



# 鴻興印刷集團有限公司

## Hung Hing Printing Group Limited

### Interim Results

### 6 months ended 30 Jun 2020

---

### 中期業績簡報

### 截至2020年6月30日止6個月

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. - 2020 Interim Results

## 鸿兴印刷集团2020年度中期业绩

**Profit for the period improved by 12.9% to 2.4 mil.**

**Despite Sales down by 23.5% to 1,099 mil.**

**溢利增加 12.9% 至 2.4百萬元; 營業額降 23.5% 至 10.99 亿元**

(Unit: HK\$ million / 单位: 港幣百萬元)	<u>1H 2020</u>	<u>1H 2019</u>
<ul style="list-style-type: none"> <li>Group revenue declined by 23.5% 集團營業額下降23.5%</li> </ul>	1,099	1,436
<ul style="list-style-type: none"> <li>Gross profit margin increased to 15.7% (up 1% pt. vs. 2019) 毛利率提高至15.7%，比上期間增加1個百份點</li> </ul>	15.7%	14.6%
<ul style="list-style-type: none"> <li>Profit for the period 本期溢利</li> </ul>	2.4	2.1
<ul style="list-style-type: none"> <li>Net cash (excl. bank borrowings) 淨現金(扣除銀行借貸) Ref: Total cash + all deposits 現金及各类存款</li> </ul>	999 1,255	790 1,026
<ul style="list-style-type: none"> <li>Earnings per share - basic 每股盈利 – 基本</li> </ul>	HK 0.5 cent	HK 0.5 cent

# Group Income Statement - 2020 Interim Results

- Profit improved by 12.9% (GP up +1% pt.); Sales shortfall were compensated by proactive cost control, fav. exch movements, increased gov't subsidies & soc. insurance reduction.
- Impairment of receivables (kikki.K) was offset by gains from partial HHWX land disposal

	For the six months period ended 30 Jun				Comment
(Unit: HK\$ mil.)	2020	2019	Change vs. 2019		
	(Unaudited)	(Unaudited)			
Revenue	1,098.7	1,436.3	(337.6)	-23.5%	*1. Hindered by US/China dispute and COVID-19 disruptions: Slow / conservative placement of orders and logistics interruptions
Cost of sales	(926.7)	(1,226.1)	299.4	-24.4%	
Gross profit	172.0	210.2	(38.1)	-18.1%	
Gross Margin as % of Revenue	15.7%	14.6%	1.0	pt.	*2. Proactive cost control measures such as headcount reduction enabled by automation; misc. raw materials and paper price savings; fav. exch movement; and social insurance waiver/reduction
Other revenue	33.9	24.2	9.6	39.7%	*3. One-off gov't incentives/subsidies: unemployment insurance refund and Heshan capital injection (paid 2/3)
Other net income/(loss)	45.3	(7.6)	53.0	n/a	*4. HK\$58m gains from partial disposal of WX land resumption in 1H/2020
Distribution costs	(26.3)	(34.3)	8.0	-23.4%	
Admin & selling exp. (incl. b/d prov.)	(219.3)	(187.5)	(31.8)	17.0%	*5. Selling & Admin exp. savings total 24mil (mainly from headcount reduction, fav. exch movements, and social insurances reduction) offset partially the impairment of kikki.K receivables HK\$56m.
Operating profit	5.7	5.0	0.7	13.3%	
Finance costs	(2.0)	(2.4)	0.5	-18.7%	
Share of profits & losses of associates	0.0	(0.3)	0.3	n/a	
Profit before income tax	3.8	2.3	1.5	64.2%	
Income tax	(1.3)	(0.2)	(1.2)	--	
Profit for the period	2.4	2.1	0.3	12.9%	
Attributable to:					
Equity shareholders of the Company	4.9	4.9	(0.1)	-1.1%	
Non-controlling interests	(2.4)	(2.8)	0.3	-11.9%	
Profit for the period	2.4	2.1	0.3	12.9%	
	HK cents	HK cents	HK cents		
Basic EPS attr. to shareholders, HK Cents	0.5	0.5	-	--	

