



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

**Interim Results**  
**6 months to 30 June 2018**

## Highlights – Six months ended 30 June, 2018

- ▶ Group revenue grew by +4.9% vs. last year to HK\$1,464 mil.
- ▶ Gross profit margin at 9.5%, down by 4.9% pt. vs. last year
- ▶ Loss attributable to the shareholders HK\$34.9 mil. (vs. profit of 14.4m same period last year)
- ▶ Net cash on-hand HK\$1,017 mil.
- ▶ Interim dividend HK¢ 3.0 per share

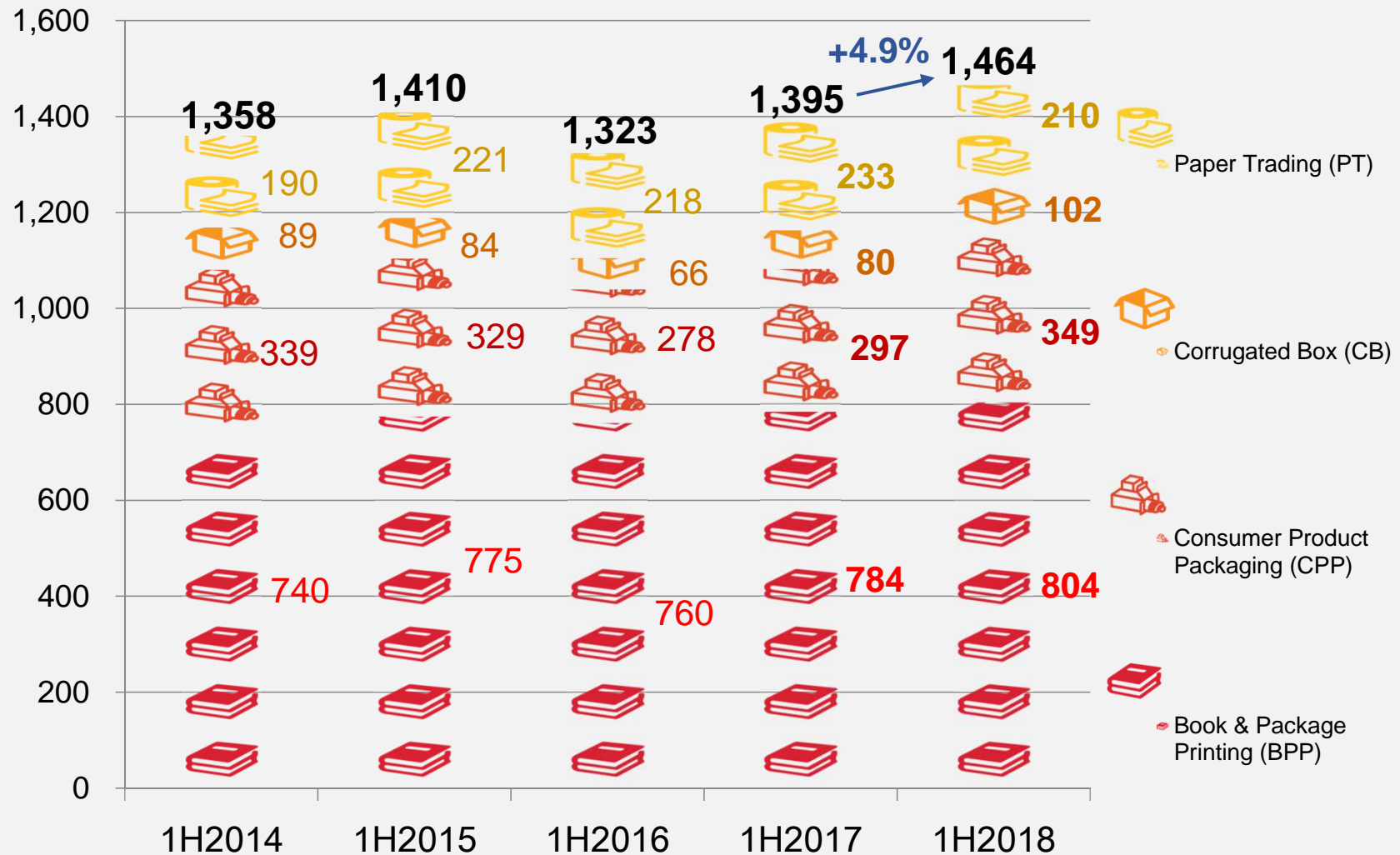
(Unit: HK\$'000)	For the 6 months ended 30 June			
	2018	2017	\$ / % Chg. Vs. 2017	
<b>Revenue</b>	<b>1,463.6</b>	1,394.7	68.9	4.9%
<b>Gross profit</b>	<b>139.2</b>	201.6	(62.4)	-31.0%
Gross Margin as % of Revenue	9.5%	14.5%	-4.9%	pt.
<b>(Loss)/profit attributable to:</b>				
Equity shareholders of the Company	<b>(34.9)</b>	14.4	(49.3)	--
Non-controlling interests	<b>1.9</b>	2.6	(0.7)	-27.6%
	<b>(33.0)</b>	17.0	(50.0)	--

### Key Profit Drivers:

- a) Re-alignment of BPP production capacities
- b) More refrained selling price adjustments for long-term goodwill with key customers which deferred full recovery of paper cost inflation
- c) Fair value revaluation (without cash-flow impact) from abrupt RMB exchange movements

