



鴻興印刷集團有限公司

Hung Hing Printing Group Limited

Annual Results 2021

2021年業績簡報

At Hung Hing, we are proud of our 70+ years of printing and packaging excellence, which has seen the Group grown from a small printing house to one of the largest printing solution providers in Asia with an extensive global outreach.

Hung Hing Printing Group Ltd. 2021 Results 鴻興印刷集團2021年度業績

**Sales increased significantly to 3,529 mil. (up +38.2%); GP% down 3%pt.;
Profit Attributable to Shareholders dropped 52.5% to 52 mil.**

營業額35億2千9百萬元, 上升38.2%; 毛利率降3個百份點; 股東應佔溢利下降52.5%至5千2百萬元

(Unit: HK\$ million / 單位: 港幣百萬元)	<u>2021</u>	<u>2020</u>
<ul style="list-style-type: none"> Group revenue increased by 38.2% 集團營業額上漲38.2% 	3,529	2,554
<ul style="list-style-type: none"> Gross profit margin 13.6% (down 3% pt. vs. 2020) 毛利率13.6%, 比上年度減少3個百份點 	13.6%	16.6%
<ul style="list-style-type: none"> Profit attributable to shareholders declined by 52.5% 股東應佔溢利下降百份之52.5% 	52.0	109.4
<ul style="list-style-type: none"> Total cash including all deposits 現金及各類存款 Net cash (excl. bank borrowings) 淨現金(扣除銀行借貸) 	1,074 882	1,359 1,238
<ul style="list-style-type: none"> Earnings per share - basic 每股盈利 – 基本 	HK 5.8 cents	HK 12.1 cents

Group Income Statement - 2021

- **Revenue** increased significantly to 3,529 mil (up +38.2%); driven by an increase in orders from strategic customers and diversification into new export markets.
- **Profit** dropped 52%; dragged by 3%pt. decline in GP (mainly surges in paper price, labour shortages, logistics disruptions and RMB exchange), discontinued government subsidies provided in 2020, and increase in distribution costs.

	For the year ended 31 Dec					Comment
(Unit: HK\$ mil.)	2021	2020	Change vs. 2020			
Revenue	3,528.9	2,554.0	974.9	38.2%	*1	*1. increase in orders from strategic customers and diversification into new export markets
Cost of sales	(3,050.7)	(2,130.8)	(919.9)	43.2%		
Gross profit	478.2	423.2	55.0	13.0%		
Gross Margin as % of Revenue	13.6%	16.6%	(3.0)	pt.	*2	*2. COVID-19 pandemic caused turmoil in supply chain and logistics, impacting operations and driving up operating costs (mainly surges in paper prices, labour shortages, logistics disruptions) and unfavourable RMB exchange
Other revenue	49.6	101.2	(51.6)	-51.0%	*3	
Other net gain	13.3	77.3	(64.0)	-82.8%	*4	
Distribution costs	(101.1)	(67.1)	(34.0)	50.7%	*5	
Admin & selling exp. (incl. b/d prov.)	(368.3)	(407.3)	39.0	-9.6%	*6	
Operating profit	71.7	127.3	(55.6)	-43.7%		
Finance costs	(2.9)	(3.4)	0.5	-14.7%		*3. Discontinued of Covid-19 related gov't subsidies provided in 2020
Share of loss of associates	(0.4)	(2.0)	1.6	n/a		
Profit before income tax	68.4	121.9	(53.5)	-43.9%		*4. 58m gains recognised partially in 2020 related to WX land resumption
Income tax	(19.1)	(20.1)	1.0	-5.0%		
Profit for the year	49.3	101.8	(52.5)	-51.6%		*5. Abrupt increases of distribution cost in 2021 fuelled by COVID and disruptions of the global supply chain.
Attributable to:						
Equity shareholders of the Company	52.0	109.4	(57.4)	-52.5%		*6. Impairment of receivables 56m related to kikki.K in 2020.
Non-controlling interests	(2.7)	(7.6)	4.9	-64.5%		
Profit for the year	49.3	101.8	(52.5)	-51.6%		
EPS attributable to shareholders	HK cents	HK cents	HK cents			
Basic	5.8	12.1	(6.3)	-52.1%		
Diluted	5.7	12.1	(6.4)	-52.9%		

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- *1. increase in orders from strategic customers and diversification into new export markets
- *2. COVID-19 pandemic caused turmoil in supply chain and logistics, impacting operations and driving up operating costs (mainly surges in paper prices, labour shortages, logistics disruptions) and unfavourable RMB exchange
- *3. Discontinued of Covid-19 related gov't subsidies provided in 2020
- *4. 58m gains recognised partially in 2020 related to WX land resumption
- *5. Abrupt increases of distribution cost in 2021 fuelled by COVID and disruptions of the global supply chain.
- *6. Impairment of receivables 56m related to kikki.K in 2020.

