within five days from the date of the Equity Transfer Agreement, sign the Escrow Agreement with the Vendor and the Custodian Bank. The Purchaser shall pay or procure the payment of the Consideration to the Escrow Account according to the following payment schedule:

(1) within five days from the date of the Escrow Agreement, the Purchaser shall deposit 30% of the Consideration (being RMB307,800,000) to the Escrow Account;

(2) within 45 days from the date of the Escrow Agreement, the Purchaser shall deposit 30% of the Consideration (being RMB307,800,000) to the Escrow Account; and

(3) within 90 days from the date of the Escrow Agreement, the Purchaser shall deposit 40% of the Consideration (being RMB410,400,000) to the Escrow Account.

The Vendor shall be entitled to all interest generated in the Escrow Account. At the time of signing the Escrow Agreement, the Vendor and the Purchaser shall also sign a bank release note setting out the conditions where the Vendor shall have the right to unilaterally instruct the Custodian Bank to transfer all or part of the amount standing to credit of the Escrow Account to another bank account as designated by the Vendor. Such conditions arise when (1) the Purchaser fails to deposit the Consideration in full to the Escrow Account within 90 days from the date of the Escrow Agreement; or (2) the Purchaser fails to obtain (i) the Tax Payment Confirmations and (ii) the External Payment Filing Form in accordance with the Equity Transfer Agreement.

The Tax Payment Confirmations shall be obtained within 30 days (or such other date as the Vendor agrees) after the Bureau of Commerce and Industry approved the registration of change of shareholder of the Target Company. Within five days from the date when the Tax Payment Confirmations and the External Payment Filing Form had been obtained, the Custodian Bank shall transfer the Consideration (less the relevant tax payment) and interest accrued thereon to the bank account(s) as designated by the Vendor ("**Consideration Payment**").

Approval from the Shareholders

The Purchaser acknowledges that, upon execution of the Equity Transfer Agreement, the Company, as the holding company of the Vendor, is required to convene a Shareholders' meeting to obtain the approval from its Shareholders to effect the transaction contemplated under the Equity Transfer Agreement. If the Company fails to obtain the approval of its Shareholders in the EGM, the Disposal will be cancelled and the Equity Transfer Agreement will be automatically terminated on the date the Shareholders decided not to approval the Disposal. Neither the Vendor nor the Purchaser shall bear any liability arising from such termination. The Parties shall jointly instruct the Custodian Bank to transfer the Consideration that had been injected into the Escrow Account by the Purchaser (including the interest accrued thereon) to a bank account as designated by the Purchaser.

Equity Transfer and Completion

Subject to the Consideration Payment, the Target Company shall arrange for filing documents with the relevant P.R. China authority and effect the Equity Transfer in compliance with the applicable P.R. China legal requirements. After the Tax Payment Confirmations and the External Payment Filing Form had been obtained and within 5 days from the date of Consideration Payment, the Target Company shall apply to the Bureau of Commerce and Industry for a change of legal representative of the Target Company to a person appointed by the Purchaser; and apply for a new business license. Thereafter, the Vendor shall pass to the Purchaser the company seal, all corporate registration licenses, bank account opening documents, financial information, and real estate ownership certificates belonging to the Target Company. The Equity Transfer is considered as completed on the date when the aforementioned items are passed to the Purchaser.

Upon completion of the Disposal, the Vendor will cease to hold any equity interest in the Target Company and the results of the Target Company will no longer be consolidated into the consolidated financial statements of the Company.

It is expected that the Equity Transfer will be completed by the end of September 2017.

Target Company's personnel, debts and other liabilities

After signing of the Equity Transfer Agreement, the Vendor shall resettle the personnel of the Target Company, terminate their employment relationship with the Target Company, and/or arrange these personnel to establish new employment relations with another entity designated by the Vendor. The Vendor shall use its best endeavour to complete the resettlement as soon as possible and no later than the expiry of the Transition Period.

