



鴻興印刷集團有限公司

Hung Hing Printing Group Limited

Annual Results 2018

2018年业绩简报

At Hung Hing, we are proud of our 60+ 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. - 2018 Results 鴻興印刷集團2018年度業績

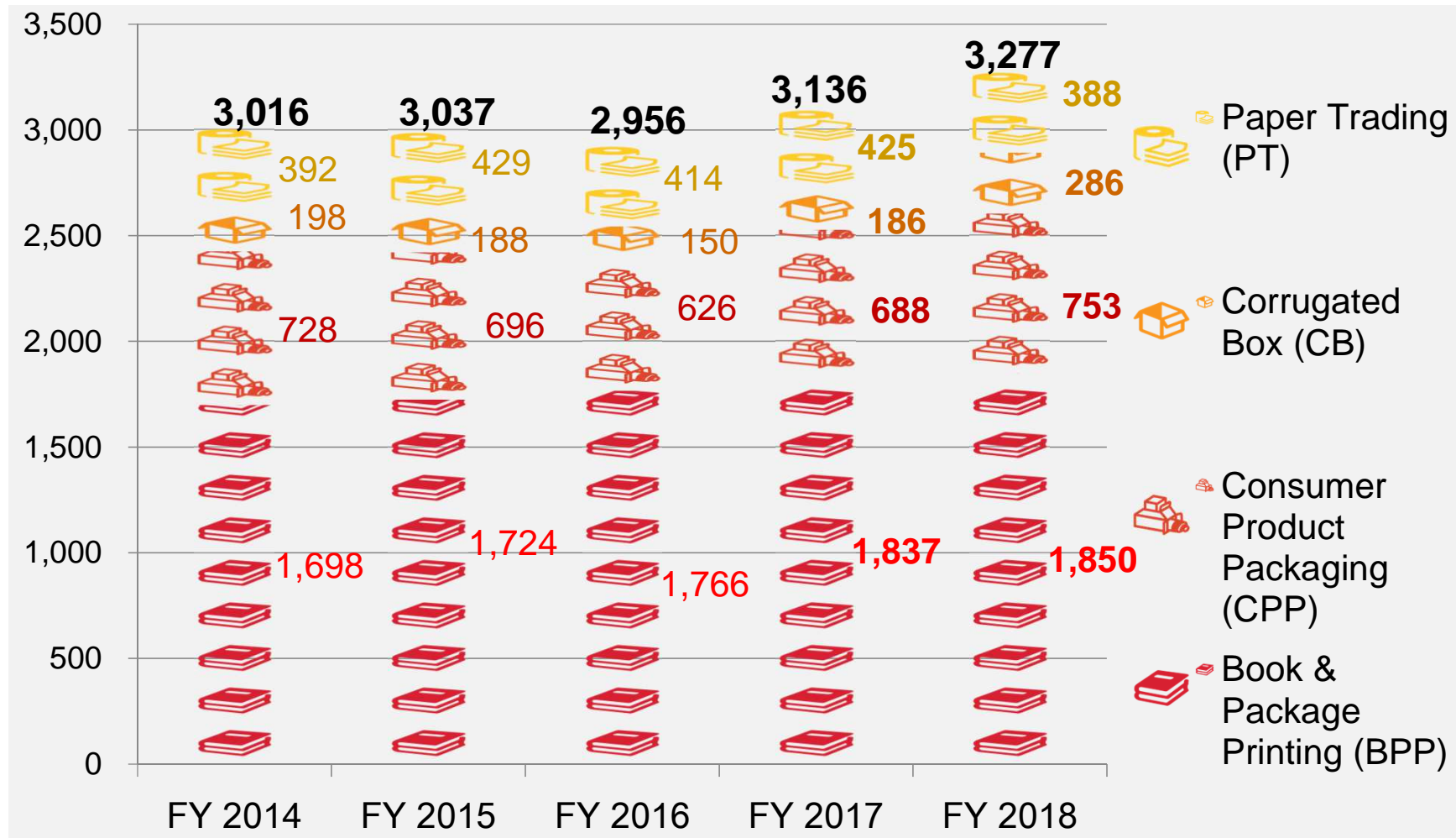
Sales increased steadily by 4.5%
營業額保持溫和上升4.5%

(Unit: HK\$ million / 單位: 港幣百萬元)	<u>Year 2018</u>	<u>Year 2017</u>
<ul style="list-style-type: none"> Group revenue growth 4.5% 集團營業額增長4.5% 	3,277	3,136
<ul style="list-style-type: none"> Gross profit margin at 11.3% down by 3.7% pt. vs. last year 毛利率11.3%，比上年度下降3.7百份點 	11.3%	15.0%
<ul style="list-style-type: none"> (Loss) / Profit attributable to shareholders 股東應佔(虧損)/溢利 	(74.5)	1,050
<ul style="list-style-type: none"> Net cash < excl. bank borrowings > 淨現金<扣除銀行借貸> 	956	1,224
<ul style="list-style-type: none"> (Loss) / Earnings per share- basic 每股(虧損)/盈利－基本 	HK (8.3) cents	HK 116.7 cents

Sales Revenue - External Customers 对外营业额

2018 Overall Sales Growth +4.5%: BPP +1% / CPP +9% / CB +54% / PT -9%

(HK\$ million)

