



# 鴻興印刷集團有限公司

## Hung Hing Printing Group Limited

### Annual Results 2019

---

### 2019年业绩简报

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. - 2019 Results 鸿兴印刷集团2019年度业绩

**Sales down slightly by 5.9%, but GP% up +5.7 %pt. and Profit Attributable to Shareholders jumped to 75.8 mil. (vs. 74.5 mil loss in 2018)**  
**營業額降5.9%; 毛利率卻增加5.7個百份點, 使股東應佔溢利跳升至75.8百萬元**

(Unit: HK\$ million / 单位: 港幣百萬元)	<u>Year 2019</u>	<u>Year 2018</u>
<ul style="list-style-type: none"> <li>Group revenue declined moderately by 5.9% 集團營業額微降5.9%</li> </ul>	3,084	3,277
<ul style="list-style-type: none"> <li>Gross profit margin increased to 17% (up 5.7% pt. vs. 2018) 毛利率提高至17%, 比上年度增加5.7個百份點</li> </ul>	17.0%	11.3%
<ul style="list-style-type: none"> <li>Profit / (Loss) attributable to shareholders 股東應佔溢利/(虧損)</li> </ul>	75.8	(74.5)
<ul style="list-style-type: none"> <li>Net cash &lt; excl. bank borrowings &gt; 淨現金&lt;扣除銀行借貸&gt;</li> </ul>	965	956
<ul style="list-style-type: none"> <li>Earnings / (Loss) per share - basic 每股盈利/(虧損) – 基本</li> </ul>	HK 8.4 cents	HK (8.3) cents

# Group Income Statement

Profit significantly improved with gross margin up +5.7%pt facilitated by portfolio & workflow enhancement, effective labor cost control with increased automation, less irrational paper price adjustments and favorable RMB exchange movements.

(Unit: HK\$' 000)	For the twelve months period ended 31 Dec				Comment	
	2019	2018	Change vs. 2018			
Revenue	3,083,904	3,276,800	(192,896)	-5.9%	*1. Lackluster economy & soft demand (US-China Trade Dispute & Brexit); Sales of BPP up +2.5% but offset by other BUs avg. -16.8% down	
Cost of sales	(2,558,284)	(2,907,463)	349,179	-12.0%		
Gross profit	525,620	369,337	156,283	42.3%		
Gross Margin as % of Revenue	17.0%	11.3%	5.7	%pt.		*2
Other revenue	47,672	46,709	963	2.1%		*3
Other net loss	(21,172)	(42,563)	21,391	-50.3%	*4	
Distribution costs	(78,066)	(78,859)	793	-1.0%	*2. Portfolio & workflow enhancement, increased automation, more rational paper price adjustments, fav. exchanges movement	
Admin & selling exp. (incl. b/d prov.)	(379,933)	(367,754)	(12,179)	3.3%		*5
Operating profit / (loss)	94,121	(73,130)	167,251	--		
Finance costs	(5,695)	(4,558)	(1,137)	24.9%	*3. Mainly increase of Gov't subsidies offset by reduced interest income	
Share of loss of an associate	(351)	-	(351)	--		
Profit / (Loss) before income tax	88,075	(77,688)	165,763	--		
Income tax	(19,792)	5,544	(25,336)	--	*4. Mainly reduced exch / fwd losses (+31m), partly offset by absence of investment adjustment of goodwill in '18	
Profit / (Loss) for the year	68,283	(72,144)	140,427	--		
Attributable to:						
Equity shareholders of the Company	75,753	(74,518)	150,271	--	*5. Mainly full-year effect of GDR, and the set-up of HH Dream in Vietnam	
Non-controlling interests	(7,470)	2,374	(9,844)	--		
Profit / (Loss) for the year	68,283	(72,144)	140,427	--		
EPS / (LPS) attributable to shareholders	HK cents	HK cents	HK cents			
Basic	8.4	(8.3)	16.7	--		
Diluted	8.4	(8.3)	16.7	--		

# Robust financial position: Strong cash holding and liquidity

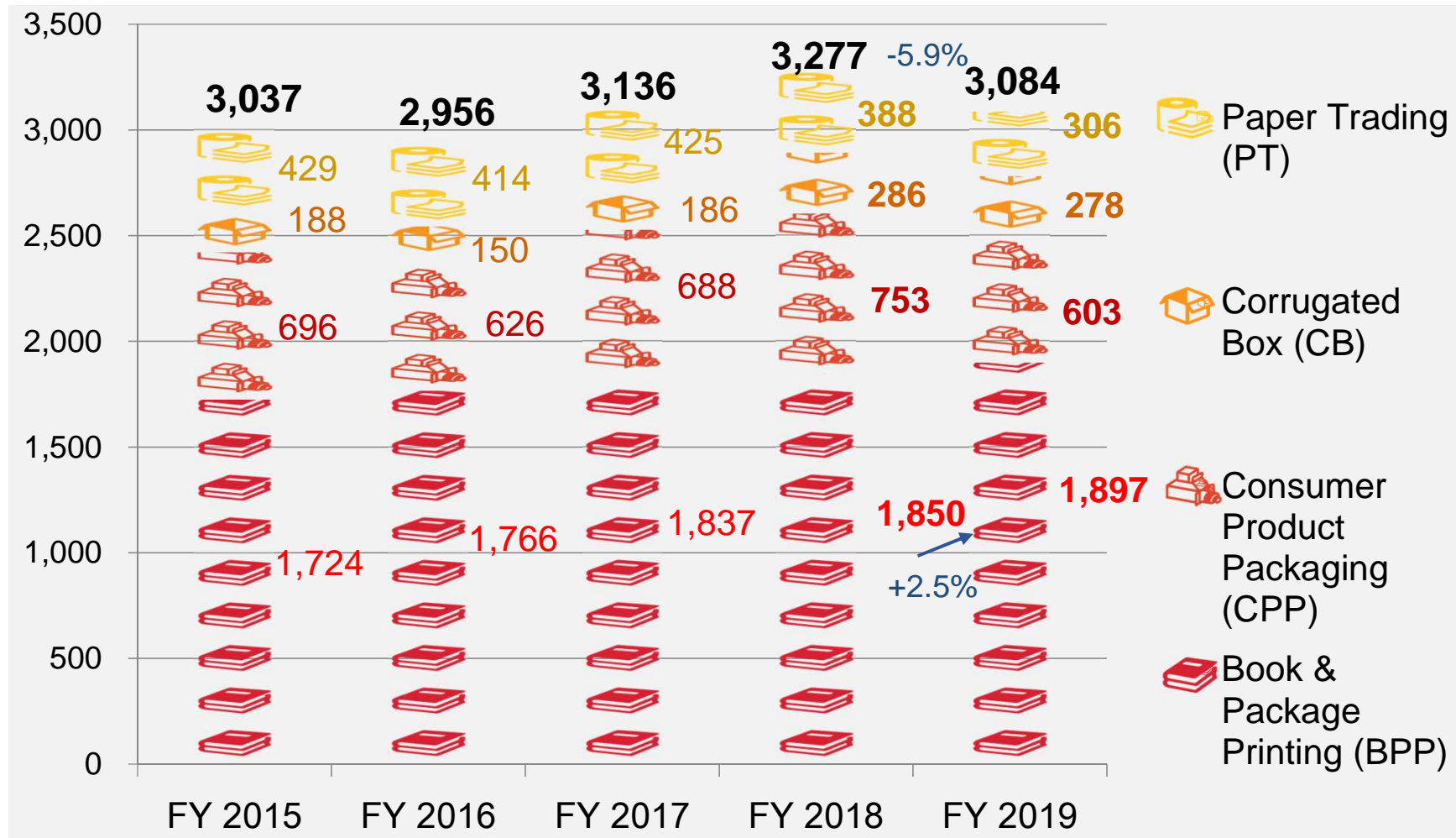
Strong financial position with net cash 965m; Propose special + final dividends on par with prior year to consistently uplift shareholders return, while allowing resources and the flexibility to seek future growth and investment opportunities