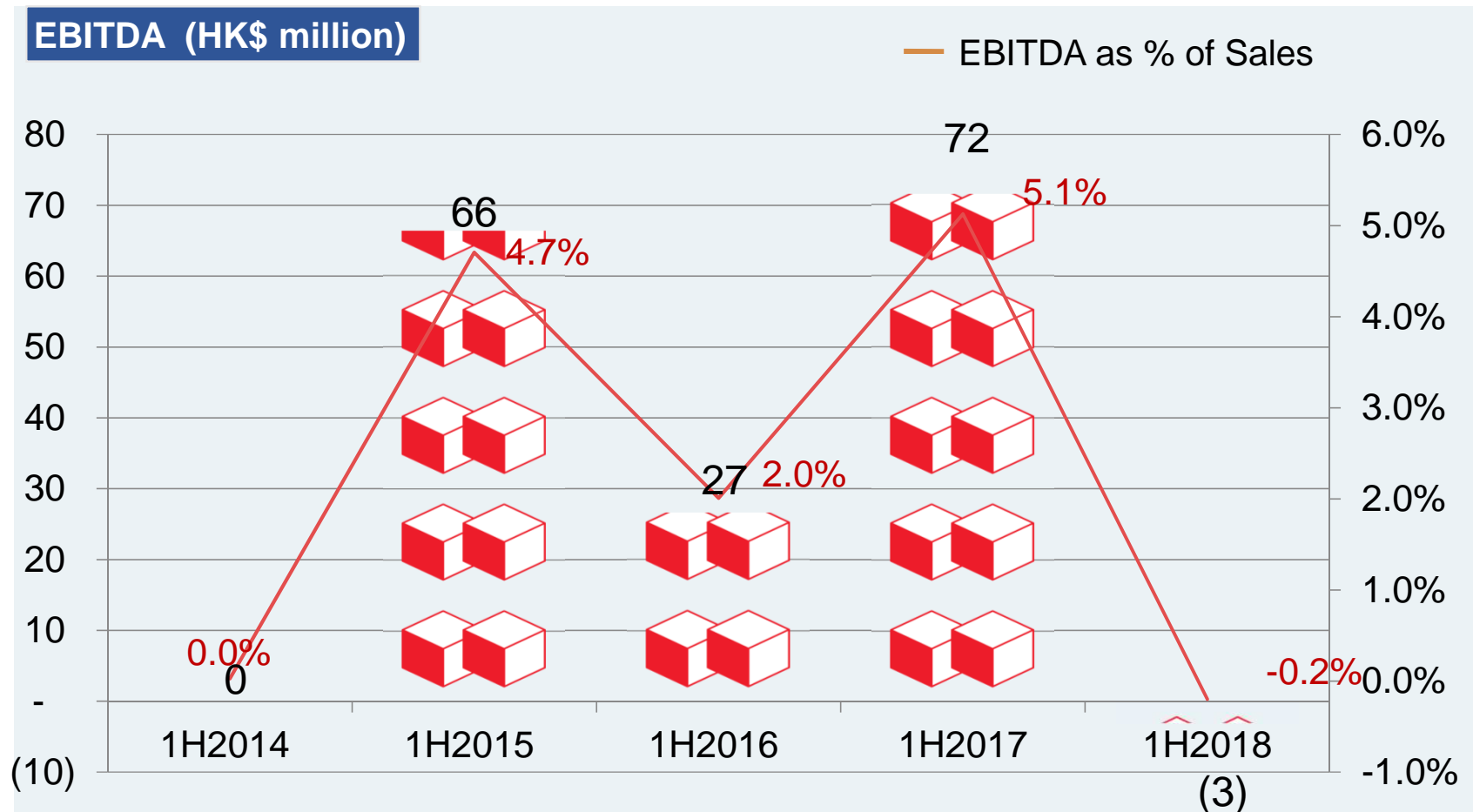
# Group external revenue in 1H grew +4.9% to HK\$1,464 mil.

(HK\$ million, Six-month period)



## Group EBITDA as % to Sales in 1H down to -0.2%

EBITDA mainly affected by re-alignment of production capacities, more refrained selling price adjustments for goodwill and abrupt RMB movements



