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HUNG HING PRINTING GROUP LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 0450)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	2016 HK\$'000	2015 HK\$'000
Revenue	2	2,955,924	3,036,933
Cost of sales		(2,510,845)	(2,585,536)
Gross profit		445,079	451,397
Other revenue		31,523	32,183
Other net loss		(15,587)	(18,293)
Distribution costs		(80,568)	(76,061)
Administrative and selling expenses		(314,048)	(317,567)
Operating profit		66,399	71,659
Finance costs	3	(5,972)	(6,632)
Profit before income tax		60,427	65,027
Income tax	5	(18,087)	(22,516)
Profit for the year		42,340	42,511
Attributable to:			
Equity shareholders of the Company		37,785	38,199
Non-controlling interests		4,555	4,312
Profit for the year		42,340	42,511
		HK cents	HK cents
Earnings per share attributable to equity shareholders of the Company	6		
Basic		4.2	4.2
Diluted		4.2	4.2
		HK\$'000	HK\$'000
Dividends	7	36,315	36,315

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2016 HK\$'000	2015 HK\$'000
Profit for the year	42,340	42,511
Other comprehensive income for the year (net of tax):		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	(60,832)	(46,746)
Change in fair value of intangible assets	(200)	500
Change in fair value of available-for-sale financial assets	900	3,333
	<u>(60,132)</u>	<u>(42,913)</u>
Total comprehensive income for the year	(17,792)	(402)
Attributable to:		
Equity shareholders of the Company	(12,059)	3,217
Non-controlling interests	(5,733)	(3,619)
	<u>(17,792)</u>	<u>(402)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December 2016 HK\$'000	At 31 December 2015 HK\$'000
	Note	
Non-current assets		
Property, plant and equipment	1,113,515	1,183,805
Land use rights	77,736	82,641
Properties under construction	517	1,219
Intangible assets	8,970	9,735
Deposits for acquisition of non-current assets	40,577	23,364
Available-for-sale financial assets	45,755	46,231
Deferred tax assets	16,065	8,675
	<u>1,303,135</u>	<u>1,355,670</u>
Current assets		
Inventories	523,470	522,328
Trade and bills receivables	787,196	786,864
Prepayments, deposits and other receivables	47,642	51,598
Pledged time deposits	136,395	85,403
Time deposits with original maturity over three months	5,590	180,958
Cash and cash equivalents	684,831	546,391
Income tax recoverable	3,511	3,821
	<u>2,188,635</u>	<u>2,177,363</u>

Current liabilities			
Trade and bills payables	9	201,930	196,315
Other payables and accrued liabilities		188,589	180,722
Bank borrowings		110,655	188,698
Income tax payable		21,915	11,951
		<u>523,089</u>	<u>577,686</u>
Net current assets		<u>1,665,546</u>	<u>1,599,677</u>
Total assets less current liabilities		<u>2,968,681</u>	<u>2,955,347</u>
Non-current liabilities			
Bank borrowings		155,000	85,000
Deferred tax liabilities		55,434	58,472
		<u>210,434</u>	<u>143,472</u>
Net assets		<u>2,758,247</u>	<u>2,811,875</u>
Capital and reserves			
Share capital		1,652,854	1,652,854
Reserves		932,766	981,140
Proposed dividend		27,236	22,697
Total equity attributable to equity shareholders of the Company		<u>2,612,856</u>	<u>2,656,691</u>
Non-controlling interests		<u>145,391</u>	<u>155,184</u>
Total equity		<u>2,758,247</u>	<u>2,811,875</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	2016	2015
	HK\$'000	HK\$'000
Net cash generated from/(used in):		
Operating activities	153,546	79,463
Investing activities	51,184	(188,941)
Financing activities	(45,733)	(249,747)
Net increase/(decrease) in cash and cash equivalents	<u>158,997</u>	<u>(359,225)</u>
Cash and cash equivalents at 1 January	546,391	917,658
Effect of foreign exchange rate change	(20,557)	(12,042)
Cash and cash equivalents at 31 December	<u>684,831</u>	<u>546,391</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	432,099	328,119
Time deposits with original maturity less than three months	252,732	218,272
	<u>684,831</u>	<u>546,391</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of final results for the year ended 31 December 2016 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2015, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 in due course. The Company's auditor has reported on these financial statements for both years. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 committee 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 and other revenue less distribution costs, administrative and selling expenses, and other net loss 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.

