

# 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



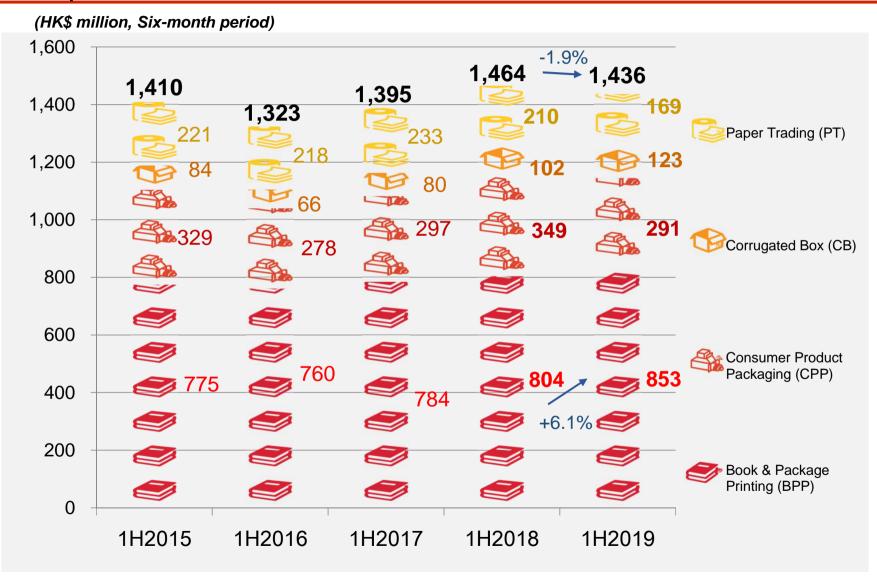
- ► Group revenue slightly down by 1.9% vs. PY to HK\$1,436 mil.
- ► Gross profit margin improved by 5.1% pt. to 14.6%
- ► Earnings attributable to shareholders HK\$4.9 mil. (vs. 35m loss PY)
- ▶ Net cash on-hand HK\$790 mil. (HK\$ 91 mil. Div. paid in last 12 mths)
- ► Interim dividends HK¢ 3.0 per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

	For the 6 months ended 30 June							
(HK\$ Mil.)	2019	2018	Change vs 2018					
Revenue Gross profit	1,436.3 210.2	1,463.6 139.2	(27.3) -1.9% 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:**

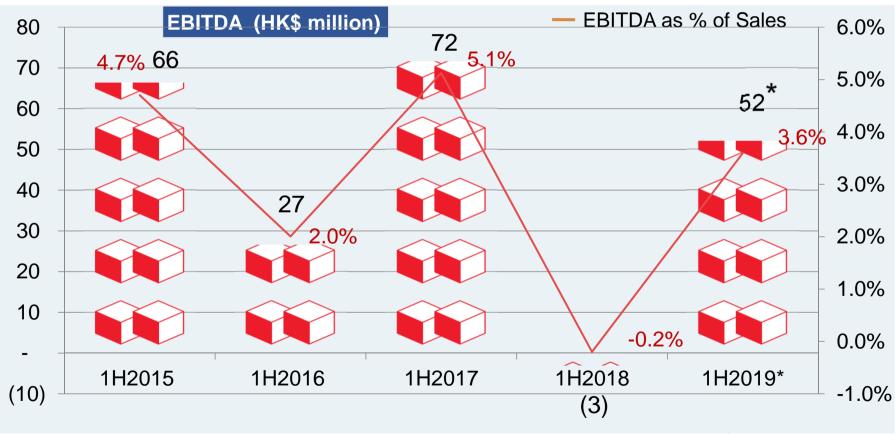
- a) Strong performance of BPP contributed to effective portfolio rationalization and automation investments, which improved production efficiency, reduced labor headcount (avg. -13%)
   & costs, and trimmed loss-making accounts
- b) Reduced paper prices and usage of other material costs (up +3.5%pt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