# Financial position: 2020 Interim

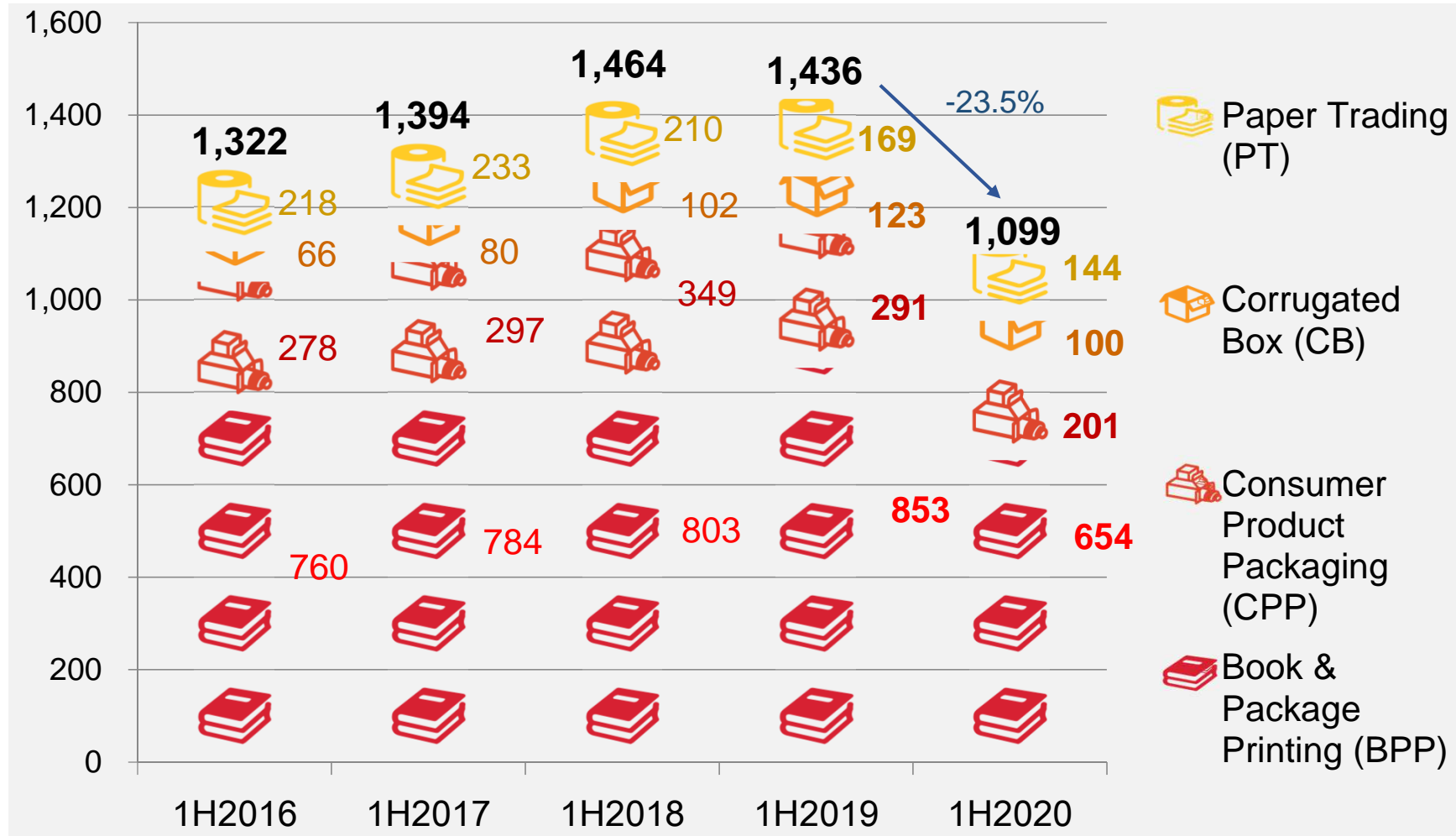
Strong financial position with net cash 999m; Propose interim dividend on par with prior year to consistently uplift shareholders return, while allowing resources and the flexibility to seek future growth and investment opportunities

(HK\$ million)	Jun-30 2020	Jun-30 2019	Dec-31 2019	vs. Dec-19	Comment (vs. Dec-2019)
<b>Assets</b>					
Non-current	1,417	1,500	1,470	-53	Addition/deposit for fixed assets 48m; offset by fair value adj 20m (kikki.K equity investment), depre. 60m, and disposal of fixed assets 19m
Current	2,452	2,602	2,452	0	Trade&Oth. receivables -166m (incl. kikki 56m); Structure deposits +130m
Total Assets	3,869	4,102	3,922	-53	
Incl. Cash & Bank and Time deposits	1,125	1,026	1,098	27	Up 157m if 130m structured deposits included at Jun-2020
<b>Liabilities</b>					
Non-current	189	146	100	89	Deposits from WX land resumption 108m (excl. partial disposal realized)
Current	451	612	494	-43	Mainly reduction of trade & other payables by 49m
Total Liabilities	640	758	594	46	
Incl. liabilities - Bank Borrowings	126	237	133	-7	Scheduled repayment of fixed rate term-loan and trade facilities
Net Assets	3,229	3,344	3,328	-99	
<b>Equity</b>					
Attributable to shareholders	3,084	3,186	3,178	-94	Mainly dividends paid 63.6m and impairment of kikki.K equity invt'm 20m
Non-controlling interest	145	158	150	-5	
Total Equity	3,229	3,344	3,328	-99	
Gearing Ratio	3.9%	7.1%	4.0%	-0.1%	
Net Cash (Cash&Dep. - Bank Borrowings)	999	789	965	34	Excl. 130m structured deposits at Jun-2020 (Oth. Current Assets)
Current Ratio	5.4	4.3	5.0	0.5	