	2016			Segment results HK'\$000
	Segment revenue			
	Sales to external customers HK'\$000	Inter-segment sales HK'\$000	Total HK'\$000	
Book and Package Printing	1,766,428	690	1,767,118	39,654
Consumer Product Packaging	625,881	1,907	627,788	11,892
Corrugated Box	149,788	98,261	248,049	3,447
Paper Trading	413,827	397,949	811,776	14,609
Eliminations	-	(498,807)	(498,807)	1,834
	<u>2,955,924</u>	<u>-</u>	<u>2,955,924</u>	<u>71,436</u>
Interest income and other income				13,388
Corporate and unallocated expenses				(18,425)
Operating profit				<u>66,399</u>
Finance costs				(5,972)
Profit before income tax				<u>60,427</u>
Income tax				(18,087)
Profit for the year				<u><u>42,340</u></u>

	2015			Segment results HK'\$000
	Segment revenue			
	Sales to external customers HK'\$000	Inter-segment sales HK'\$000	Total HK'\$000	
Book and Package Printing	1,724,132	870	1,725,002	57,327
Consumer Product Packaging	696,129	1,059	697,188	11,386
Corrugated Box	187,604	98,316	285,920	10,619
Paper Trading	429,068	385,406	814,474	14,155
Eliminations	-	(485,651)	(485,651)	1,264
	<u>3,036,933</u>	<u>-</u>	<u>3,036,933</u>	<u>94,751</u>
Interest income and other income				22,943
Corporate and unallocated expenses				(46,035)
Operating profit				<u>71,659</u>
Finance costs				(6,632)
Profit before income tax				<u>65,027</u>
Income tax				(22,516)
Profit for the year				<u><u>42,511</u></u>

3. Finance Costs

	2016 HK\$'000	2015 HK\$'000
Interests on bank borrowings	<u>5,972</u>	<u>6,632</u>

4. Profit Before Income Tax

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

	2016 HK\$'000	2015 HK\$'000
After charging -		
Depreciation	101,733	104,769
Amortisation of land use rights	2,756	2,951
Amortisation of intangible assets	948	873
Provision for impairment loss of trade receivables, net	32	-
Operating lease charges in respect of land and buildings	7,454	7,563
Provision for impairment of inventories, net	-	181
Employee benefits expense (including directors' emoluments)	797,910	806,341
Fair value loss on derivative financial instruments not qualified as hedges, net	1,921	-
Foreign exchange loss, net	<u>6,939</u>	<u>16,566</u>
After crediting -		
Dividend income from available-for-sale financial assets	404	381
Bank interest income	13,388	22,672
Fair value gain on derivative financial instruments not qualified as hedges, net	-	271
Reversal of provision for impairment loss of trade receivables, net	-	2,000
Reversal of provision for impairment of inventories, net	<u>7,289</u>	<u>-</u>

5. Income Tax

The provision for Hong Kong Profits Tax for 2016 is calculated at the rate of 16.5% (2015: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

	2016 HK\$'000	2015 HK\$'000
Current tax - Hong Kong Profits Tax		
- Provision for the year	-	1,732
- (Over)/under provision in respect of prior years	(178)	91
	<u>(178)</u>	<u>1,823</u>
Current tax - PRC Corporate Income Tax and Withholding Tax		
- Provision for the year	19,086	13,375
- Under provision in respect of prior years	7,273	632
	<u>26,359</u>	<u>14,007</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(8,094)</u>	<u>6,686</u>
	<u>18,087</u>	<u>22,516</u>

6. Earnings Per Share Attributable to Equity Shareholders of the Company

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$37,785,000 (2015: HK\$38,199,000) and the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company.

	2016	2015
Profit attributable to equity shareholders of the Company (HK\$'000)	37,785	38,199
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)	<u>(1,633)</u>	<u>(1,633)</u>
Weighted average number of ordinary shares in issue for calculation of basic earnings per share (thousands)	<u>906,232</u>	<u>906,232</u>
Basic earnings per share (HK cents per share)	4.2	4.2

(b) Diluted earnings per share

For the years ended 31 December 2016 and 2015, diluted earnings per share is the same as the basic earnings per share as there was no dilutive potential ordinary shares.