# Group Income Statement – 1<sup>st</sup> Half 2018

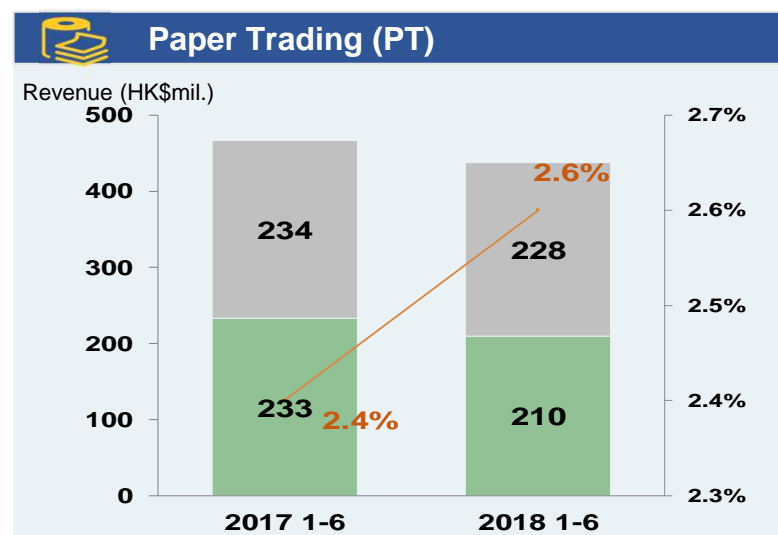
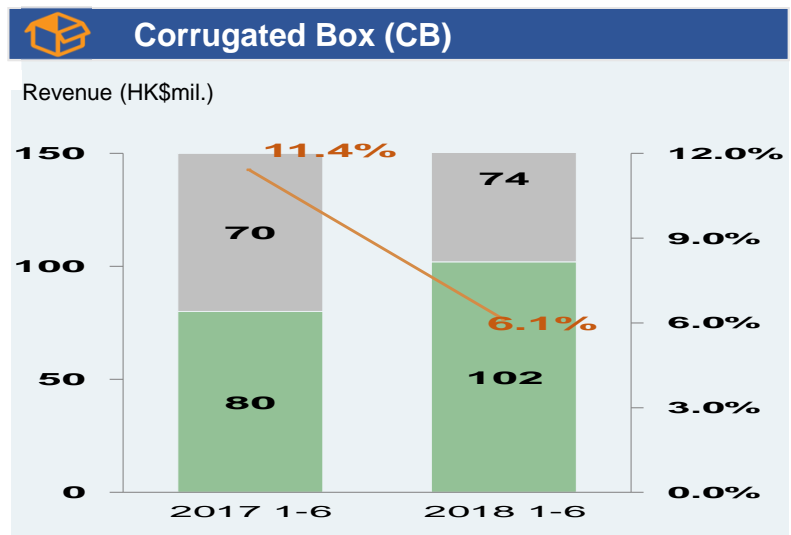
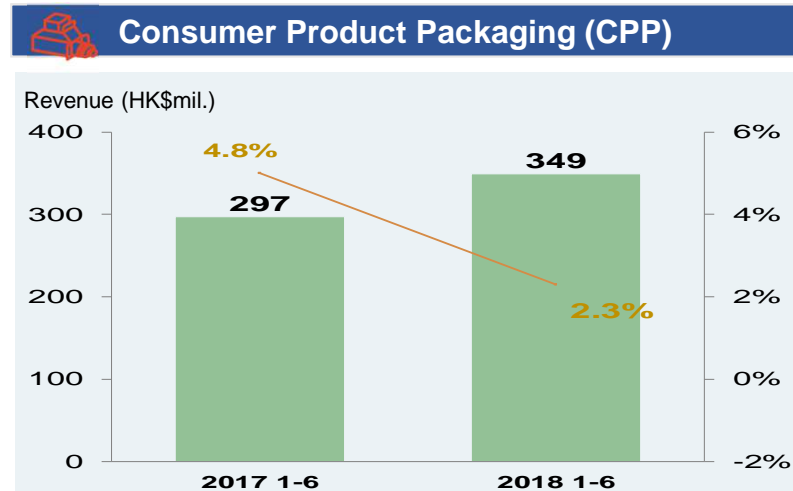
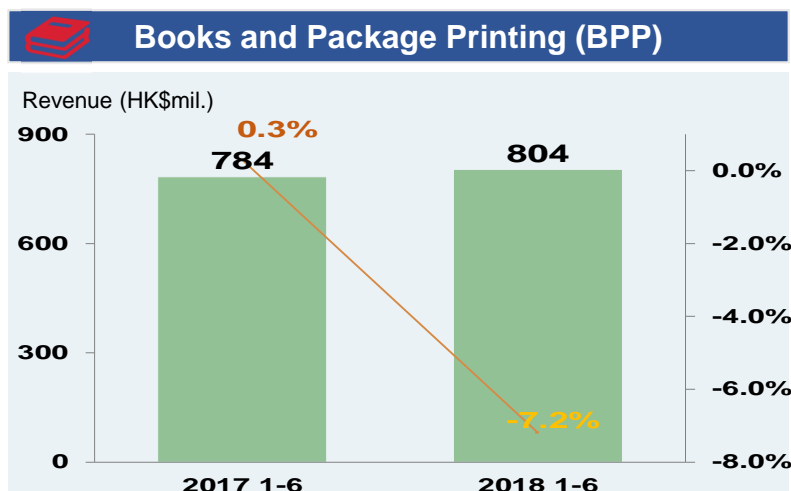
(Unit: HK\$'000)	For the 6 months ended 30 June			
	2018	2017	\$ / % Chg. Vs. 2017	
	HK\$'000	HK\$'000	HK\$'000	%
<b>Revenue</b>	<b>1,463.6</b>	1,394.7	68.9	4.9%
Cost of sales	<b>(1,324.5)</b>	(1,193.1)	(131.3)	11.0%
<b>Gross profit</b>	<b>139.2</b>	201.6	(62.4)	-31.0%
Gross Margin as % of Revenue	9.5%	14.5%	-4.9%	pt.
Other revenue	<b>27.7</b>	10.8	16.9	156.1%
Other net (loss)/gain	<b>(3.9)</b>	9.5	(13.4)	-140.7%
Distribution costs	<b>(33.0)</b>	(30.3)	(2.8)	9.2%
Administrative and selling expenses	<b>(167.4)</b>	(164.3)	(3.2)	1.9%
<b>Operating (loss)/profit</b>	<b>(37.5)</b>	27.4	(64.9)	-236.8%
Finance costs	<b>(2.3)</b>	(3.0)	0.7	-22.8%
<b>(Loss)/profit before income tax</b>	<b>(39.9)</b>	24.4	(64.2)	-263.5%
Income tax	<b>6.9</b>	(7.4)	14.2	-192.9%
<b>(Loss)/profit for the period</b>	<b>(33.0)</b>	17.0	(50.0)	-294.1%
<b>(Loss)/profit attributable to:</b>				
Equity shareholders of the Company	<b>(34.9)</b>	14.4	(49.3)	--
Non-controlling interests	<b>1.9</b>	2.6	(0.7)	-27.6%
	<b>(33.0)</b>	17.0	(50.0)	--

## Commentary

- Strengthened relationships with key customers on the back of increased economic uncertainty and continued consolidation in the printing sector
- One-off impact from re-alignment of production setting / capacities, a more refrained approach of selling price adjustment to strengthen long-term key customers' relationship, and abrupt RMB movements
- Primarily increase of interest income
- Mainly due to revaluation of book assets & liabilities (in RMB) and fair value loss of forward contracts for RMB hedging (but with no cash-flow impact)