# Sales Revenue - 2020 Interim (External Customers)

**2020 Overall Sales -23.5%: BPP -23.3% / CPP -31% / CB -19% / PT -14.9%**

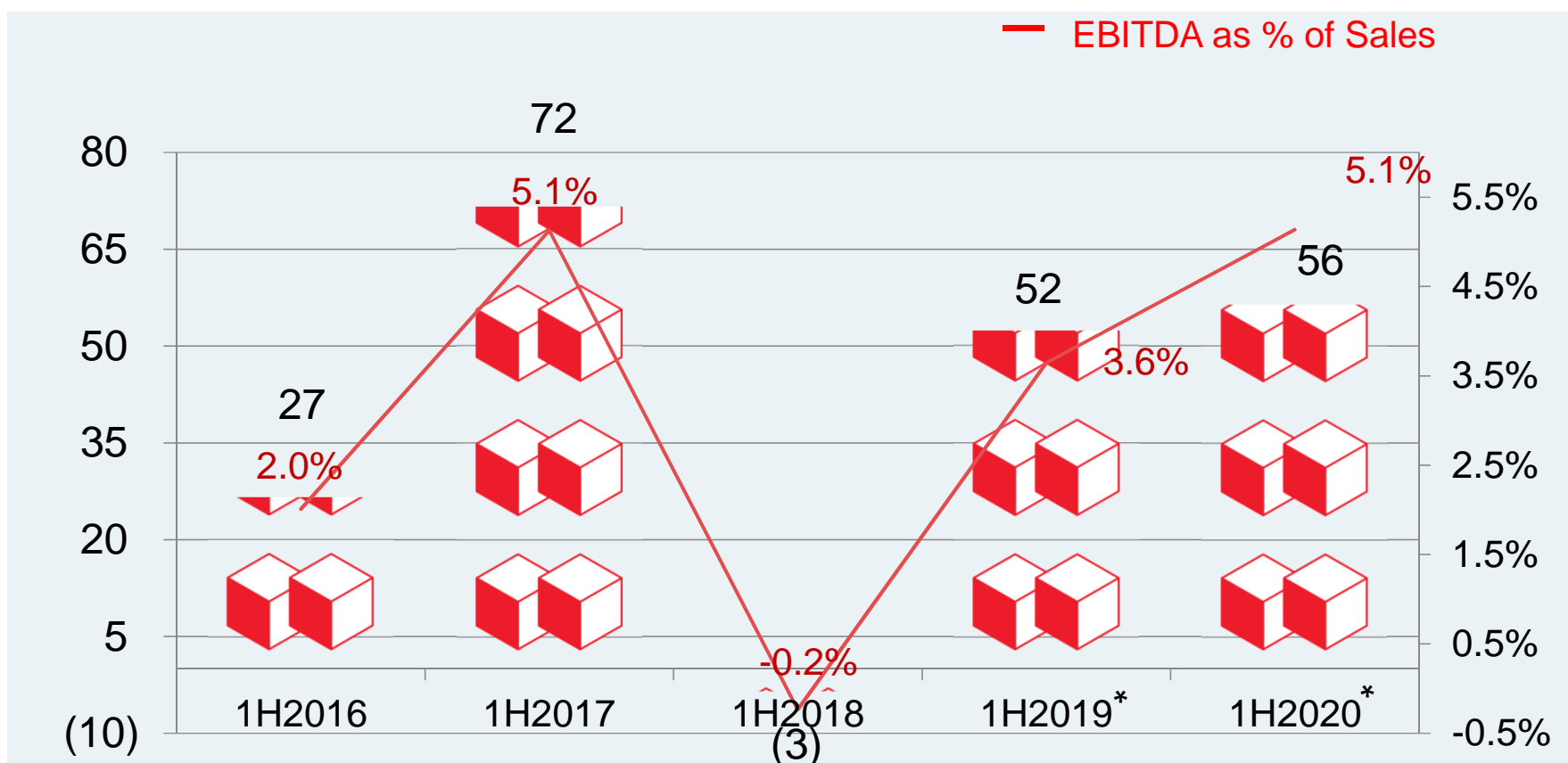
(HK\$ million, Six-month period)



# Group EBITDA - 2020 Interim

- Sales shortfall were compensated by proactive cost & headcount control, fav. exch movements, gov't subsidies and social insurances waiver / reduction.
- Impairment of receivables (kikki.K) was offset by gains from partial HHWX land disposal

EBITDA (HK\$ million, Six-month period)



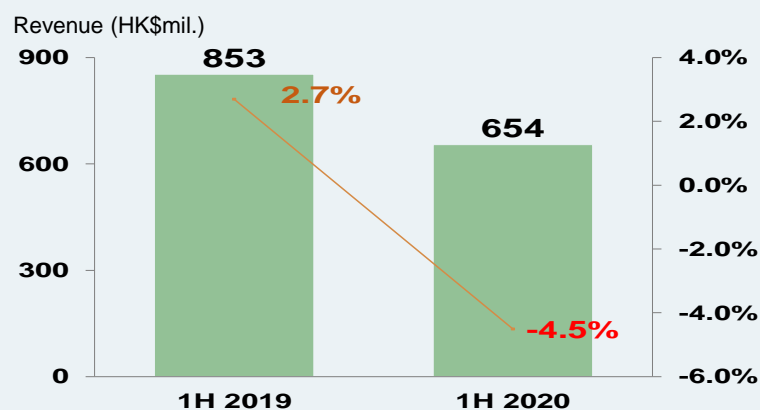
\* For valid comparison with prior years, 2020 & 2019 EBITDA would be restated to HK\$49.6m (4.5% of sales) and HK\$45.6m (3.2% of sales) if depre. / amort. (2020: HK\$6.7m; 2019: HK\$6.4m) & interest exp. (2020: HK\$0.2m; 2019: HK\$0.4m) under HKFRS 16 are not applied since 2019.