Financial position: 2021

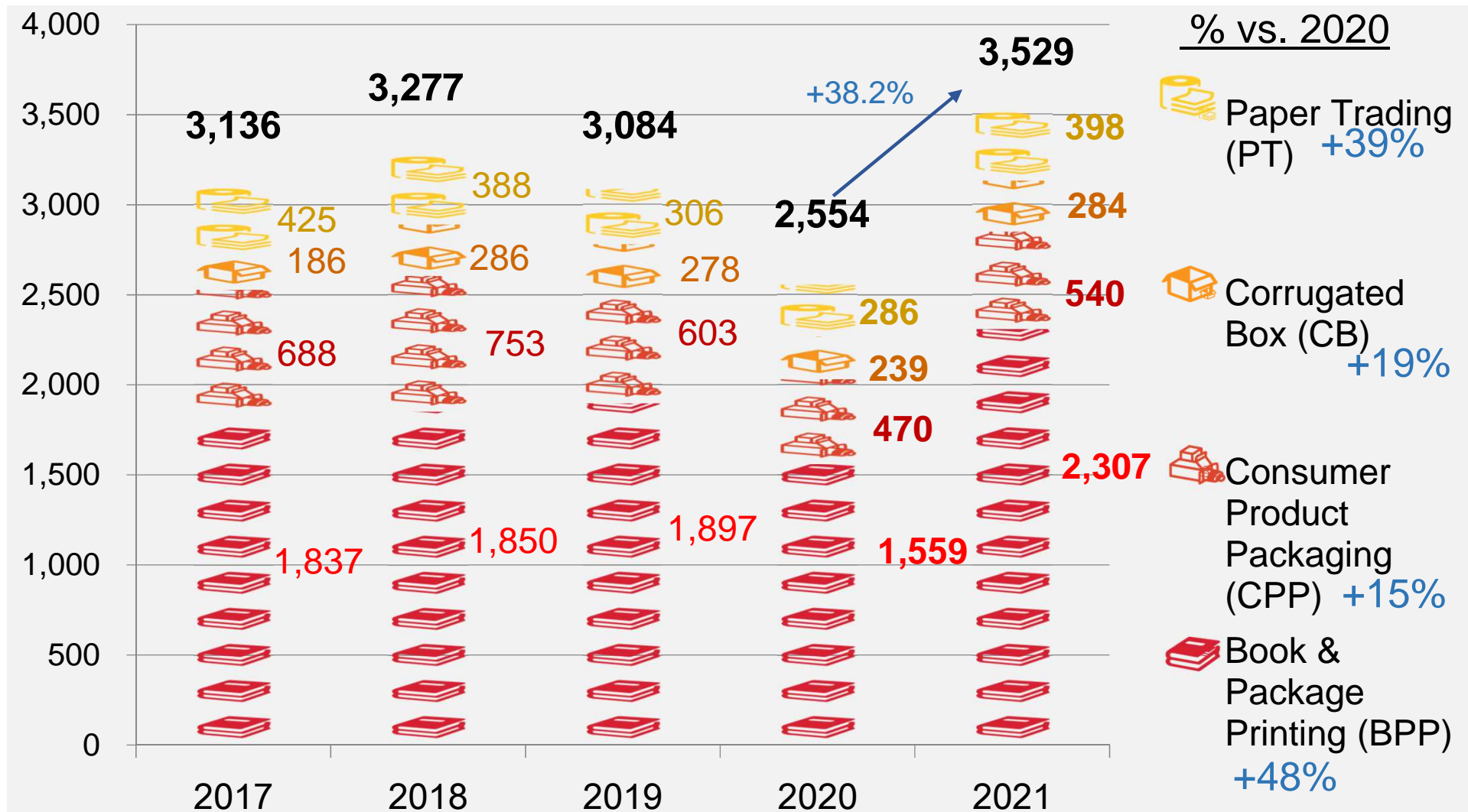
Financial position remains strong with net cash 882m (incl. 389m structured deposits and excl. bank borrowings) and low gearing 5.7%

(HK\$ million)	As at Dec 31			Comment (vs. Dec-20)
	2021	2020	Changes	
Assets				
Non-current	1,548	1,477	71	Mainly capex investments & deposits (in particular HS/VN/WX), offset partly by depreciation and amortization within 2021
Current	2,757	2,663	94	Inventory and receivables up driven by surges in paper prices and sales growth; mainly funded out of cash & deposits balance
Total Assets	4,305	4,140	165	
Incl. Cash & Bank, Time & Structured Deposits	1,074	1,359	(285)	
Liabilities				
Non-current	280	174	106	WX land add'l progress payment +83m
Current	678	578	100	Trade payables increased with sales and production activities, and backfilled term loans from banks
Total Liabilities	958	752	206	
Incl. Bank Borrowings	192	121	71	Primarily 5-yr fixed rate term-loans with banks (all classified under current liabilities)
Net Assets	3,347	3,388	(41)	
Equity				
Attributable to shareholders	3,188	3,238	(50)	Net profit +52m, exchange reserves +22m, dividends distributed -127m
Non-controlling interest	159	150	9	
Total Equity	3,347	3,388	(41)	
Gearing Ratio	5.7%	3.6%	2.2%	
Net Cash (Net-off Bank Borrowings)	882	1,238	(356)	Net cash 882m includes 389m structured deposits but excludes total 192m bank borrowings
Current Ratio	4.1	4.6	(0.5)	

Group Revenue - External Customers

Significant overall growth +38.2% vs. 2020, driven by an increase in orders from strategic customers and diversification into new export markets; Sales of BPP (exports) and PT (paper trading) grew by +48% and +39% respectively.

(HK\$ million)