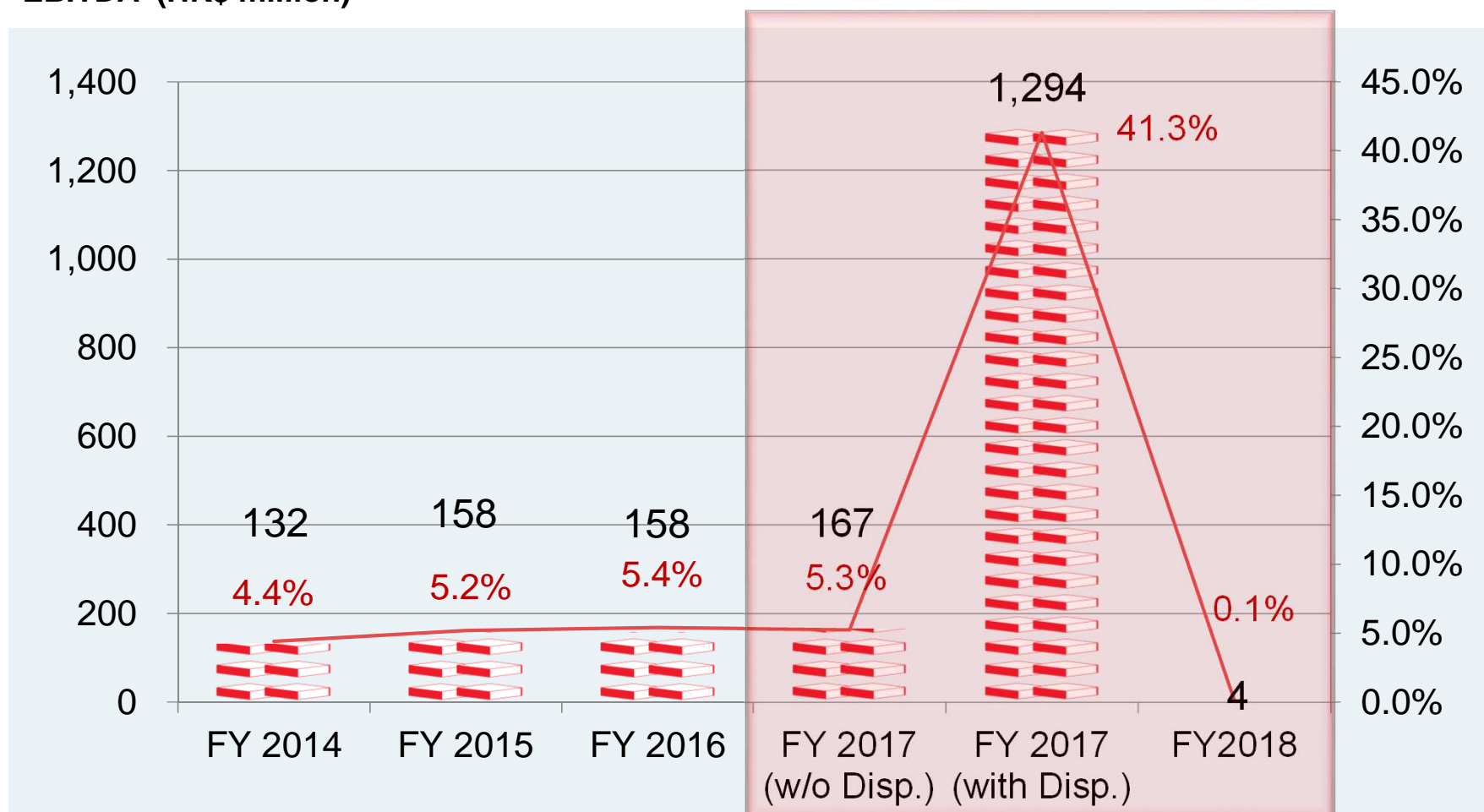


Group EBITDA 息税折旧前溢利

One-off disposal gain of HK\$1,144m booked in 2017 only; Group 2018 EBITDA was impacted by abrupt paper prices and RMB exch movements, plus additional labor benefit costs provision

