

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

Interim Results
6 months to 30 June 2016

Highlights – Six months ended 30 June, 2016

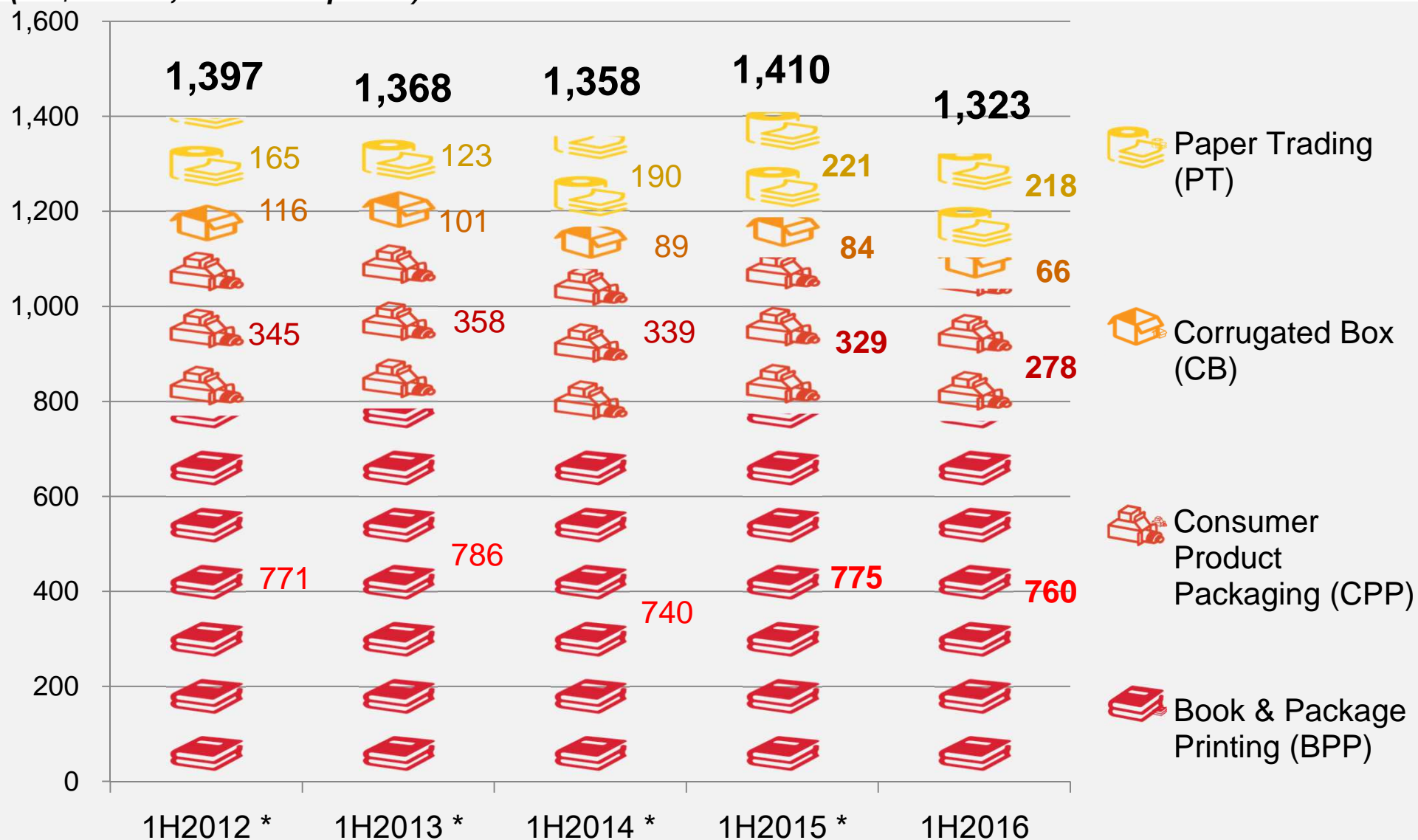
- ▶ Revenue dropped 6.2% to HK\$1,323 mil.
- ▶ Gross profit margin decreased 1.6% pt to 12.8%
- ▶ Loss attributable to the shareholders HK\$22 mil. (vs. 11m gain PY)
- ▶ Net cash on-hand HK\$515 mil.
- ▶ Proposed interim dividend HK¢1 per share