# Segment revenue & profit contribution% - 2020 Interim

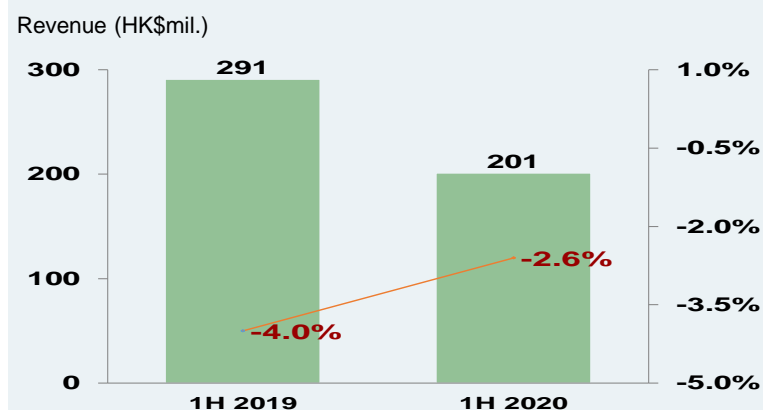
- US/China dispute and COVID-19 disruptions hindered the sales of our business units
- BPP contribution 2.7% would have improved to 4.1% (or 27m) if impact of receivables impairment of kikki.K is excluded; CPP stabilised sales decline and cut losses by half vs. LY



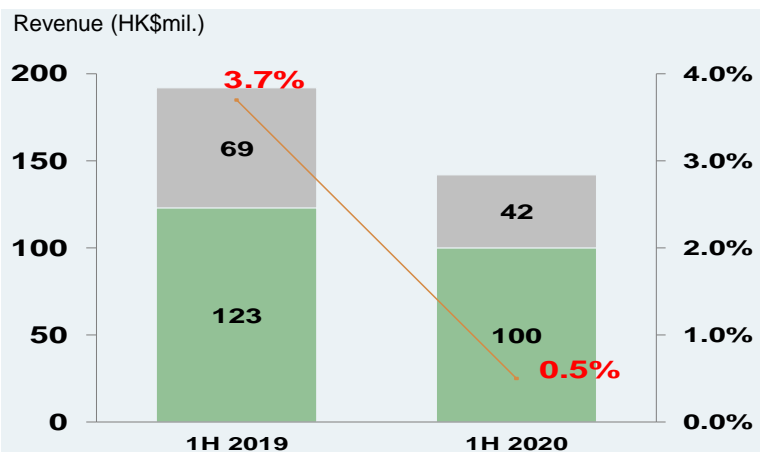
## Books and Package Printing (BPP)



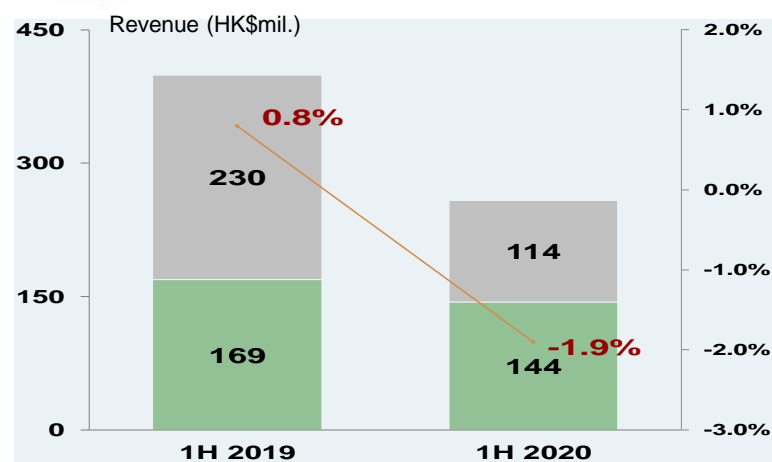
## Consumer Product Packaging (CPP)



## Corrugated Box (CB)



## Paper Trading (PT)



■ External Revenue

■ Intersegment Revenue

— Segment profit contribution(%)



