



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

Interim Results
6 months to 30 June 2019

Highlights – Six months ended 30 June, 2019

- ▶ Group revenue slightly down by 1.9% vs. PY to HK\$1,436 mil.
- ▶ Gross profit margin improved by 5.1% pt. to 14.6%
- ▶ Earnings attributable to shareholders HK\$4.9 mil. (vs. 35m loss PY)
- ▶ Net cash on-hand HK\$790 mil. (HK\$ 91 mil. Div. paid in last 12 mths)
- ▶ Interim dividends HK¢ **3.0** per share

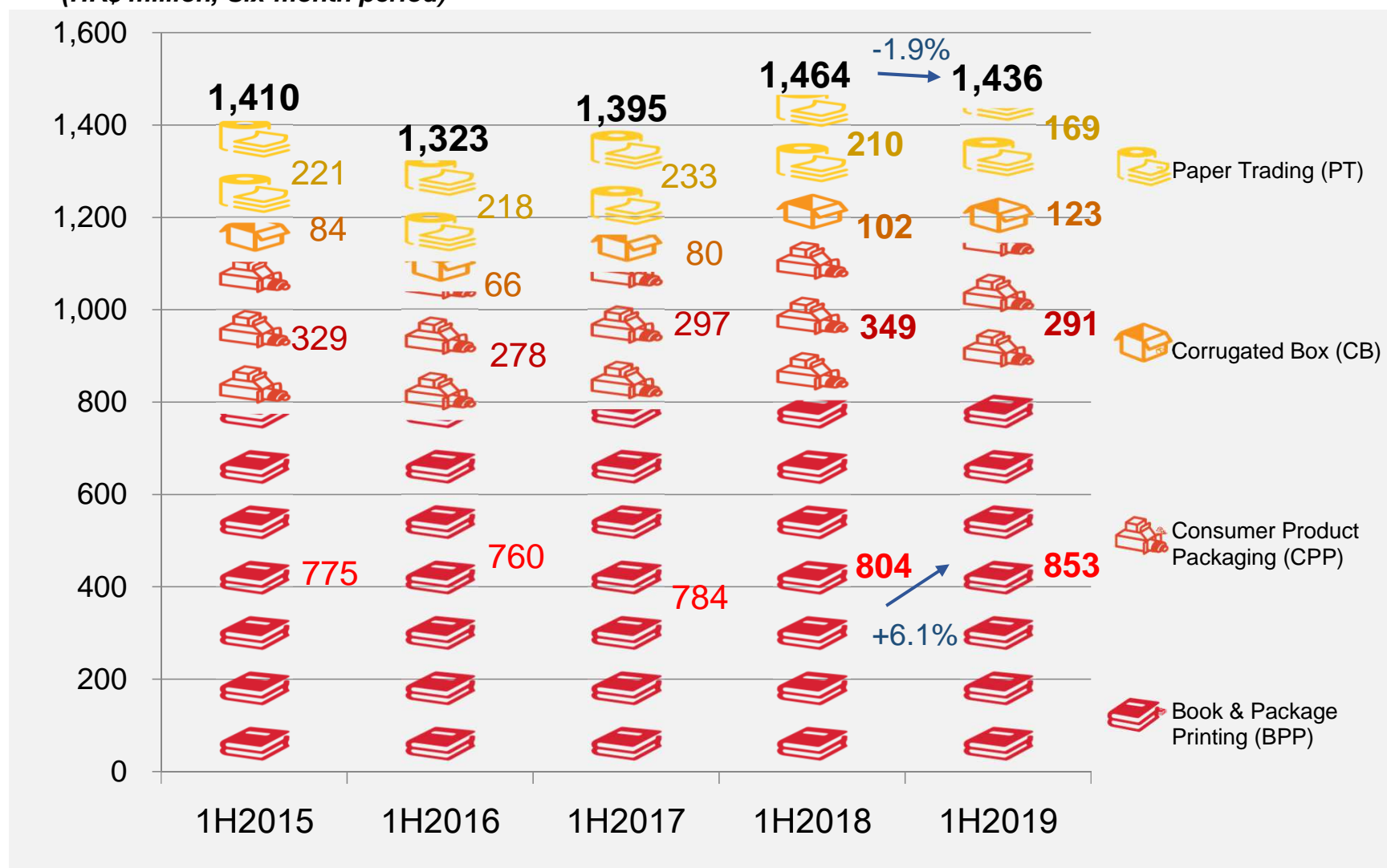
(HK\$ Mil.)	For the 6 months ended 30 June			
	2019	2018	Change vs 2018	
Revenue	1,436.3	1,463.6	(27.3)	-1.9%
Gross profit	210.2	139.2	71.0	51.0%
Gross Margin as % of Revenue	14.6%	9.5%	5.1% pt.	
Attributable to:				
Equity shareholders of the Company	4.9	(34.9)	39.8	-114.1%
Non-controlling interests	(2.8)	1.9	(4.6)	-247.3%
Total Net Profit for the period	2.1	(33.0)	35.1	-106.5%

Key Profit Drivers:

- a) Strong performance of BPP contributed to effective portfolio rationalization and automation investments, which improved production efficiency, reduced labor headcount (avg. -13%) & costs, and trimmed loss-making accounts
- b) Reduced paper prices and usage of other material costs (up +3.5%pt in GP)
- c) Favorability of RMB depreciation on operating margin