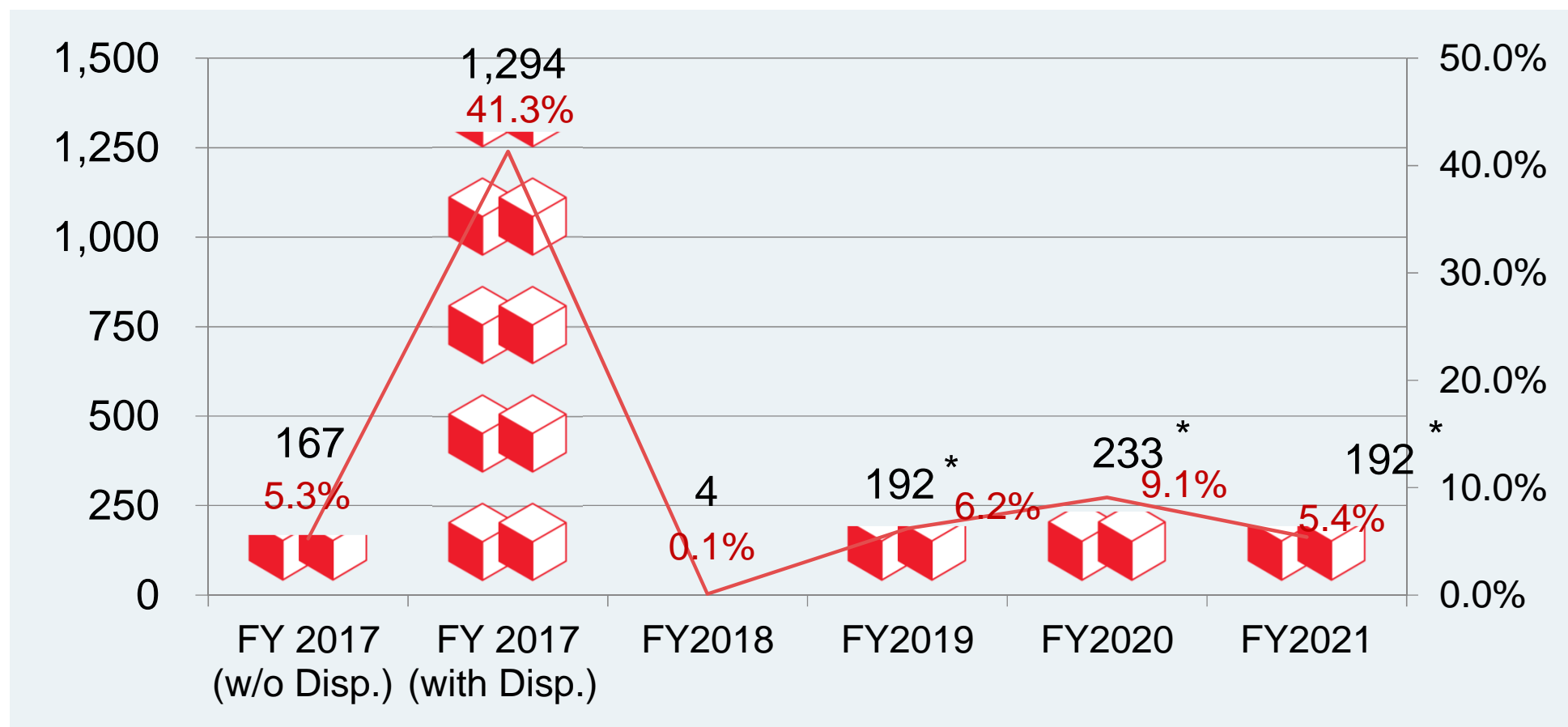


Group EBITDA

EBITDA softened by 17% vs. prior year to 192 mil. (5.4% of sales), mainly due to surges in paper price, labour shortages, logistics disruptions and increase in distribution costs, unfavourable RMB exchange, and discontinuation of government subsidies provided in 2020.

EBITDA (HK\$ million)

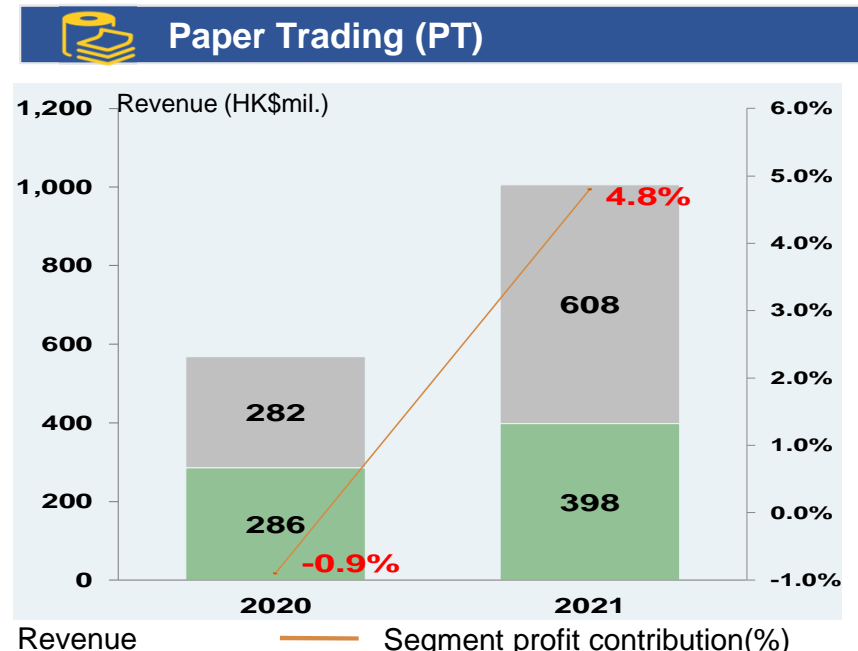
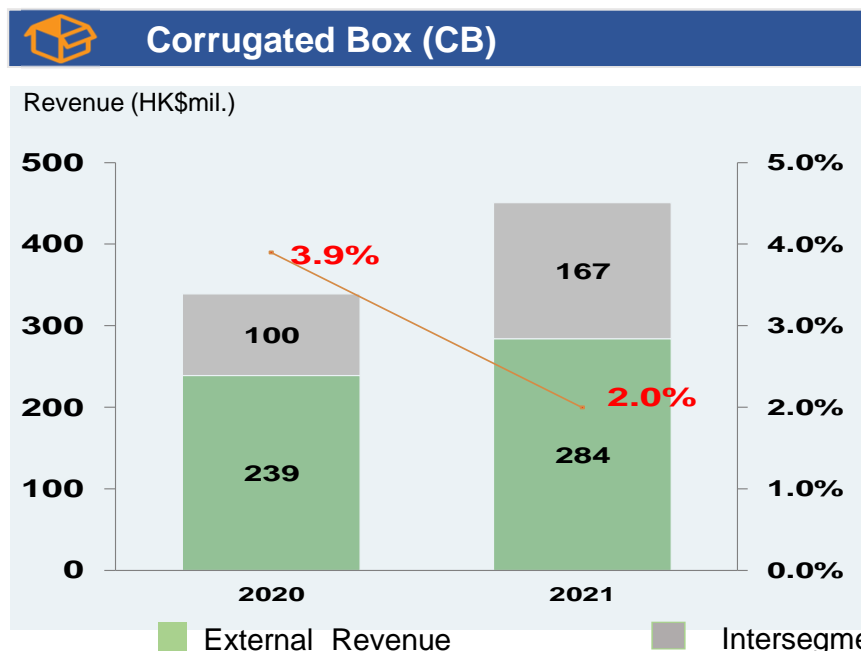
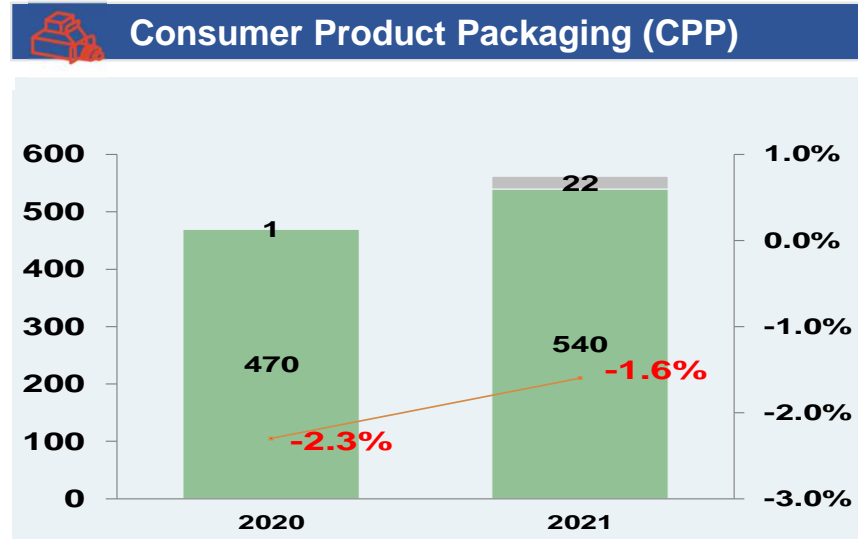
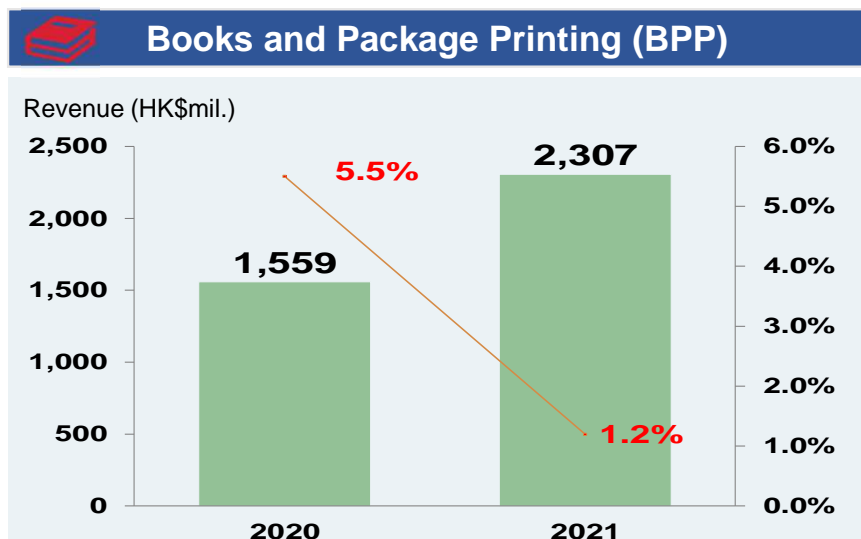
— EBITDA as % of Sales