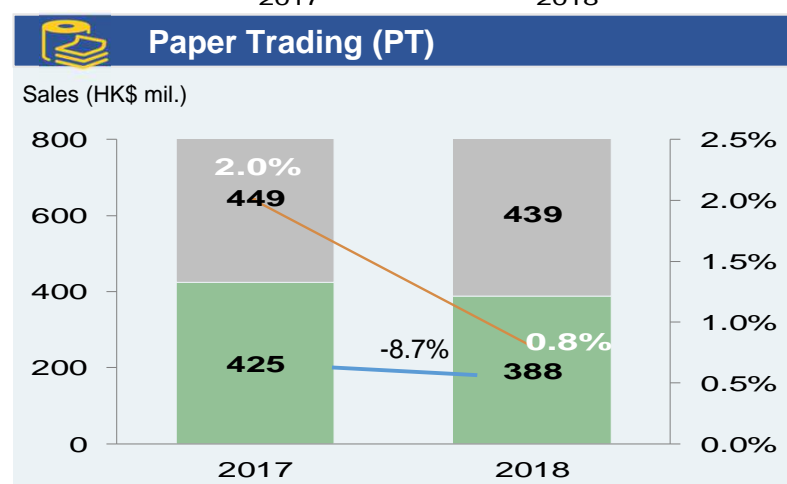
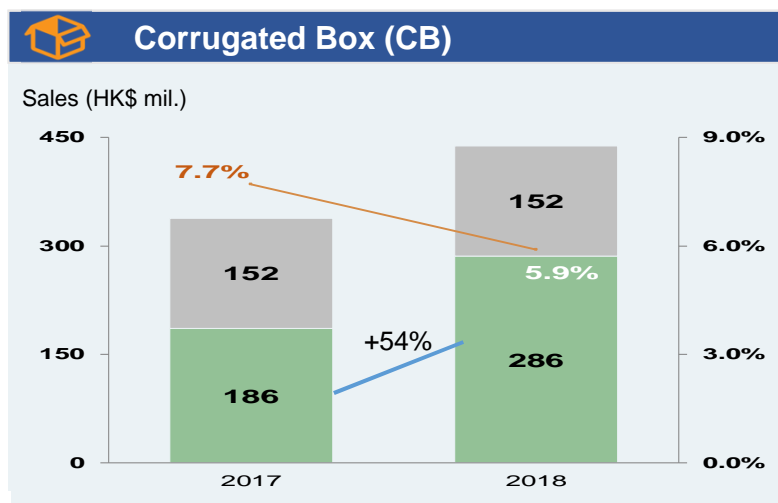
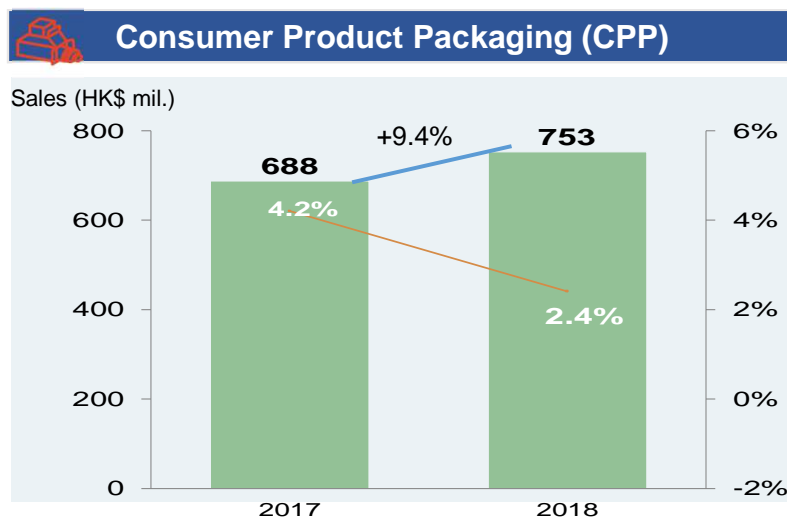
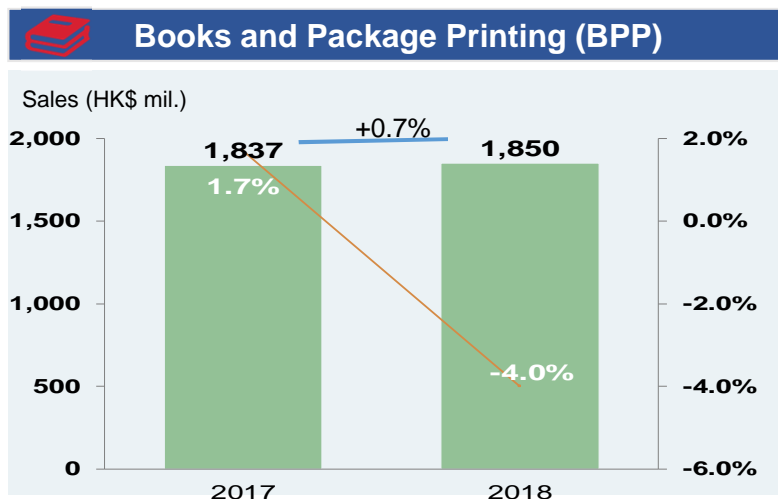
EBITDA (HK\$ million)

— EBITDA as % of Sales



Segment Sales & Profit Contribution 部门销售及溢利贡献率

Overall External Sales Growth +4.5%: BPP +1% / CPP +9% / CB +54% / PT -9%. Profit was generally impacted by abrupt paper prices and RMB exch movements, plus additional labor benefit costs provision.



■ External Sales
 ■ Intersegment Sales
 — External Sales Growth%
 — Segment profit contribution(%)

Group Income Statement

Profit was impacted by abrupt paper prices and RMB exchange movements, additional labor benefit costs provision and the absence of one-off disposal gain.

