HUNG HING

HUNG HING PRINTING GROUP LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 0450)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors of Hung Hing Printing Group Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**2014** **HK$'000**	2013 HK$'000
Revenue	2	**2,989,333**	3,013,490
Cost of sales		**(2,587,616)**	(2,586,482)
Gross profit		**401,717**	427,008
Other income and gains		**31,509**	48,241
Gain on disposal of available-for-sale financial assets	3	**-**	17,183
Distribution costs		**(77,518)**	(83,714)
Administrative and selling expenses		**(276,412)**	(292,691)
Other expenses		**(38,258)**	(4,270)
Operating profit		**41,038**	111,757
Finance costs	4	**(9,538)**	(6,729)
Profit before income tax		**31,500**	105,028
Income tax expense	6	**(22,107)**	(22,869)
Profit for the year		**9,393**	82,159
Attributable to:			
Owners of the Company		**7,914**	77,209
Non-controlling interests		**1,479**	4,950
		9,393	82,159

	Note		
		HK cents	HK cents
Earnings per share attributable to owners of the Company	7		
Basic		**0.9**	8.5
Diluted		**0.9**	8.5
		HK$'000	HK$'000
Dividends	8	**27,236**	63,551

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2014	2013
	HK$'000	HK$'000
Profit for the year	**9,393**	82,159
Other comprehensive (loss)/income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(25,183)**	28,686
Change in value of intangible assets	**(50)**	(450)
Change in value of available-for-sale financial assets	**1,508**	26,048
Other comprehensive (loss)/income for the year, net of tax	**(23,725)**	54,284
Total comprehensive (loss)/income for the year	**(14,332)**	136,443
Attributable to:		
Owners of the Company	**(11,546)**	121,702
Non-controlling interests	**(2,786)**	14,741
Total comprehensive (loss)/income for the year	**(14,332)**	136,443

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 31 December 2014 HK$'000**	At 31 December 2013 HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**1,256,678**	1,307,708
Land use rights		**87,249**	105,069
Intangible assets		**9,438**	8,501
Available-for-sale financial assets		**43,929**	42,929
Properties under construction		**1,910**	10,084
Trade receivables		**-**	1,797
Deferred income tax assets		**12,050**	14,090
Deposits for acquisition of non-current assets		**17,669**	8,744
Total non-current assets		**1,428,923**	1,498,922

Current assets			
Inventories		**515,293**	549,664
Trade and bills receivables	9	**781,007**	832,721
Prepayments, deposits and other receivables		**40,149**	60,538
Derivative financial instruments		**-**	2,561
Tax recoverable		**1,340**	3,237
Pledged time deposits		**82,558**	47,808
Time deposits with original maturity over three months		**47,549**	213,685
Cash and cash equivalents		**917,658**	608,906
Total current assets		**2,385,554**	2,319,120
Total assets		**3,814,477**	3,818,042
Equity			
Equity attributable to owners of the Company			
Share capital	10	**1,652,854**	90,787
Reserves	10	**1,014,238**	2,614,904
Proposed dividend		**18,157**	48,117
		2,685,249	2,753,808
Non-controlling interests		**158,803**	161,589
Total equity		**2,844,052**	2,915,397
Liabilities			
Non-current liabilities			
Borrowings		**194,667**	195,000
Deferred income tax liabilities		**56,858**	54,412
Total non-current liabilities		**251,525**	249,412
Current liabilities			
Trade and bills payables	11	**244,317**	230,946
Current income tax liabilities		**14,467**	34,193
Other payables and accrued liabilities		**166,309**	183,884
Derivative financial instruments		**3,749**	-
Borrowings		**290,058**	204,210
Total current liabilities		**718,900**	653,233
Total liabilities		**970,425**	902,645
Total equity and liabilities		**3,814,477**	3,818,042
Net current assets		**1,666,654**	1,665,887
Total assets less current liabilities		**3,095,577**	3,164,809

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	2014	2013
	HK$'000	HK$'000
Net cash inflow/(outflow) from:		
Operating activities	**197,571**	297,476
Investing activities	**102,434**	(206,957)
Financing activities	**18,873**	(25,769)
Net increase in cash and cash equivalents	**318,878**	64,750
Cash and cash equivalents at beginning of period	**608,906**	533,345
Exchange (loss)/gain in cash and cash equivalents	**(10,126)**	10,811
Cash and cash equivalents at end of period	**917,658**	608,906
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**269,055**	218,744
Time deposits with original maturity less than three months	**648,603**	390,162
	917,658	608,906

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") 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 consolidated financial statements have been prepared under the historical cost convention, and modified by the revaluation of intangible assets, available-for-sale financial assets and derivative financial instruments, which are carried at fair value.