# Profitability declined across the board, except PT

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



■ External Revenue

■ Intersegment Revenue

— Segment profit contribution(%)

# Strong Financial Position with Net Cash HK\$1,017 mil.

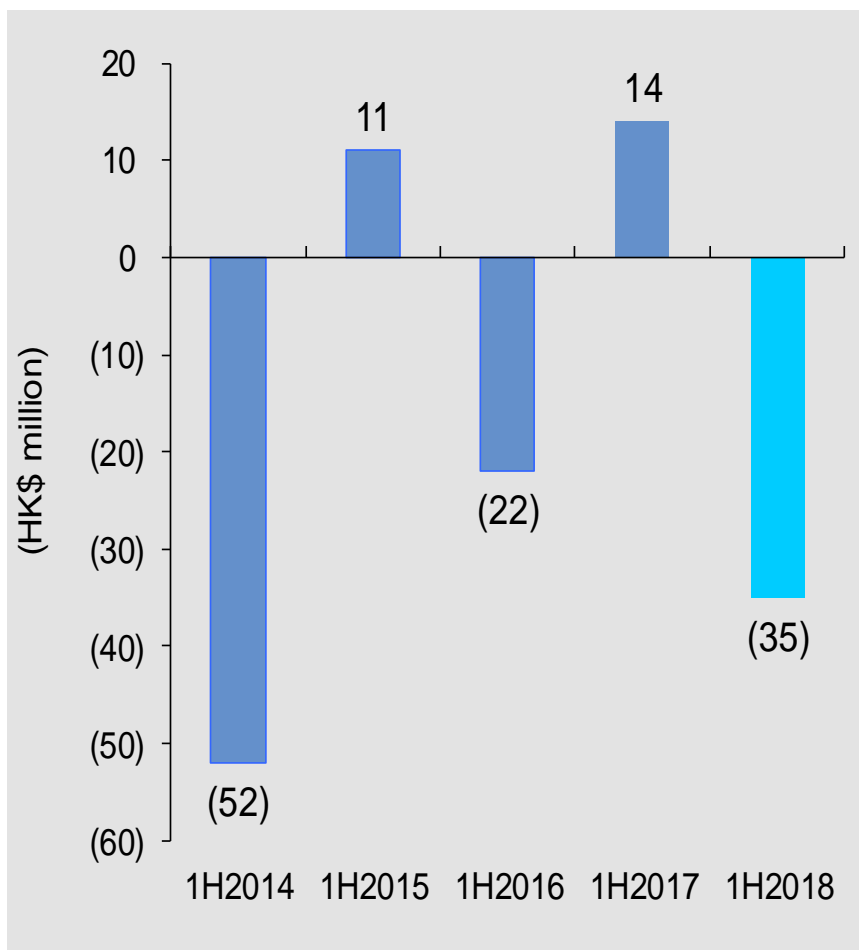
\*1: Improved liquidity with net cash HK\$ 1,017 mil., and maintained a low gearing ratio of 4.8%

\*2: Changes of Equity in 1H/18 are mainly: Payout of 2017 final & special dividends HK\$ 272 mil., operating loss in the first half HK\$ 35 mil., and currency translation differences HK\$ 13 mil.

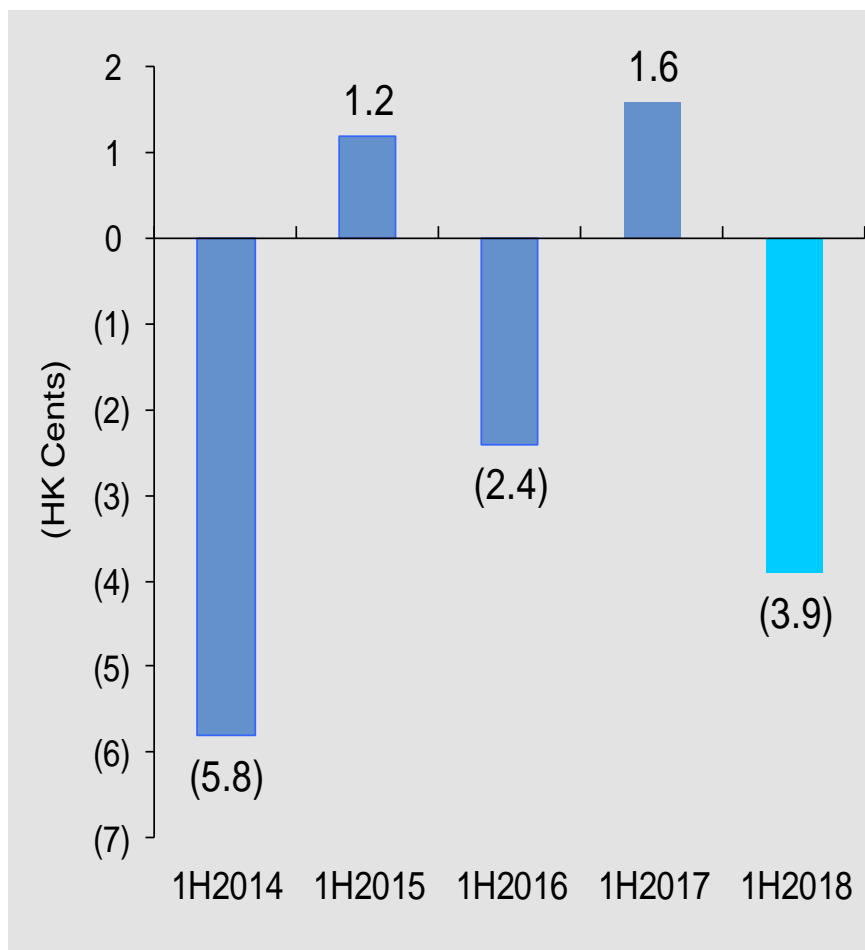
(HK\$ million)	As at Jun 30 of			As of Dec 31
	2018	2017	Chg \$ / %	2017
Assets				
Non-current	1,377	1,293	84	1,290
Current	2,892	2,290	602	3,254
Total Assets	4,269	3,583	686	4,544
<i>Incl. Cash &amp; Bank and Time deposits</i>	1,184	778	406	1,431
Liabilities				
Non-current	172	198	-26	188
Current	602	619	-17	541
Total Liabilities	774	817	-43	729
<i>Incl. in liabilities - Bank Borrowings</i>	167	277	-110	208
Net Assets	3,495	2,766	729	3,815
Equity				
Equity attributable to owners of the company	3,336	2,613	723	3,657
Non-controlling interest	159	153	6	158
	*2 3,495	2,766	729	3,815
Gearing Ratio	4.8%	10.0%	-5.2%	5.5%
Net Cash (Cash & Deposits - Bank Borrowings) *1	1,017	501	516	1,224
Current Ratio	4.8	3.7	1.1	6.0