(HK\$ million)	As at Dec 31			Comment
	2019	2018	Changes	
<b>Assets</b>				
Non-current	1,470	1,472	-2	Capex investment (mainly HH Dream 76m in '19) offset 123m depr'n/amort'n and 43m impairment of AFS (kikki.K & ZS-PM)
Current	2,452	2,594	-142	Mainly reduction in Inventory -54m (10%) & AR -76m (-9%); Cash & Deposits up slightly by 11m to 1,098m
Total Assets	3,922	4,066	-144	
Incl. Cash & Bank and Time deposits	1,098	1,087	11	
<b>Liabilities</b>				
Non-current	100	160	-60	Reclass of 61m bank loan to current liab.
Current	494	508	-14	Trade payables -42m and PRC housing fund paid (accrual -42m); Partly offset by reclass of 61m bank loans from non-current liab.
Total Liabilities	594	668	-74	
Incl. liabilities - Bank Borrowings	134	131	3	Repay fixed rate term-loan & trade facilities on schedule
Net Assets	3,328	3,398	-70	
<b>Equity</b>				
Attributable to shareholders	3,178	3,244	-66	Profit +75.8m in '19; offset exchange & other reserves movement -51m (mainly ASF impairment) and dividends 91m
Non-controlling interest	150	154	-4	
Total Equity	3,328	3,398	-70	
Gearing Ratio	4.0%	3.9%	0.2%	
Net Cash (Net-off Bank Borrowings)	965	956	9	
Current Ratio	5.0	5.1	(0.2)	

# Sales Revenue - External Customers

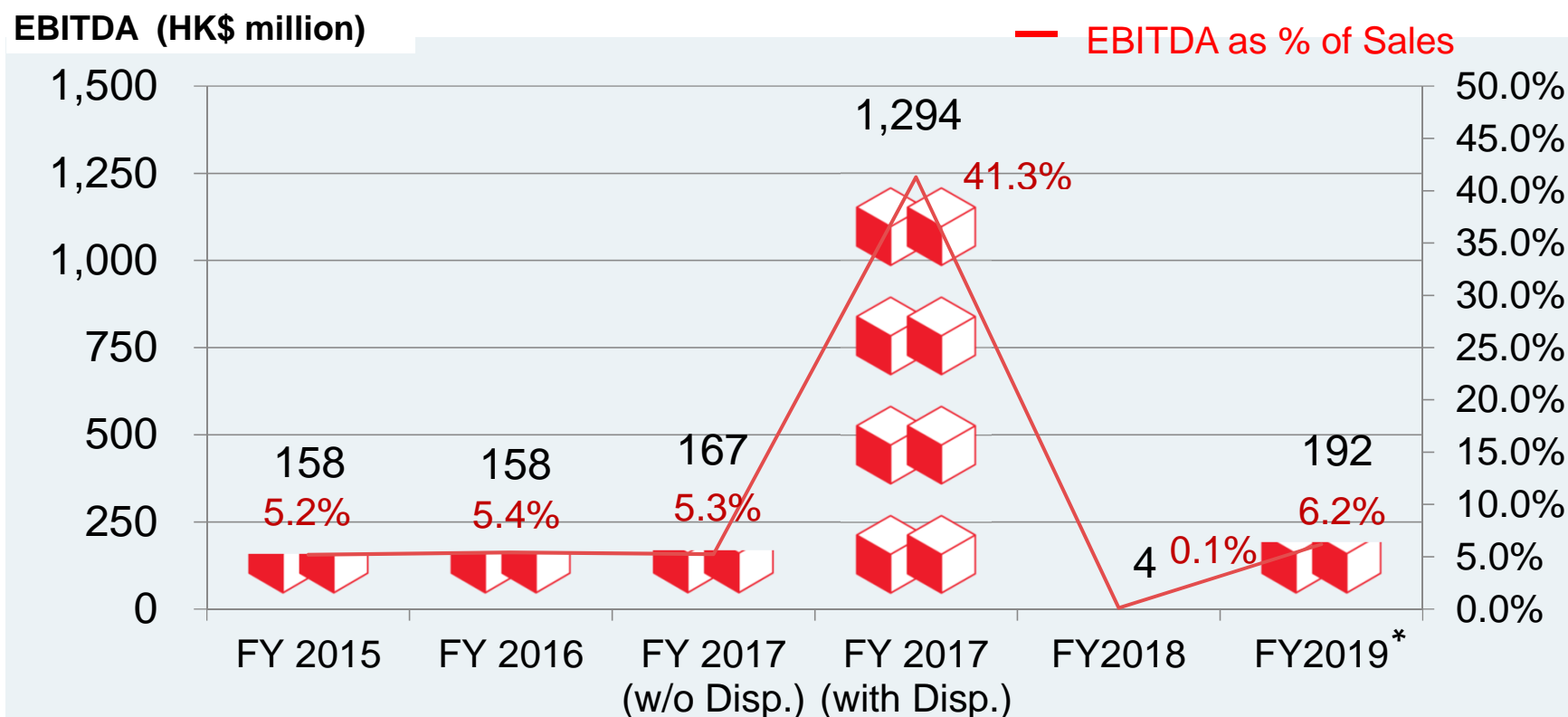
**2019 Overall Sales -5.9%: BPP +2.5% / CPP -20% / CB -2.7% / PT -21%**