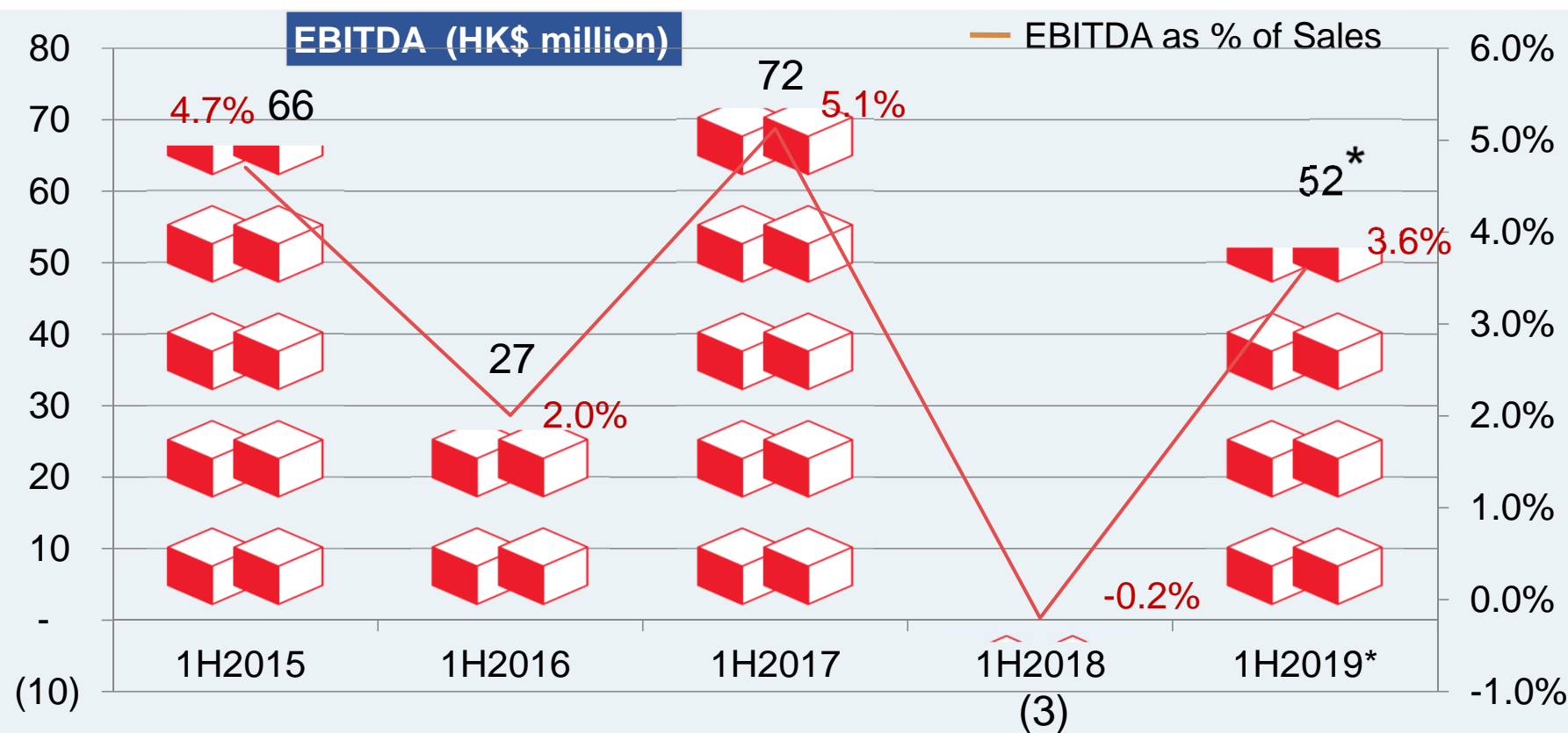
Group Sales in 1H at HK\$1,436 mil.; down -1.9% vs. PY

(HK\$ million, Six-month period)



Group EBITDA%* to Sales in 1H at +3.6%

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



* Applied HKFRS 16 on Lease for valid comparison here; EBITDA for 1H2019 would be restated to HK\$45.6m (3.2% of sales) if amortization (HK\$6.4m) & interest exp. (HK\$0.4m) under HKFRS 16 is not applied

Group Income Statement – 1st Half 2019

(HK\$ Mil.)	For the 6 months ended 30 June			
	2019	2018	Change vs 2018	
Revenue	1,436.3	1,463.6	(27.3)	-1.9%
Cost of sales	(1,226.1)	(1,324.5)	98.4	-7.4%
Gross profit	210.2	139.2	71.0	51.0%
Gross Margin as % of Revenue	14.6%	9.5%	5.1% pt.	
Other revenue	24.2	27.7	(3.4)	-12.4%
Other net (loss)/gain	(7.6)	(3.9)	(3.8)	96.8%
Distribution costs	(34.3)	(33.0)	(1.3)	3.8%
Administrative and selling expenses	(187.5)	(167.4)	(20.0)	12.0%
Operating profit/(loss)	5.0	(37.5)	42.6	-113.4%
Finance costs	(2.4)	(2.3)	(0.1)	3.3%
Share of profits and losses of associate	(0.3)	-	(0.3)	N/A
Profit/(loss) before income tax	2.3	(39.9)	42.2	-105.8%
Income tax	(0.2)	6.9	(7.0)	-102.2%
Profit/(loss) for the period	2.1	(33.0)	35.1	-106.5%
Attributable to:				
Equity shareholders of the Company	4.9	(34.9)	39.8	-114.1%
Non-controlling interests	(2.8)	1.9	(4.6)	-247.3%
Total Net Profit for the period	2.1	(33.0)	35.1	-106.5%