* HKFRS 16 on Lease applied since 2019, mainly HK\$ 12-13m rental expenses per annum being amortized and added back to EBITDA. For valid comparison with historical results before HKFRS 16, EBITDA of 2021, 2020 & 2019 would be restated to HK\$179.2m (5.1% of sales), HK\$219.4m (8.6% of sales) and HK\$178.3m (5.8% of sales) respectively

Segment revenue & profit contribution% - 2021

All BUs reported sales growth; Surges in paper price benefited PT, but impacted other BUs





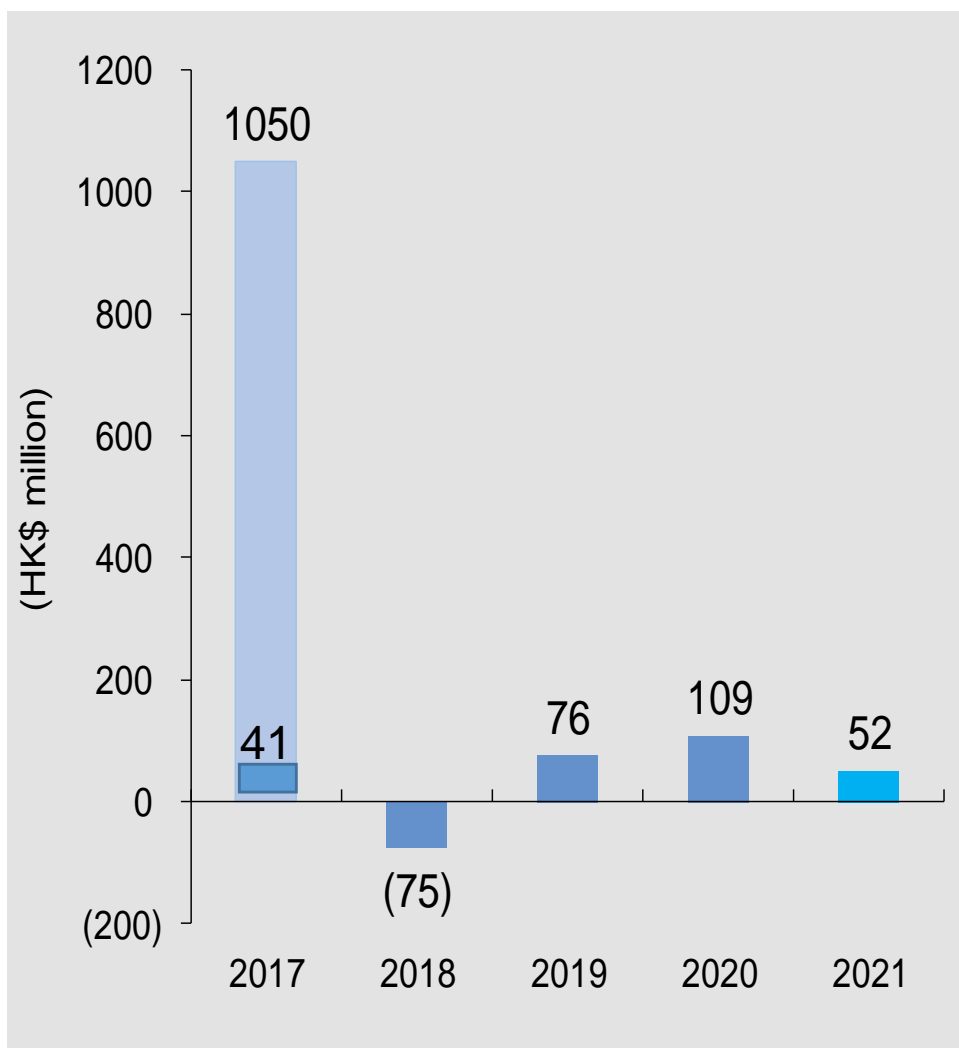
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Hung Hing Printing Group Limited