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



## 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.



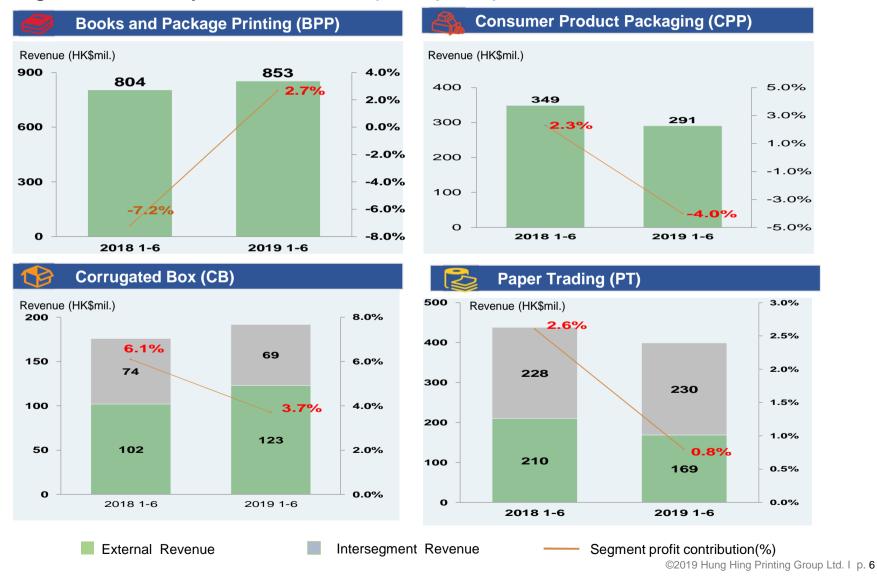
<sup>\*</sup> Applied HKFRS 16 on Lease for valid comparison here; EBITDA for 1H2019 would be restated to HK\$45.6m (3.2% of sales) if amortization (HK\$6.4m) & interest exp. (HK\$0.4m) under HKFRS 16 is not applied ©2019 Hung Hing Printing Group Ltd. | p. 4

## Group Income Statement – 1st Half 2019

	For the 6 months ended 30 June						
(HK\$ Mil.)	2019	2018	Change vs	2018	Commentary		
Revenue	1,436.3	1,463.6	(27.3)	<b>-1.9% ←</b>	Exports growth (+6%) & addition		
Cost of sales	(1,226.1)	(1,324.5)	98.4	-7.4%	full 6-mth sales from GDR offset		
Gross profit	210.2	139.2	71.0	51.0%	by softness in domestic demand		
Gross Margin as % of Revenue	14.6%	9.5%	5.1% pt.	+	Effective portfolio management		
Other revenue	24.2	27.7	(3.4)	-12.4%	and automation investment (drove		
Other net (loss)/gain	(7.6)	(3.9)	(3.8)	96.8%	up production efficiency and		
Distribution costs	(34.3)	(33.0)	(1.3)	3.8%	reduced labor headcount & costs)		
Administrative and selling expenses	(187.5)	(167.4)	(20.0)	12.0%	more rational adjustment in paper prices and favorable RMB exch.		
Operating profit/(loss)	5.0	(37.5)	42.6	-113.4%	prioco ana lavorable Milb exeri.		
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%			

## Margins driven up by BPP; Other BUs were under pressure

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

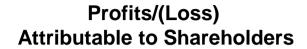


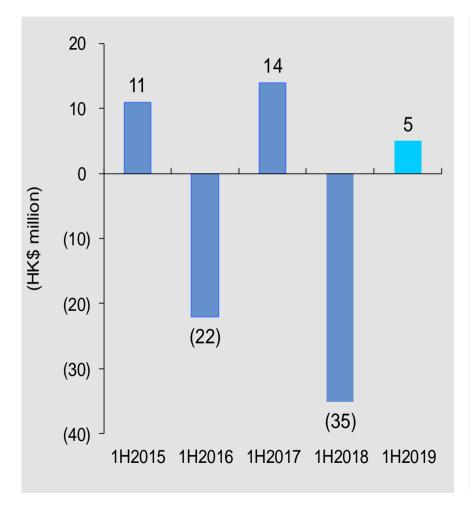
## Maintained Robust Financial Position with Net Cash HK\$ 790 mil.

	Ref. Only	As of Jun 30 (w/o HKFRS 16)			As of Dec 31
(HK\$ million)	2019 ** (with FRS 16)	2019	2018	Changes	2018 (w/o FRS 16)
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
Incl. Cash & Bank and Time deposits	1,026	1,026	1,184	(158)	1,087
Liabilities					
Non-current	146	141	172	(26)	160
Current	612	600	602	10	508
Total Liabilities	758	741	774	(16)	668
Incl. in liabilities -Bank Borrowings	236	236	167	69	131
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%
Net Cash (Cash & Deposits less Bank Borrowings)	<b>790</b>	790>	1,017	(227)	957
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

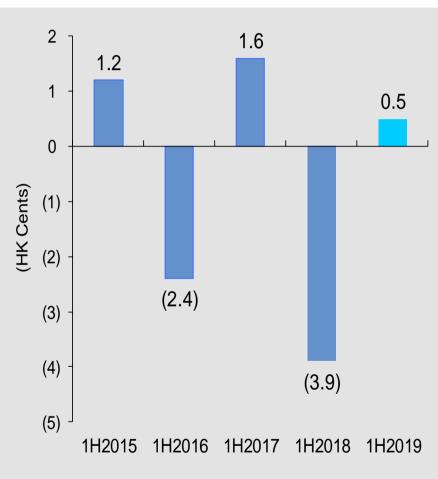
<sup>\*\*</sup>Under HKFRS 16 Lease, right-of-used assets (HK\$17m) & lease liabilities (HK\$18m) should be recorded; On the other hand, rental liabilities of HK\$1m would not be accrued.