Outlook

- Exports orders picked up robustly towards the end of Q2; Business is improving in the 2H despite higher risks of extended downturn in the world economy.
- The US market continues to show positive momentum; programs in place to seize opportunities presented in coming months.
- Business sentiments in Europe are showing signs of stabilizing; we are catching up on activities postponed from the first half.
- Continuation of market consolidation keeps pricing at pressure; Invest on efficient workflow and abilities to offer broader range of solutions (services & technology) to develop the China domestic market fast growing in sophistication (e.g. e-Commerce).
- Cautiously optimistic about the outlook of 2H; Will continue to embrace innovations and stay prudent to monitor orders in-take in Q4.

Group external revenue in 1H dropped 6.2% to HK\$1,323 mil.

(HK\$ million, Six-month period)



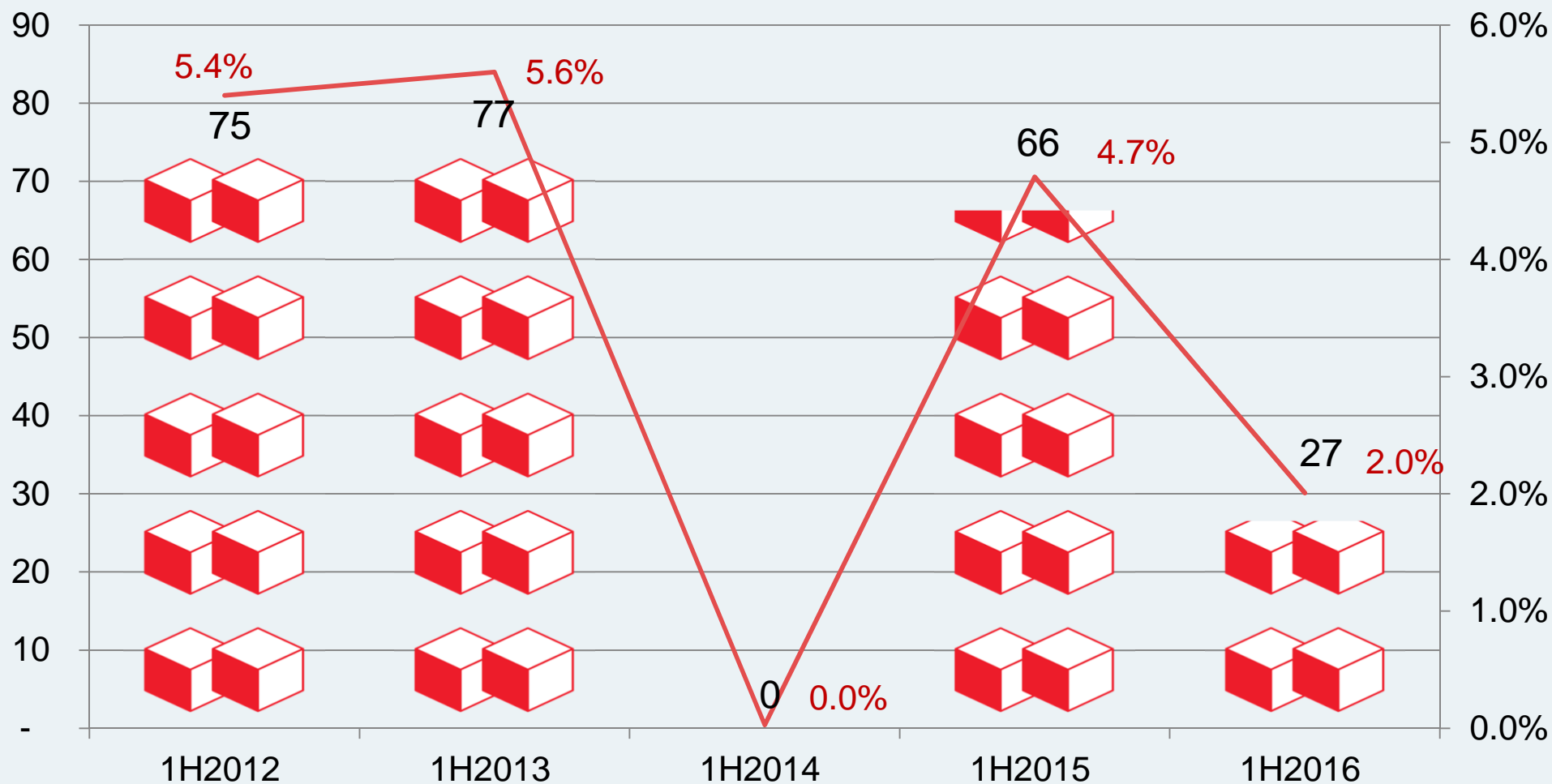
* Sales commissions to the 3rd party agents were reclassified from BPP revenue to adm. & selling expenses