7. Dividends

	2016	2015
	HK\$'000	HK\$'000
Interim dividend of HK1 cent (2015: HK1.5 cents) per ordinary share	9,079	13,618
Proposed final dividend of HK3 cents (2015: HK2.5 cents) per ordinary share	27,236	22,697
	<u>36,315</u>	<u>36,315</u>

The Directors recommend the payment of a final dividend of HK3 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.

8. Trade and Bills Receivables

	2016	2015
	HK\$'000	HK\$'000
Trade receivables	782,034	788,941
Less: provision for impairment loss of trade receivables	<u>(7,314)</u>	<u>(12,481)</u>
	774,720	776,460
Trade receivables due from related parties	5,988	819
Total trade receivables, net	780,708	777,279
Bills receivables	6,488	9,585
	<u>787,196</u>	<u>786,864</u>

Trade receivables are normally due within 30 to 90 days from the date of billing.

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:

	2016 HK\$'000	2015 HK\$'000
1 - 30 days	287,219	311,193
31 - 60 days	173,693	172,666
61 - 90 days	108,902	102,273
Over 90 days	210,894	191,147
	<u>780,708</u>	<u>777,279</u>

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

	2016 HK\$'000	2015 HK\$'000
At 1 January	12,481	24,708
Provision for/(reversal of provision for) impairment loss of trade receivables	32	(2,000)
Amount written off as uncollectible	(4,880)	(9,974)
Exchange differences	(319)	(253)
At 31 December	<u>7,314</u>	<u>12,481</u>

9. Trade and Bills Payables

	2016 HK\$'000	2015 HK\$'000
Trade payables	175,132	158,081
Bills payables	26,798	38,234
	<u>201,930</u>	<u>196,315</u>

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

	2016 HK\$'000	2015 HK\$'000
1 - 30 days	128,603	122,213
31 - 60 days	32,736	28,216
61 - 90 days	4,876	2,480
Over 90 days	8,917	5,172
	<u>175,132</u>	<u>158,081</u>

10. Post Balance Sheet Event

Subsequent to the balance sheet date on 27 February 2017, the Group has entered into an agreement with an independent third party ("Purchaser"). Pursuant to which the Group conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the entire equity interest of Sun Hing Paper (Shenzhen) Company Limited at a consideration of RMB1,026,000,000. Further details of the transaction are set out in the Group's announcement dated 27 February 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Drawing on core strengths to address uncertainty

Hung Hing Printing Group (Hung Hing) is one of the largest printers in Asia. With vertically integrated operations spanning product design, printing, manufacture of corrugated boxes and paper trading, we offer a diversified range of high-quality printing and packaging solutions to the world's most recognised brands in toys, consumer goods and publishing through our manufacturing facilities at five locations in Hong Kong and China.

Despite the challenging macro-economic conditions of 2016, we continued to pursue our goal of remaining the first-choice printing and packaging partner for our clients by being responsive and agile to meet evolving client needs. We leveraged our strong financial position to invest in the infrastructure needed for future growth, including advanced technologies to capture new opportunities and streamline our operations. As a result we have been able to achieve stable revenues at a Group level and offset some of the impact brought by the adverse market conditions on our profitability.

The disposal of our interest in the Sun Hing Paper (Shenzhen) Company Limited, announced in February 2017, will yield operational benefits to the Group by further optimising our vertically integrated operating model and achieving improved efficiencies. The move will also facilitate investment in automation and workflow, while allowing us to further expand our footprint in China.

Revenue

Group revenue for 2016 declined slightly by 2.7% to HK\$2,956 million. The decline was driven by a general economic slowdown around the world, subdued business sentiments, abrupt currency fluctuations and paper price volatility in the fourth quarter which affected the entire industry during the year.

The China domestic market demonstrated encouraging potential for growth and we increased our investment in marketing and sales in order to capture new opportunities, particularly in book printing and packaging. During the year, our book and package printing (BPP) business unit achieved a stable performance with a 2.5% improvement in revenues.

Business in the United States, our largest export market, improved with increased sales of children's and novelty products and greeting cards. We were able to compensate for soft economic conditions by appointing new sales agents in key export markets such as the US and expanding our global partner network. During the year, Western and Central European markets also performed well to deliver higher revenues.

Operating profit and margins

We were able to stage a full recovery from a soft first half with a significant improvement in second half performance. During the year, profit from operating activities was HK\$66 million, a decrease of HK\$5 million compared to the previous financial year as a result of lower full-year sales combined with increased costs associated with distribution and other operating activities.