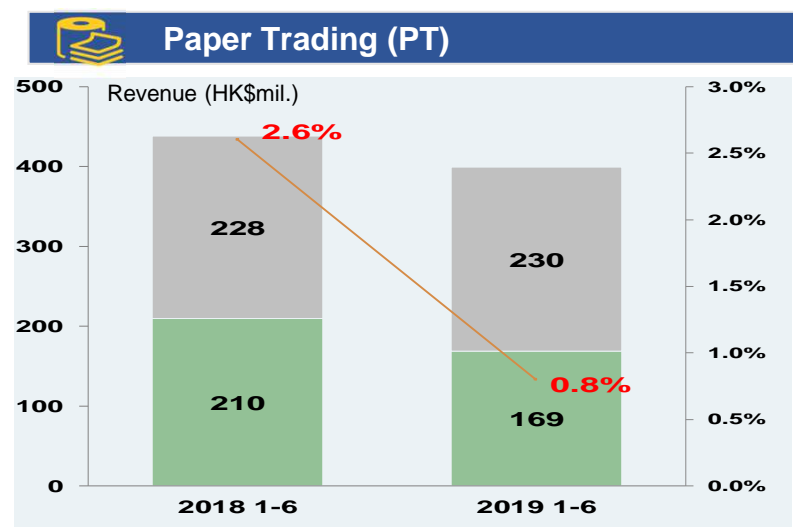
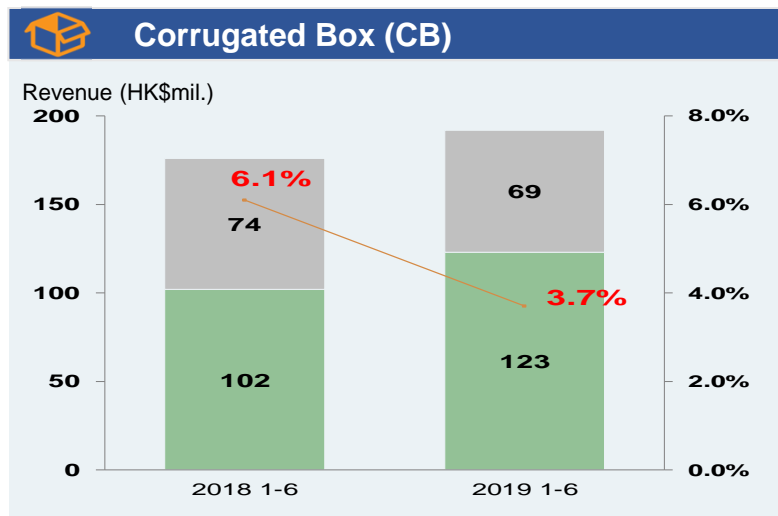
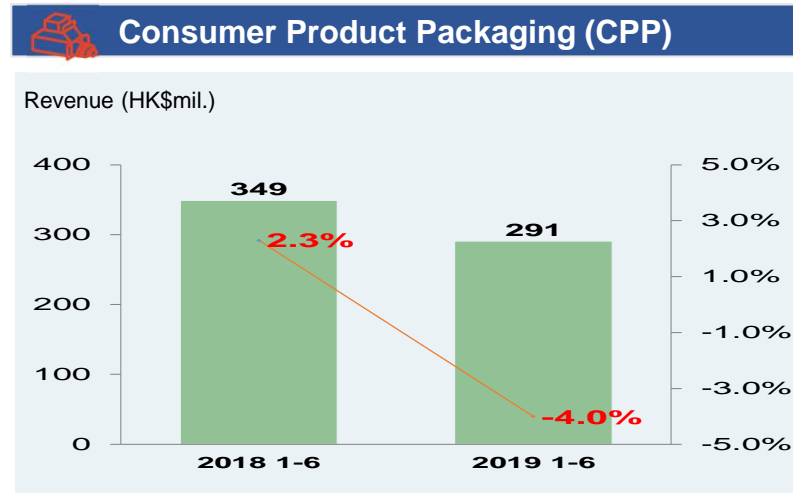
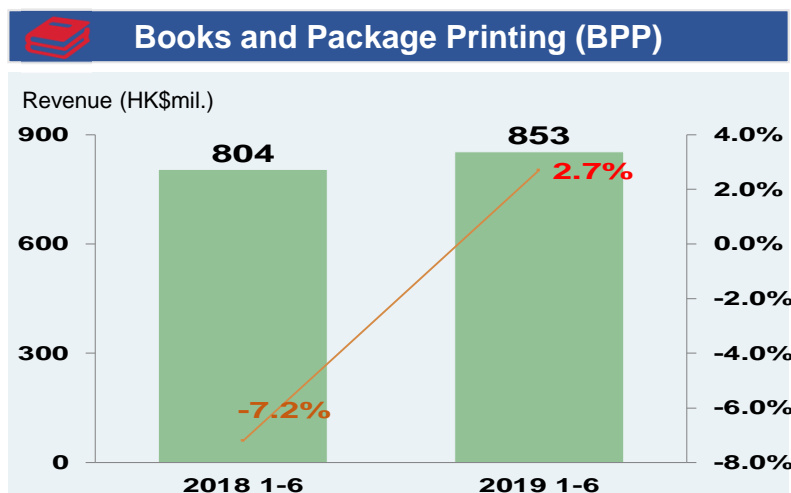
Commentary

← Exports growth (+6%) & addition full 6-mth sales from GDR offset by softness in domestic demand

← Effective portfolio management and automation investment (drove up production efficiency and reduced labor headcount & costs); more rational adjustment in paper prices and favorable RMB exch.