The Parties agree to deal with the debts and liabilities of the Target Company in accordance with the following manner during the Transition Period:

(1) the Vendor shall be entitled to and have the right to handle all cash, accounts receivables and non-immovable properties held or owned by the Target Company as at the date immediately prior to the Closing Date;

(2) the Vendor shall dispose of the cash and non-immovable properties held or owned by the Target Company during the Transition Period, and the Purchaser undertakes that the proceeds from the disposal of such assets received by the Target Company shall be paid to the Vendor during the Transition Period in accordance with the instructions of the Vendor. Any tax arising from such payment shall be borne by the Vendor;

(3) the breakdown of accounts receivables of the Target Company as at the date immediately preceding the Closing Date shall be confirmed by the Parties. The accounts receivables shall be fully collected before the expiration of the Transition Period, and the Purchaser undertakes that accounts receivables collected by the Target Company shall be paid to the Vendor during the Transition Period in accordance with the instructions of the Vendor. Any tax arising from such payment shall be borne by the Vendor.

(4) Due to the potential existence of the following issues in the Target Company: (i) employee compensation and relevant costs resulting from the resettlement of Target Company's employees; (ii) administrative penalty arising from failure to verify foreign exchange; and (iii) tax costs in relation to disposal of inventory and fixed assets, the Vendor guarantees to retain at least RMB20,000,000 in the bank account of the Target Company at the Closing Date as security deposit. If the Vendor can provide written evidence and subject to the written confirmation of the Purchaser confirming that no more liabilities and costs shall be borne by the Vendor pursuant to the Equity Transfer Agreement, the Vendor can claim back the security deposit anytime. If there are still costs or liabilities that shall be borne by the Vendor pursuant to the Equity Transfer Agreement at the expiry of the Transition Period, the Purchaser is entitled to deduct such outstanding amount from the security deposit. Within five working days from the expiry of the Transition Period, the Purchaser shall instruct the Target Company to transfer the balance of the security deposit (including interests and after deduction of any afore-mentioned outstanding amount) to the Vendor.

Save for circumstances specifically provided in the Equity Transfer Agreement, liabilities incurred by the Target Company prior to the Closing Date, or during the Transition Period but which are attributable to business activities of the Target Company prior to the Closing Date, shall be borne by the Vendor.

Representations, warranties and undertakings

The Parties have given representations, warranties and undertakings which are customary in transactions of similar nature.

Guarantor's obligations

The Guarantor, as the holding company of the Vendor, has provided a guarantee to the Purchaser in relation to the Vendor's performance of the Equity Transfer Agreement. The guarantee covers, among others, any payment by the Vendor to the Purchaser arising from the Equity Transfer Agreement, including but not limited to penalty, liquidated damage in the event of default under the Equity Transfer Agreement and expenses incurred by the Vendor for enforcing the foregoing claims (including but not limited to the legal costs, arbitration fees, property preservation fees, travel expenses, execution fees, valuation fees and auction fees).

Default

The Purchaser shall be taken to have acted in default if it fails to perform any of the following pursuant to the Equity Transfer Agreement:

(1) deposit the Consideration to the Escrow Account in the manner set out in the Equity Transfer Agreement;

(2) provide the necessary documents to effect the Equity Transfer; and

(3) apply for and obtain the Tax Payment Confirmations and External Payment Filing Form.

In case of occurrence of any of the events above, the Purchaser shall pay a penalty to the Vendor as stipulated in the Equity Transfer Agreement. Unless otherwise stated in the Equity Transfer Agreement, the Vendor shall have the right to unilaterally terminate the Equity Transfer Agreement without any liability to the Purchaser if the Purchaser fails to perform the above obligations which overdue for over 30 days.

When the Equity Transfer Agreement becomes effective, the Parties shall perform pursuant to the Equity Transfer Agreement or other obligations as agreed by the Parties. In event of occurrence of any default other than those mentioned above by either of the Parties, the default party shall be liable to the non-default party for the amount of damages suffered.