Proposed Final & Special Dividends

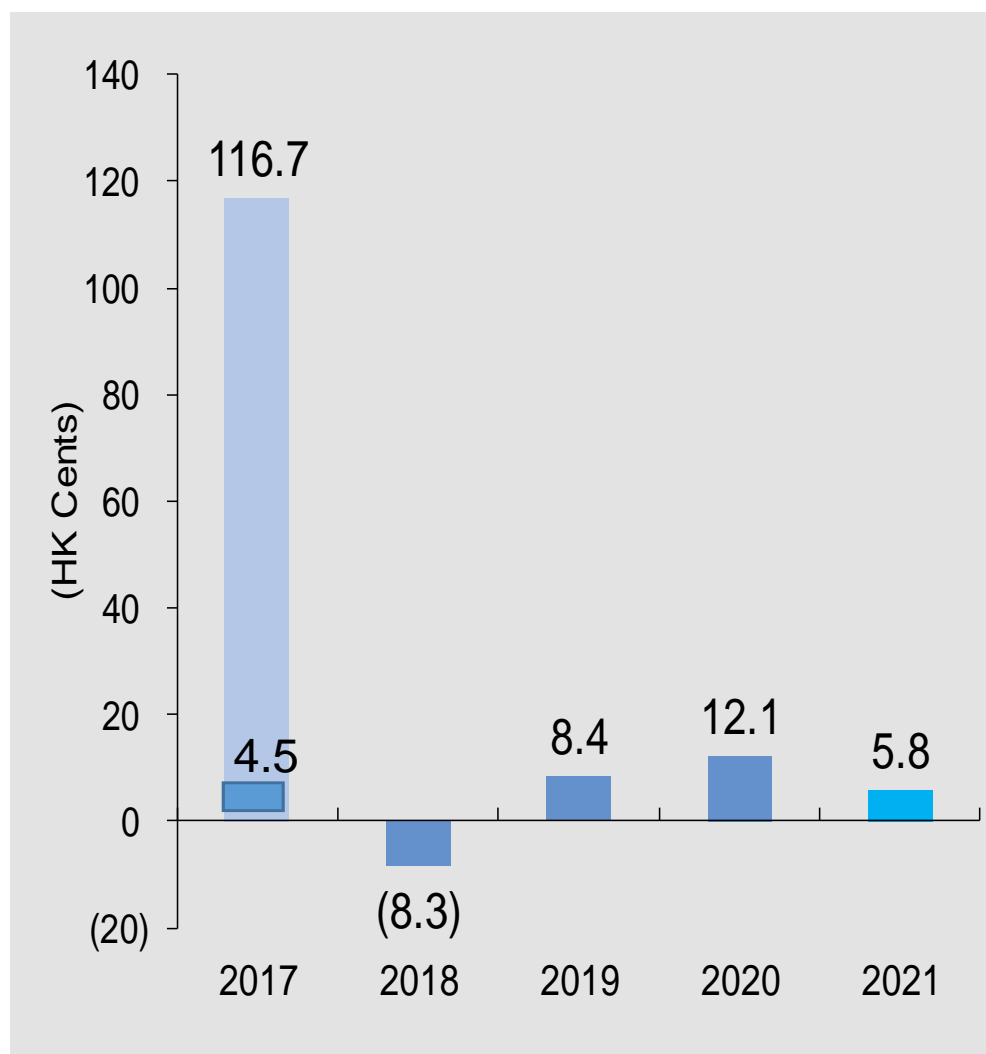
Earnings / (Loss) per Share (EPS / LPS)

公司权益持有人应佔溢利 / (虧損) 及每股盈利 / (虧損)

**Profit / (Loss)
Attributable to Shareholders**



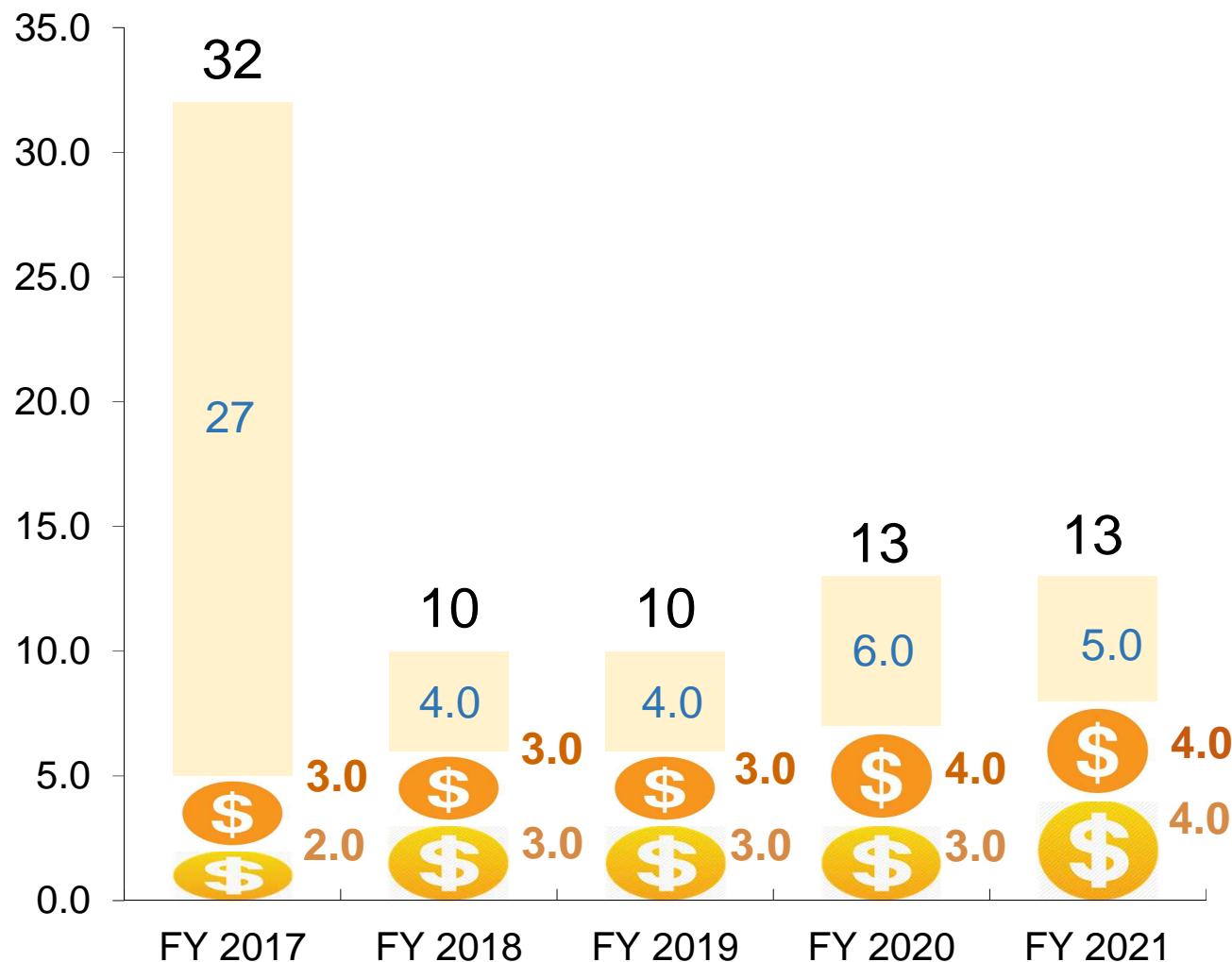
**Basic
EPS / (LPS)**



- Special gain: major disposal in 2017
- Core business earning

Proposed Final & Special Dividends for 2021

(HK¢ per share)



Interim dividend



Final dividend

Special Dividend

Commentary

- Despite global economic & geo-political uncertainties remain, we are confident to maintain business growth momentum with sustained performance in 2022 and beyond, taking into account:
 - Strong financial positions with sufficient reserves (1,074m cash + deposits; and with 692m in distributable profits) to support distribution of HK¢13 dividend.
 - Prudent cashflow management capable to support aggressive Capex investment for long-term profitable growth

Proposal:

Board resolved to approve the final and special dividend of HK¢ 4 and HK¢ 5 respectively. Total 2021 dividends HK¢ 13, same as 2020.