(a) New and amended standards adopted by the Group

The following amendments to standards and interpretations are mandatory for the Group's accounting year beginning on 1 January 2014:

HKAS 32 (amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
HKAS 36 (amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) Interpretation 21	Levies
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (amendment)	Investment Entities
HKFRS 2 (amendment)	Share-based Payment

The adoption of these new/revised standards, amendments and interpretations to existing standards do not result in any substantial changes to the Group's accounting policy nor any impact on the consolidated financial statements.

(b) The following amendments to standards and interpretations are not yet effective and have not been early adopted by the Group:

HKAS 19 (2011) (amendment)	Defined Benefit Plans: Employee Contributions
HKFRSs (amendment)	Annual Improvements to HKFSs 2010-2012 Cycle
HKFRSs (amendment)	Annual Improvements to HKFSs 2011-2013 Cycle
HKFRSs (amendment)	Annual Improvements to HKFSs 2012-2014 Cycle
HKFRS 14	Regulatory Deferral Accounts
HKFRS 10 and HKAS 28 (amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 11 (amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKAS 16 and HKAS 38 (amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (amendment)	Agriculture: Bearer Plants
HKAS 27 (amendment)	Equity Method in Separate Financial Statements
HKFRS 15	Revenue from Contracts with Customers
HKFRS 9	Financial Instruments

Management is in the process of making an assessment of the impact of these new standards and amendments to standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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:

(a) Book and Package Printing segment;
(b) Consumer Product Packaging segment;
(c) Corrugated Box segment; and
(d) Paper Trading segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Management assesses the performance of the operating segments based on a measure of gross profit less distribution costs, administrative and selling expenses, and other 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 an arm's length basis.

	2014			
	Segment revenue			**Segment results**
	Sales to external customers HK'$000	**Inter-segment sales HK'$000**	**Total HK'$000**	**HK'$000**
Book and Package Printing	**1,671,767**	**1,785**	**1,673,552**	**42,268**
Consumer Product Packaging	**727,528**	**3,137**	**730,665**	**7,274**
Corrugated Box	**198,267**	**92,914**	**291,181**	**5,336**
Paper Trading	**391,771**	**430,760**	**822,531**	**13,514**
Eliminations	**-**	**(528,596)**	**(528,596)**	**1,758**
	2,989,333	**-**	**2,989,333**	**70,150**
Interest, dividend income and other gains				**20,083**
Corporate and unallocated expenses				**(49,195)**
Operating profit				**41,038**
Finance costs				**(9,538)**
Profit before income tax				**31,500**
Income tax expense				**(22,107)**
Profit for the year				**9,393**

	2013			
	Segment revenue			Segment results
	Sales to external customers	Inter-segment sales	Total	
	HK'$000	HK'$000	HK'$000	HK'$000
Book and Package Printing	1,728,430	1,448	1,729,878	54,272
Consumer Product Packaging	786,047	4,411	790,458	13,479
Corrugated Box	227,850	105,647	333,497	13,413
Paper Trading	271,163	419,963	691,126	7,294
Eliminations	-	(531,469)	(531,469)	(1,333)
	3,013,490	-	3,013,490	87,125
Interest, dividend income and other gains				34,056
Corporate and unallocated expenses				(26,607)
				94,574
Gain on disposal of available-for-sale financial assets				17,183
Operating profit				111,757
Finance costs				(6,729)
Profit before income tax				105,028
Income tax expense				(22,869)
Profit for the year				82,159

3. Gain on Disposal of Available-for-sale Financial Assets

There was no disposal of available-for-sale financial assets during the year ended 31 December 2014.