Margins driven up by BPP; Other BUs were under pressure

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



■ External Revenue

■ Intersegment Revenue

— Segment profit contribution(%)

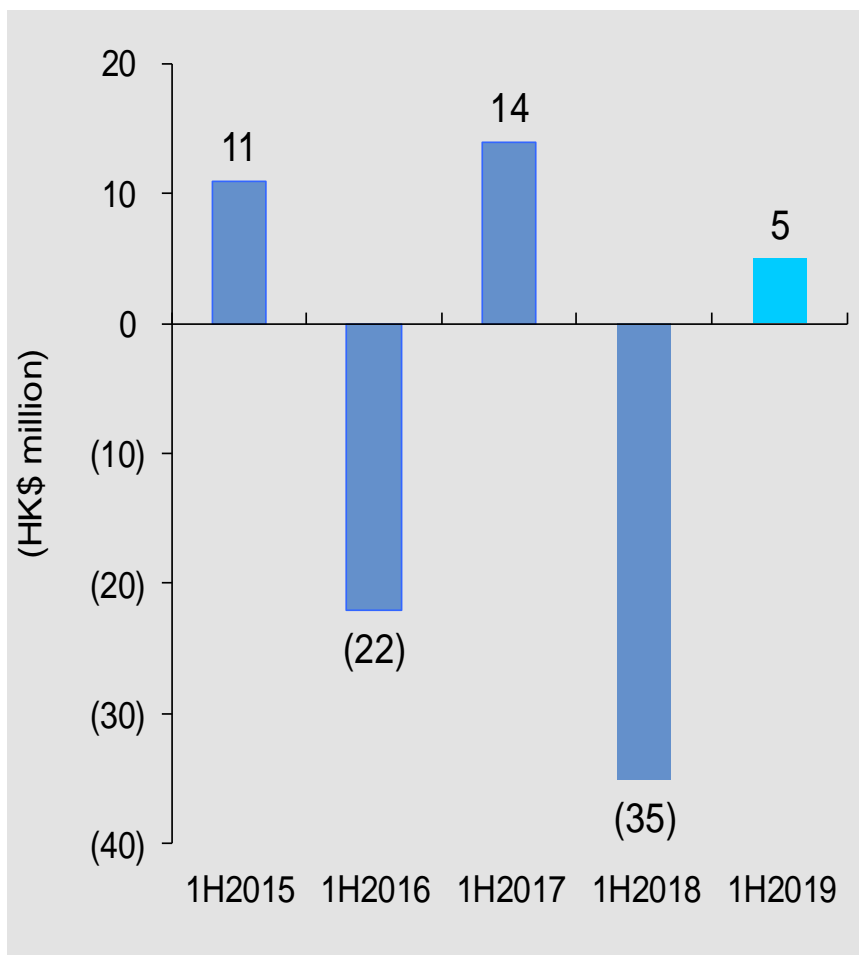
Maintained Robust Financial Position with Net Cash HK\$ 790 mil.

(HK\$ million)	Ref. Only 2019 ** (with FRS 16)	As of Jun 30 (w/o HKFRS 16)			As of Dec 31 2018 (w/o FRS 16)
		2019	2018	Changes	
Assets					
Non-current	1,500	1,483	1,377	123	1,472
Current	2,602	2,602	2,892	(290)	2,594
Total Assets	4,102	4,085	4,269	(167)	4,066
<i>Incl. Cash & Bank and Time deposits</i>	<i>1,026</i>	<i>1,026</i>	<i>1,184</i>	<i>(158)</i>	<i>1,087</i>
Liabilities					
Non-current	146	141	172	(26)	160
Current	612	600	602	10	508
Total Liabilities	758	741	774	(16)	668
<i>Incl. in liabilities -Bank Borrowings</i>	<i>236</i>	<i>236</i>	<i>167</i>	<i>69</i>	<i>131</i>
Net Assets	3,344	3,344	3,495	(151)	3,398
Equity					
Equity attributable to owners of the company	3,186	3,186	3,336	(150)	3,244
Non-controlling interest	158	158	159	(1)	154
	3,344	3,344	3,495	(151)	3,398
Gearing Ratio	7%	7%	5%	2%	3.9%
<i>Net Cash (Cash & Deposits less Bank Borrowings)</i>	<i>790</i>	<i>790</i>	<i>1,017</i>	<i>(227)</i>	<i>957</i>
Current Ratio	4.3	4.3	4.8	-0.6	5.1
Borrowings (bank loans & facilities)	236	236	167	69	131
Short-term	141	141	48	93	24
Long-term	95	95	119	(24)	107
Bank and deposits	1,026	1,026	1,184	(158)	1,087
Cash & Bank, time deposits less Bank loans	790	790	1,017	(227)	957