BASIS OF CONSIDERATION

The Consideration was arrived at as a result of successful bid by the Purchaser in an open tender process undertaken by an agent which is an Independent Third Party. To the best knowledge of the Directors, in deciding to bid at the Consideration, the Purchaser has taken into account the minimum bid price, the market value of the assets held by the Target Company, the current market condition and the development potential of the assets held by the Target Company.

INFORMATION ON THE COMPANY AND THE VENDOR

The Vendor is a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of the Company. The Vendor is a paper trading company which holds the Sale Equity.

The Company and its subsidiaries are principally engaged in integrated and technologically advanced operations in printing and manufacturing of paper and carton boxes, manufacturing of corrugated cartons and trading of paper; as well as a wide range of high end packaging products.

INFORMATION ON THE PURCHASER

The Purchaser is Shenzhen Jinzhi Investment Co. Ltd (深圳市金智投資有限公司), a company established in the P.R. China in accordance with the laws of the People's Republic of China, which primarily focuses in investment in industry establishment, enterprise management consulting and domestic trade in Shenzhen and Pearl River Delta region.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the P.R. China and a wholly-owned subsidiary of the Vendor. The principal business activity of the Target Company is paper process and trading business and the Target Company owns, among others, the Land and Buildings.

Financial information of the Target Company

Based on the unaudited management account of the Target Company, the net profit before and after taxation and extraordinary items of the Target Company for the two years ended 31 December 2015 and 31 December 2016 are as follows:

HK$ (million)	**For the year ended 31 December**	
	2015	**2016**
Net Loss for the year before income tax	2.3	**0.2**
Net Loss for the year	2.0	**0.9**

The unaudited net asset value of the Target Company as at 31 December 2016 was approximately HK$55.4 million.

REASONS FOR ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The principal business of the Group comprises (i) book and package printing; (ii) consumer product packaging; (iii) corrugated box; and (iv) paper trading. The Target Company is primarily engaging in paper trading and processing and was roughly at breakeven for the financial year ended 31 December 2016.

The net cash proceeds from the Disposal, after deducting the estimated expenses in relation to the Disposal, will amount to approximately HK$960 million. Subject to the completion of the Disposal taking place, it is currently intended that the proceeds of the Disposal will be allocated for use in the following manner (these amounts may change due to then prevailing market conditions and change in other commercial and/or market factors): (i) approximately 50% of the proceeds (equivalent to approximately HK$480 million) for strategic investments including building or acquiring facilities, mainly for the segment of book and package printing; (ii) approximately 20% of the proceeds (equivalent to approximately HK$192 million) for automation and workflow improvements, in particular enhancing and upgrading the manufacturing knowhow and process of the Group; and (iii) approximately 20% of the proceeds (equivalent to approximately HK$192 million) will be used for enhancing Shareholder return in the next few years. The remaining proceeds will be used as working capital for the Remaining Group.

The Directors consider that the Disposal would (i) allow adjustment of the Group's business strategy and help driving management performance; (ii) enable realignment of the Group's operation model for its paper trading business unit, in particular, shifting the intercompany paper supply from a trading model to a centralized servicing model, for cost efficiency under the P.R. China tax system; and (iii) generate income and facilitates reallocation of the Group's financial resources for the Group's future development.

Based on the net asset value of the Target Company as at 31 December 2016 as recorded in the Group's unaudited consolidated management account, it is expected that completion of the Disposal will generate a pre-tax gain of approximately HK$900 million for the Group after taking into account the estimated expenses in relation to the Disposal, subject to the adoption of the actual exchange rate between HK$ and RMB on the Closing Date. Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company.

The Disposal enables the Group to continue with its current business in an efficient manner. It is expected that the Disposal will not cause substantial change to the existing operations of the Group. The Directors consider that the terms and conditions of the Disposal are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable ratios set forth under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other matters, (i) further details of the Equity Transfer Agreement and the transaction contemplated thereunder; (ii) a valuation report on the Target Company; (iii) other information as required to be disclosed under the Listing Rules; and (iv) the notice of the EGM to approve the Disposal, will be dispatched to the Shareholders on or before 30 April 2017 in order to allow sufficient time for the Company to prepare the necessary information to be included in the circular.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Disposal. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have any material interest in the Disposal or are required to abstain from voting at the EGM to approve the Disposal.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 1:00 p.m. on 27 February 2017 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 28 February 2017.

