

We retain our clear and consistent goals of competitiveness, quality, efficiency and service and will achieve these aims by capitalizing on the vertical integration within the business.

## Chairman's Statement



**Mr Yam Cheong Hung**  
Chairman

### TO OUR SHAREHOLDERS

The year 2001-2002 presented a challenging environment for Hung Hing Printing Group Limited. While the tragic September 11 event in the United States further impacted the world economy, the Group continued to invest in the future by expanding capacity and upgrading our production facilities. We are particularly well positioned to increase our sales in the growing domestic market in mainland China.

In the year ended 31 March 2002, turnover decreased 10% to HK\$1,629 million. Net profit attributable to shareholders was HK\$257 million, representing a 6% decline from the previous year. Earnings per share decreased 6% to HK44.8 cents.

The Board of Directors is proposing a final dividend of HK19 cents, bringing the total dividend for the year to HK28.5 cents, the same as the previous year. Subject to shareholders' approval, the final dividend will be paid on 28 August 2002 to shareholders whose names appear on the Register of Members of the Company on 21 August 2002.

Immediately following September 11, business in the United States slowed and orders declined abruptly. When the economy began to recover, most U.S. buyers remained cautious although demand increased from the discount retail sector while sales to the higher end of the market grew at a slower pace.

Volume within the Group's paper and carton box printing division, our largest operation, remained steady. Our paper trading and paper manufacturing operations declined, however, because of the continued paper price adjustments and intense competition.

Volume also continued to grow in mainland China and contributed 17% to profit from operating activities.

During the year, our Shenzhen plant was classified as an advanced technology enterprise resulting in a tax refund of Renminbi 8 million for year 2000 and a 50% reduction in taxes for three years from the year 2000.

## **INVESTING IN THE FUTURE**

Despite the poor economy, we remained committed to long-term measured development. The Group's financial strength enabled further expansion of our capacity, markets and product range, and investments in advanced technology and facilities.

We completed the relocation of all production facilities from Hong Kong to China and this will improve our operational efficiency by centralizing our Taipo/Shenzhen production work in one location.

In Shenzhen, a new corrugator production line was installed, increasing significantly the capacity of the corrugated carton manufacturing division. We plan to build a new paper distribution and logistic warehouse that will improve the competitiveness of the trading division which was granted rights to sell directly to China's domestic market. Also, our fourth paper making production line at our joint venture Zhongshan Ren Hing Paper Manufacturing Company Limited came on stream in May 2002.

Our own printing and corrugating facility is planned for a 1.5 million square foot site in Wuxi near Shanghai which is expected to be operational by the first quarter of 2003. This will serve our overseas markets and also enhance our ability to serve the important domestic market in eastern China.

We established a representative office in Beijing to explore potential new business. The continuing liberalization of the printing industry will present joint venture opportunities and eventually direct investments. We are in contact with established publishers in China to discuss possible cooperative efforts.

To maintain our leadership position in the industry, we have employed additional sales staff to develop the China market and hired additional staff in Hong Kong and China to handle the growing business and provide even better service.

## OUTLOOK

Going forward, we will be making additional prudent investments to upgrade our operations and increase our sales and marketing efforts. Our strategy for growth is sound and we remain fairly optimistic for the immediate future and confident of steady growth in the long term.

Paper prices trended upward during the first half of 2002 and this is expected to continue for at least the medium term. Demand for printing and paper in China during the 2002 summer peak season is strong and this will support our paper trading division and paper manufacturing operations.

China represents our greatest opportunity. With all of our operations in southern China and those planned for the Shanghai area, we have direct access to the domestic market and can conduct business

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in Renminbi. China's economic growth has bolstered demand for quality packaging and printing and we have the capacity and capability to meet this need.

China's entry into the World Trade Organization is expected to attract foreign direct investment to benefit from the country's manufacturing capabilities. This may result in greater competition, however, as well as opportunities. We are well positioned to meet this competition as we have built an excellent team and a solid reputation for reliability during our 52-year history.

Demand is expected to grow in the United States as the economy improves, particularly from the major discount companies, and sales to high end retailers should grow steadily. Our European sales will benefit from the weakening U.S. dollar.

We retain our clear and consistent goals of competitiveness, quality, efficiency and service and will achieve these aims by capitalizing on the vertical integration within the Hung Hing business.

In closing, I would like to personally thank our staff for their hard effort, loyalty and persistence during the year in working to achieve the Group's goals.

**Yam Cheong Hung**

Chairman

Hong Kong, 9 July 2002