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**Proposed final dividend 4 cents plus special dividend 5 cents,
2021 full year total dividends 13 cents (same as 2020)**

建议派发末期股息4仙及特别股息5仙，维持全年拟派(普通+特别)總股息13仙 (跟去年相同)

(Unit: HK\$ million / 單位: 港幣百萬元)	<u>Year 2021</u>	<u>Year 2020</u>
• Group revenue increased by 38.2% 集團營業額上升38.2%	3,529	2,554
• Gross profit margin 13.6% (down 3% pt. vs. 2020) 毛利率13.6%，比上年度下降3個百份點	13.6%	16.6%
• Profit attributable to shareholders declined by 52.5% 股東應佔溢利下降百份之52.5%	52.0	109.4
• Total cash including all deposits 現金及各類存款 Net cash (excl. bank borrowings) 淨現金(扣除銀行借貸)	1,074 882	1,359 1,238
• Earnings per share - basic 每股盈利 – 基本	HK 5.8 cents	HK 12.1 cents
• Proposed final and full year dividends (excl. special div.) 擬派末期股息4仙；全年普通股息8仙	Final: HK 4 cents; Full Yr: HK 8 cents, +14.3%	Final: HK 4 cents Full Yr: HK 7 cents
• Proposed special dividend HK\$ 5 擬派特別股息5仙	Spec: HK 5 cents	Spec: HK 6 cents
• Proposed full year total dividend HK\$ 13 全年擬派(普通+特別)總股息13仙；	Total: HK 13 cents	Total: HK 13 cents

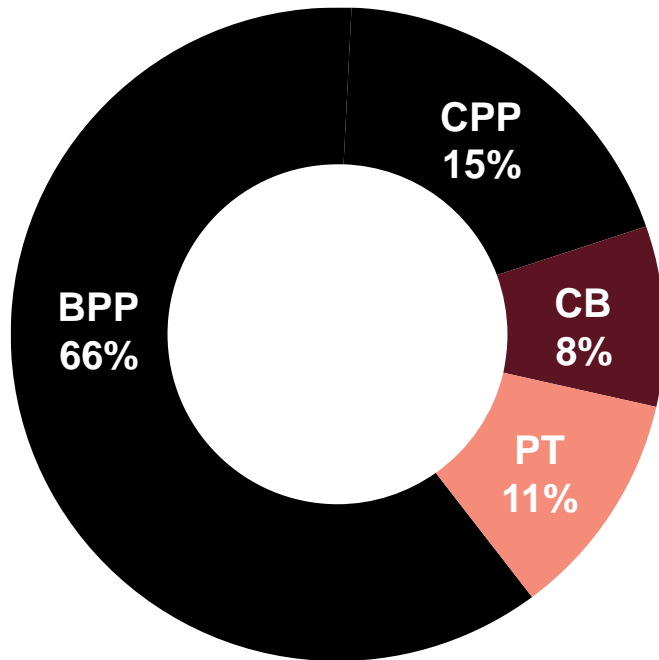


鴻興印刷集團有限公司
Hung Hing Printing Group Limited

Appendices

Our Business Units

REVENUE BY BUSINESS UNIT
2021



Book & Packaging Printing (BPP)

Leader globally 66%

Key products:

- Children's books
- Toys Packaging
- Premiums
- Stationeries

Key facilities:

- Shenzhen
- Heshan
- Hong Kong
- Vietnam

Corrugated Box (CB)

Major player in South China 8%

Key products:

- Export cartons
- Shipping cartons

Key facilities:

- Shenzhen
- Shunde

Consumer Product Packaging (CPP)

Top 5 in China 15%

Key products:

- Personal care product
- Packaged food
- Consumer electronics

Key facilities:

- Zhongshan
- Wuxi

Paper Trading (PT)

Leader in South China 11%

Key products :

- High quality paper from Europe, America, Asia & China

Key facilities:

- Shenzhen
- Hong Kong

Our Production Facilities

ZHONGSHAN

Commissioned 1993

- Printing and manufacturing of folding cartons, litho lam and corrugated containers.
- Awarded ISO9001; ISO14001; BRC; FSC & ISO27001 certifications.

W U X I

Commissioned 2003

- Printing and manufacturing of folding cartons, litho lam and corrugated containers.
- Awarded ISO9001; ISO 14001 & BRC/IOP certifications.

S H U N D E

Acquired 2018

- Printing and manufacturing of folding cartons, litho lam, corrugated containers and corrugated board.
- A strong market position in the production of corrugated and cases.
- Multi-location network strategy to achieve growth.



HONG KONG

Founded 1950

- Relocated to Tai Po Industrial Estate in 1989.
- Corporate headquarters.
- Two production lines for conventional books.



SHENZHEN

Commissioned 1994

- Printing and manufacturing of folding cartons, children's books, conventional books, litho lam and corrugated containers.
- Awarded ISO9001; ISO 14001 & BRC/IOP certifications.



H E S H A N

Commissioned 2007

- Established in 2007 for printing children's and conventional books.
- Awarded ISO9001; ISO 14001; ICTI-COBP & BRC/IOP certifications; M&S Eco-factory.