## (Loss) / Earnings per Share (LPS/EPS): 1<sup>st</sup> Half 2018

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

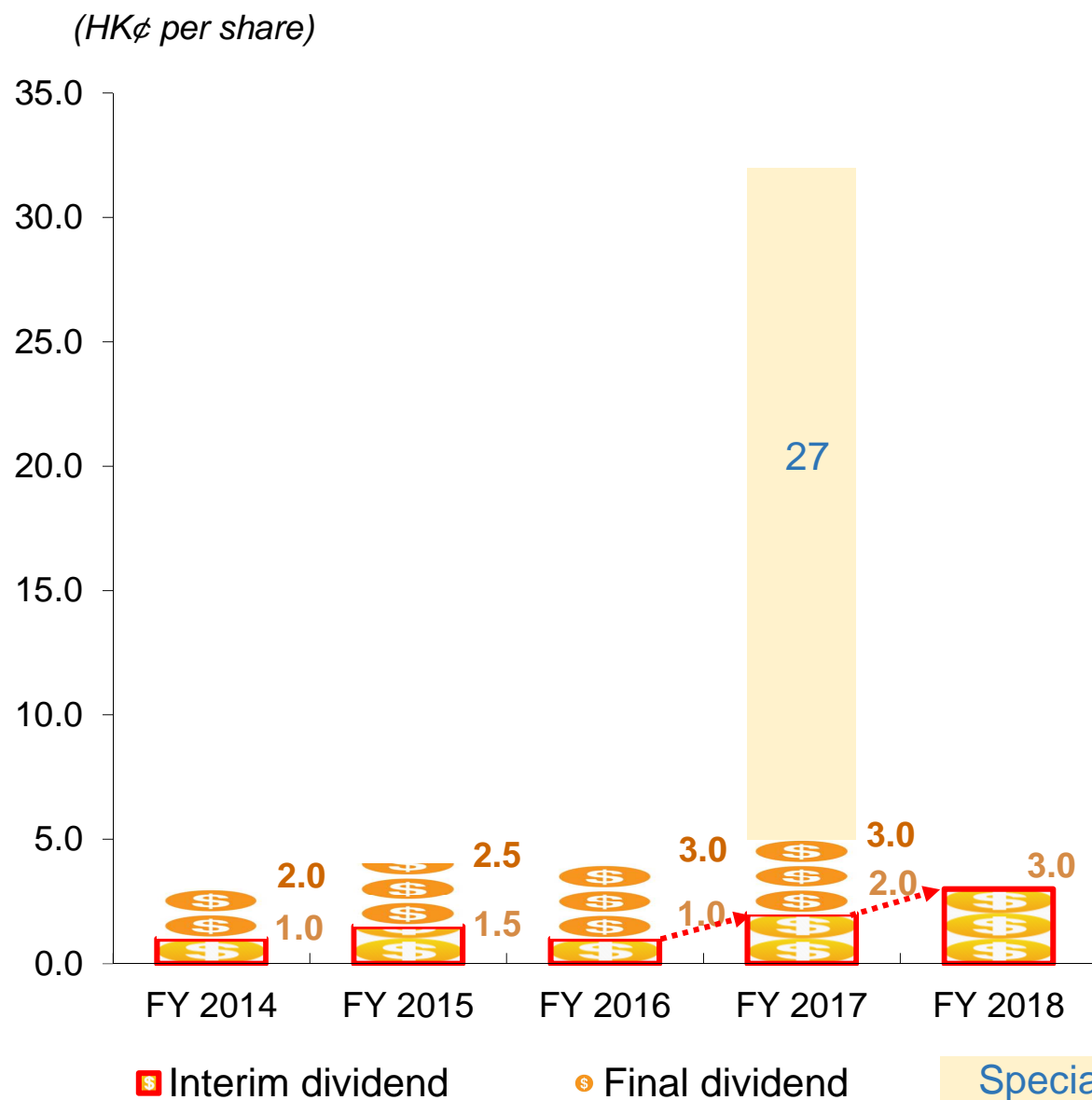


**Basic  
(LPS) / EPS**





# Proposed Interim Dividend for 2018



## Commentary

### Interim Dividend:

With confidence in creating value through the latest development activities, sustaining a solid business performance in 2H, and backing by the robust cash and financial position:

- The Board resolved to approve an interim dividend of HK¢ 3.0 (up +50% vs. LY)