During the year ended 31 December 2013, the Company, and other three existing shareholders of Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited and Zhongshan Ren Hing Paper Manufacturing Company Limited ("Paper Mill Entities"), entered into equity transfer agreements with a third party, Zhongshan Yong Fa Industry Company Limited ("Zhongshan Yong Fa"), pursuant to which the Company agreed to dispose of 7.5% of its equity interests in the Paper Mill Entities to Zhongshan Yong Fa at an aggregate cash consideration of RMB18,179,000 (approximately to HK$23,011,000) (the "Disposal"). Further details of the above transactions were set out in the announcements of the Company dated 31 July 2013 and 9 August 2013.

The Disposal was completed and a gain of HK$17,183,000 was recognised in the consolidated income statement for the year ended 31 December 2013. Upon completion, the effective equity interest held by the Group in the Paper Mill Entities was reduced from 16.62% to 9.12%.

	2013 HK$'000
Disposal consideration for 7.5% equity interests in the Paper Mill Entities	23,011
Carrying value of the 7.5% equity interests in the Paper Mill Entities at date of disposal	(5,733)
Transaction costs	(95)
Gain on disposal of the investment in available-for-sales financial assets	17,183

At 31 December 2013, the disposal receivable amounted to HK$23,011,000 was recorded as an other receivable and which had been fully settled on 7 March 2014.

4. Finance Costs

	2014 HK$'000	2013 HK$'000
Interests on bank borrowings wholly repayable within five years	**9,538**	6,729

5. Profit Before Income Tax

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

	2014 HK$'000	2013 HK$'000
After charging -		
Depreciation	**108,504**	113,152
Amortisation of land use rights	**1,738**	3,211
Amortisation of intangible assets	**631**	822
Provision for impairment of trade receivables	**1,135**	3,499
Operating lease charges in respect of land and buildings	**6,941**	7,497
Provision for impairment of inventories, net	**3,585**	2,314
Employee benefits expense (including directors' emoluments)	**812,620**	816,000
Fair value loss on derivative financial instruments not qualified as hedges, net	**15,324**	-
Foreign exchange loss, net	**18,242**	-
After crediting -		
Dividend income from available-for-sale financial assets	**348**	348
Bank interest income	**19,735**	12,944
Fair value gain on derivative financial instruments not qualified as hedges, net	**-**	13,733
Foreign exchange gain, net	**-**	10,562

6. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

	2014 HK$'000	2013 HK$'000
Current income tax		
- Hong Kong profits tax		
- Provision for the year	**4,475**	2,381
- Under/(over) provision in prior years	**346**	(458)
	4,821	1,923
- PRC corporate income tax		
- Provision for the year	**11,873**	19,327
- Under/(over) provision in prior years	**146**	(96)
	12,019	19,231
Total current tax	**16,840**	21,154
Deferred income tax	**5,267**	1,715
Income tax expense	**22,107**	22,869

7. Earnings Per Share Attributable to Owners of the Company

(a) Basic earnings per share

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

	2014	2013
Profit attributable to owners of the Company (HK$'000)	**7,914**	77,209
Weighted average number of ordinary shares in issue (thousands)	**907,865**	907,865
Weighted average number of own held shares for share award scheme (thousands)	**(1,951)**	(3,214)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share (thousands)	**905,914**	904,651
Basic earnings per share (HK cents per share)	**0.9**	8.5

(b) Diluted earnings per share

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

For the year ended 31 December 2013, 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.

	2013
Profit attributable to owners of the Company (HK$'000)	77,209
Weighted average number of ordinary shares in issue for calculation of basic earnings per share (thousands)	904,651
Effect of dilutive potential ordinary shares in respect of own held shares for share award scheme (thousands)	149
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share (thousands)	904,800
Diluted earnings per share (HK cents per share)	8.5

8. Dividends

	2014	2013
	HK$'000	HK$'000
Interim dividend of HK1 cent (2013: HK1.7 cents) per ordinary share	**9,079**	15,434
Proposed final dividend of HK2 cents (2013: HK5.3 cents) per ordinary share	**18,157**	48,117
	27,236	63,551

The Directors recommend the payment of a final dividend of HK2 cents per ordinary share. Such dividend is to be approved by the shareholders at the forthcoming annual general meeting of the Company. These consolidated financial statements do not reflect this as dividend payable but account for it as proposed dividends in reserves.