V I E T N A M

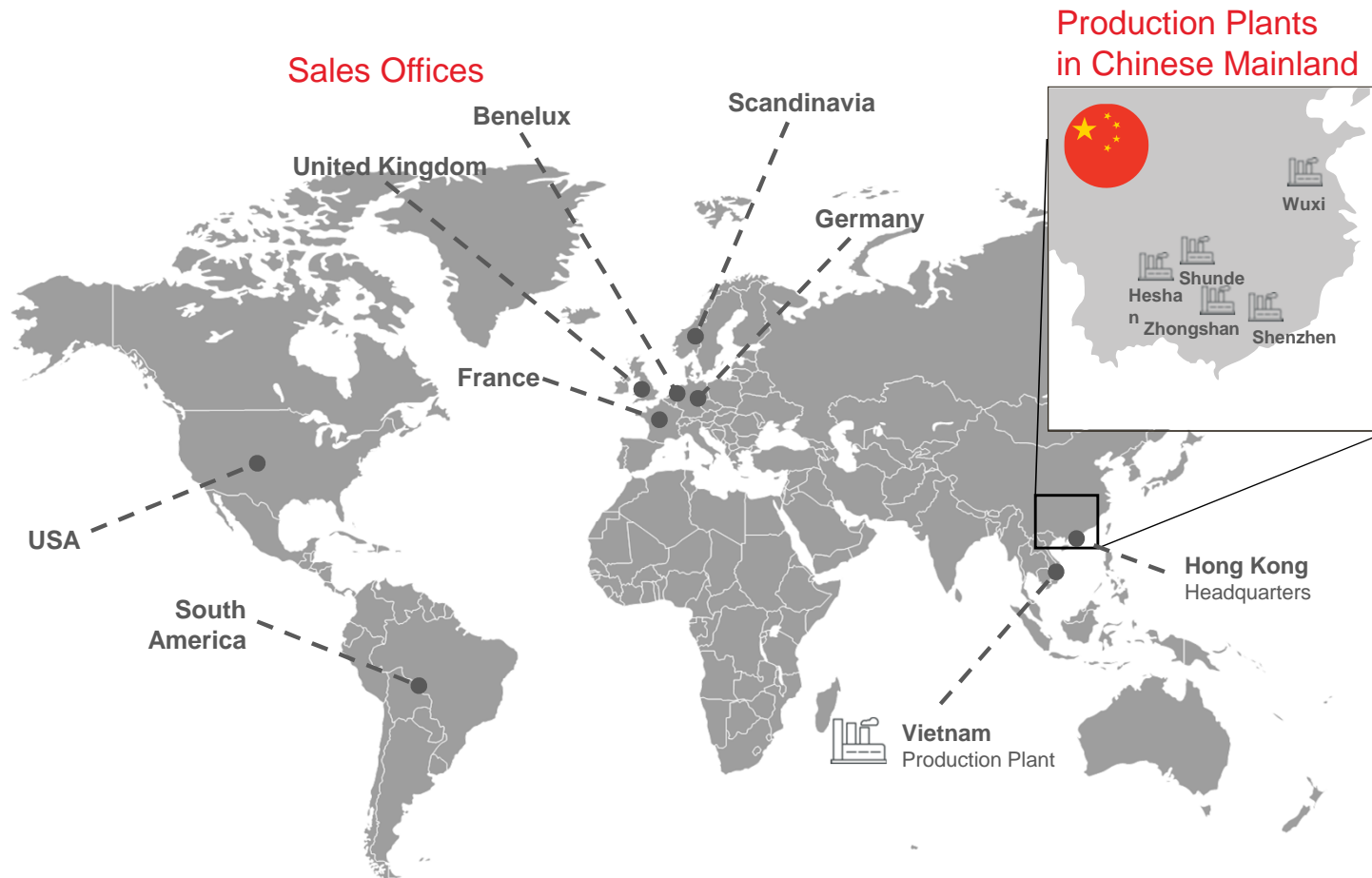
Commissioned 2019

- Established in 2019.
- Paper toy and packaging printing.
- Land area 35,000 sqm.
- Factory + office 15,200 sqm.

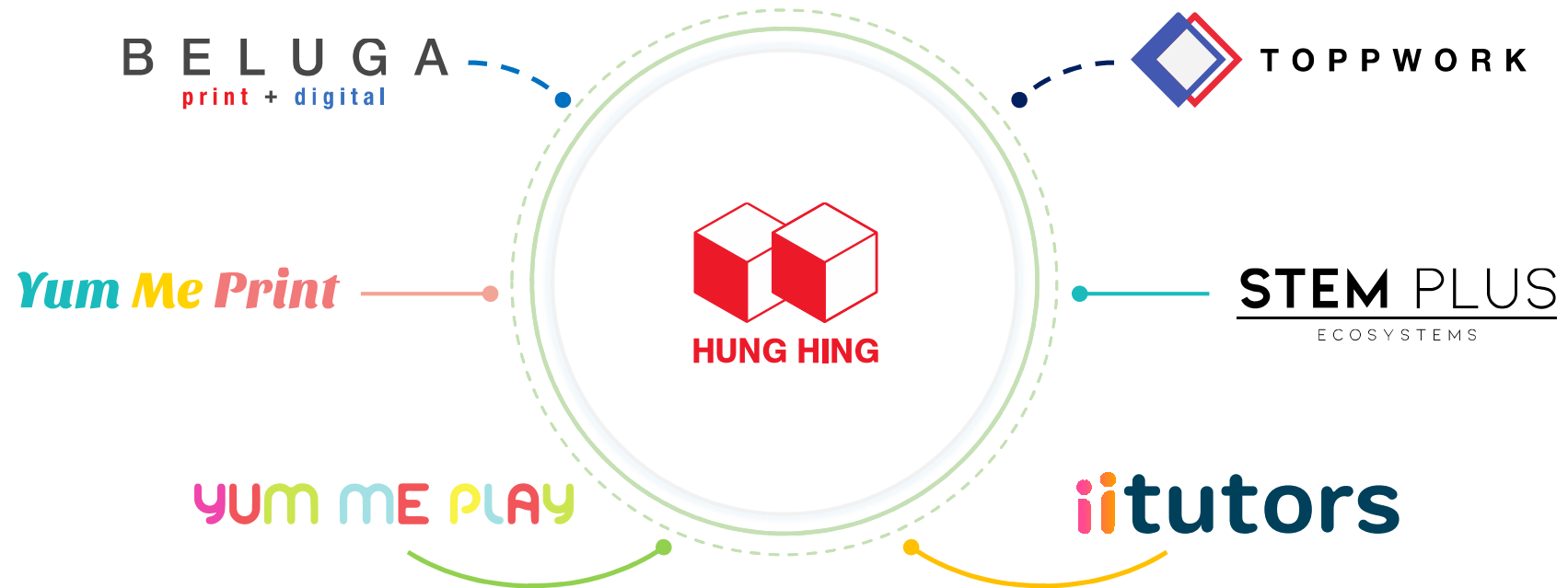


HUNG HING

Our Global Presence



Our Subsidiary Companies





We care about the environment

In year 2021, we consumed over **62,000 Tons FSC and PEFC** certified paper. High recycle content and certified paper is **over 88%** of all paper consumed in production. We also recycled over 45,000 tons of paper, **270** tons of metal **390** tons of plastic and **1,120** tons of wood. We installed solar panel up to **1MWp**.