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## Appendices

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# Company Profile

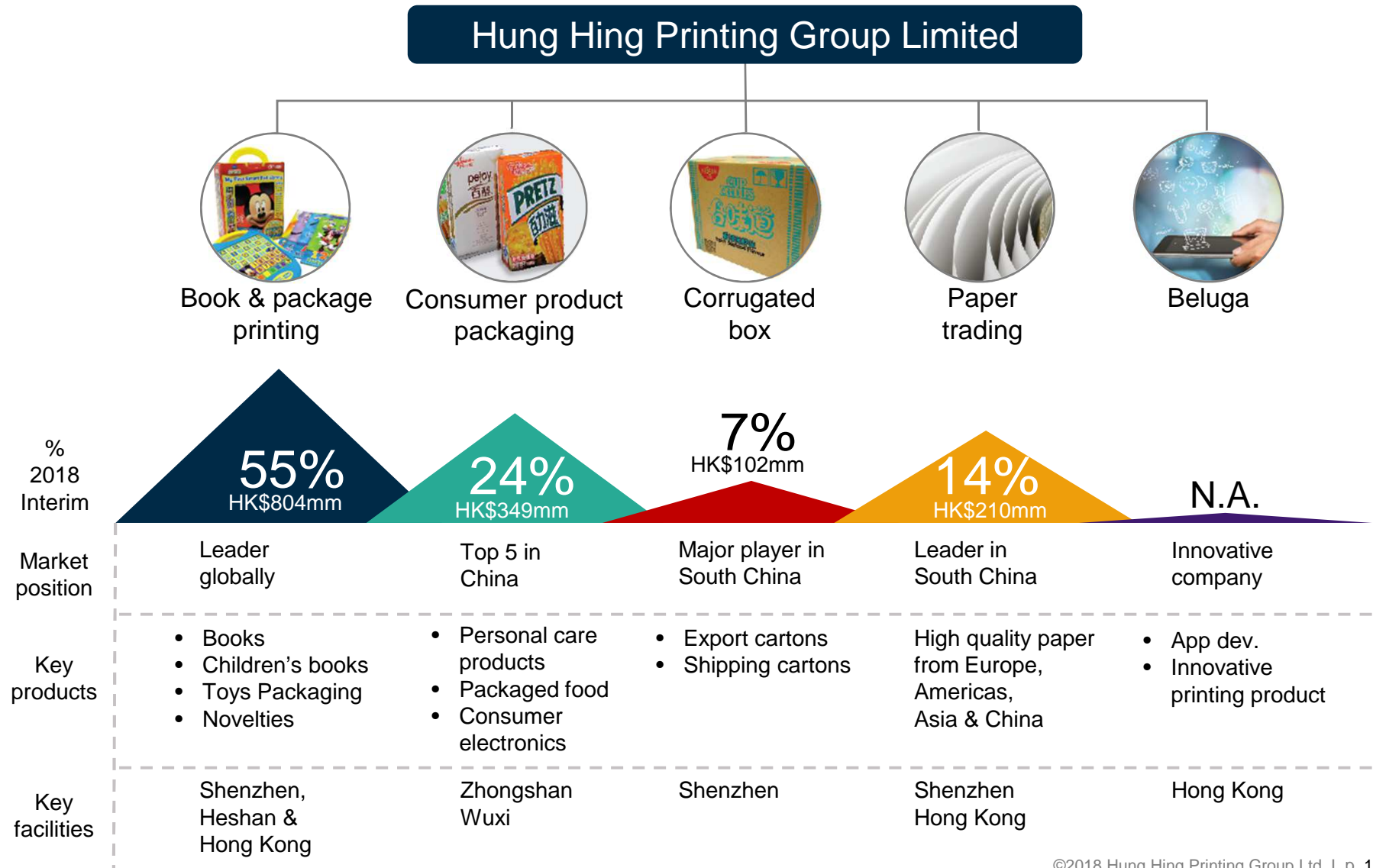
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Hung Hing Printing Group offers vertically integrated printing and packaging solutions, which encompass product design, paper engineering, digital service, paper trading, warehousing and distribution.



\* dated 31 Dec 2017

# Business Structure



# Our Office and Production Plants

## Hong Kong

- Relocated to Tai Po Industrial Estate in 1989.
- Corporate headquarters.
- 2 production lines for conventional books printing, suitable for printing of sensitive materials.
- 340 full time staff/ workers.

Established  
**1950**

**Hong Kong**



## Shenzhen

- Printing and manufacturing of folding cartons, children's book, conventional books, litho lam and corrugated containers.
- Awarded ISO9001; ISO 14001 and ICTI-COBP certifications.
- 5000-8000 full time workers of which 4000-5000 hand assembled related.

Established  
**1992**

**Shenzhen**



## Zhongshan

- Printing and manufacturing of folding cartons, litho lam and corrugated containers.
- Awarded ISO9001; ISO 14001 & BRC/IOP certifications.
- 1200 full time workers.

Established  
**1994**

**Zhongshan**



## Wuxi

- Printing and manufacturing of folding cartons, litho lam and corrugated containers.
- Awarded ISO9001; ISO 14001 & BRC/IOP certifications.
- 800-1300 full time workers of which 200-900 hand assembled related.

Established  
**2003**

**Wuxi**



## Heshan

- Established in 2007 for printing children's and conventional books.
- Awarded ISO9001; ISO 14001; ICTI-COBP & BRC/IOP certifications; M&S Eco-factory.
- 2500-4000 full time workers of which 1600- 2900 hand assembled related.