	For the twelve months period ended 31 Dec				Comment
(Unit: HK\$' 000)	2018	2017	Change vs. 2017		
Revenue	3,276,800	3,135,659	141,141	4.5%	Acquisition of GD Rengo & organic growth of consumer packaging
Cost of sales	(2,907,463)	(2,666,224)	(241,239)	9.0%	Primarily due to abrupt surge of paper prices and additional labor benefit costs provision
Gross profit	369,337	469,435	(100,098)	-21.3%	
Gross Margin as % of Revenue	11.3%	15.0%	(3.7)	pt.	
Other revenue	46,709	25,535	21,174	82.9%	Mainly driven by increase of interest income \$15m
Other net loss	(42,563)	(333)	(42,230)	--	FV loss \$46m in hedging RMB actual demand at extreme volatility
Distribution costs	(78,859)	(74,379)	(4,480)	6.0%	
Admin & selling exp. (incl. b/d prov.)	(367,754)	(357,222)	(10,532)	2.9%	Inflation and increased warehouse rental
Gain on disposal of SHPSZ	-	1,143,809	(1,143,809)	--	Pre-tax gains of SHPSZ Disposal recognized in 2017
Operating (loss) / profit	(73,130)	1,206,845	(1,279,975)	-106.1%	
Finance costs	(4,558)	(6,192)	1,634	-26.4%	
(Loss) / Profit before income tax	(77,688)	1,200,653	(1,278,341)	-106.5%	
Income tax	5,544	(145,104)	150,648	--	Tax related to SHPSZ disposal \$117m; and changes in deferred tax
(Loss) / Profit for the year	(72,144)	1,055,549	(1,127,693)	-106.8%	
Attributable to:					
Equity shareholders of the Company	(74,518)	1,050,483	(1,125,001)	-107.1%	
Non-controlling interests	2,374	5,066	(2,692)	-53.1%	
(Loss) / Profit for the year	(72,144)	1,055,549	(1,127,693)	-106.8%	
(LPS) / EPS attributable to shareholders	HK cents	HK cents	HK cents		
Basic	(8.3)	116.7	(125.0)	--	
Diluted	(8.3)	116.3	(124.6)	--	

Group Income Statement (if excl. SHPSZ disposal in 2017)

Excluding one-off disposal gain in 2017, profit was impacted by abrupt paper prices and RMB exchange movements, plus additional labor benefit costs provision.

	For the twelve months period ended 31 Dec				Comment
(Unit: HK\$' 000)	2018	2017	Change vs. 2017		
Revenue	3,276,800	3,135,659	141,141	4.5%	Acquisition of GD Rengo & organic growth of consumer packaging
Cost of sales	(2,907,463)	(2,666,224)	(241,239)	9.0%	Primarily due to abrupt surge of paper prices and additional labor
Gross profit	369,337	469,435	(100,098)	-21.3%	benefit costs provision
Gross Margin as % of Revenue	11.3%	15.0%	(3.7)	pt.	
Other revenue	46,709	25,535	21,174	82.9%	Mainly driven by increase of interest income \$15m
Other net loss	(42,563)	(333)	(42,230)	--	FV loss \$46m in hedging RMB actual demand at extreme volatility
Distribution costs	(78,859)	(74,379)	(4,480)	6.0%	
Admin & selling exp. (incl. b/d prov.)	(367,754)	(340,580)	(27,174)	8.0%	Inflation and increased warehouse rental
Operating (loss) / profit	(73,130)	79,678	(152,808)	-191.8%	
Finance costs	(4,558)	(6,192)	1,634	-26.4%	
(Loss) / Profit before income tax	(77,688)	73,486	(151,174)	-205.7%	
Income tax	5,544	(27,739)	33,283	-120.0%	Deferred tax assets movement: 2018 increase vs. 2017 reduction
(Loss) / Profit for the year	(72,144)	45,747	(117,891)	-257.7%	
Attributable to:					
Equity shareholders of the Company	(74,518)	40,681	(115,199)	-283.2%	
Non-controlling interests	2,374	5,066	(2,692)	-53.1%	
(Loss) / Profit for the year	(72,144)	45,747	(117,891)	-257.7%	
(LPS) / EPS attributable to shareholders	HK cents	HK cents	HK cents		
Basic	(8.3)	4.5	(12.8)	-283.7%	
Diluted	(8.3)	4.5	(12.9)	-284.3%	

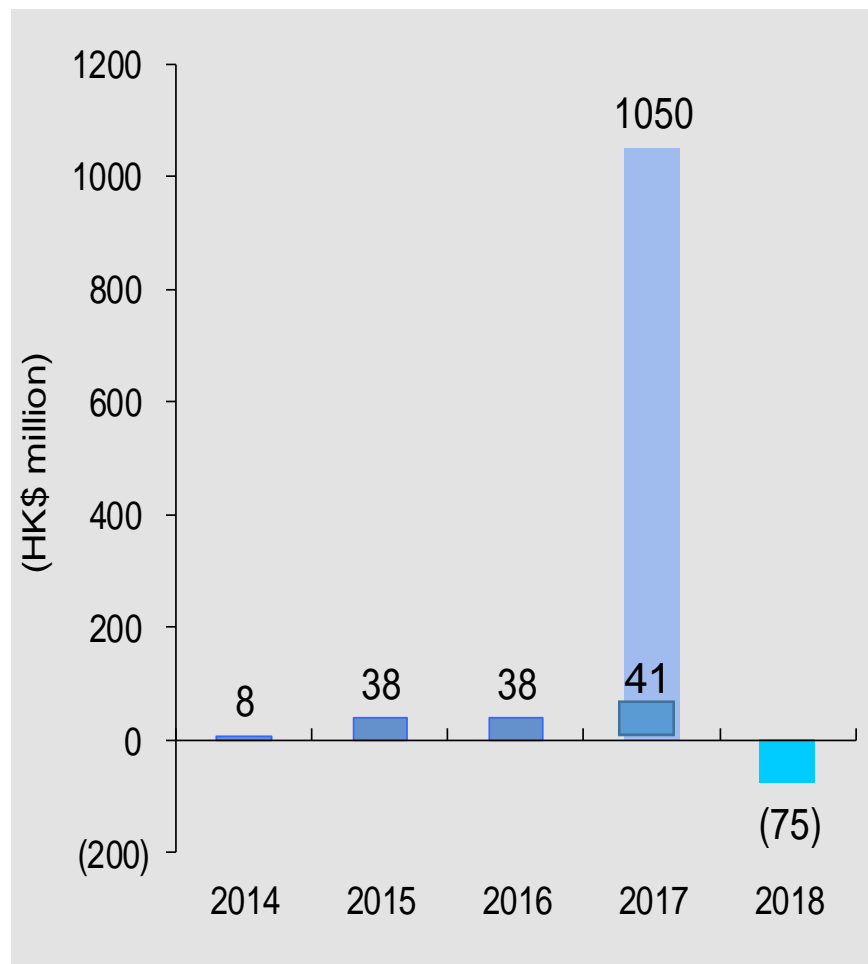
Robust financial position: Strong cash holding and liquidity