(HK\$ million)



# Group EBITDA

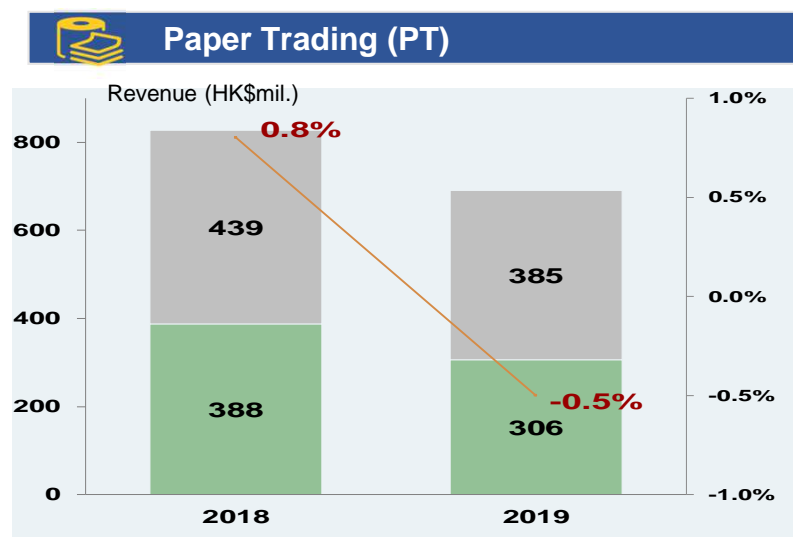
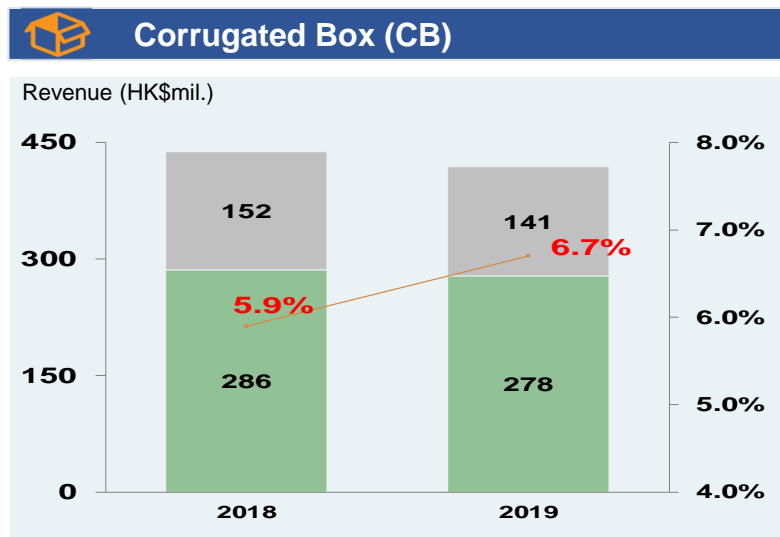
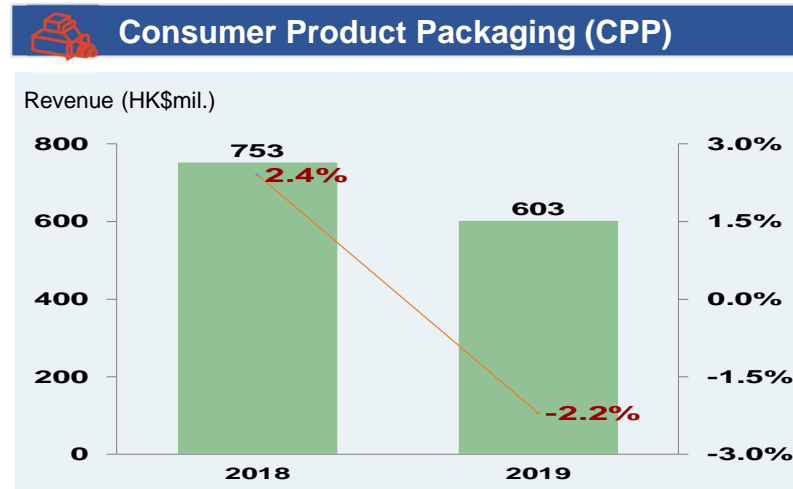
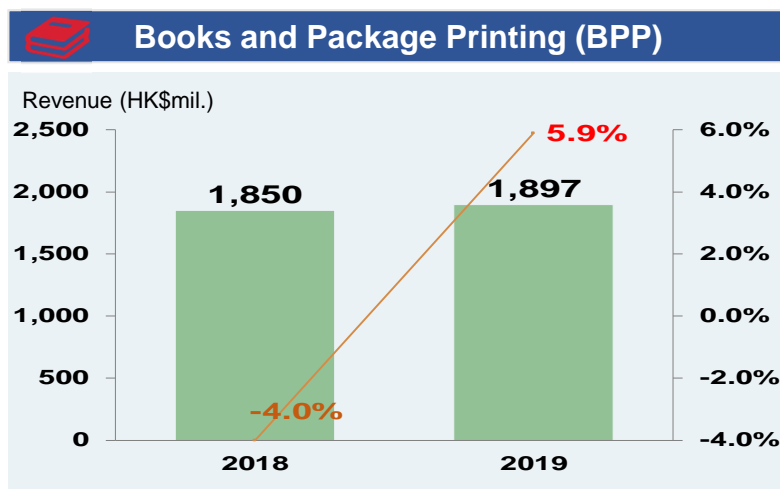
Key Drivers: i) Strong BPP performance due to portfolio rationalization tally with automation investments which uplifted production efficiency and reduced labor costs; ii) Reduced paper prices, and iii) RMB depreciation favorable to operating costs.