Established  
**2007**

**Heshan**



## Foshan

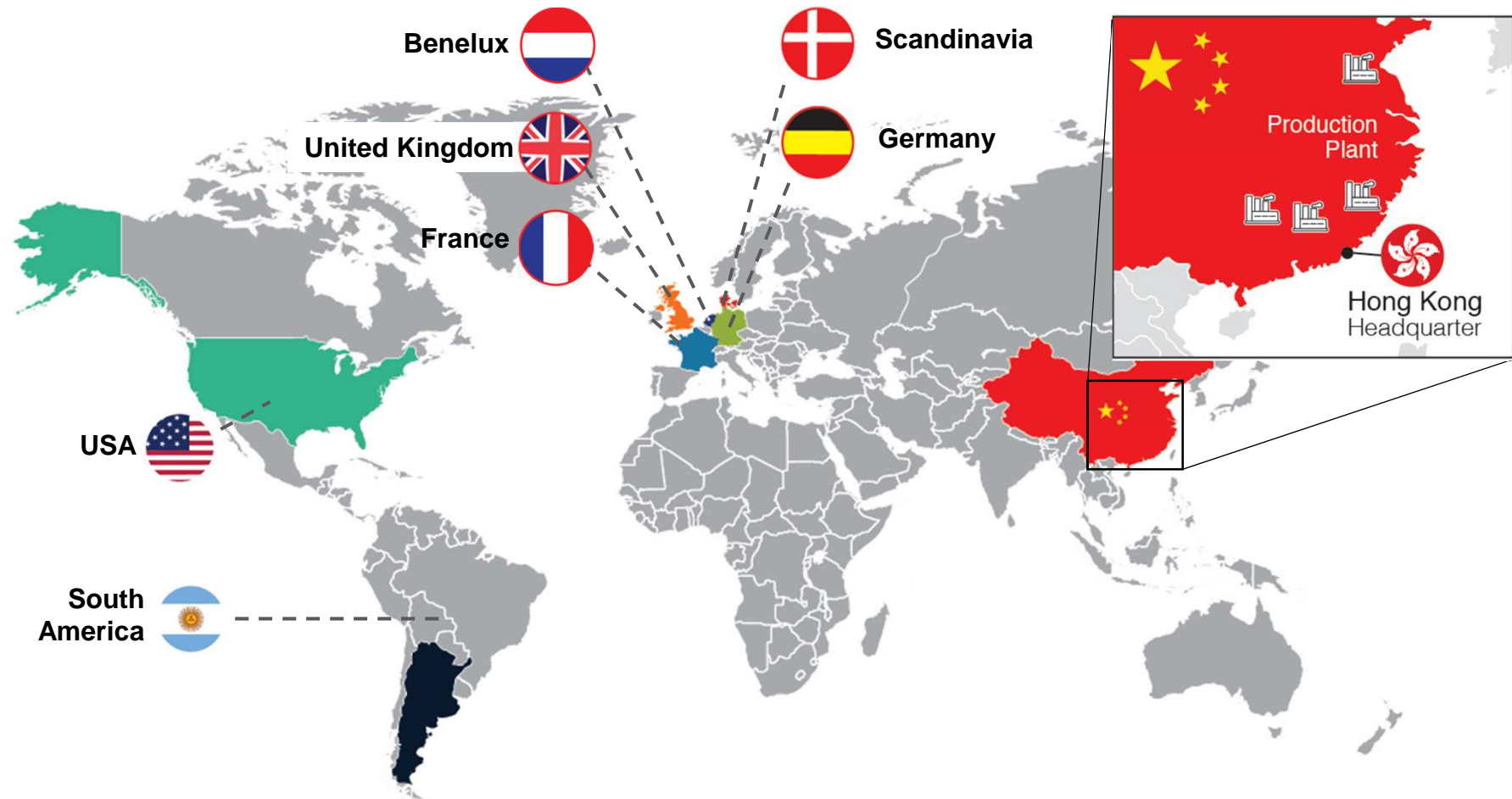
- Newly acquired in 2018
- Production of corrugated and packaging products

China



# Our Global Presence

## Sales Offices:



# Strategic Investments



## Expand overseas - Hanoi, Vietnam

- ❑ Agreed to form a JV in Jul 2018
- ❑ Printing & packaging mfg.
- ❑ Facility with land area 35,000 m<sup>2</sup>
- ❑ To be operational in mid-19



## Global retailer of high-end products - kikki.K

- ❑ Acquire minority stake in Jul 2018
- ❑ High-end individualized product segment
- ❑ Global market presence and extensive omni-channel sales network