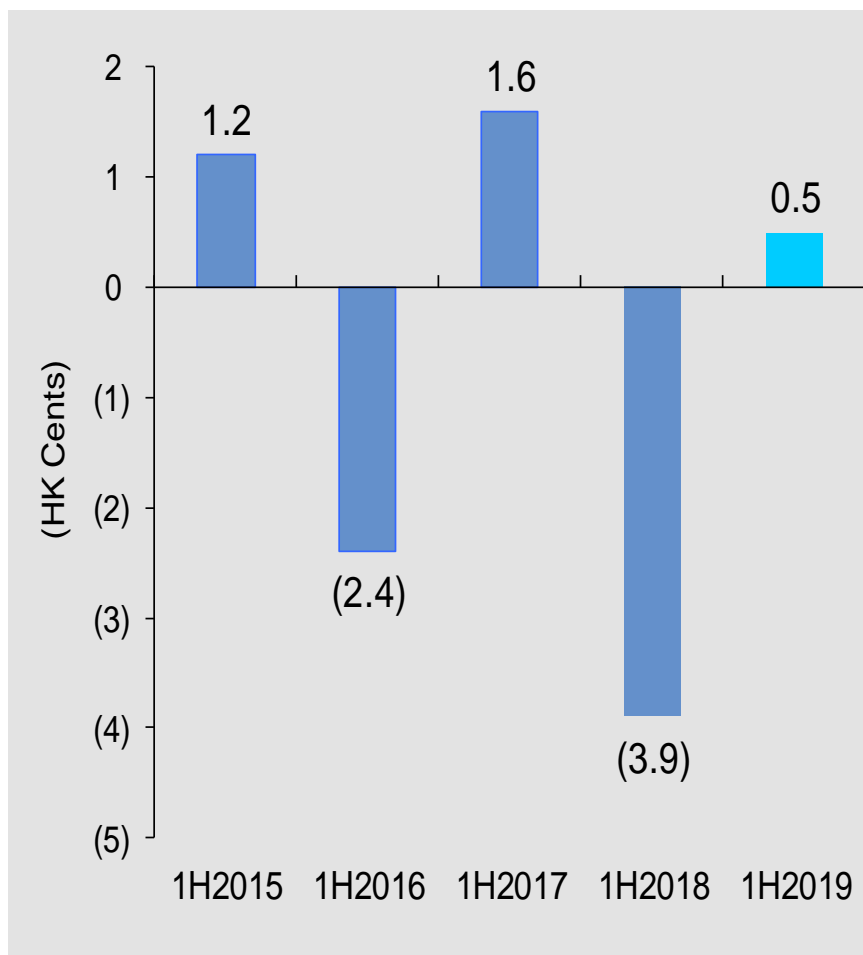
**Under HKFRS 16 Lease, right-of-used assets (HK\$17m) & lease liabilities (HK\$18m) should be recorded;
On the other hand, rental liabilities of HK\$1m would not be accrued.

Earnings/(Loss) per Share - EPS/LPS : 1st Half 2019

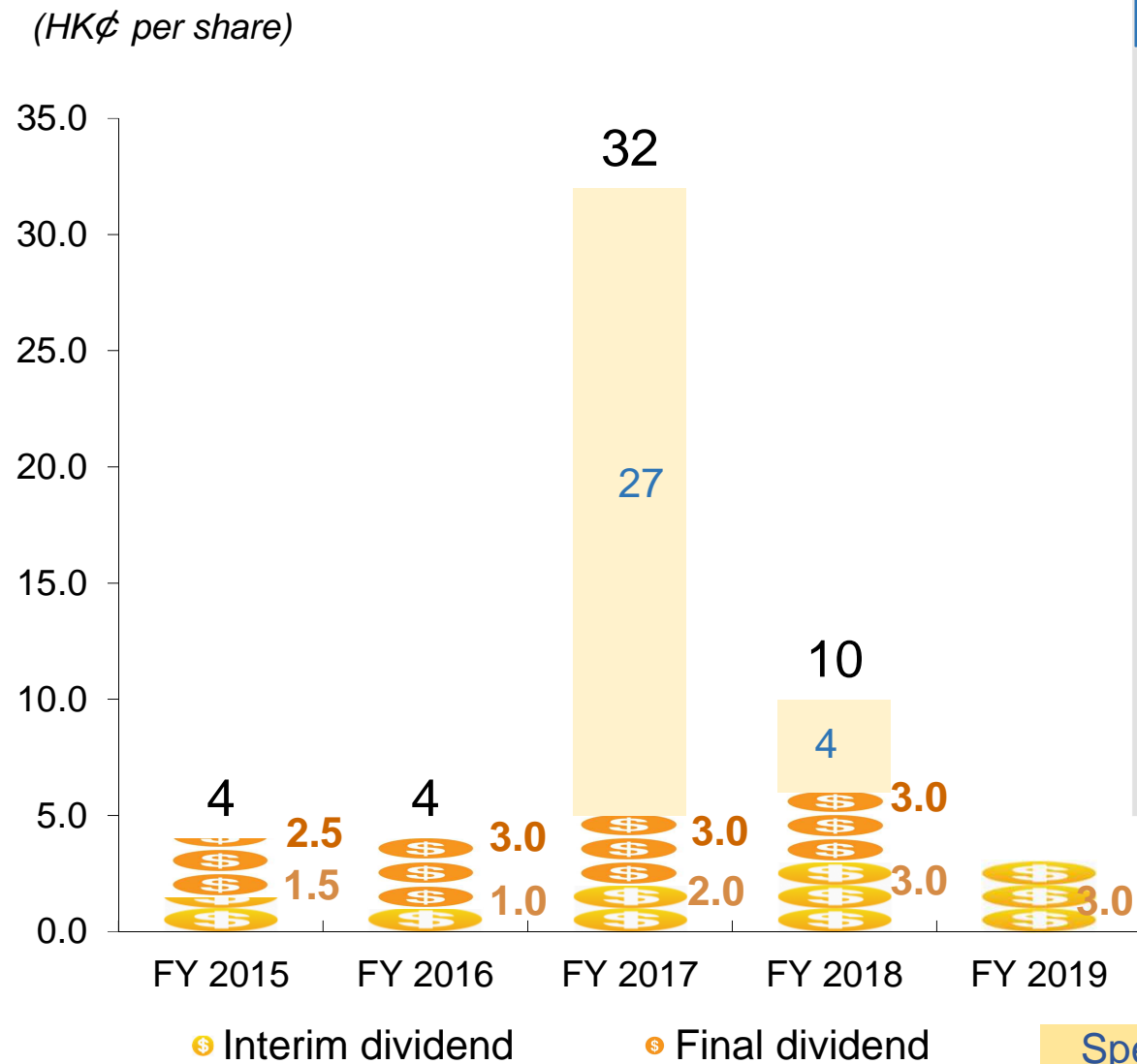
**Profits/(Loss)
Attributable to Shareholders**