Strong financial position to uplift shareholders return with dividends in short-term, and continuous value creation considering transformational investment and organic growth

(HK\$ million)	As at Dec 31			Comment
	2018	2017	Changes	
Assets				
Non-current	1,472	1,290	182	Mainly equity Investment \$110m, print-presses \$69m and misc. capex
Current	2,594	3,254	-660	Dividends paid 300m and misc. equity/capex investment 300m
Total Assets	4,066	4,544	-478	
<i>Incl. Cash & Bank and Time deposits</i>	<i>1,087</i>	<i>1,431</i>	<i>-344</i>	<i>Deployed disposal proceeds for dividends & equity/capex investment</i>
Liabilities				
Non-current	160	188	-28	Primarily scheduled repayments of fixed rate term-loan with banks
Current	508	541	-33	Reduced bank borrowings partly offset by higher payables
Total Liabilities	668	729	-61	
<i>Incl. liabilities - Bank Borrowings</i>	<i>131</i>	<i>208</i>	<i>-77</i>	<i>Scheduled repayment of fixed rate term-loan and trade facilities</i>
Net Assets	3,398	3,815	-417	
Equity				
Attributable to shareholders	3,244	3,657	-413	Mainly dividends 300m, loss for the year and exch reserve movement
Non-controlling interest	154	158	-4	
Total Equity	3,398	3,815	-417	
Gearing Ratio	3.9%	5.5%	-1.6%	
Net Cash (Cash&Dep. - Bank Borrowings)	956	1,224	(268)	<i>Deployed disposal proceeds for dividends & equity/capex investment</i>
Current Ratio	5.1	6.0	(0.9)	

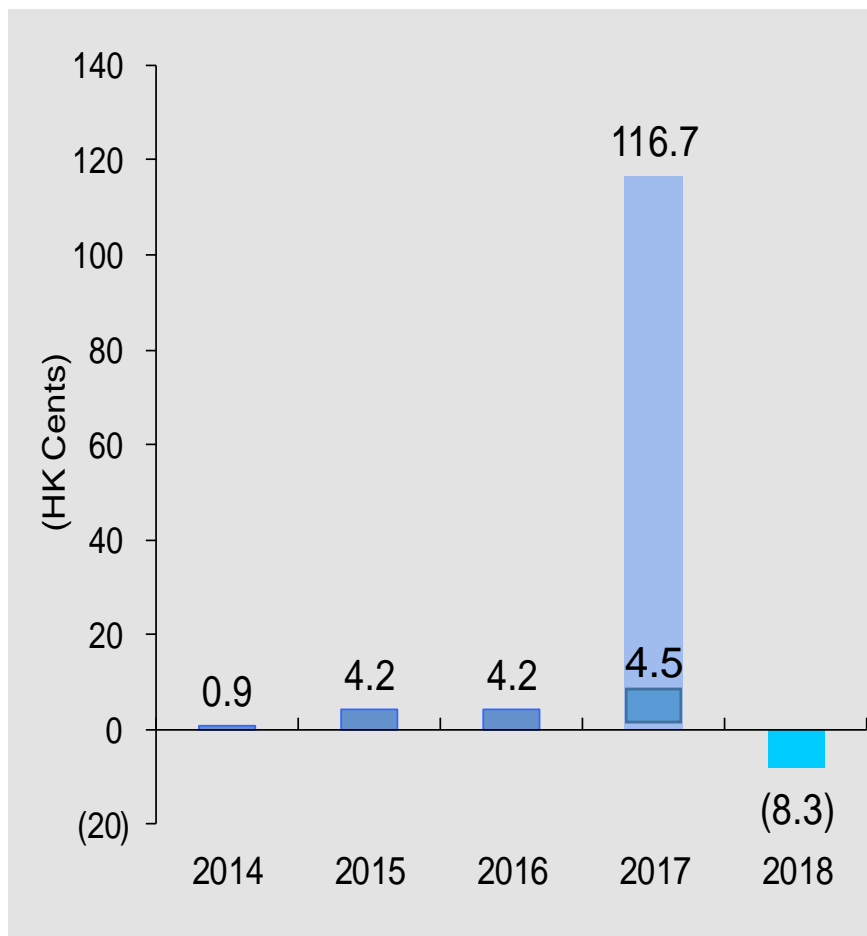
(Loss) / Earnings per Share (LPS / EPS) 公司权益持有人应佔(虧損)/溢利及每股(虧損)/盈利