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

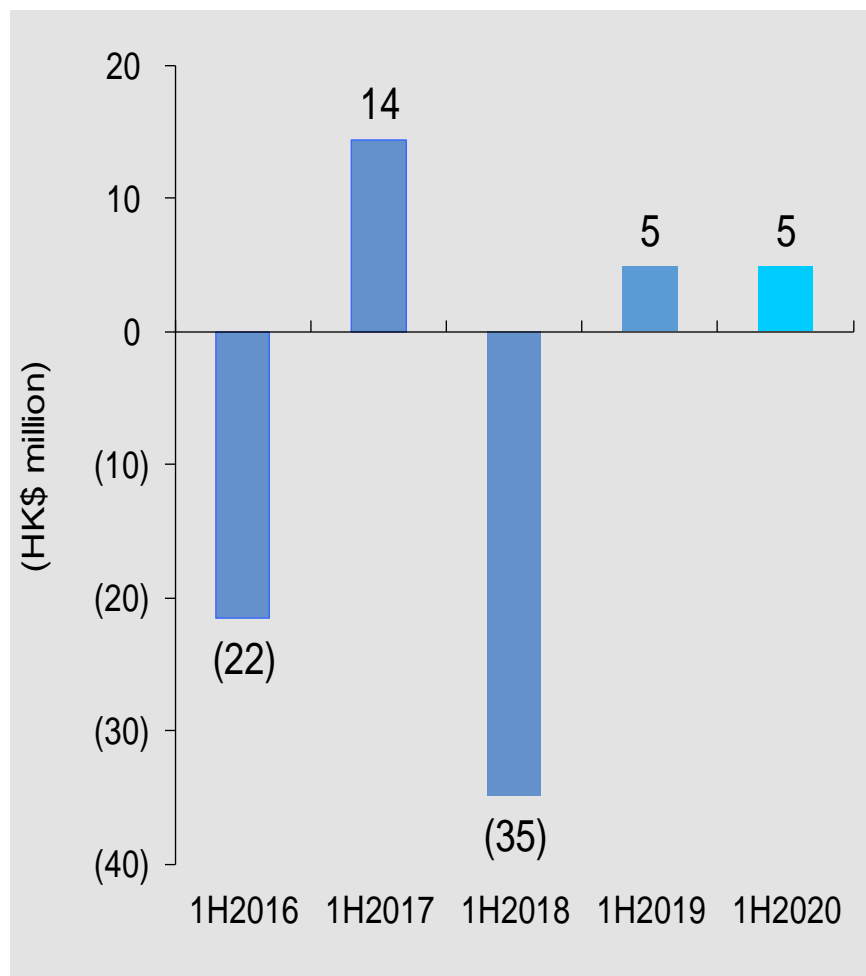
## Proposed Interim Dividend

---

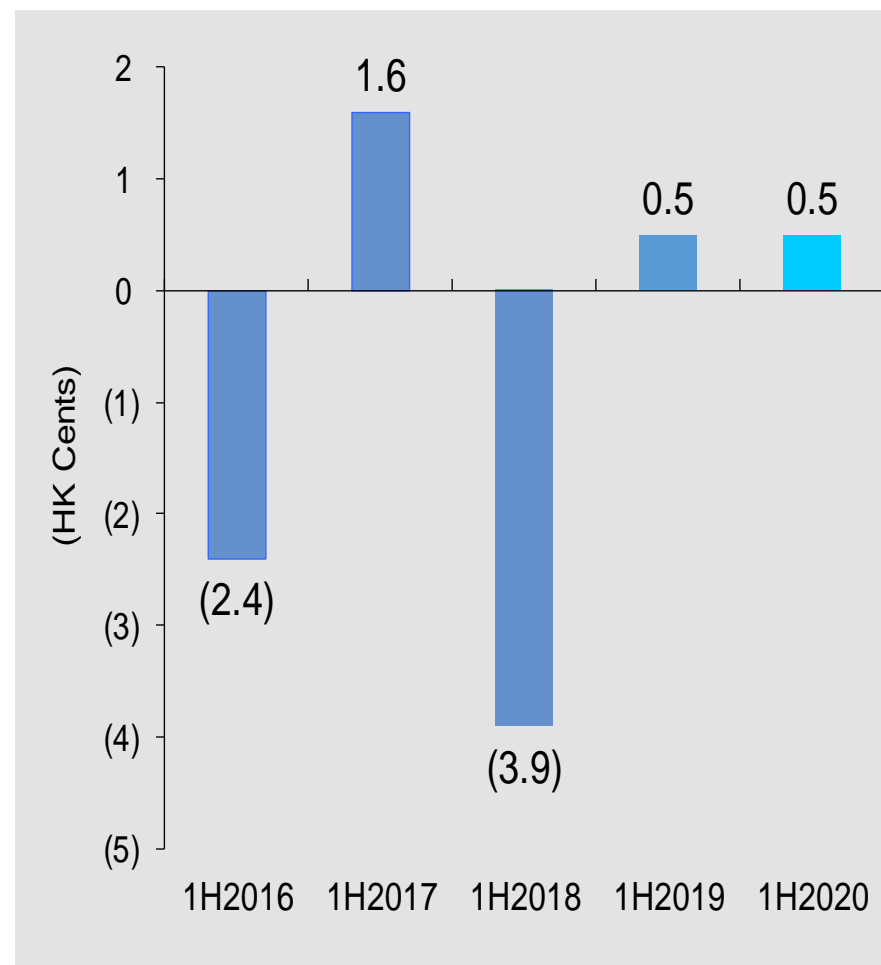


## Earnings / (Loss) per Share (EPS / LPS) 公司权益持有人应佔溢利 / (虧損) 及每股盈利 / (虧損)

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

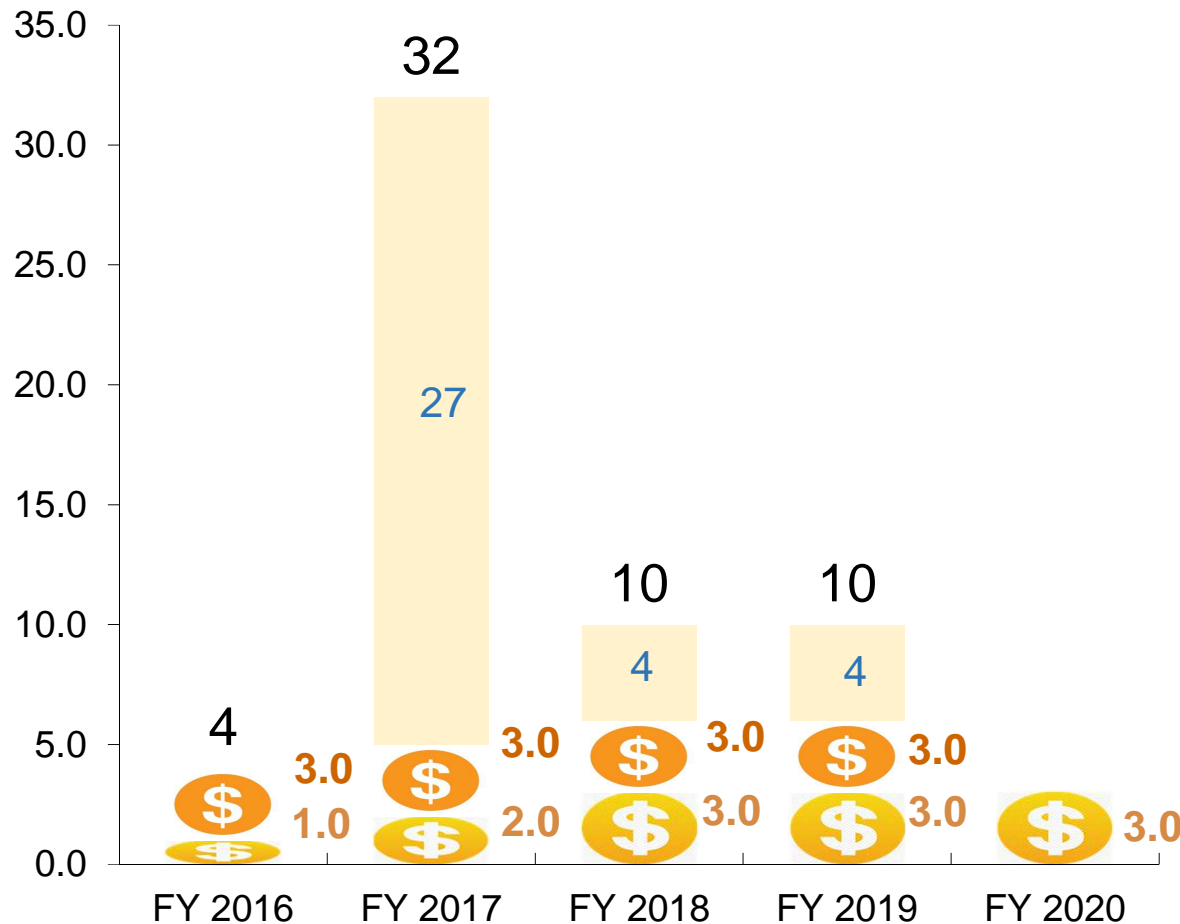


**Basic  
EPS / (LPS)**



# Proposed Interim Dividend for 2020

(HK¢ per share)



● Interim dividend

● Final dividend

Special Dividend

## Commentary

- Propose to uplift shareholders return consistently in line with the objectives of dividend policy, i.e. to maintain stable dividend return, and to offer the utmost in rewarding shareholders.
- Despite economic uncertainties, we are able to implement necessary measures swiftly to control costs, and confident to maintain business continuity with sustained performance in 2020 and beyond, taking into account:
  - Strong financial position: holding 1,255m cash & deposits (incl. 743m distributable profit)