**Basic
EPS/(LPS)**



Proposed Interim Dividend for 2019



Commentary

- Consider to maintain interim dividend no less than similar level as prior years
- Cautiously optimistic about sustaining a solid business performance in 2H, Taking into account:
 - i) Economic uncertainties
 - ii) Solid order projection in Q3
 - iii) Strong financial position:

Proposal:

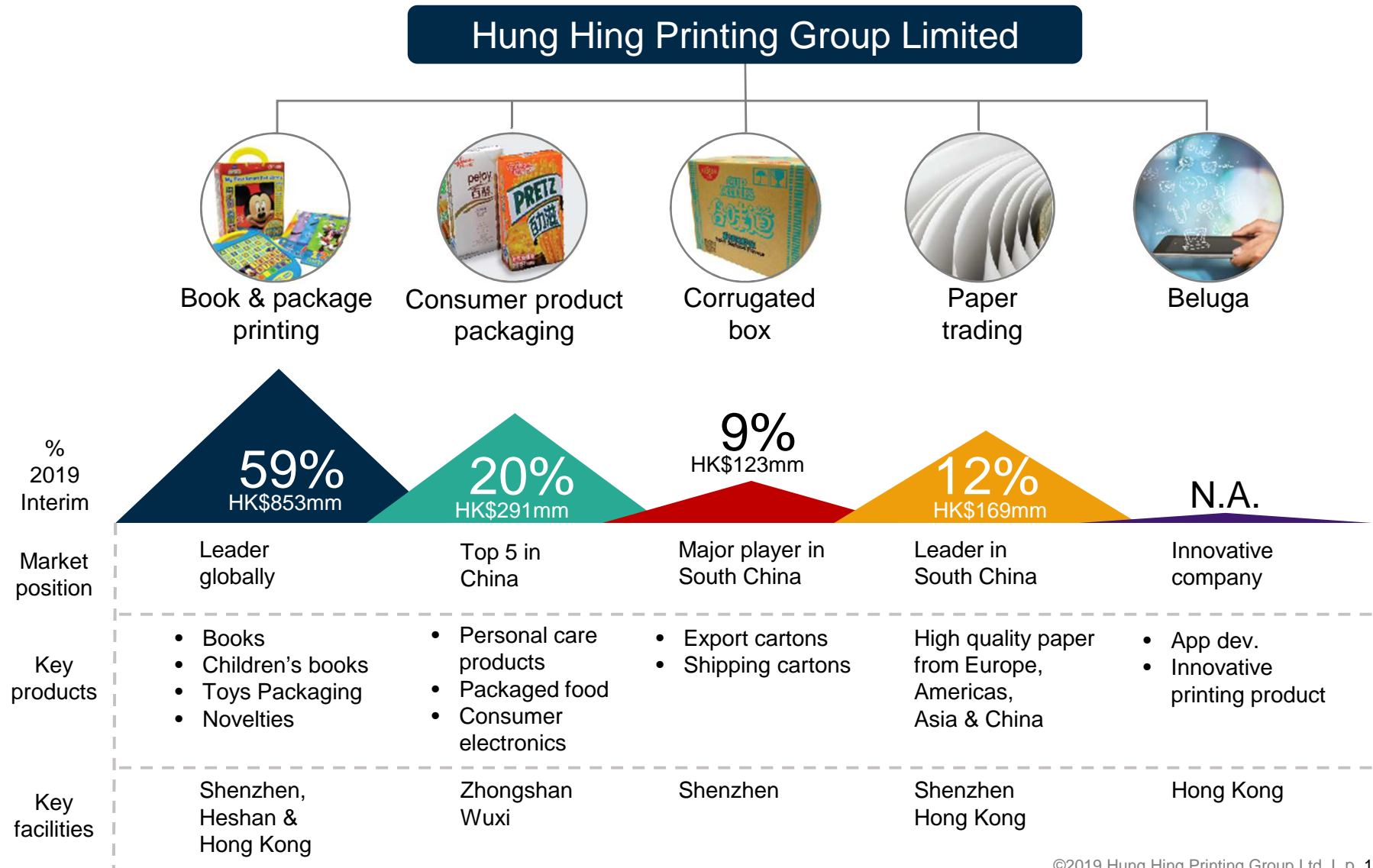
Board resolved to approve an interim dividend of HK¢ 3.