\* HKFRS 16 on Lease newly applied. For valid comparison vs. prior year, 2019 EBITDA would be restated to HK\$178.5m (5.8% of sales) if depreciation / amortization (HK\$12.8m) & interest exp. (HK\$0.7m) under HKFRS 16 is not applied

# BPP & CB margins improved; CPP & PT were under pressure

## Segment revenue & profit contribution%



■ External Revenue

■ Intersegment Revenue

— Segment profit contribution(%)



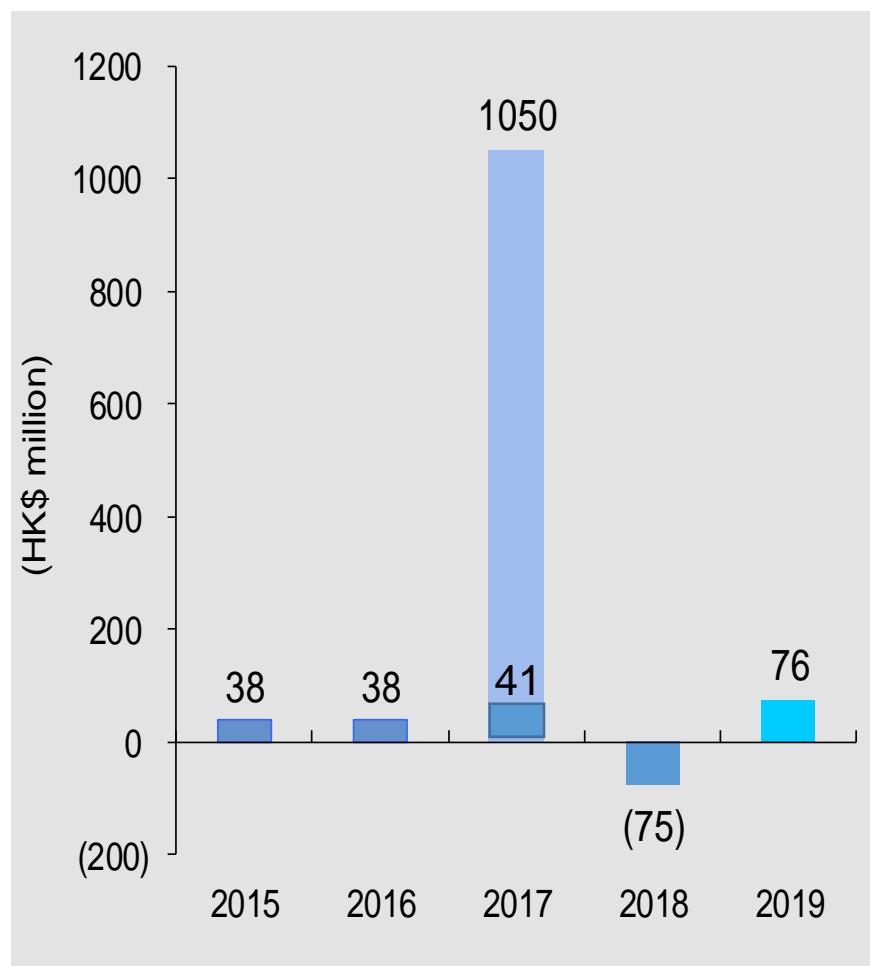
鴻興印刷集團有限公司  
Hung Hing Printing Group Limited

## **Proposed Final & Special Dividends**

---

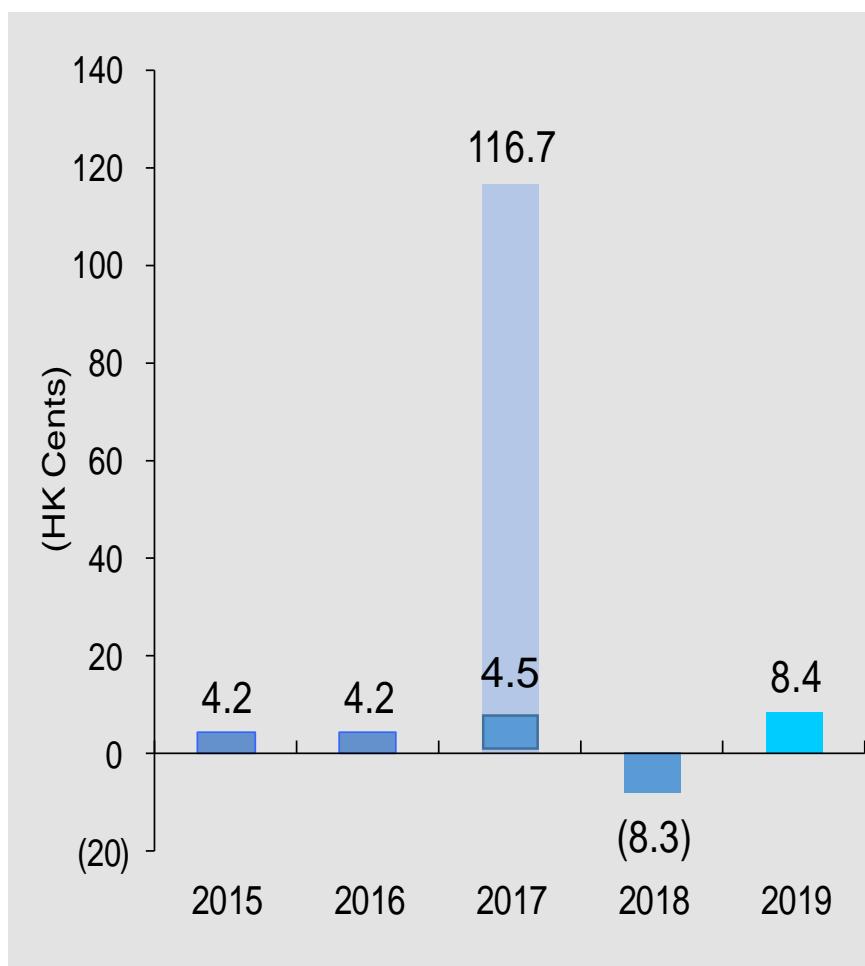
# Earnings / (Loss) per Share (EPS / LPS) 公司权益持有人应佔溢利 / (虧損) 及每股盈利 / (虧損)