Group EBITDA to Sales in 1st Half came down to 2%

EBITDA declined mainly due to reduced sales, less high margin special projects, and the related unfavorable capacity utilization efficiency

EBITDA (HK\$ million)

— EBITDA as % of Sales



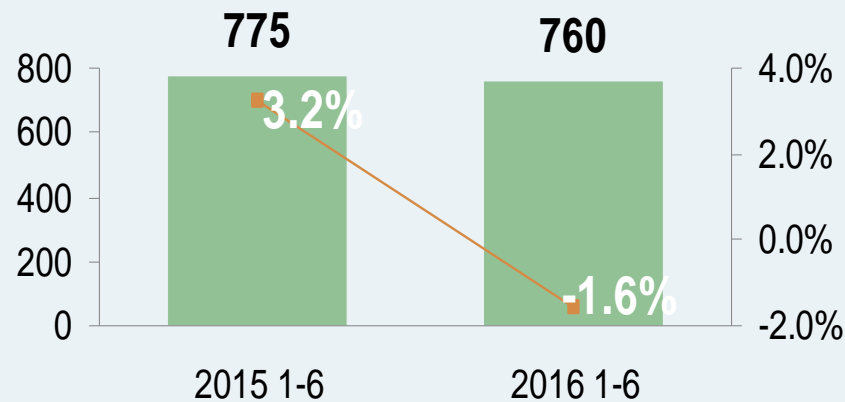
BPP & PT sales were relatively stable; Subdued order intake in general for 1H due to added economic uncertainties and weak domestic demand

Segment revenue & profit contribution% (6-mth period)



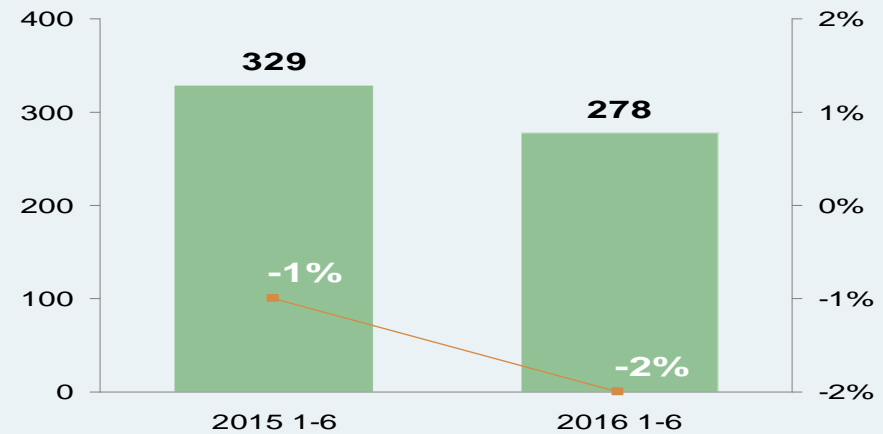
Books and Package Printing (BPP)

Revenue (HK\$mil.)