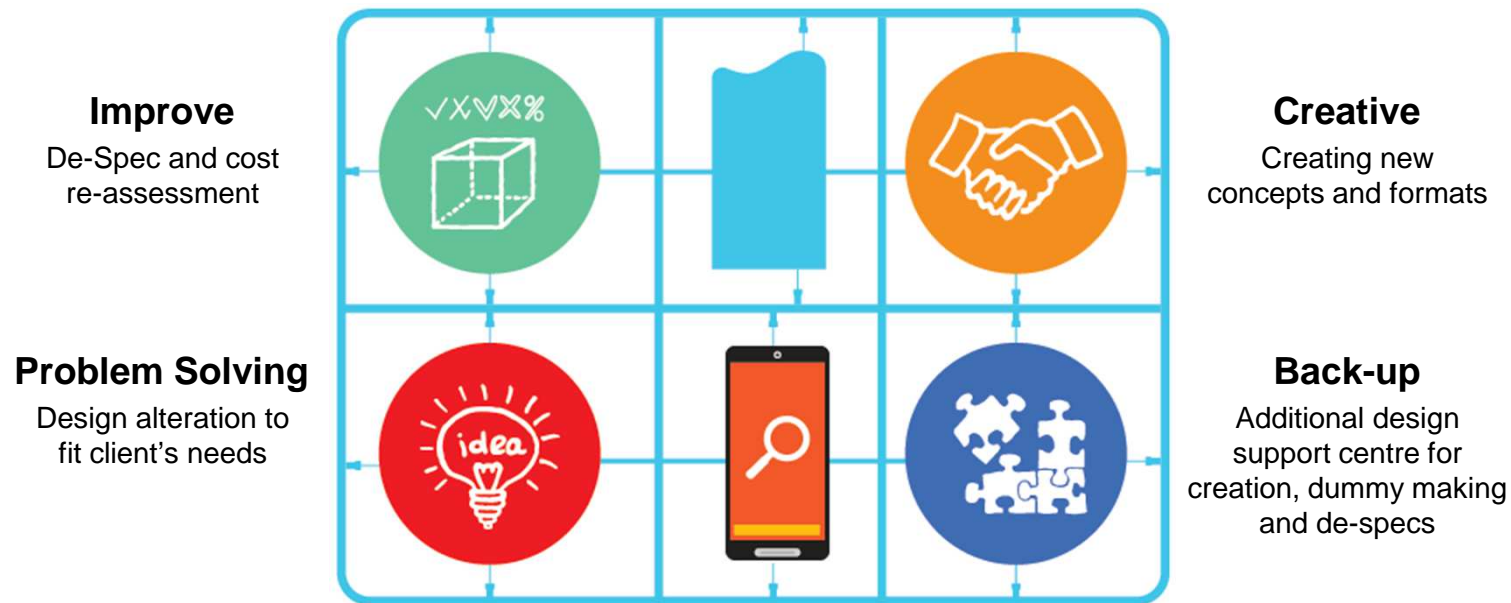
## Innovative mobile printing & sharing platform in PRC

- ❑ Acquire minority stake in Guangzhou Redsea Enterprise Ltd in Jul 2018
- ❑ Innovative mobile printing and sharing platform for PRC consumer market

# Innovation Hub at HH

Our team is specialized in creative design and product development for a brand new and exciting category of 'print + digital' products using innovative and patented technologies.

**B E L U G A**  
**print + digital**





# Green Manufacturing

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## Soy ink

Soy-based ink is more environmentally friendly, might provide more accurate colors, and makes it easier to recycle paper.

## Clean Energy

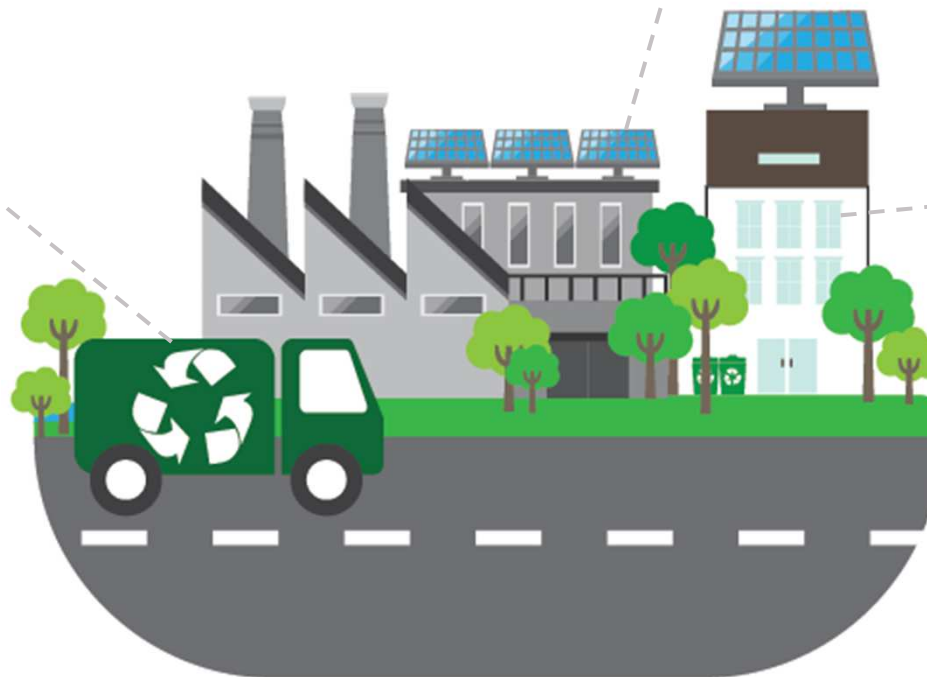
Solar energy is used to provide hot water supply to our dormitories.

## Recycle

We recycle all waste materials such as paper, plastic packing materials, nylon straps, metal printing plates, etc.

## Energy Efficiency

Replaced normal fluorescent light (T8 type) to energy saving type (T5 type)/ LED to save more energy.



# Going forward

**1950**

Founded as a small printing shop in Central, Hong Kong, by **Mr. Yam Cheong Hung**.



**1959**

Diversified into the printing and manufacturing of paper and carton boxes.



**1966**

Began operation in corrugated carton manufacturing.



**1970**

Expanded into paper trading business.



**1989**

Relocated to Tai Po Industrial Estate in Hong Kong.



**1992**

Listed on the Stock Exchange of Hong Kong.



**1992**

Established the print and packaging plant in Shenzhen, China.



**2003**

Established a new printing plant in Wuxi.



**2000**

Established a new plant in Shenzhen for children's book printing.



**1994**

Established the print and packaging plant in Zhongshan, China.



**2004**

Established the logistics warehouse in Shenzhen, China. As well as a new plant in Zhongshan, China.



**2007**

Established the plant in Heshan and commenced full operation in 2008.

**2017**

Hung Hing is currently the world's leading printing solution provider with customers spanning most part of the world.

# Disclaimer

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Thank you.