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

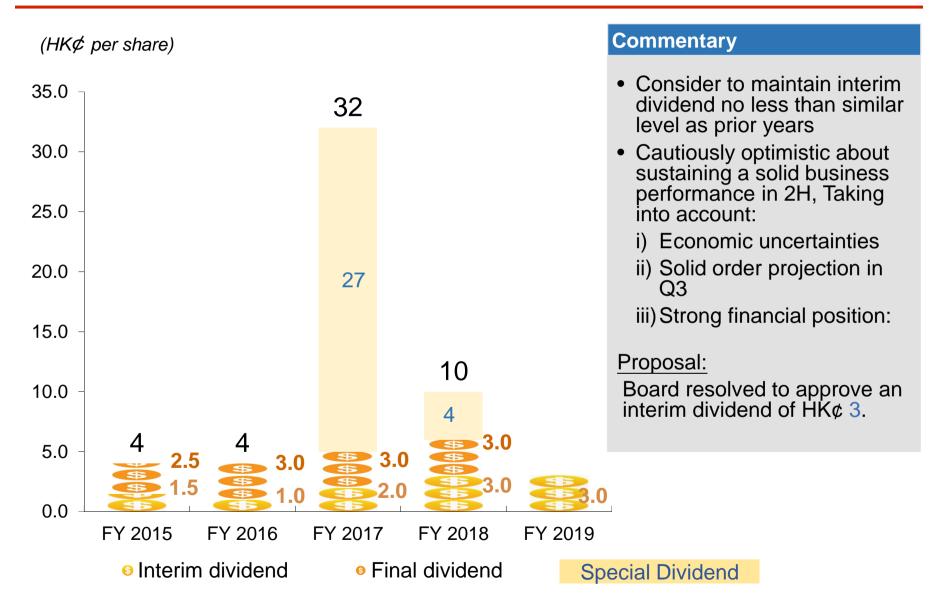




# Basic EPS/(LPS)



## Proposed Interim Dividend for 2019





# 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** 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: I ISO 14001 and ICTI-COBP certifications.
- 5000-8000 full time workers of which 4000-5000 hand assembled related.

## **Zhongshan**

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

Established 1994

Zhongshan

### Wuxi

- Printing and manufăcturing of I 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 | • Mult-location hand assembled related.

Established

2007 Heshan

### Shunde

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

### **Vietnam**

- 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

Acquired

2018 Shunde

Established 1994



Shenzhen





Ready in 2019

Vietnam





# Our Global Presence

# **Sales Offices:** Scandinavia Benelux United Kingdom Germany Production Plant France Turkey Hong Kong Headquarter South America **Vietnam Production Plant**

# 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.

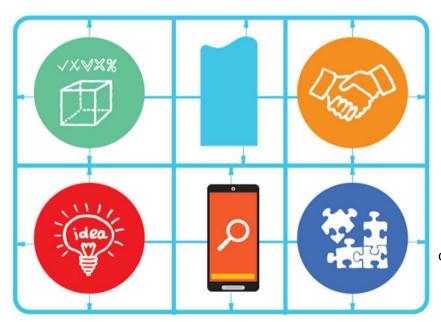
# B E L U G A print + digital

### **Improve**

De-Spec and cost re-assessment

### **Problem Solving**

Design alteration to fit client's needs



### **Creative**

Creating new concepts and formats

### Back-up

Additional design support centre for creation, dummy making and de-specs

## We care about the environment

### **FSCR®**

PEFC

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



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



## Paper

Most paper come from certified forestry



## **Product**

Quality products from operation that follows leading standards



### **PSA**

**Printing Standards Audit certification** is a rigorous, objective process for assessing a printer's color control ability to operate a standardscompliant workflow.

### GMI

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

### ISO9001

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

### REACH

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



### **EN71**

European toy safety standard



ASTMF963 US toy safety standard



## Material



All materials comply with international safety and environmental requirements



Factories operate with high environmental and social responsibility standards



### China Environmental Labelling

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

### ISO14001

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

### ICTI-Care

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



# Going forward



1950

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













1992

1959

Diversified into the printing and manufacturing of paper and carton boxes. 1966 Began operati

Began operation in corrugated carton manufacturing.

1970

Expanded into paper trading business.

1989

Relocated to Tai Po Industrial Estate in Hong Kong. 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

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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