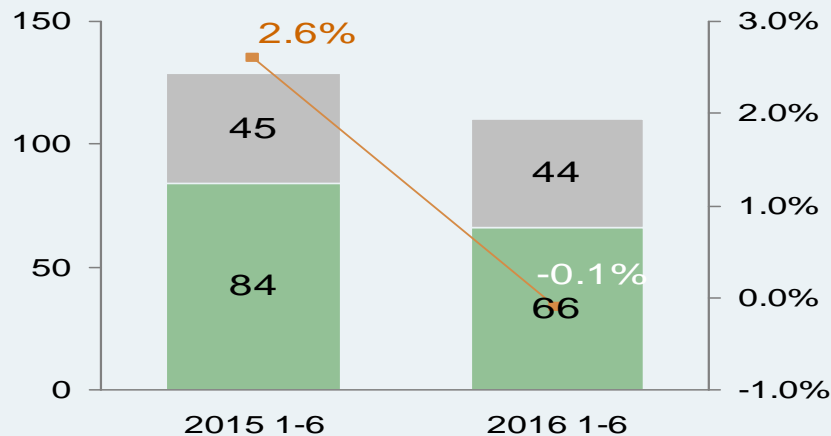
Consumer Product Packaging (CPP)

Revenue (HK\$mil.)



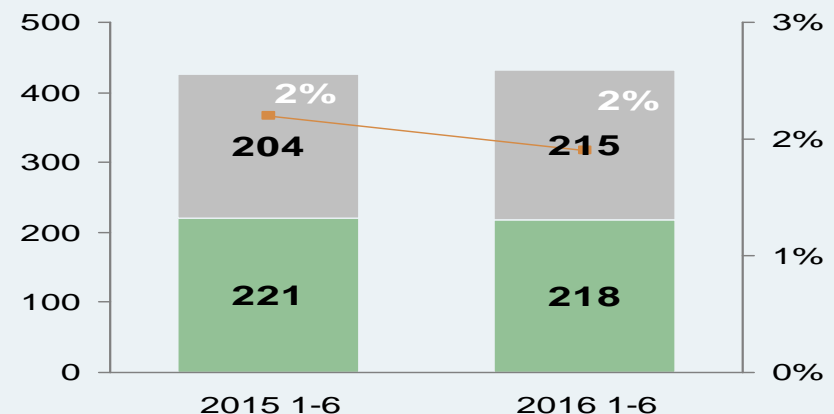
Corrugated Box (CB)

Revenue (HK\$mil.)



Paper Trading (PT)

Revenue (HK\$mil.)



■ External Revenue

■ Intersegment Revenue

— Segment profit contribution(%)

Group Income Statement – 1st Half 2016

Six months ended 30 June
(HK\$ Mil.)

Book & Package Printing	760	-2%
Consumer Product Packaging	278	-16%
Corrugated Box	66	-22%
Paper Trading	218	-1%
Segment Total (Sales w/ elimination)	1,322	-6%
<i>Inter-segment elimination</i>		
Group Total	1,322	-6%
Interest, dividend and other income		
Corp. and unallocated exp.		
Finance costs		
Profit (Loss) before income tax		
Income tax		
Profit (Loss) for the period		

Attributable to Equity shareholders of the Company

External Sales		Profit (Loss)		
2016	% Chg	2016	2015	Chg
760	-2%	(12)	25	(37)
278	-16%	(6)	(4)	(2)
66	-22%	-	3	(3)
218	-1%	8	9	(1)
1,322	-6%	(10)	33	(43)
		(1)	(1)	-
		(11)	32	(43)
		8	12	(4)
		(15)	(19)	4
		(3)	(4)	1
		(21)	21	(42)
		1	(9)	10
		(20)	12	(32)
		(22)	11	(33)

Commentary

- Revenue: Subdued order intake due to added eco. uncertainty and softened domestic demand
- Margin: Reduced sales, lower mix of high margin special projects and related unfavorable capacity utilization efficiency
- Interest income reduced due to declining rates and the amount of RMB deposits (>150mil).
- One-off reversal of exchange reserves 3.2mil.