9. Trade and Bills Receivables

	2014	2013
	HK$'000	HK$'000
Trade receivables	**800,046**	850,054
Less: provision for impairment of trade receivables	**(24,708)**	(24,256)
	775,338	825,798
Trade receivables due from related parties	**1,746**	386
Total trade receivables, net	**777,084**	826,184
Bills receivables	**3,923**	8,334
	781,007	834,518
Less: Non-current trade receivables	**-**	(1,797)
	781,007	832,721

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 and 90 days from date 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.

The aging analysis of total trade receivables at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2014	2013
	HK$'000	HK$'000
1 - 30 days	**322,043**	323,352
31 - 60 days	**184,295**	186,427
61 - 90 days	**95,625**	103,366
Over 90 days	**175,121**	213,039
	777,084	826,184

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

	2014	2013
	HK$'000	HK$'000
Beginning balance	**24,256**	26,650
Provision for impairment of trade receivables	**1,135**	3,499
Amount written off as uncollectible	**(507)**	(6,151)
Exchange differences	**(176)**	258
Ending balance	**24,708**	24,256

10. Share Capital

Under the Hong Kong Companies Ordinance (Cap. 622) ("Companies Ordinance"), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists. In accordance with section 135 of the Companies Ordinance, the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

In accordance with the transitional provisions set out in section 37 of Schedule 11 to Companies Ordinance, on 3 March 2014, any amount standing to the credit of the share premium account and capital redemption reserve has become part of the Company's share capital. Therefore, on 3 March 2014, the share premium of HK$1,559,461,000 and capital redemption reserve of HK$2,606,000 which was grouped under other capital reserve, were transferred to share capital.

11. Trade and Bills Payables

	2014	2013
	HK$'000	HK$'000
Trade payables	**196,289**	196,844
Trade payables due to related parties	**-**	2,463
Total trade payables	**196,289**	199,307
Bills payables	**48,028**	31,639
	244,317	230,946

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

	2014	2013
	HK$'000	HK$'000
1 - 30 days	**142,908**	132,764
31 - 60 days	**40,528**	49,180
61 - 90 days	**8,376**	13,803
Over 90 days	**4,477**	3,560
	196,289	199,307

MANAGEMENT DISCUSSION AND ANALYSIS

Group maintains revenue at approximately HK$3 billion with Paper Trading contributing a higher proportion of business mix

The Group's aggregate revenues for 2014 remained stable at HK$2,989 million, a slight decline of 0.8% compared to 2013. Soft domestic and export activities during the year impacted the manufacturing sector in China in general. Despite the adverse market conditions, shipments for our Paper Trading business grew significantly, by HK$121 million, and maintained strong momentum throughout 2014. This largely helped offset the total sales decline of HK$145 million for the Group's core businesses of book and packaging printing, consumer product packaging and corrugated box manufacturing.

2nd half gross margin improves substantially by 3.4% over 1st half, reaching 13.4% for full year

During the first half of 2014, the Group's gross margin (11.6%) was affected by extreme weather in key export markets, which caused interruptions to capacity utilisation. There was also a shift in sales mix as increased Paper Trading sales resulted in higher direct material consumption. Gross margin in the second half improved substantially over the first half, increasing by 3.4% to 15.0%. This reflected significant improvement in our capacity utilisation and labour productivity, which we facilitated through effective automation initiatives. Full-year gross margin was 13.4%, representing a slight drop of 0.8% compared to 2013. The Group reported a total headcount of 9,990 at the end of 2014. The year-on-year average headcount reduced by 7.5%.

Net profit declines by 89%; savings from overheads partially offset the impact of unfavourable exchange fluctuations and absence of disposal gains

In line with the profit warning issued on 3 February 2015, the Group recorded a year-on-year decrease of 89% in net profit to HK$9 million for the year ended 31 December 2014.

In response to the intensified market uncertainties experienced in 2014, the Group took a number of measures to minimise their impact on profitability. Controls over distribution, sales and administrative expenses contributed to substantial savings of more than HK$22 million. Operating working capital also improved by HK$99 million; this was driven mainly by a HK$34 million reduction in inventory and a HK$52 million in receivables. The additional liquidity allowed the Group to derive an addition gain of HK$7 million in interest income compared to 2013. All these initiatives helped offset the 0.8% decline in gross margin (i.e. HK$25 million in gross profit) and partially the impact of the absence of the HK$17 million gain recognized in 2013 from the disposal of a 7.5% equity stake in paper mill entities.