Programme for the Endorsement of Forest Certification Schemes - Chain of Custody provides link between paper products and sustainably managed forest.



Forest Stewardship Council - Chain of Custody to ensure paper originates from well-managed Forest since 2007.



ISO14001

International Standard in environmental management system to minimize the environmental impact and look for continuous improvement. Certified since 2003.



BOCHK Corporate Environmental Leadership Awards

We have participated the program and received 5yr+ EcoPioneer awards for Heshan and Shenzhen factory.



China Environmental Labelling

Our materials, manufacturing processes and products comply with China environmental requirement.



We care about people

We care about our employees, customers and community, our factories have accredited different ethical standards.

We encourage employees to have better **work life balance** and contribute to community through **donation, sponsor scholarship** and **voluntary works**.

Our practice is in line with **United Nations Global Compact** 10 principles which we signed in 2021.



ICTI-Care

International Council of Toy Industries- Ethical Toy Program, an ethical standard adopted by toy industries worldwide



Happy Company

We participated in Happy Company program to provide a happy working environment to employees



Caring Company

We participated in Caring Company program since 2006



United Nations Global Compact

The Group is committed to supporting the ten principles of the Compact covering human rights, labour, environment, and anti-corruption



HUNG HING



We care about our products

GSV

Global Security Verification, a supply chain security practice standard that meets requirement for export goods to United States.



CNAS

We have China National Accreditation Service certified laboratory to perform chemical tests on our materials to ensure compliance with safety standards.



ISO9001

International Standard in Quality Management System for continuous quality improvement through the implementation of Plan-DO-Check-Act cycle.



RoHS

European regulation on Restriction Of Hazardous Substances in electrical and electronic equipment.



ASTMF963

US toy safety standard



EN 71

EN71

European toy safety standard



SCAN

International Standard in Quality Management System for continuous quality improvement through the implementation of Plan-DO-Check-Act cycle.



GMI

Graphic Measures International Ltd, an approach adopted by some large retailing companies to monitor and measure the quality performance of packaging suppliers.



REACH

Raw materials comply with REACH and no chemicals in SVHC List (Substances of Very High Concern).



BRC

British Retail Consortium, a standard to ensure workplace hygiene and process suitable to produce indirect food contact items.

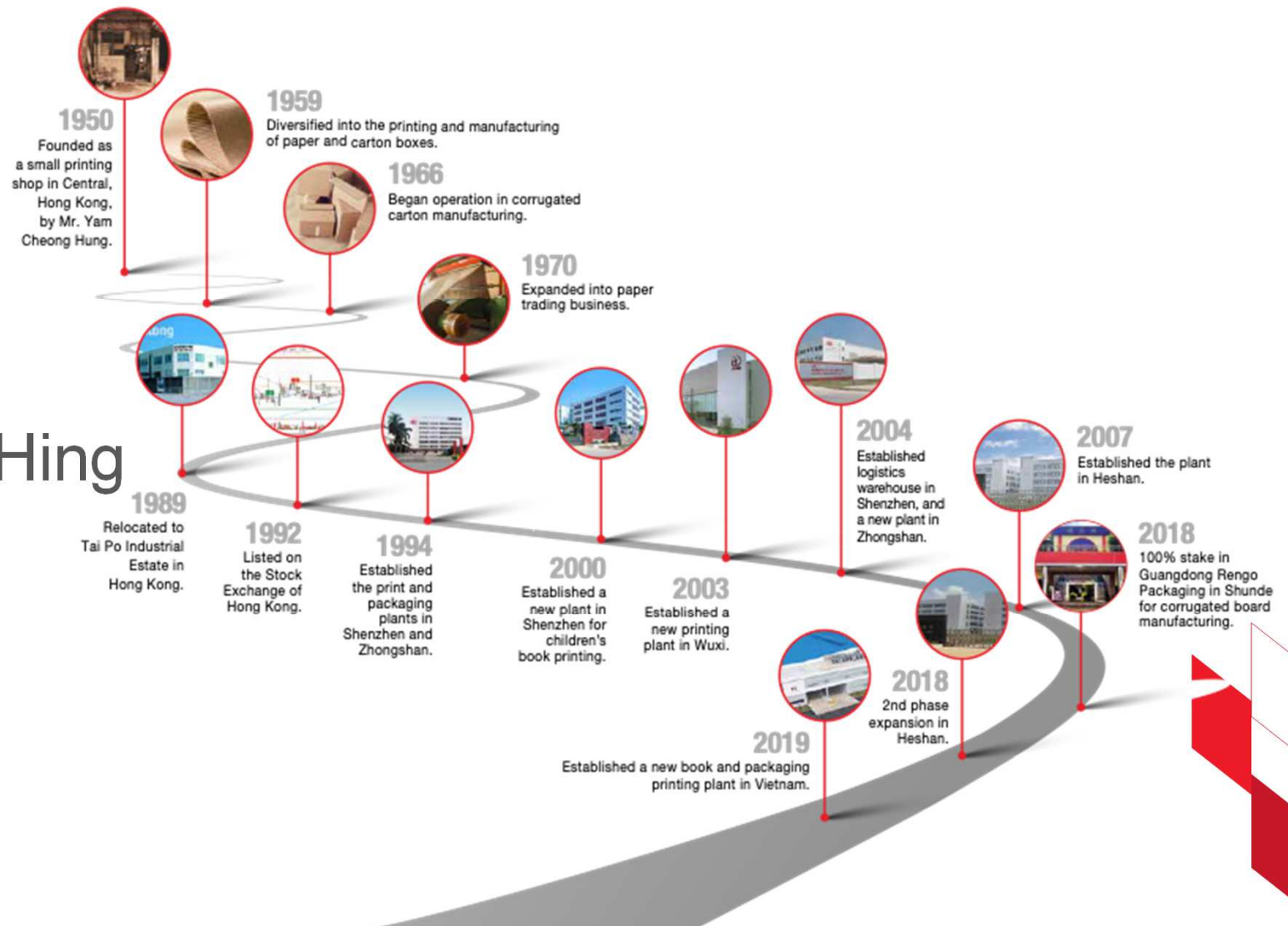
Our raw materials and products comply with international safety standards. Our production follow the leading standards in colour and quality control. Our factories have achieved various quality and hygienic workspace standards.



HUNG HING

Hung Hing

From a small
printing shop to
the world's leading
printed products &
solutions provider



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A close-up, slightly blurred photograph of a stack of books. The pages are white and the spines are visible. The text 'Thank you.' is centered over the books, underlined with a red line.

Thank you.