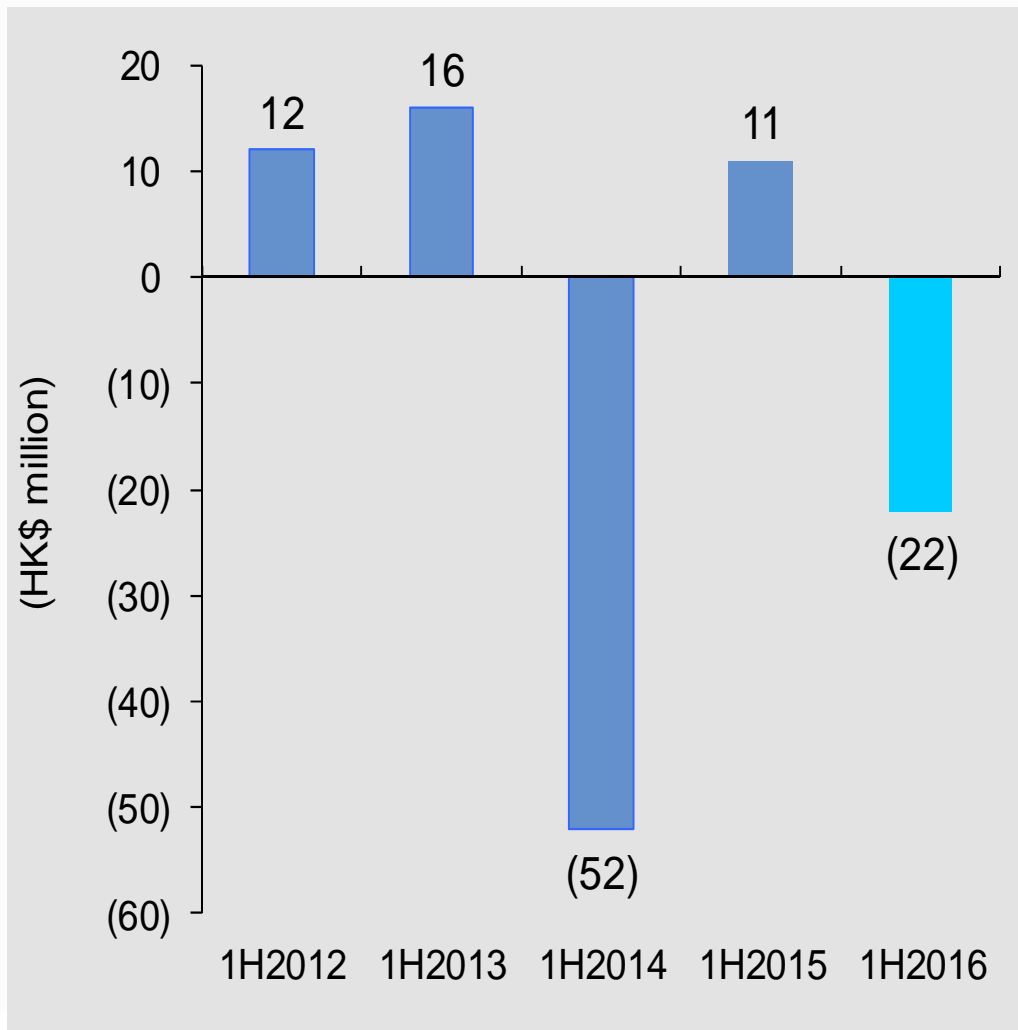
Strong Financial Position: Net Cash HK\$515m as at Jun-16

- Movements of Assets/Liabilities mostly related to reduction of RMB cash holding & bank loans
- Equity changes in 1st Half mainly driven by reduced exchange reserves 20mil (RMB depreciated 2.5% from Dec-15), payout of dividend 23mil and losses incurred 22mil.