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



Normal Core

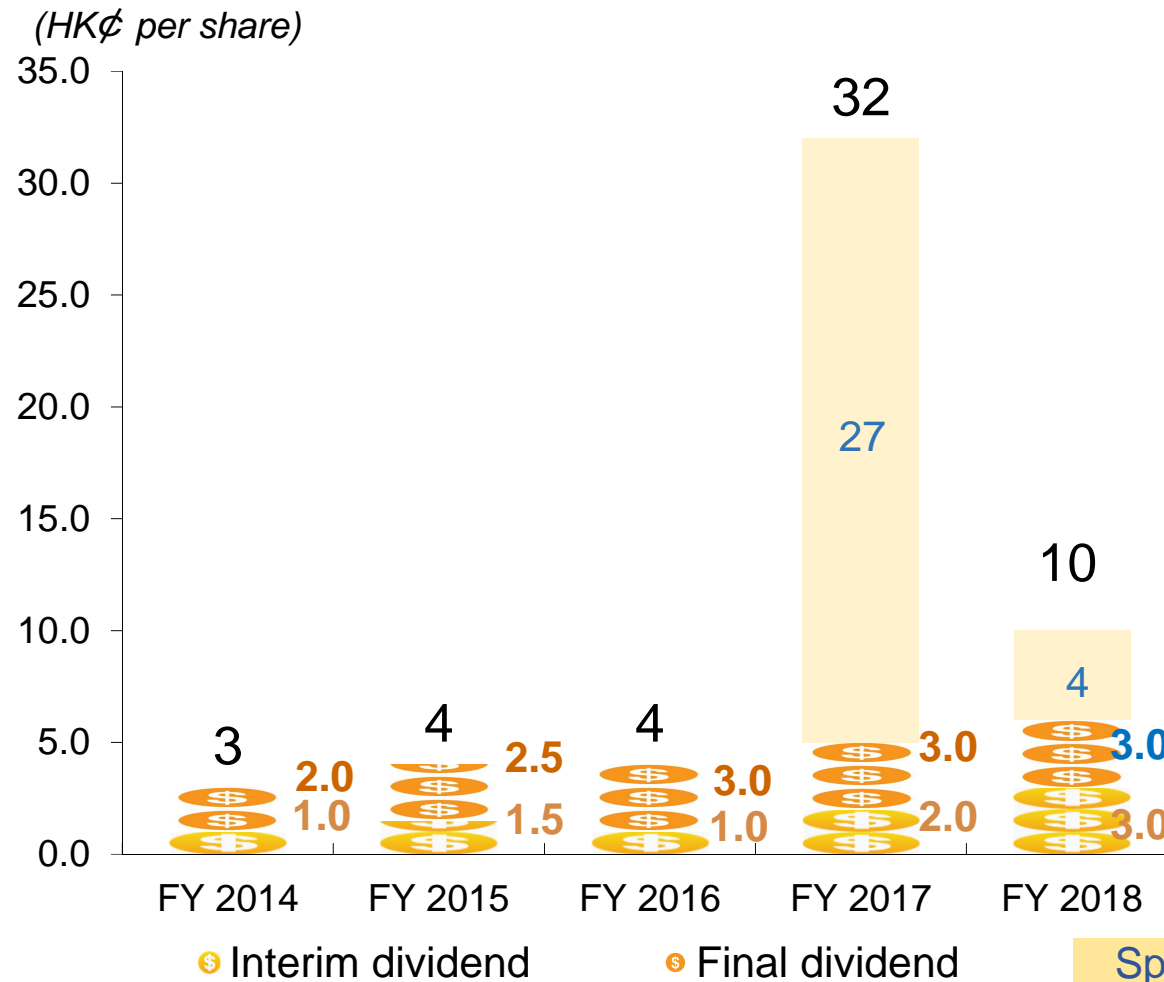
**Basic
(LPS) / EPS**



Special gain from the disposal

Proposed Special & Final Dividends 建议派发特别及末期息

Uplifting shareholders return with final + special dividends total 7 cents, and alluding to long-term stable and rewarding return via continuous transformation and value creation



Commentary

- 2018 Dividends
 - Interim (paid) 3 cents
 - Final (proposed) 3 cents
 - Total 2018 6 cents
 - (Up +20% vs. 2017)
 - Special (proposed) 4 cents

*Remark:
 Final + Special Dividends 7 cents
 To be paid out on 14th June 2019.