Compared to 2013, abrupt currency fluctuations unavoidably caused the most significant impact to the Group's net profit performance in 2014. These mainly included:

(i) exchange losses of HK$18 million due to exchange rate volatility in Euro, GBP and CNY (arising mainly from the translation of foreign currency assets from the Group's core operations) in contrast to the exchange gains of HK$11 million in 2013;

(ii) fair value losses of HK$15 million arising from forward contracts for hedging against the Group's currency exposure to fluctuations in the renminbi, in contrast to the fair value gains of HK$14 million in 2013.

Strong liquidity position; net cash increases 19% to HK$563 million

Out of the total of HK$33 million in exchange and fair value losses incurred during the year, over HK$23 million are unrealised losses that do not have any cash flow impact on the Group. As at 31 December 2014, the Group continued to maintain strong net cash on hand (total cash net of bank borrowings) of HK$563 million, which represents an increase of 19% (or HK$92 million) in net cash compared to 2013. With a robust liquidity position, the Group was able to attain higher returns from short-term deposits, generating HK$7 million more in income from interest than in 2013.

The business environment: opportunities and uncertainties

China's economic growth rate has been gradually adjusting to a "new normal", softening but staying within a reasonable range. The country's latest Purchasing Managers Index (PMI) signalled a decline in manufacturing, with modest growth momentum in industrial output and weaker domestic demand as at the beginning of 2015. Exports, which constitute about 30% of China's GDP, continued to slow in 2014 as cautiousness about the country's outlook increased alongside a policy shift toward a less industry- and export-dependent economy. Meanwhile, Chinese imports and retail sales growth have been lacklustre, reflecting clear weaknesses in domestic demand and consumption in 2014. In sum, China's trade and manufacturing sectors will likely continue to face difficulties in the foreseeable future given the current international and domestic complications.

Anticipating increased uncertainty in the recovery of the regional and global economies, the Group continued to strengthen its customer service team and international sales network, adding wider geographic coverage and more product diversity to help grow its client base. Initiatives included enhancing customer support through high-quality collaboration, and expanding network resources in the US – which is showing signs of recovery – and other new developing markets.

Another major initiative involves the Group engaging in more partnerships with its toy and cosmetic packaging clients. During the year the Group made good progress across several key projects, further demonstrating Hung Hing's ability to embrace new technologies[*1] and product designs[*2]. Initial feedback from key customers and business partners is encouraging. With our growing ability and agility, we are confident that we can continue to delight our customers with innovative printing solutions, serving their needs with enhanced product offerings. We also believe our extended support can help us capture opportunities in new service and geographic areas.

Operating costs, labour wages and employee benefits in China are expected to see regular upward adjustments, although at more disciplined rates. Like its industry colleagues, Hung Hing continues to enhance efficiency through automation, process re-engineering and product rationalisation. During the year the Group was successful in controlling its human resources costs to help ease the pressure of rising labour costs. This also contributed to an improvement in profit margin in the second half, and partially offset the impact of business interruptions due to extreme weather in the first half. On the other hand, key material prices, including paper, fluctuated during the year. The Group had procurement efforts in place to manage input costs in 2014, and we foresee no major deviations from current price levels in the near future.

Challenges and opportunities also arose from changes in government policies. The Chinese government's stricter enforcement in de-registering suppliers and printers with sub-standard manufacturing processes and inferior equipment means that the trend toward consolidation is expected to accelerate.

Hung Hing has a long track record of implementing best compliance practices to satisfy or exceed the requirements of its international clients, and to support the government's environmental policy. For instance, our facilities in Shenzhen participated in a government-organised carbon trade program in 2014, and they outperformed their carbon emission target by 14%, with a quota surplus of over 6,000 tonnes of emissions. Also, Hung Hing received a number of recognitions from the PRC government in 2014, garnering more awards and subsidies for its environmental protection efforts, importation of modern equipment, and development of products with advanced technology and applications.

The abrupt currency movements of the CNY, Euro and GBP against the USD unavoidably became a major uncertainty for the Group in 2014, as they did for many other export businesses with large manufacturing operations in China. Geopolitical instabilities also posed serious threats to importers and exporters in terms of currency volatility. There is no doubt that these issues will continue to hinder world trade and delay the global economic recovery, at least in the short term.