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



■ Normal Core

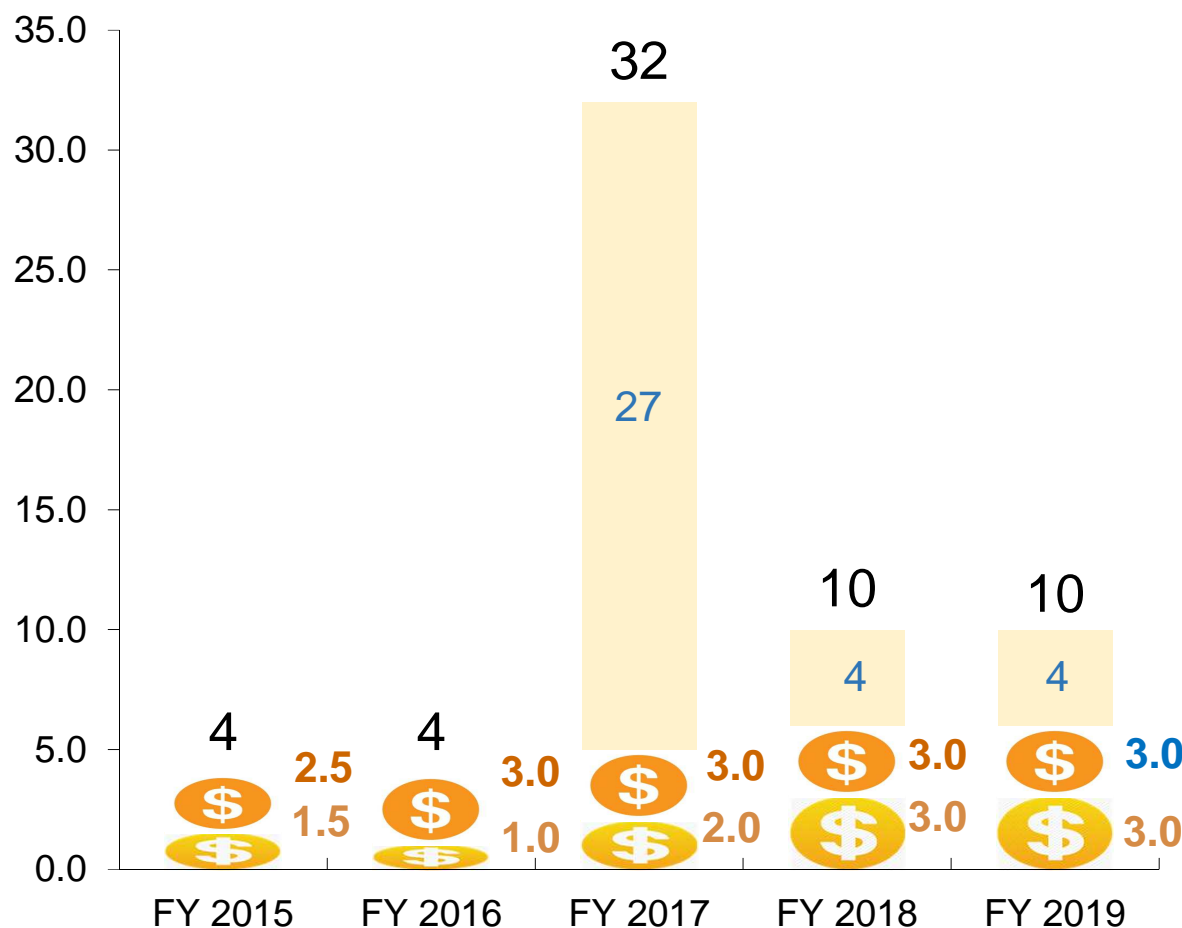
**Basic  
EPS / (LPS)**



■ Special gain from SHPSZ disposal

# Proposed Final & Special Dividends for 2019

(HK¢ per share)



● Interim dividend

● Final dividend

Special Dividend

## Commentary

- Proposed special + final dividends on par with prior year, so as to consistently uplift shareholders return in line with the objectives of dividend policy: to maintain stable dividend return, and to offer the utmost in rewarding shareholders.
- Despite economic uncertainties, we are cautiously optimistic about sustaining a solid business performance in 2020, taking into account:
  - Strong financial position: 965m cash / 831m dist. profit
  - Project cash on-hand well covers foreseeable business and investment needs

### Proposal:

Board resolved to approve a final dividend and special dividend of HK¢ 3 and HK¢ 4 respectively.

# Hung Hing Printing Group Ltd. - 2019 Results 鸿兴印刷集团2019年度业绩

**Proposed final dividend [3] cents and Special dividend [4] cents**  
**建议派发末期股息[3]仙 及特别股息 [4] 仙**

(Unit: HK\$ million / 单位: 港 幣 百 萬 元)	<u>Year 2019</u>	<u>Year 2018</u>
• Group revenue declined moderately by 5.9% 集團營業額微降5.9%	3,084	3,277
• Gross profit margin increased to 17% (up 5.7% pt. vs. 2018) 毛利率提高至17%，比上年度增加5.7個百份點	17.0%	11.3%
• Profit / (Loss) attributable to shareholders 股東應佔溢利/(虧損)	75.8	(74.5)
• Net cash < excl. bank borrowings > 淨現金<扣除銀行借貸>	965	956
• Earnings / (Loss) per share - basic 每股盈利/(虧損) – 基本	HK 8.4 cents	HK (8.3) cents
• Proposed final and full year dividends (excl. special div.) 擬派末期股息3仙; 全年普通股息6仙	Final: HK 3 cents Full Yr: HK 6 cents	Final: HK 3 cents Full Yr: HK 6 cents
• Proposed special dividend HK¢ 4 擬派特別股息4仙	Spec: HK 4 cents	Spec: HK 4 cents