Hung Hing Printing Group Ltd. - 2018 Results 鸿兴印刷集团2018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: 港币百萬元)	<u>Year 2018</u>	<u>Year 2017</u>
• Group revenue growth 4.5% 集團營業額增长4.5%	3,277	3,136
• Gross profit margin at 11.3% down by 3.7% pt. vs. last year 毛利率11.3%，比上年度下降3.7个百分点	11.3%	15.0%
• (Loss) / Profit attributable to shareholders 股東應佔(亏损)/溢利	(74.5)	1,050
• Net cash < excl. bank borrowings > 淨現金<扣除银行借贷>	956	1,224
• (Loss) / Earnings per share- basic 每股(亏损)/盈利 – 基本	HK (8.3) cents	HK 116.7 cents
• Proposed final and full year dividends (excl. special div.) 擬派末期股息3仙;全年普通股息增加20%至6仙	Final: HK 3 cents Full Yr: HK 6 cents	Final: HK 3 cents Full Yr: HK 5 cents
• Proposed special dividend HK\$ 4 擬派特別股息4仙	Spec: HK 4 cents	Spec: HK 27 cents



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

Appendices

Hung Hing's Self-own Network of Facilities

ZS: 中山市火炬开发区逸仙路



- Printing and manufacturing of folding cartons, litho-lam & corrugated box
- Awarded certifications of ISO9001, ISO14001, BRC, etc.
- Prod area 130k m²; Land >104k m²
- Capacity: 222 million impressions

HS: 鹤山市雅瑶镇朝阳大道



- Child & Conv. Books and Cards
 - Land >350k m², plenty of space for further expansion
- Existing Facilities (Building 1&2):
- Awarded certifications of ISO9001, ISO14001, ICTI-COBP, BRC, etc.
 - Prod area 110k m²;
 - Capacity: 213 million impressions
- New Building #3 (completed by mid-18):
- Prod area: 25k m²; Invest: ¥80 mil.

HK HQ: 香港大埔工业村大喜街



- Corp. HQs / HHOS / TH / SHPHK
- Conv books + Innovations + PT
- Warehouse area 12k m²; Storage Capability 20k tons; Land 19k m²

WX: 无锡市国家高新技术产业开发区长江南路

- Printing & mfg. of folding cartons, litho lam and corrugated containers
- Awarded certifications of ISO9001, ISO14001, BRC, etc.
- Prod area 50k m²; Land 150k m², plenty of space for further expansion
- Capacity: 147 million impressions



SZ: 深圳宝安区福永镇怀德工业村

- Folding cartons, Child & Conv Books, Litho-lam packs, **Corrugated containers**
- Awarded certifications of ISO9001, ISO14001, ICTI-COBP, etc.
- Prod area 175k m², Land 95k m²
- Capacity: 638 million impressions