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Appendices

Business Structure



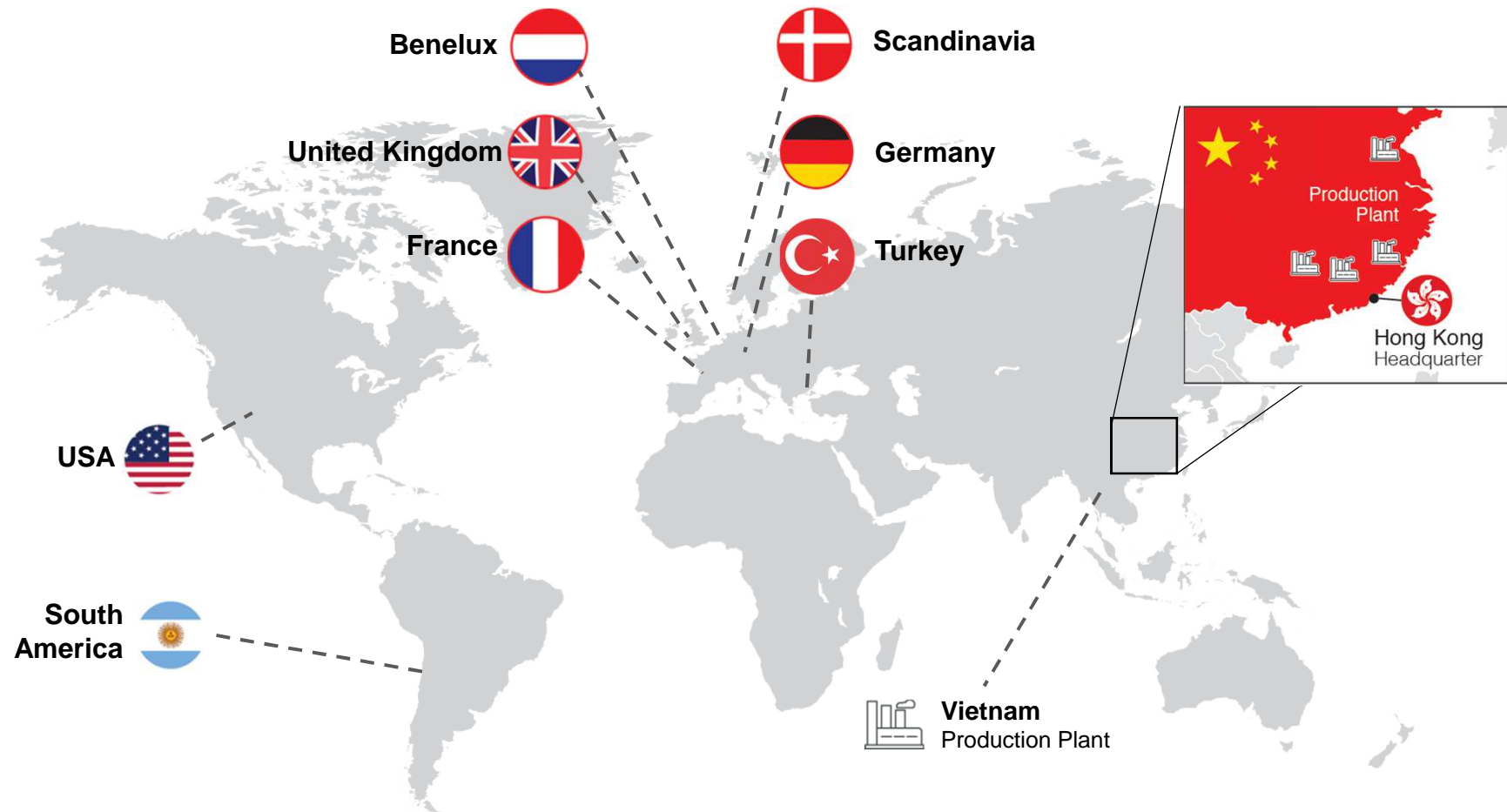
Our Office and Production Plants

Hong Kong	Shenzhen	Zhongshan	Wuxi	Heshan	Shunde	Vietnam
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Printing and manufacturing of folding cartons, litho lam and corrugated containers. Awarded ISO9001; ISO 14001 & BRC/IOP certifications. 1200 full time workers. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Printing and manufacturing of folding cartons, litho lam and corrugated containers. A strong market position in the production of corrugated cases. Mult-location network strategay to achieve growth. 	<ul style="list-style-type: none"> Land area 35,000sq. Meter Factory + office 15,200sq. Meter Factory is under construction since April 1, 2019 Vietnam operation is expected to start in Q4 2019