In response to paper price volatility in the fourth quarter, we implemented stringent controls to contain costs. Our integrated operations stood us in good stead with the paper trading (PT) business unit playing a central role as a key strategic partner for paper supply to our other divisions. Our prudent inventory policy, combined with paper sourced from overseas markets, enabled us to fulfil commitments previously made to customers, albeit with an impact on the corrugated box (CB) business. The consumer product packaging (CPP) and paper trading (PT) business units achieved slightly improved margins.

Profit attributable to equity shareholders of the company

Profit attributable to equity shareholders of the Company remained stable at HK\$38 million, a slight decrease of 1.1% compared to the last financial year.

Exchange rate volatility intensified during the year, affecting the currencies of key export markets such as the Pound Sterling, Euro and Japanese Yen as well as Renminbi. We adopted prudent hedging strategies and adjusted our holdings in tandem with market changes to minimise the adverse impacts of exchange rate volatility, reducing exchange and forward contract losses by almost half compared to the previous year to HK\$9 million.

Total bank loans also came down slightly from HK\$274 million to HK\$266 million, attributable to managed timing of trade facilities and reduced uptake of short-term loans.

Strong liquidity: net cash up by HK\$22 million to HK\$561 million

During the year the Group continued to strengthen its net cash on hand. As at 31 December 2016, total cash net of bank borrowings stood at HK\$561 million, a 4% increase from HK\$539 million in 2015. Capital investment, including deposits paid for capital investments, of HK\$93 million, was funded by cash generated from operating activities of HK\$154 million. This liquidity was facilitated by a significant improvement of HK\$74 million in working capital. Gearing was maintained at a healthy and conservative level of 9.6% (2015: 9.7%).

To meet operating needs, approximately 52% of cash was held in RMB, with the bulk of the remainder held in HKD (13%) and USD (34%). Loans were also confined to HKD and USD to control currency exposures and reduce interest expenses. We also carefully managed our loan portfolio, using a balanced mix of floating and fixed interest rate facilities depending on market conditions to minimize interest rate risk.

Market factors

Geopolitical uncertainty following the ‘Brexit’ vote and Presidential elections, combined with ongoing slow growth in GDP impacted customer confidence in the U.K. and U.S. markets. Following a slow first half, a recovery in the third quarter was followed by a challenging fourth quarter. Key customers delayed order placement in the first half, using existing inventory to meet consumer demands. In the U.K., a decline in the value of the pound affected customers’ ability to commit to high-value orders in advance. As a consequence, smaller orders with tighter delivery schedules were received from both markets, resulting in increased margin pressure.

With GDP growth of 6.7% in 2016 consumer sentiment in China remains optimistic, making the domestic consumer market an attractive one for us, especially for the CPP business unit that supplies to the fast-growing mainland consumer market.

In China certain key regulatory changes on the supply side are reshaping the manufacturing sector.

Increased environmental restrictions and scrutiny affected paper makers across the country towards the end of the year, resulting in the closure of several paper mills. This led to a bottleneck in paper supply and associated price volatility in the fourth quarter that affected the entire industry. Thanks to the scale of our operations, vertical integration and the breadth of our product range, we were able to tap into alternative overseas sources of paper, which, due to RMB depreciation, led to higher prices during the short term.

This development is serving as a supply side control to shut down unhealthy capacity, creating short-term supply disruption for the sector. Over the longer term it is expected that consolidation will take place, leaving manufacturers with the scale and financial strength for continuous investment in new technologies and product development in an advantageous position.

Players such as Hung Hing with financial stability and sustainable business models who are able to respond readily to market developments will have opportunities for long-term growth.

Business Unit Report

Book and Package Printing (BPP)

Book and Package Printing is the Group's largest business unit, with 60% of total sales.

BPP is one of the world's leading producers of folding cartons and packaging for toys, cosmetics and other consumer products, and conventional and children's novelty books.

The business unit operates three plants in Shenzhen and Heshan in China's Guangdong province, and Hong Kong, with a combined production space of 300,000 square meters and a team of around 7,500 workers.