Completion of the Disposal is conditional upon certain conditions, including the approval of the Equity Transfer Agreement and the transactions contemplated thereunder by the Shareholders at the EGM. Accordingly, the Equity Transfers may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to them respectively:

"Administration of Taxation"	refers to the Chinese domestic tax authorities capable of imposing tax on the Disposal, including the state and local administrations of taxation
"Board"	the board of Directors
"Bureau of Commerce and Industry"	refers to the Market and Quality Supervision Commission of Shenzhen Municipality
"Closing Date"	refers to the date when the Equity Transfer is considered as completed
"Company"	Hung Hing Printing Group Limited (stock code: 450), a company incorporated in Hong Kong with limited liability and its issued Shares are listed on the Main Board of the Stock Exchange

"connected person"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration for the Disposal amounting to RMB1,026,000,000
"Custodian Bank"	a bank designated by the Parties which will become a party to the Escrow Agreement
"Directors"	the directors of the Company
"Disposal"	the proposed disposal of the Sale Equity as contemplated by the Equity Transfer Agreement
"EGM"	the extraordinary general meeting of the Company to be held to consider, among others, the resolution(s) in relation to the Equity Transfer Agreement and all the transactions contemplated thereunder
"Equity Transfer"	the transfer of the Sale Equity from the Vendor to the Purchaser pursuant to the Equity Transfer Agreement
"Equity Transfer Agreement"	the sale and purchase agreement entered into between the Vendor, the Purchaser and the Company in relation to the Disposal
"Escrow Account"	refers to the bank account for the payment of the Consideration as set forth in the Escrow Agreement
"Escrow Agreement"	the Equity Transfer Transaction Escrow Agreement (股權轉讓交易資金監管協定) to be signed by the Parties and the Custodian Bank
"External Payment Filing Form"	refers to external payment filing form for items including service and trade (服務貿易等專案對外支付備案表)
"Group"	the Company and its subsidiaries
"Guarantor"	the Company
"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 Third Party"	third party independent of the Company and its subsidiaries and not connected with any of the connected persons of the Company
"Land and Buildings"	A piece of land located at Fengtang Boulevard, Fu Yong Street, Bao'an District, Shenzhen City, Guangdong Province, China (中國廣東省深圳市寶安區福永街道鳳塘大道), and the plants and other buildings erected thereon. The lot number of the land is A202-0032, with a site area of 52,812.74 sq.m.
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"P.R. China"	the People's Republic of China and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Purchaser"	Shenzhen Jinzhi Investment Co. Ltd (深圳市金智投資有限公司), a company established in the P.R. China in accordance with the laws of the People's Republic of China
"Remaining Group"	the Company and its subsidiaries excluding the Target Company
"Sale Equity"	the entire equity interest of the Target Company
"Shareholders"	holders of the Shares
"Shares"	the ordinary shares of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Sun Hing Paper (Shenzhen) Company Limited (新興紙業(深圳)有限公司), a company incorporated in the P.R. China with limited liability and a wholly-owned subsidiary of the Vendor
"Tax Payment Confirmations"	refers to tax payment confirmations (稅收繳款書) issued by the Administration of Taxation proofing that the applicable tax has been paid for the Disposal as required

"Transition Period"	refers to the transition period after the Closing Date, during which the Parties handle the assets of the Target Company which are attributable to the Vendor, such period shall not exceed 18 months from the Closing Date
"Vendor"	Sun Hing Paper Company Limited (新興洋紙有限公司), a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of the Company

By Order of the Board
Hung Hing Printing Group Limited
Shek Kwok Man
Chief Financial Officer and Company Secretary

Hong Kong, 27 February 2017

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. Hirofumi Hori, Mr. Sadatoshi Inoue, 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.