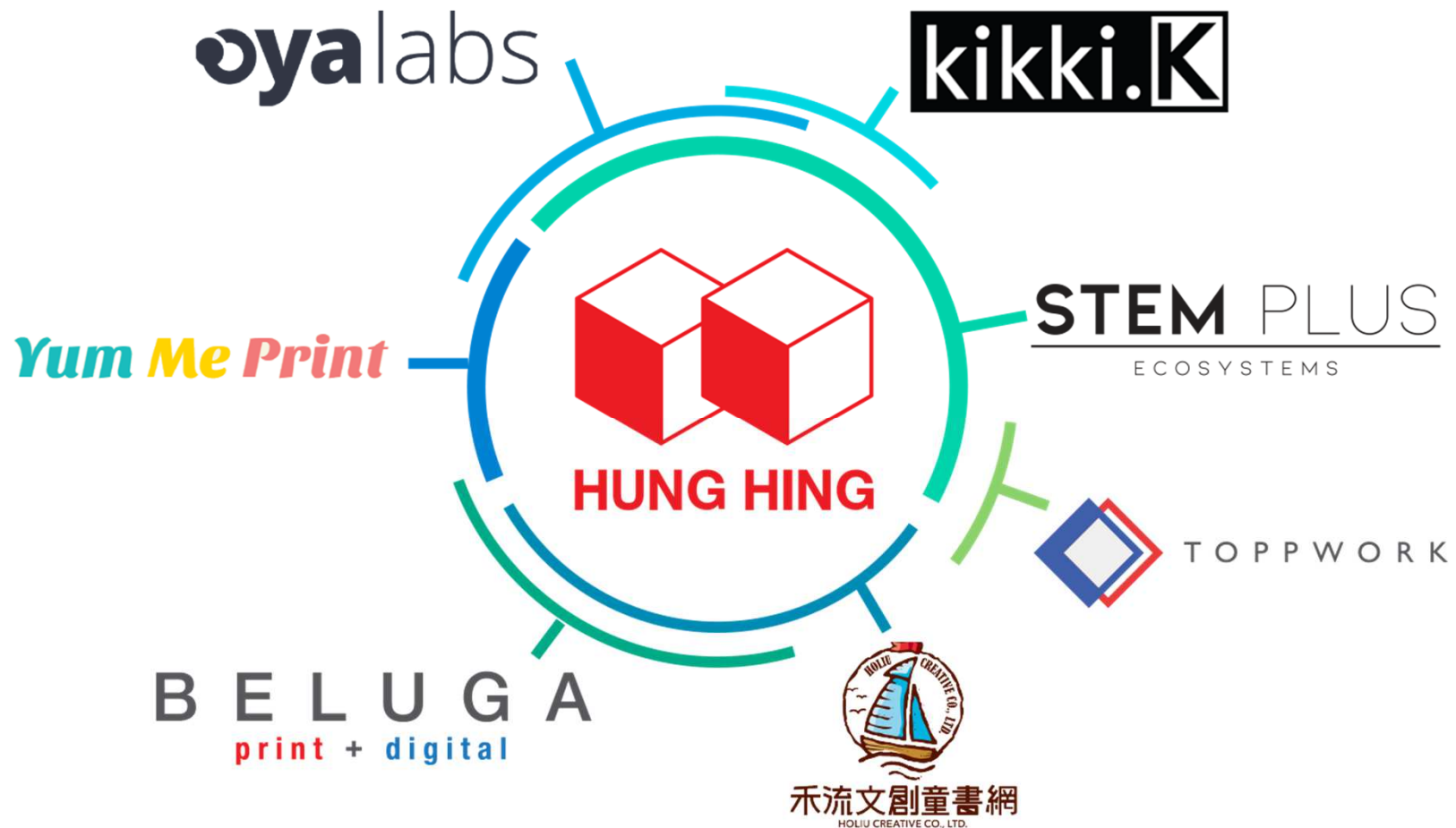


Our Global Presence

Sales Offices:



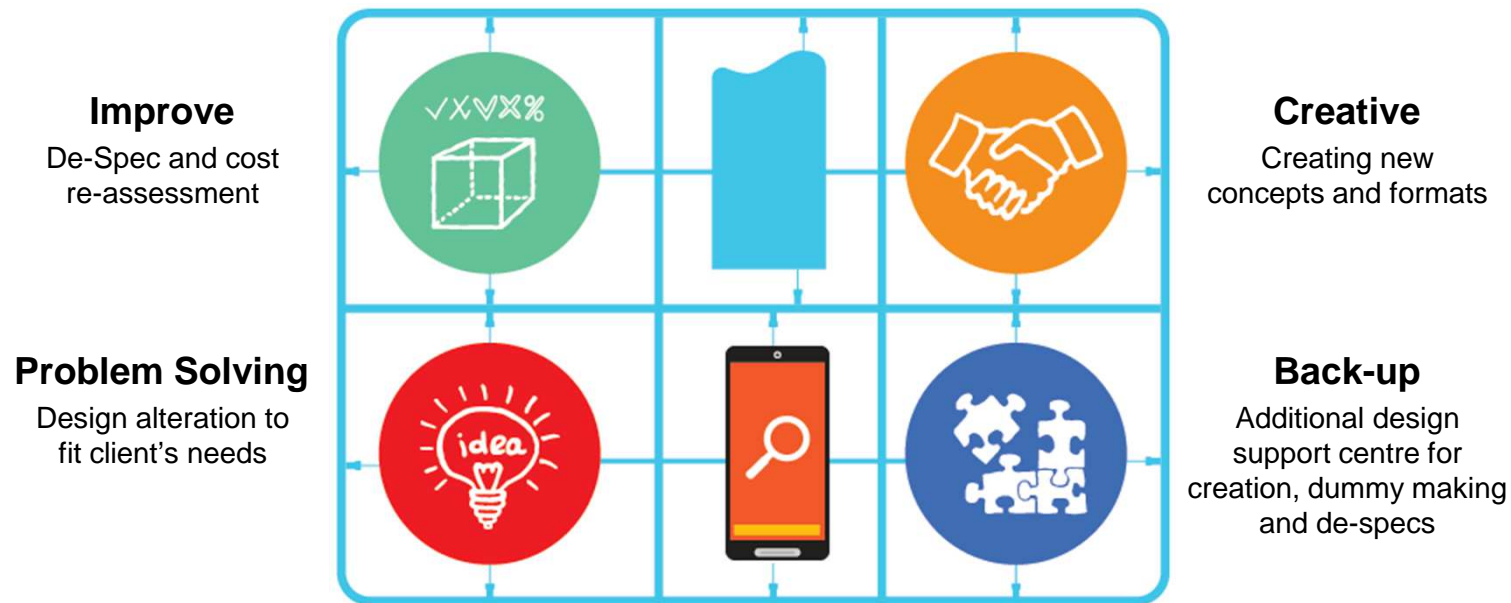
Strategic Investments



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

2nd phase expansion in Heshan.

2019

Establishing 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

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Thank you.