The BPP business reported the following results in 2016:

- Revenues of HK\$1,766 million, an increase of 2.5% over the previous year's revenues of HK\$1,724 million
- Profit contribution of HK\$40 million, a drop of 30.8% from HK\$57 million in 2015

Review of operations:

The BPP unit recovered from a soft first half with improved sales in the second half to post a slight increase in revenue. Growth was driven by book printing and packaging projects especially in mainland China, thanks to consumption growth among the newly-emergent, more affluent and quality conscious middle class. Sales for children's books, novelty products and sales promotion items recorded double digit growth compared to 2015 levels. The greeting cards business also generated healthy contributions. Hung Hing's strong global sales and marketing team consolidated relationships with major customers while diversifying the customer base with new relationships that have growth potential over the long term.

The BPP business unit continued to extend its offerings beyond manufacturing with value-added services such as providing creative design and solutions to its client base. The unit entered new channels and secured partnerships with major clients including the world's top brands. The Innovation Hub Beluga penetrated new categories such as branding, marketing promotion and authentication for luxury and healthcare brands, and made investments in developing online sales. One of Beluga's products, 'Stage Learning', an innovative English learning aid for children incorporating Touchcode and Bridging Book technologies, is now being stocked by major online, app and retail stores in the U.S. The BelugaBloo e-bookstore introduced new titles incorporating new technologies acquired during the year.

In 2015 the BPP unit began to promote the publication rights of popular book titles to domestic and overseas publishers on behalf of rights owners. Further inroads were made with Chinese publishers in this regard in 2016 to promote rights acquisition in China, and the unit expanded its services to both buy and sell rights on behalf of overseas partners, with a special team set up for the purpose.

Consumer Product Packaging (CPP)

Consumer Product Packaging accounts for 21% of the Group's total revenues.

CPP provides high quality packaging solutions for customers worldwide, with a particular focus on mainland China's fast-growing consumer market.

Production is done at facilities in Zhongshan in southern China and Wuxi near Shanghai with a combined production space of 180,000 square meters and a skilled workforce of approximately 1,900.

The CPP business reported the following results in 2016:

- External revenues of HK\$626 million, down 10% from the HK\$696 million recorded in the previous year
- Profit contribution of HK\$11.9 million, an increase of 4.4% over HK\$11.4 million in 2015

Review of Operations

The domestic China market was the main contributor to CPP revenues, which were impacted by interruptions in paper supply during the fourth quarter. The business unit increased profit contribution through an improved product mix and design, a stronger emphasis on high value-added solutions and the use of new technologies. These initiatives served to counter abrupt paper price volatility combined with a lag effect in customer price adjustments.

Innovative, easy-to-assemble sales promotion items developed in conjunction with Hung Hing's partner Rengo received a positive response from customers. The CPP unit also introduced cosmetics packaging incorporating multimedia technology and interactive solutions such as touch codes, which apart from generating new revenue streams for the current year, have significant long-term potential with a very broad range of future applications. Not only are these solutions helpful in breaking new territory for Hung Hing, they also enable the Group to strengthen its relationships and cooperation with existing customers.

The business unit showcased its diverse portfolio through a broader range of activities including trade shows, engagement with new customers, and product ideas integrating our new capabilities.

Corrugated Box (CB)

The Corrugated Box business unit recorded revenues of HK\$248 million, including HK\$150 million in external sales and HK\$98 million in inter-business unit sales.

CB supplies corrugated cartons for packaging to a wide range of companies, including toy, food and beverage, electronics and household product manufacturers. Over 60% of the CB business is generated from exports out of mainland China.

The business unit operates a manufacturing facility in Shenzhen and a distribution center in Hong Kong.

The CB business reported the following results in 2016:

- External revenues of HK\$150 million, down 20% from the HK\$188 million recorded in the previous year
- Profit contribution of HK\$3.4 million, a drop of 68% from HK\$10.6 million achieved in 2015

Review of Operations

The CB business was affected by the same factors that impacted the Group's other business units, together with slower domestic revenues and interruptions in order taking, consequently recording a drop in revenues. The Group's prudent inventory policy and vertically integrated operations enabled the unit to maintain service standards despite paper supply interruptions, and fulfil commitments previously made to customers, albeit with an impact on profit contribution. To address margin pressure the unit implemented a range of cost control measures and enhanced operating efficiencies by improving the management and synergies of its network of manufacturing locations.

The CB business unit continued to see demand from a diversified base of sectors. It has set the stage for future growth by strengthening customer relationships, increasing market coverage and establishing long term contracts with key clients. It will offer a more diversified product mix to generate new revenue streams during the coming quarters.