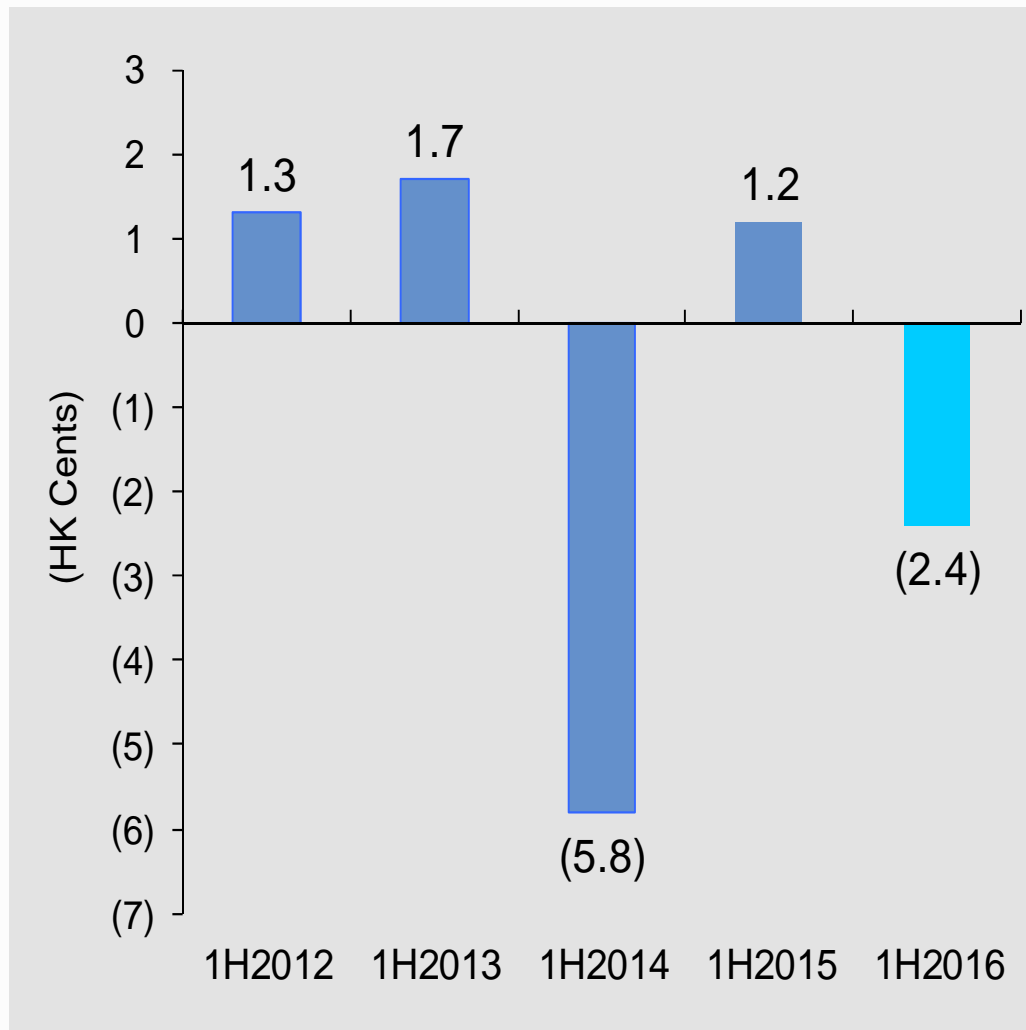
	As at Jun 30			As at Dec 31
(HK\$ million)	2016	2015	Changes	2015
Assets				
Non-current	1,341	1,389	(48)	1,356
Current	2,228	2,383	(155)	2,177
Total Assets	3,569	3,772	(203)	3,533
<i>Included in assets - Cash & Bank and Time deposits</i>	<i>814</i>	<i>971</i>	<i>(157)</i>	<i>813</i>
Liabilities				
Non-current	181	146	35	143
Current	643	785	(142)	578
Total Liabilities	824	931	(107)	721
<i>Included in liabilities - Bank Borrowings</i>	<i>299</i>	<i>385</i>	<i>(86)</i>	<i>274</i>
Net Assets	2,744	2,841	(97)	2,812
Equity				
Equity attributable to equity shareholders of the co	2,592	2,681	(89)	2,657
Non-controlling interest	152	160	(8)	155
	2,744	2,841	(97)	2,812
Gearing Ratio	11%	14%	-3%	10%
Net Cash (Total Cash & Deposits less Bank borrowings)	515	586	(71)	539
Current Ratio	3.5	3.0	0.4	3.8