  - Prudent cashflow management covers adequately foreseeable business and investment needs

### Proposal:

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

# Hung Hing Printing Group Ltd. - 2020 Interim Results

## 鴻興印刷集團2020年度中期業績

**Interim dividend 3 cents**

派发中期股息3仙

(Unit: HK\$ million / 单位: 港幣百萬元)	<u>1H 2020</u>	<u>1H 2019</u>
<ul style="list-style-type: none"> <li>Group revenue declined by 23.5% 集團營業額下降23.5%</li> </ul>	1,099	1,436
<ul style="list-style-type: none"> <li>Gross profit margin increased to 15.7% (up 1% pt. vs. 2019) 毛利率提高至15.7%，比上期間增加1個百份點</li> </ul>	15.7%	14.6%
<ul style="list-style-type: none"> <li>Profit for the period 本期溢利</li> </ul>	2.4	2.1
<ul style="list-style-type: none"> <li>Net cash (excl. bank borrowings) 淨現金(扣除銀行借貸) Ref: Total cash + deposits 現金及各类存款</li> </ul>	999 1,255	790 1,026
<ul style="list-style-type: none"> <li>Earnings per share - basic 每股盈利 – 基本</li> </ul>	HK 0.5 cent	HK 0.5 cent
<ul style="list-style-type: none"> <li>Proposed interim dividend HK\$ 3 擬派中期股息3仙</li> </ul>	Interim: HK 3 cents	Interim: HK 3 cents