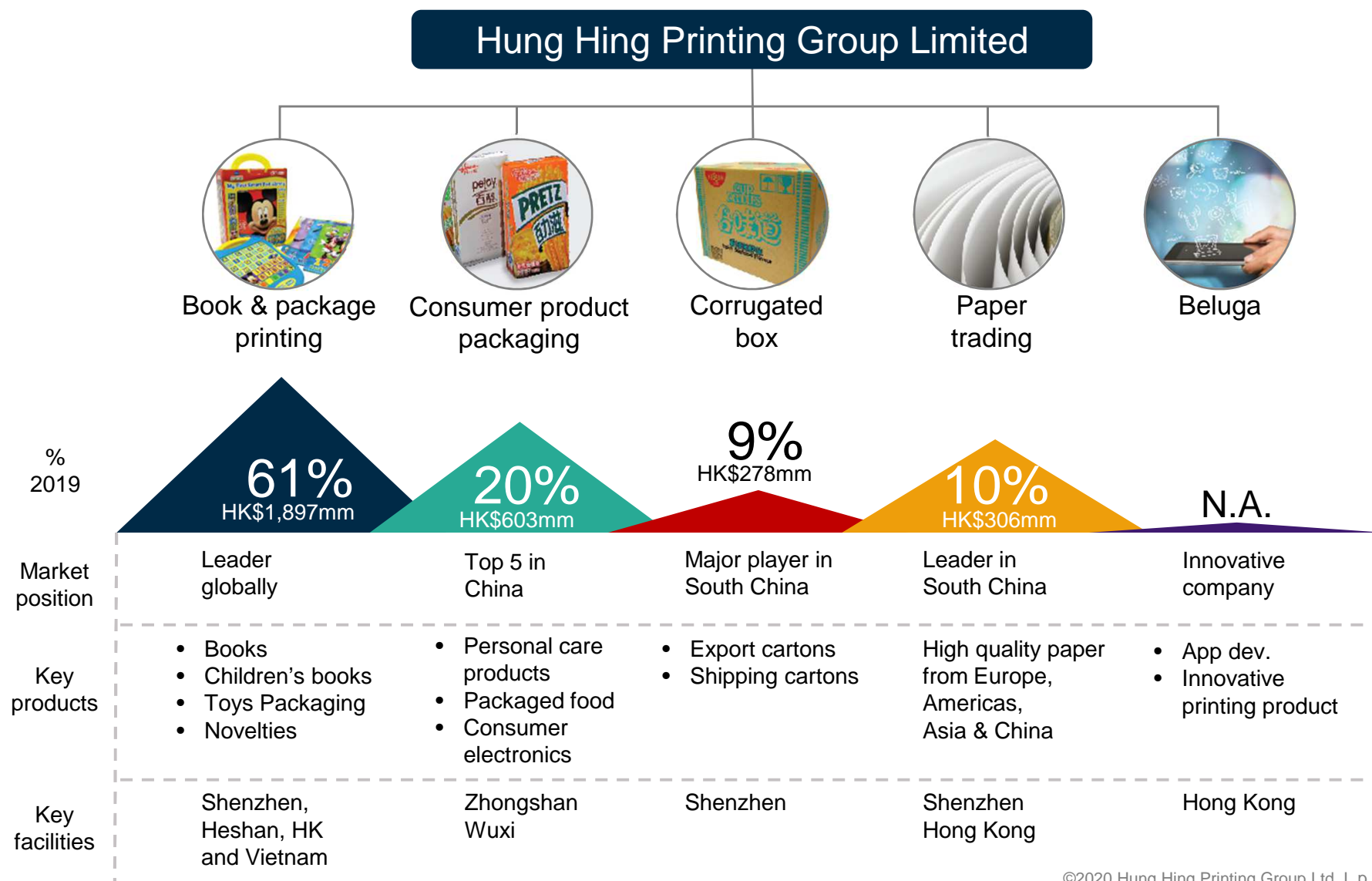


鴻興印刷集團有限公司  
Hung Hing Printing Group Limited

## Appendices

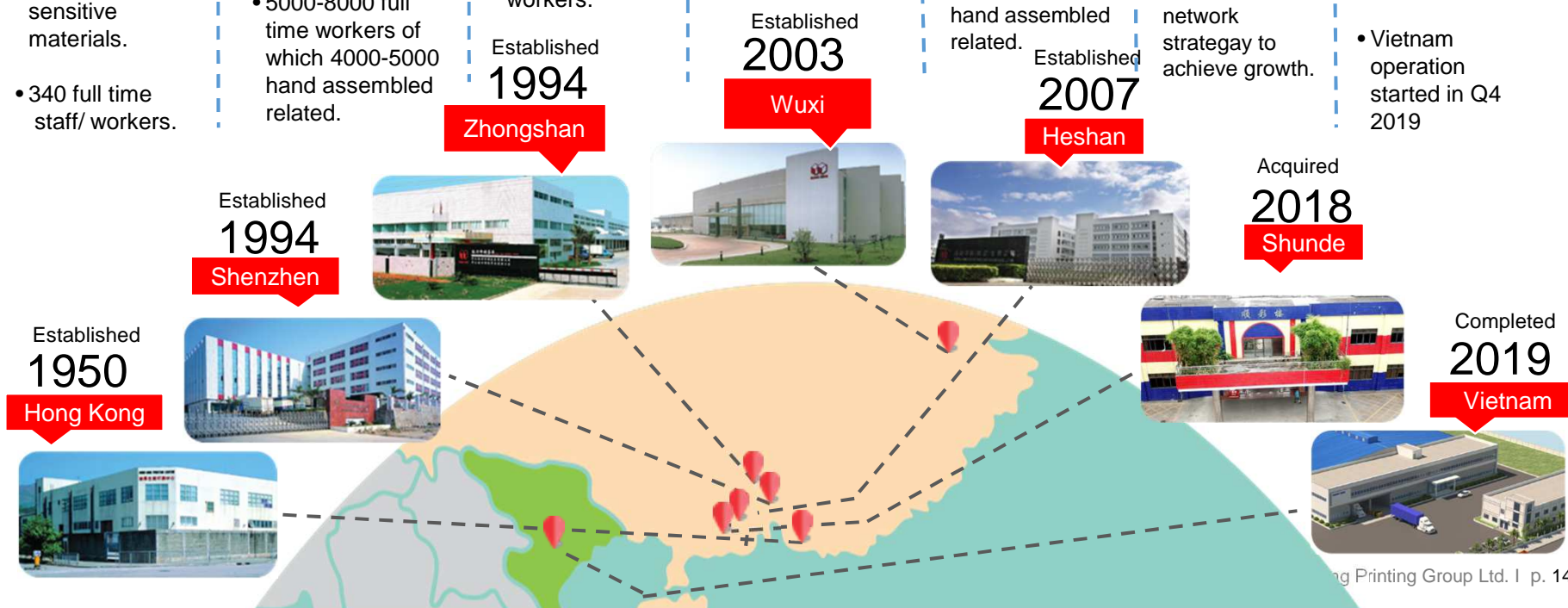
---

# Business Structure



# Our Office and Production Plants

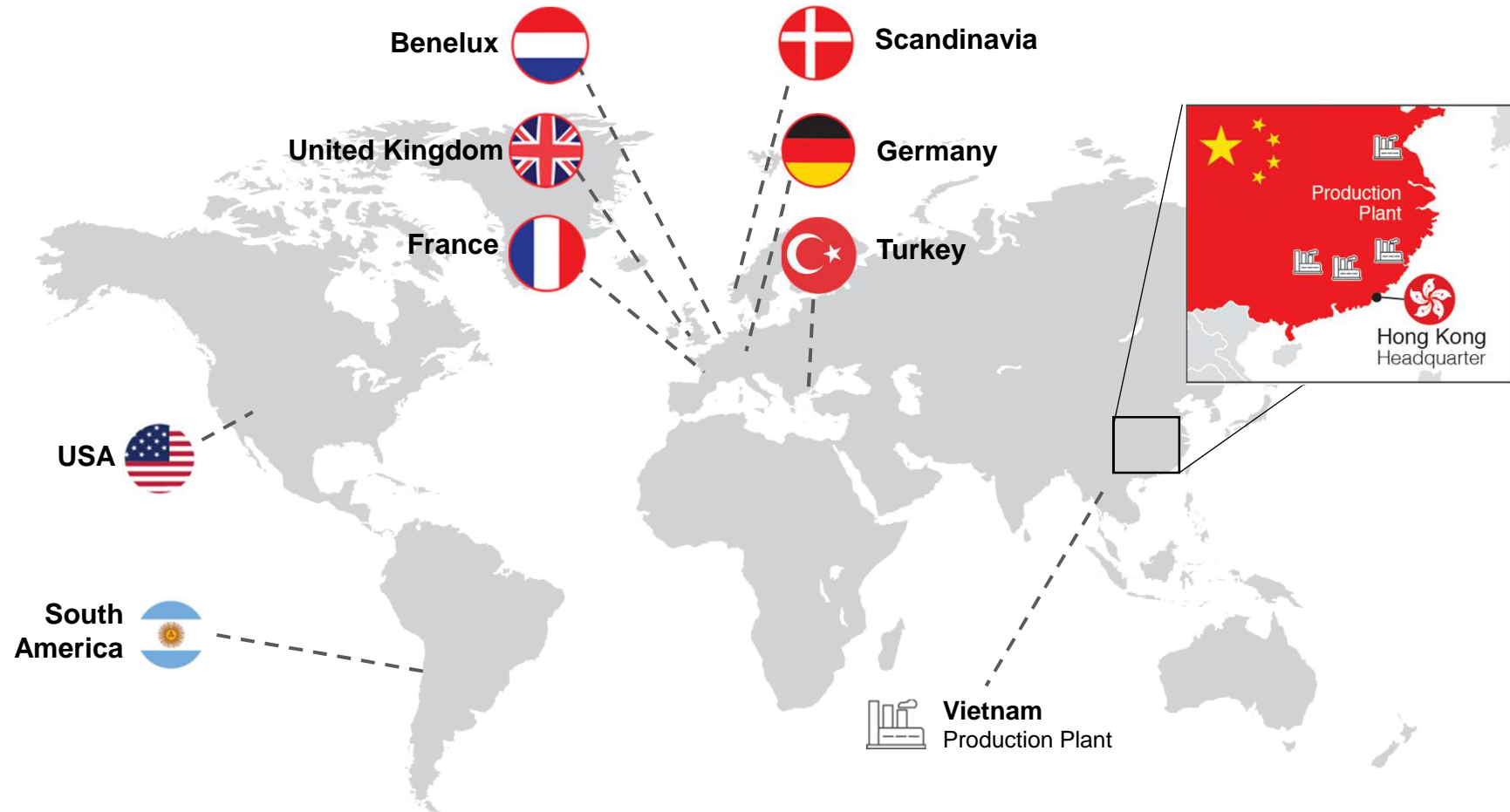
Hong Kong	Shenzhen	Zhongshan	Wuxi	Heshan	Shunde	Vietnam
<ul style="list-style-type: none"> <li>Relocated to Tai Po Industrial Estate in 1989.</li> <li>Corporate headquarters.</li> <li>2 production lines for conventional books printing, suitable for printing of sensitive materials.</li> <li>340 full time staff/ workers.</li> </ul>	<ul style="list-style-type: none"> <li>Printing and manufacturing of folding cartons, children's book, conventional books, litho lam and corrugated containers.</li> <li>Awarded ISO9001; ISO 14001 and ICTI-COBP certifications.</li> <li>5000-8000 full time workers of which 4000-5000 hand assembled related.</li> </ul>	<ul style="list-style-type: none"> <li>Printing and manufacturing of folding cartons, litho lam and corrugated containers.</li> <li>Awarded ISO9001; ISO 14001 &amp; BRC/IOP certifications.</li> <li>1200 full time workers.</li> </ul>	<ul style="list-style-type: none"> <li>Printing and manufacturing of folding cartons, litho lam and corrugated containers.</li> <li>Awarded ISO9001; ISO 14001 &amp; BRC/IOP certifications.</li> <li>800-1300 full time workers of which 200-900 hand assembled related.</li> </ul>	<ul style="list-style-type: none"> <li>Established in 2007 for printing children's and conventional books.</li> <li>Awarded ISO9001; ISO 14001; ICTI-COBP &amp; BRC/IOP certifications; M&amp;S Eco-factory.</li> <li>2500-4000 full time workers of which 1600- 2900 hand assembled related.</li> </ul>	<ul style="list-style-type: none"> <li>Printing and manufacturing of folding cartons, litho lam and corrugated containers.</li> <li>A strong market position in the production of corrugated cases.</li> <li>Mult-location network strategay to achieve growth.</li> </ul>	<ul style="list-style-type: none"> <li>Land area 35,000sq. Meter</li> <li>Factory + office 20,000sq. Meter</li> <li>Factory is under construction since April 1, 2019</li> <li>Vietnam operation started in Q4 2019</li> </ul>