Earnings / Losses per Share (EPS/LPS): 1st Half 2016

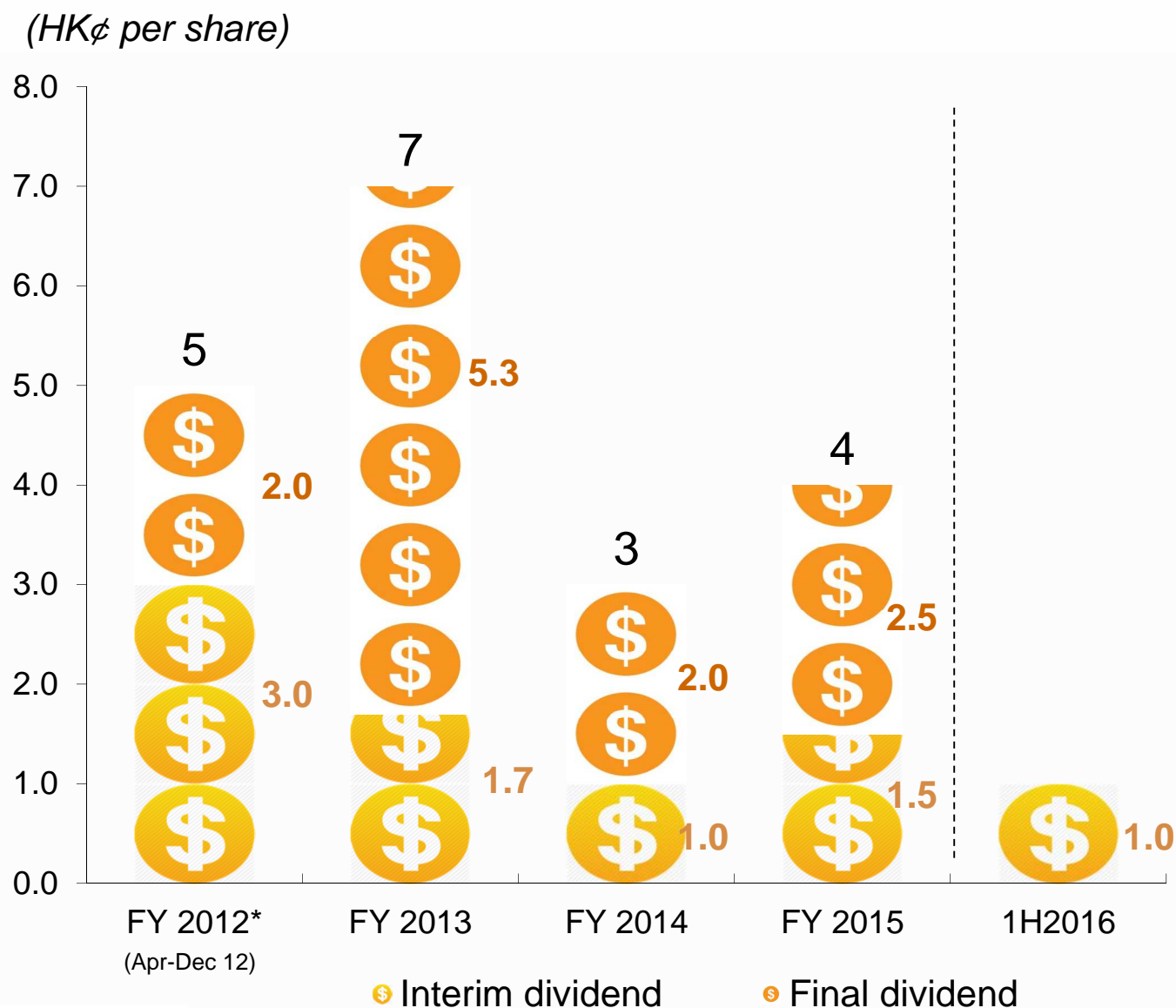
Profits/Losses Attributable to Shareholders