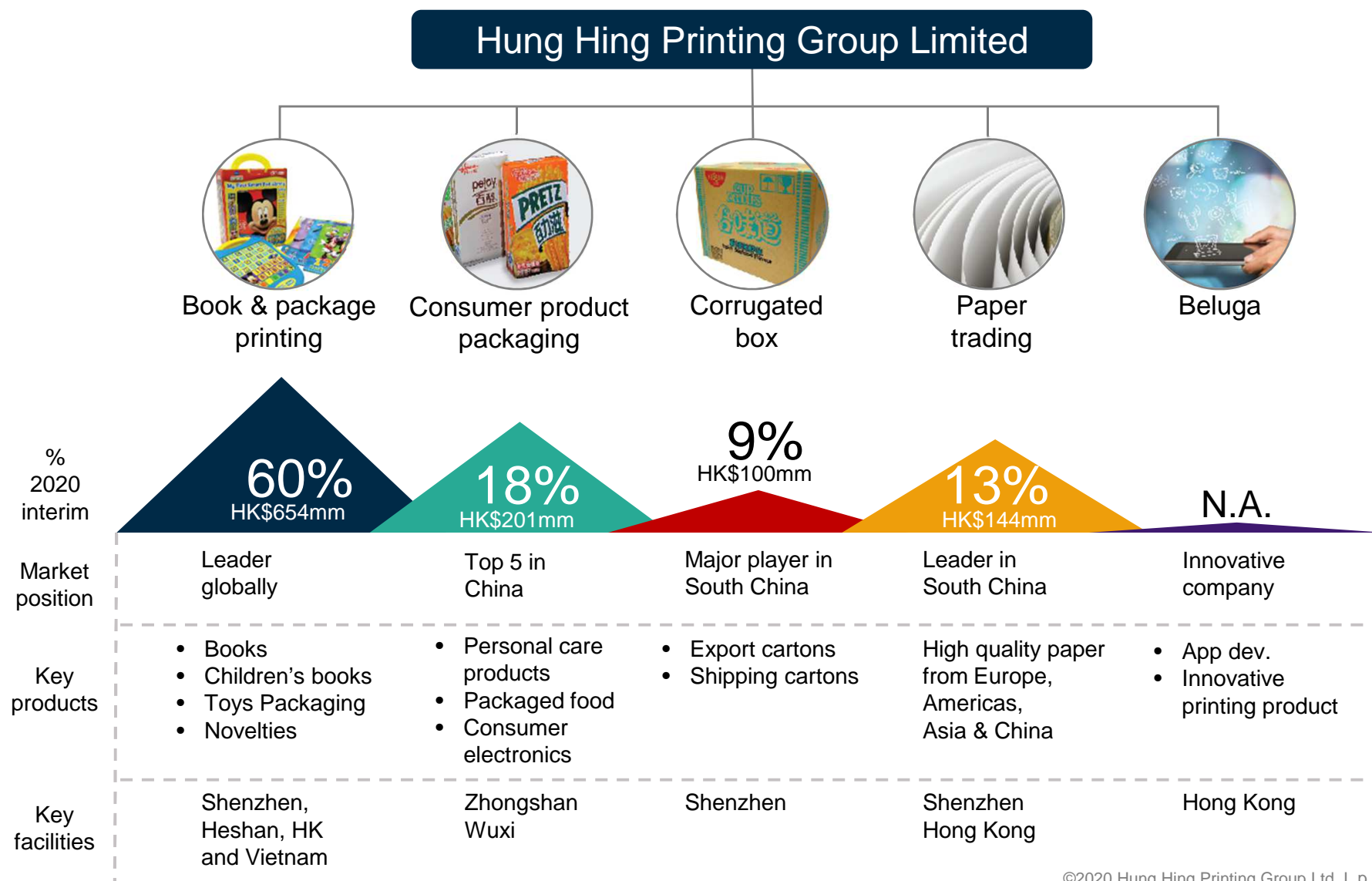


鴻興印刷集團有限公司  
Hung Hing Printing Group Limited

## Appendices

---

# Business Structure



# Our Office and Production Plants

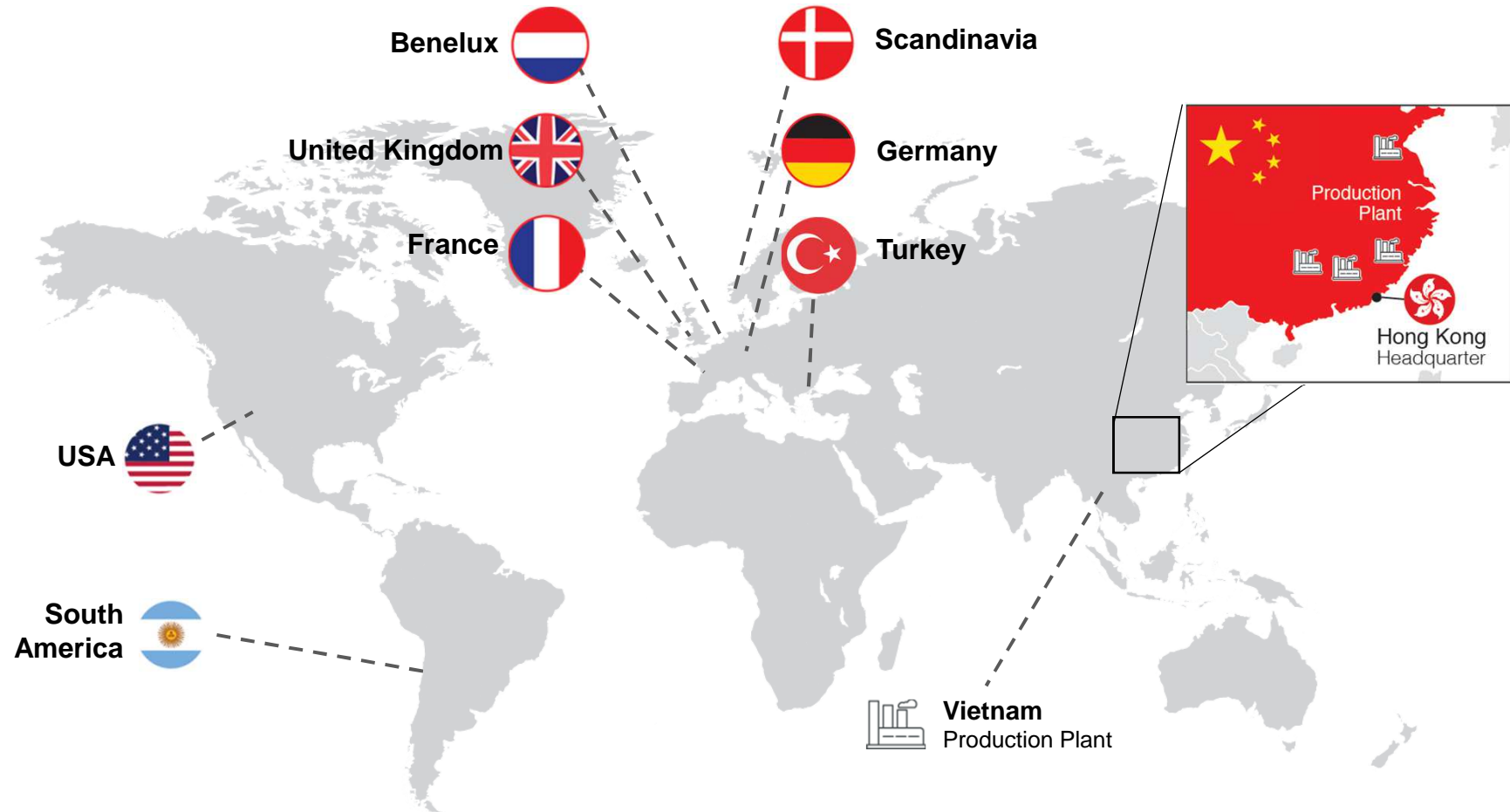
Hong Kong	Shenzhen	Zhongshan	Wuxi	Heshan	Shunde	Vietnam
<ul style="list-style-type: none"> <li>Relocated to Tai Po Industrial Estate in 1989.</li> <li>Corporate headquarters.