Paper Trading (PT)

The Paper Trading business unit recorded revenues of HK\$812 million, including HK\$414 million in external sales and HK\$398 million in inter-business unit sales.

PT is one of the largest paper trading operators in Asia (ex-Japan) and can supply a large variety of paper types and quantities with short lead times at competitive prices. Apart from sales to external customers, the business unit serves as a key strategic partner for paper supply to the Group's other business units.

The business unit operates a 60,000-ton paper storage facility in Shenzhen.

The PT business reported the following results in 2016:

- External revenues of HK\$414 million, down 3.6% from HK\$429 million recorded in the previous year
- Profit contribution of HK\$14.6 million, an increase of 3.2% from HK\$14.2 million the previous year

Review of Operations

The PT unit was able to capitalise on strong relationships with existing clients as well as increased export opportunities to customers in South East Asia to maintain stable revenues and post a small increase in profit contribution. The unit improved stock circulation and was able to achieve advantageous prices for special stock during paper supply interruptions in the fourth quarter.

The business unit's prudent inventory policy, supplemented by the Group's scale of operations, enabled it to look further afield to source alternative suppliers from other markets. This played an important strategic role in securing paper supply to the Group's other units. As the Group's demand is stable the unit is in a favourable negotiating position with both old and new suppliers going forward in a consolidated industry.

Contingent Liabilities and Pledge of Assets

As at 31 December 2016, the Group has provided corporate guarantees to the extent of HK\$26 million to secure the banking facilities of a former related company of the Company governed by shareholders' agreement.

Certain time deposits of the Group with a total carrying value of HK\$136 million as at 31 December 2016 have been pledged to secure trading facilities granted to the Group.

Outlook

While the geopolitical and economic climate around the world will remain uncertain and challenging in the immediate future we are confident that our responsive and agile business model, well-qualified management team and successful track record in innovation render us well positioned to deliver sustained long term increase in shareholder value.

Our focus in the coming year will be to tap into the significant opportunities in the mainland China domestic market for books and printing products, while strengthening our export business. We will enhance the capacity and capabilities of our BPP business unit with technology and business process upgrades. We will also explore suitable opportunities to establish a multi-location network for the CB unit to provide added customer coverage and revamp the operating model of the PT unit to achieve improved service standards and cost efficiency.

Further regulatory reform is expected in China and we stand prepared to implement any appropriate and necessary changes promptly. Continued diversification of our customer and supplier base, responsiveness to market developments and environmental sustainability will form the core of our operating strategy. To manage volatility in paper supply in the short to medium term we will explore opportunities for supply from other markets.

The reform in the manufacturing sector in China combined with the new business realities of the printing sector, while spurring continued consolidation in the short term, will benefit the industry and customers as a whole in the long term. Our robust financial position and strong business fundamentals will make us a reliable and preferred partner. Our heritage of quality, strong reputation, value added services and vertically integrated operations will stand us in good stead in this context.

As always I would like to express my sincere gratitude to the Board as well as our senior management and staff for their dedication, loyalty and teamwork, which are the reasons for our continued success.

FINAL DIVIDEND

The directors recommend a final dividend of HK3 cents (2015: HK2.5 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 (2015: HK1.5 cents) per share paid in October 2016, will make a total dividend of HK4 cents (2015: HK4 cents) per share for the financial year.

The proposed final dividend will be paid by cash on 22 June 2017 to shareholders whose names appear on the Register of Members of the Company on 7 June 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 23 May 2017 to Thursday, 25 May 2017, 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 Monday, 22 May 2017.

The Register of Members of the Company will be closed from Monday, 5 June 2017 to Wednesday, 7 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify 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 Friday, 2 June 2017.

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 all the applicable code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2016 except for the following deviations:

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. The roles of the chief executive officer have been undertaken by Mr. Yum Chak Ming, Matthew, the Executive Chairman of the Company. 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 effective 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 2016 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 2016 have been agreed by the Group's auditor, KPMG ("KPMG"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2016. The work performed by KPMG 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 KPMG on the preliminary announcement.

By Order of the Board
Hung Hing Printing Group Limited
Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 22 March 2017

As at the date of this announcement, the Board comprises Mr. Yum Chak Ming, Matthew and Mr. Sung Chee Keung as executive directors; Mr. Sadatoshi Inoue, Mr. Hirofumi Hori, 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.