Basic EPS / (LPS)



Proposed Interim Dividend of 2016



Commentary

With good confidence in continued improvements of business performance during the rest of the year, and backed by the Group's strong cash and financial position, the Board resolved to pay an interim dividend of HK¢1.

Appendix: Four Complementary Hung Hing Business Segments

					
	Book & Package Printing	Consumer Product Packaging	Corrugated Box	Paper Trading	
Market position	<ul style="list-style-type: none">■ Leader globally	<ul style="list-style-type: none">■ Major player in China	<ul style="list-style-type: none">■ Major player in South China	<ul style="list-style-type: none">■ Major player in South China	
% Share of 2016 external revenue	<ul style="list-style-type: none">■ 57% (HK\$760mil.)	<ul style="list-style-type: none">■ 21% (HK\$278mil.)	<ul style="list-style-type: none">■ 5% (HK\$66mil.)	<ul style="list-style-type: none">■ 17% (HK\$218mil.)	
Key products	<ul style="list-style-type: none">■ Conventional & Children's books■ Toys Packaging■ Luxury Packaging <div></div>	<ul style="list-style-type: none">■ Personal care products■ Packaged food■ Consumer goods & electronics <div></div>	<ul style="list-style-type: none">■ Primarily for export and transportation purposes <div></div>	<ul style="list-style-type: none">■ High quality papers sourced from Europe, Americas, Southeast Asia and China. <div></div>	
Key facilities	<ul style="list-style-type: none">■ Three production facilities in Shenzhen, Heshan, and Hong Kong■ Total capacity of ~850 million impressions	<ul style="list-style-type: none">■ Two production facilities in Zhongshan and Wuxi , both equipped with dust-free manufacturing zone and BRC (British Retail Consortium) certified.	<ul style="list-style-type: none">■ Main production facility in Shenzhen■ Additional facility in Zhongshan included under Consumer Product Packaging	<ul style="list-style-type: none">■ Two warehouses in Shenzhen and Hong Kong, with total storage capacity of over 70,000 tons	

Appendix: Hung Hing established multi-locations infrastructure

Zhongshan



- Printing and manufacturing of folding cartons, litho lam and corrugated containers
- Awarded certifications of ISO9001, ISO14001, BRC, etc.
- Production area: 130,000 m²
- Production capacity: 222 million impressions

Wuxi

- Printing & mfg. of folding cartons, litho lam and corrugated containers
- Awarded certifications of ISO9001, ISO14001, BRC, etc.
- Production area: 50,000 m²
- Production capacity: 147 million impressions



Shenzhen

- Printing & mfg. of folding carton, children's & conventional books, litho lam, corrugated containers
- Paper Trading: warehouse of 36,600m² and storage capability of 60,000 tons
- Awarded certifications of ISO9001, ISO14001, ICTI-COBP, etc.
- Production area: 175,000 m²
- Production capacity: 638 million impressions



Hong Kong

- Corporate headquarters
- Printing of conventional books
- Paper Trading: warehouse of 11,560 m²; combined storage capability in HK & SZ of over 70,000 tons



Heshan



- Printing children's and conventional books
- ~330,000 m² of land available for further expansion, enough to double current operations
- Awarded certifications of ISO9001, ISO14001, ICTI-COBP, BRC, etc.
- Production area: 110,000 m²
- Production capacity: 213 million impressions

Disclaimer

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Thank you

A Leading Printer in Asia

With unrivalled market leadership, well-balanced portfolio and sustained growth for over six decades, Hung Hing is in an excellent position to take advantage of growing opportunities as our industry continues to build momentum.