</li> <li>2 production lines for conventional books printing, suitable for printing of sensitive materials.</li> <li>340 full time 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

---

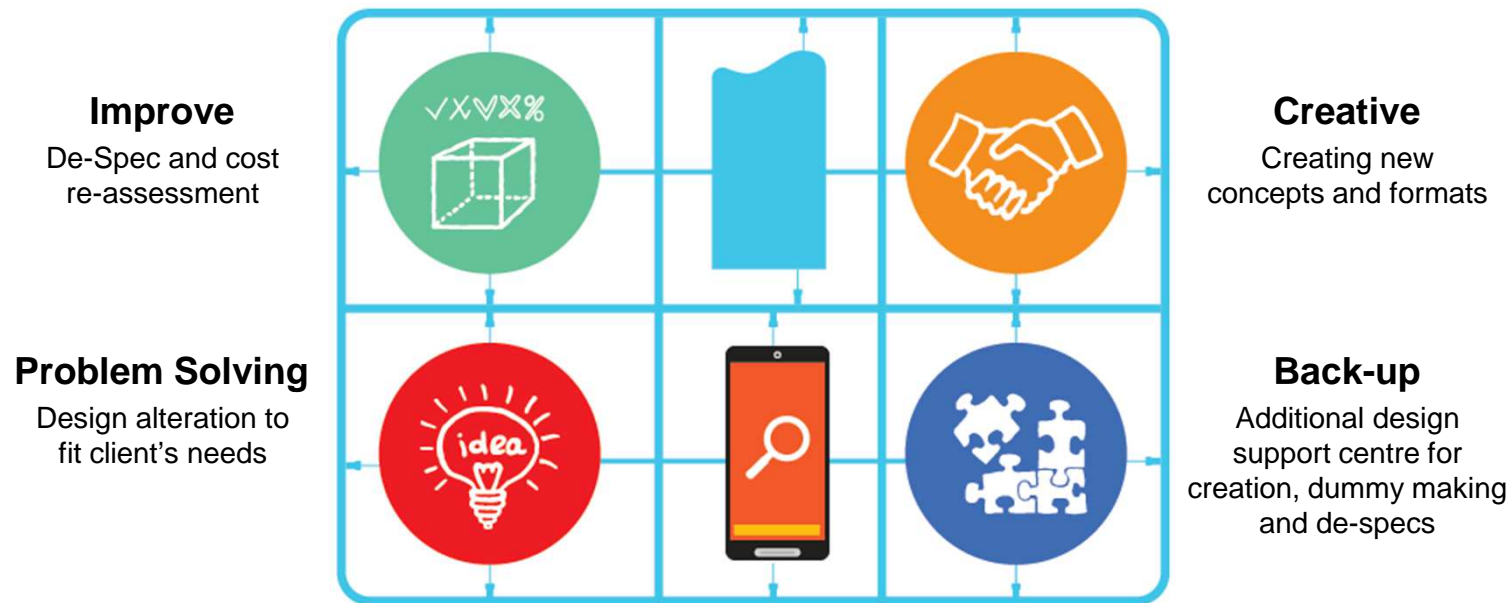




# Innovation Hub at HH

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 operate sustainably



# 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.