As China continues to push through the internationalisation of its currency, it has taken actions that some have perceived as policy interventions. This has resulted in sporadic market reactions, leading to more frequent exchange fluctuations for the CNY on a wider scale. The Group is cautiously monitoring the situation, which could stretch into 2015 and intensify. Our hedging practice for foreign currencies will be constantly reviewed and adjusted accordingly.

*1: e.g. Technologies such as Touch Code and Bridging Book

*2: e.g. New creative team and additional facilities for new product initiatives including sales promotion (SP) products with unparalleled support from our major shareholder Rengo Japan

Business Unit Reports

Book and Packaging Printing (BPP)

The BPP business reported the following results in 2014:
- Revenues of HK$1,672 million, down 3% from the HK$1,728 million recorded in the previous year
- Profit contribution of HK$42 million, vs. HK$54 million the previous year

Review of Operations
The BPP business unit was directly affected by delays in customer activities due to the extreme cold weather in North America during the first half of 2014. In response, the Group realigned its BPP workforce and achieved an average reduction of approximately 7% in headcount compared to 2013. As a result of these measures, plus efficiency improvements and other cost-saving initiatives, the Group was able to keep overall labour costs under control in early 2014 despite an increase in wage levels. Capacity utilisation was less than optimal due to the interruptions to sales in the first half.

Looking forward, the consolidation of the print industry is expected to continue. Through ongoing new business and project development activities, and by building an in-depth knowledge of clients' needs, the BPP business has successfully strengthened its relationships with a growing number of key customers and stands to benefit from consolidation. Furthermore, the Group's partnership with shareholder Rengo Japan is expanding to cover more well-known brands with point-of-purchase print and display accessories for both the export and domestic China market.

Consumer Product Packaging (CPP)

The CPP business reported the following results in 2014:
- Revenue of HK$728 million, down 7% from the HK$786 million recorded in the previous year
- Profit contribution of HK$7 million, vs. HK$13 million the previous year

Review of Operations
The China domestic consumer packaging market continues to be large but highly fragmented. Consumer sentiment was mostly down in 2014, as the government's economic reform measures to combat corruption and stabilise property prices resulted in sluggish year-on-year imports and slower retail sales growth. Analyst reports released during the year, such as PMI reports from HSBC/ Markit, also signalled a decline in the Chinese manufacturing economy in 2014, detailing modest industrial output growth and weaker domestic demand.

Some customers took a very cautious approach toward stocking and ordering. Order intake was delayed during the early part of the year until customers were able to catch up on their own sales with special promotions later. The Group was able to minimise the impact of lower sales on capacity utilisation, labour productivity and profit by realigning its workforce.

Corrugated Box (CB)

The CB business reported the following results in 2014:
- External revenues of HK$198 million, down 13% from the HK$228 million recorded in the previous year
- Profit contribution of HK$5 million, vs. HK$13 million the previous year

Review of Operations
The CB business faced the same challenges as BPP and CPP, with slowdowns in exports and Chinese domestic demand in 2014. Some customers relocated their facilities, causing additional strains on sales and logistics costs. In response, the CB business focused on growing existing key customers and securing new ones by leveraging Hung Hing's corrugated capability in various manufacturing locations to provide extended coverage and cost synergy. The Group also leveraged cost control initiatives such as work-shift rescheduling to generate savings and reduce the impact of lower sales on profit.

Paper Trading (PT)

The PT business reported the following results in 2014:
- External revenues of HK$392 million, up 44% from the HK$271 million recorded in the previous year
- Profit contribution of HK$14 million, vs. HK$7 million the previous year

Review of Operations
We estimate that around 80% of the PT business comes from export manufacturers in southern China, with the balance coming from the China domestic market. The Group maintained strong momentum in its shipment growth throughout 2014, driven by expanded market coverage of direct export channels to additional Southeast Asian countries, and the strengthening of its value-added partnerships with existing customers. The operating working capital of the PT business also improved compared to the previous year.