# Our Global Presence

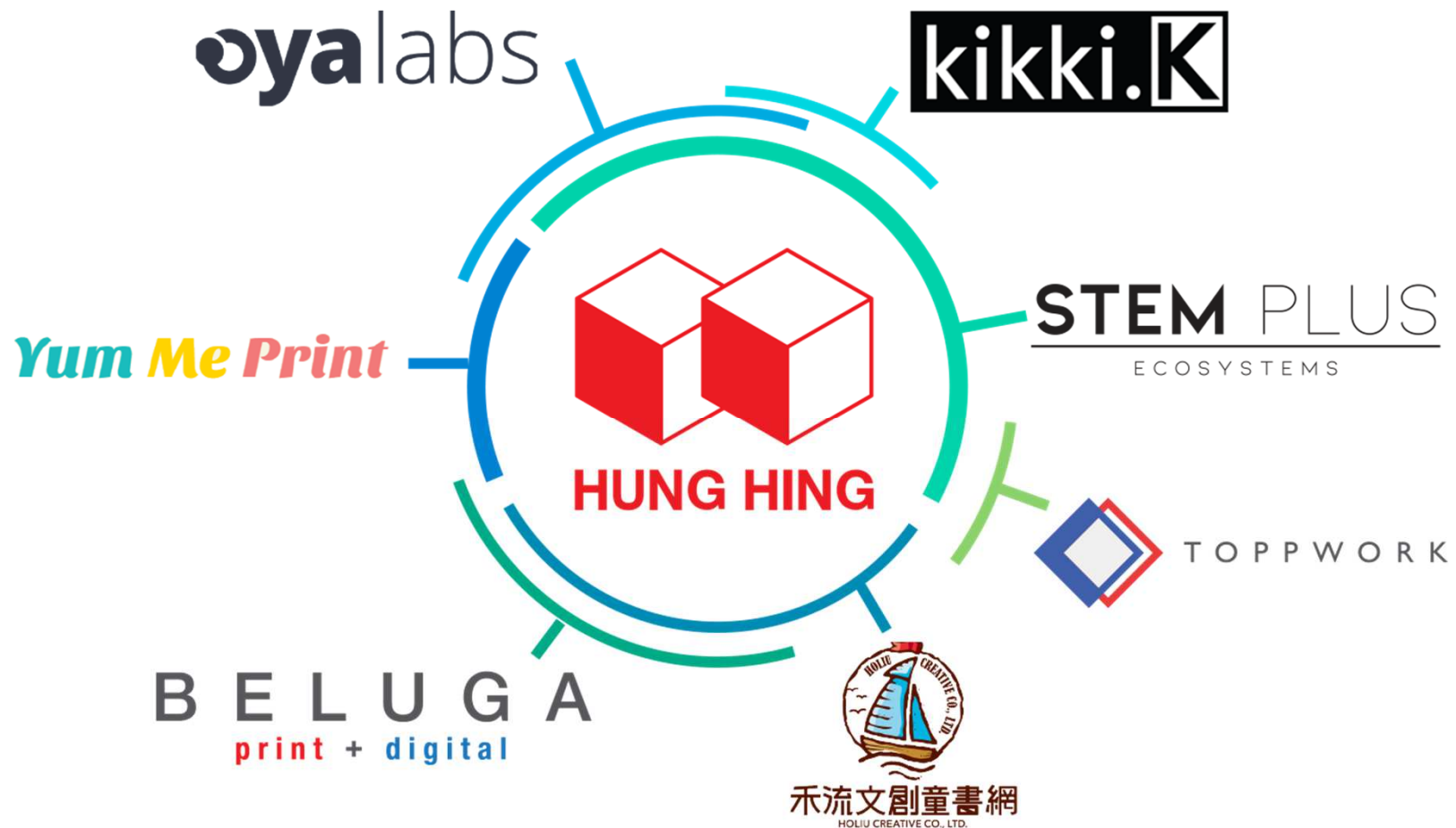
---

## Sales Offices:



# Strategic Investments

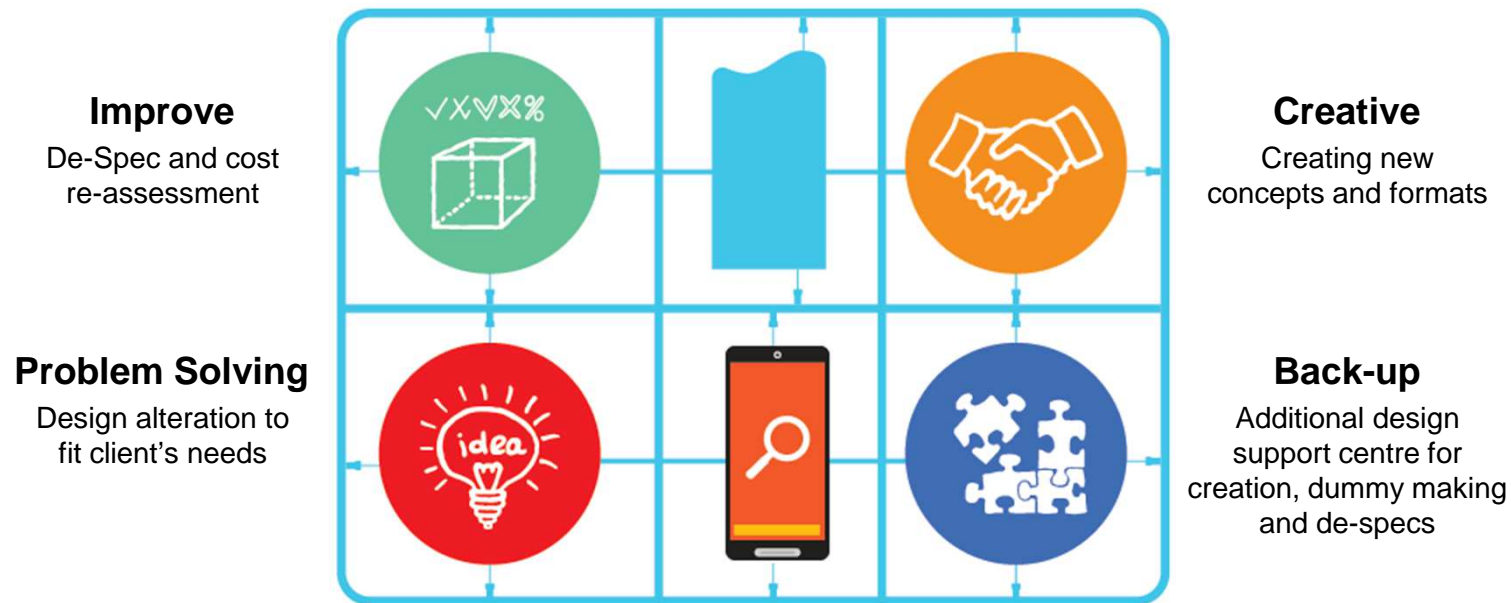
---



# 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**



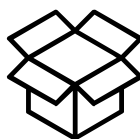
# We care about the environment



# 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.



**1994**

Established the print and packaging plant in Shenzhen, China.

**2004**

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



**2007**

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



**2018**

2<sup>nd</sup> phase expansion in Heshan.

**2019**

Established a new printing plant in Vietnam.



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

# Disclaimer

The presentation is prepared by Hung Hing Printing Group Limited (the “Company”) and is solely for the purpose of corporate communication and general reference only. The presentation is not intended as an offer to sell, or to solicit an offer to buy or to form any basis of investment decision for any class of securities of the Company in any jurisdiction. All such information should not be used or relied on without professional advice. The presentation is a brief summary in nature and does not purport to be a complete description of the Company, its business, its current or historical operating results or its future business prospects.

This presentation is provided without any warranty or representation of any kind, either expressed or implied. The Company specifically disclaims all responsibilities in respect of any use or reliance of any information, whether financial or otherwise, contained in this presentation.



Thank you.