Liquidity and Capital Resources

With a HK$99 million improvement in our operating working capital, and net new loan financing of HK$86 million – which was largely due to cheaper interest rates for trade loan financing – the Group's cash position improved significantly during the year under review. As at 31 December 2014 the Group had net cash on hand (total cash net of bank borrowings) of HK$563 million, which is 19% higher than last year.

The Group's total cash on hand was HK$1,048 million. Most of the Group's cash is held in renminbi to support the Group's core operations in the PRC. Of the Group's total cash on hand, 80% was held in renminbi, 15% in Hong Kong dollars (HKD), 3% in US dollars (USD) and 2% in pound sterling and Euros. With the significant interest differential, renminbi cash not in immediate use was placed in short-term time deposits, earning higher interest income. For the year under review, interest income increased HK$7 million to HK$20 million, which is 52% higher than last year.

As at 31 December 2014, the Group had total bank borrowings of HK$485 million. When comparing total bank borrowings with total equity, the Group's gearing ratio was 17%, compared to 14% as at 31 December 2013. Per the loan repayment schedules in the Group's loan agreements with banks, HK$279 million is repayable within one year, HK$90 million is repayable within one to two years, and HK$116 million is repayable within two to three years.

Out of the Group's total bank borrowings, 85% was borrowed in HKD and 15% in USD. In terms of funding sources, 95% was borrowed by the Group's operating subsidiaries with banks in Hong Kong and 5% by a PRC subsidiary with a foreign bank in China.

During the year the Group made use of its trade loan facilities, which offered cheaper interest rates at LIBOR plus a lower mark-up and were all borrowed in USD. The bank loans as owed to banks in Hong Kong in HKD were charged with interest rates at HIBOR or the banks' cost of funds plus a certain mark-up. The PRC subsidiary also borrowed HKD with the bank at an interest rate with reference to the bank's cost of funds, plus a certain mark-up. With the higher level of bank borrowing, in particular the trade loan financing, the Group's interest expense for the year went up by 42% to HK$10 million, an increase of HK$3 million over last year. As at 31 December 2014, the Group had unutilised bank loan and trade facilities of HK$205 million and HK$259 million respectively.

The Group's total capital expenditure for 2014 amounted to HK$72 million, which was mainly spent to strengthen automation and enhance production efficiency. During the year the Group installed a high-speed large-format offset printing press at its Shenzhen plant to upgrade capacity.

Contingent Liabilities and Pledge of Assets

As at 31 December 2014, the Group has provided corporate guarantees to the extent of HK$19 million to secure the banking facilities of a former related company.

Certain buildings, land use rights and time deposits of the Group with a total carrying value of HK$171 million as at 31 December 2014 have been pledged to secure banking and trading facilities granted to the Group.

Environmental Sustainability

Hung Hing is committed to sustainable manufacturing, and it continues to invest in energy-efficient machines and equipment. After a period of testing, we began replacing fluorescent lights at some of our manufacturing plants with LED versions, which consume less energy and are longer-lasting. In addition, by automating more processes with energy-efficient machines, the Group was able to further enhance its resource usage at the manufacturing plants, reducing electricity and water consumption to less than 61,000 Mwh (2013: 62,000 Mwh) and 971,000 M^3 (2013: 1,220,000 M^3) respectively.

Since 2013 the Group's Shenzhen plant has participated in a government-organized carbon trade program. The year 2014 was the second year that the Shenzhen plant was able to outperform its carbon emission target, this time by 14% (2013: 18%). The Group also achieved an emission index of 0.76 (2013: 0.84) compared to its target of 0.89 (2013: 0.95), which translates to around 4,500 tons fewer of carbon dioxide emitted.

Hung Hing continued to support green initiatives in 2014. Our Shenzhen and Heshan plants were awarded Hang Seng Pan Pearl River Delta Environmental Awards for the fifth and third years, respectively. Also this past year, the Zhongshan plant was awarded the China Environmental Labelling Certificate, meaning all Group manufacturing plants in southern China now have this important designation.

The Group also increased its support of responsible forestry, increasing its consumption of paper certified by the FSC (Forest Stewardship Council) and the PEFC (Programme for the Endorsement of Forest Certification) from 62,000 tons in 2013 to 68,000 tons in 2014. Certified and recycled paper now accounts for up to 90% of the Group's manufacturing consumption.

Our People

Our employees are our most valuable asset. As at 31 December 2014 the Group had a total headcount of 9,990, which is down 4.5% compared to 10,457 at the end of the previous year (a year-on-year average reduction of 7.5%).

We offer our skilled employees above average remuneration packages that are very competitive in the market. Remuneration packages are reviewed annually with reference to market conditions and the performance of the individual, as well as companies within the Group.

Staff safety is our top concern. We provide both internal and external training covering aspects including employees' rights, health and safety, and skill development. In 2014 we provided 272,000 hours of training to 45,000 attendees. Some of the training programs were organized by non-government organization and sponsored by well-known brands. This year we also invited an external party to reassess our training content to ensure that our employees gain as much as possible from it. We continue to perform well in health and safety, with a low total incident rate (TIR) of 0.19 (2013: 0.17). TIR is calculated as the number of accidents per 200,000 man-hours of working time.

Outlook

We expect weak market conditions to drag through the early part of 2015. On a macroeconomic level, the recoveries of the regional and global economies remain uncertain, but the Group is optimistic about the printing and packaging industries' long-term growth prospects. We will continue to further diversify our geographies by placing additional emphasis on the domestic market of mainland China, which still offers significant potential despite its current economic slowdown. As always, we will also emphasise prudent financial management and cost controls.

Hung Hing's key focus for 2015 is nurturing its growth as a printing company that goes beyond the role of a traditional OEM. This involves fostering a culture that values finding proactive, innovative solutions for business partners. We have seen encouraging results from the development of our own value-added technology and products. By enhancing our capabilities in these areas, we can attract companies all along the value chain who want to partner with Hung Hing to explore mutually beneficial business ventures. The Group will also support these objectives by continuing to strengthen its personnel and infrastructure, and by leveraging its agility and creativity to enhance the user experience.

The Group's healthy balance sheet gives it solid financial standing relative to an industry that will likely see further consolidation. By taking advantage of the opportunity in a weak market to strengthen our operations, introduce innovative new products and services, and expand synergies across the Group's divisions, we are confident that we are well positioned to capture future opportunities.

I would like to thank Hung Hing's Board, senior management and staff, whose hard work and dedication enable us to maintain our status as one of Asia's leading printing companies.

FINAL DIVIDEND

The directors recommend a final dividend of HK2 cents (2013: HK5.3 cents) per share. The proposed final dividend is subject to shareholders' approval at the forthcoming annual general meeting of the Company. This, together with an interim dividend of HK1 cent (2013: HK1.7 cents) per share paid in October 2014, will make a total dividend of HK3 cents (2013: HK7 cents) per share for the financial year.

The proposed final dividend will be paid by cash on 25 June 2015 to shareholders whose names appear on the Register of Members of the Company on 12 June 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 29 May 2015 to Tuesday, 2 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 28 May 2015.

The Register of Members of the Company will be closed from Wednesday, 10 June 2015 to Friday, 12 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to quality for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 9 June 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions listed in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the final results, with the exception that:

1. Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Currently the roles of chairman and chief executive officer have been undertaken by Mr. Yum Chak Ming, Matthew. The Board is of the opinion that it is appropriate and in the best interests of the Company that Mr. Yum should hold these offices. The Board believes that it is able effectively to monitor and assess business performance in a manner that properly protects the interests of shareholders.

2. Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company are not appointed for a specific term. However under the Articles of Association of the Company, one-third of the directors who have served longest on the Board shall retire from office by rotation every year at the annual general meeting. All directors of the Company retire by rotation at least once every three years and hence the terms of appointment of the non-executive directors are limited accordingly.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the final results.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the final results for the year ended 31 December 2014 and the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters. The audit committee comprises three independent non-executive directors and a non-executive director of the Company.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for year ended 31 December 2014 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 ended 31 December 2014. 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
Hung Hing Printing Group Limited
Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 26 March 2015

As at the date of this announcement, the Board comprises Mr. Yum Chak Ming, Matthew and Mr. Sung Chee Keung as executive directors; Mr. Hirofumi Hori, Mr. Sadatoshi Inoue, Mr. Katsuaki Tanaka and Mr. Yam Hon Ming, Tommy as non-executive directors; Mr. Yap, Alfred Donald, Mr. Luk Koon Hoo and Mr. Lo Chi Hong as independent non-executive directors.