SD: 佛山市顺德区容桂华口昌宝东路

- Corrugated and Packaging
- Land area approx. 50k m²



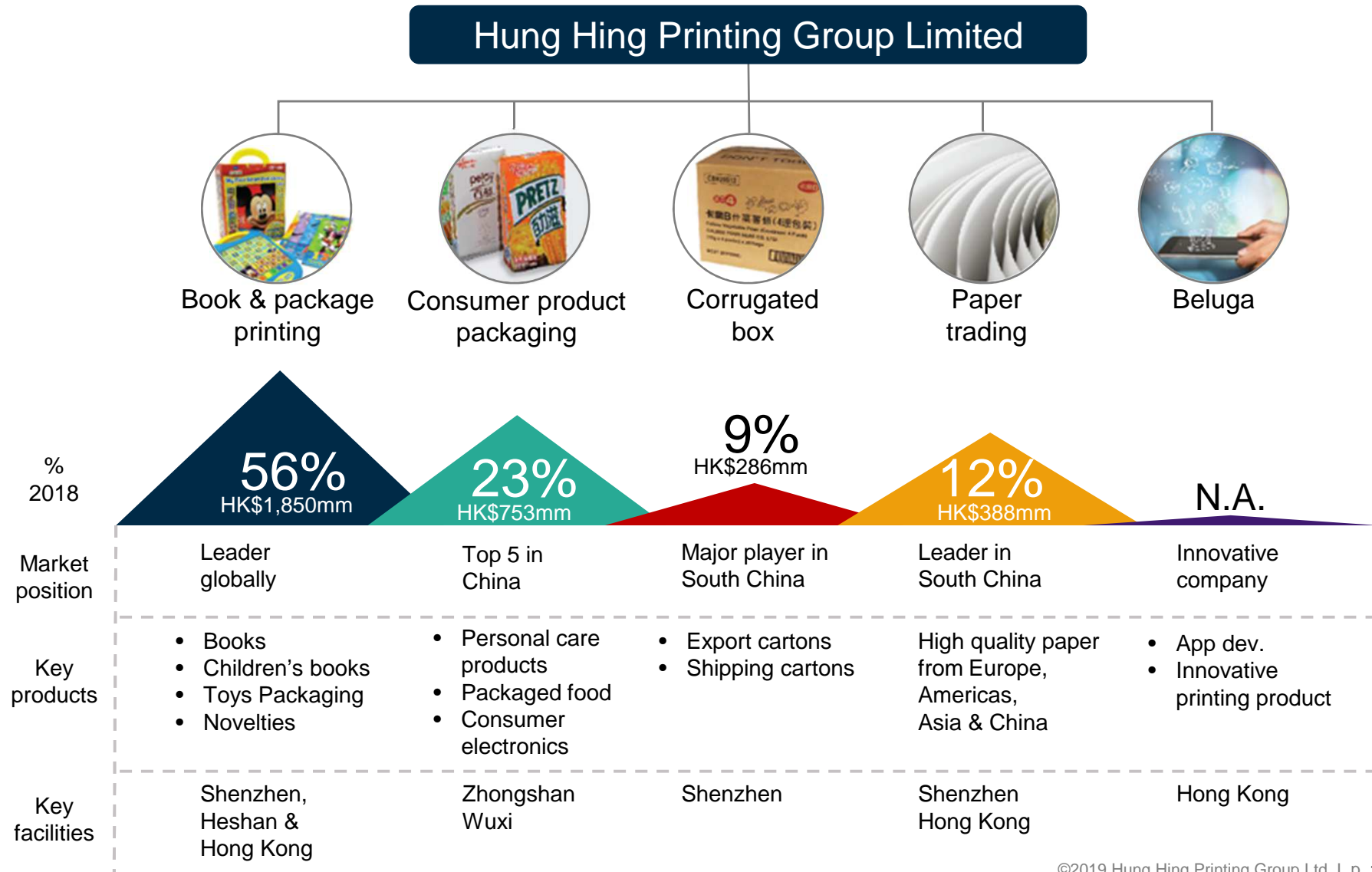
Disposed SZ: 寶安區福永街道鳳塘道

- Paper Trading Warehouse
- Land area 53k m²



Note: The HK, SZ & HS packaging facilities focus primarily on export sales, whilst the WX and ZS packaging facilities cater primarily to the domestic PRC market

Business Structure



Appendix

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.



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.



2008

Established the plant in Heshan in 2007 and commenced full operation in 2008.

2016

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

Appendix: 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

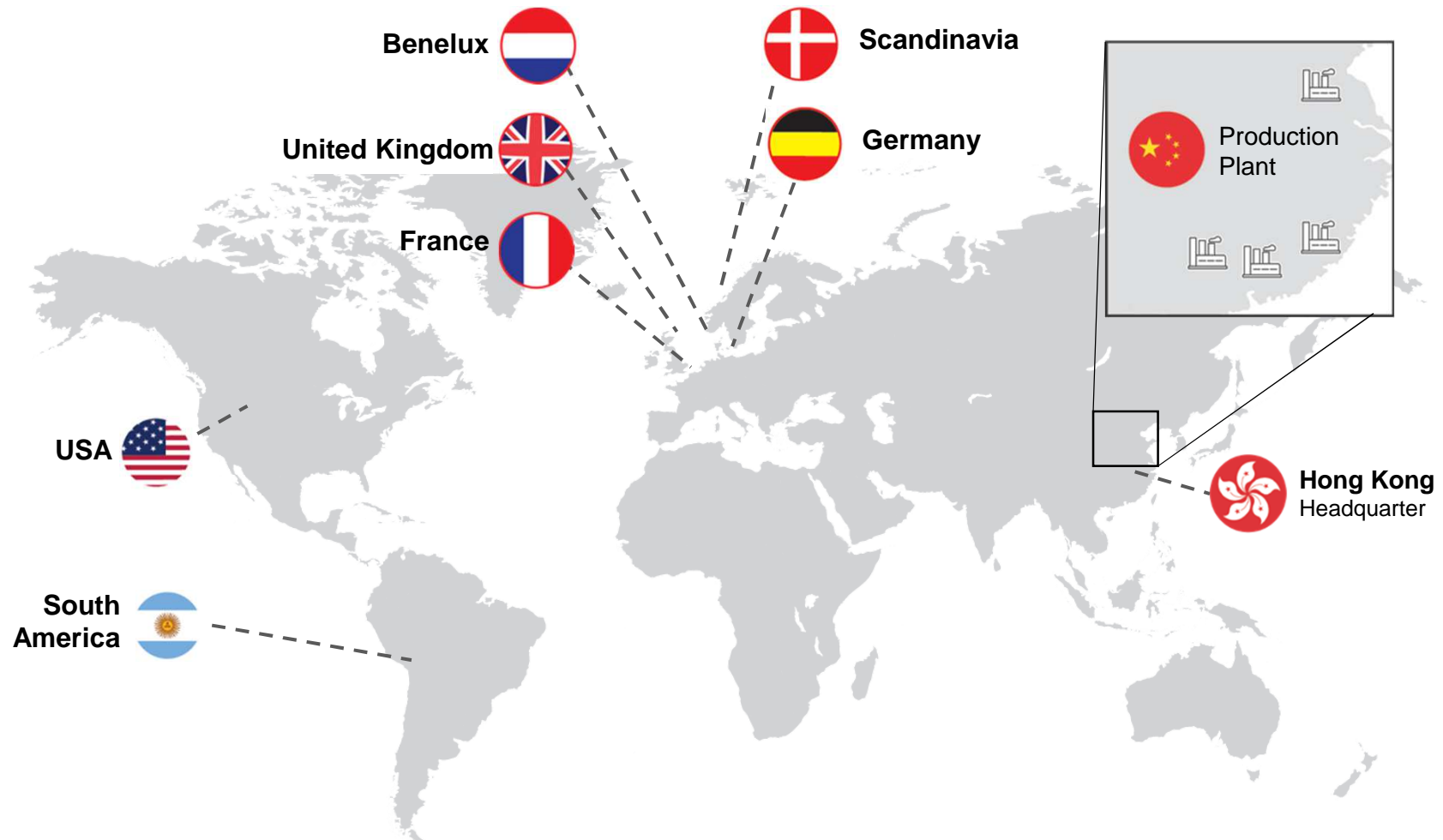
- Newly acquired in 2018
- Production of corrugated and packaging products

China



Appendix: 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 m²
- ❑ 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



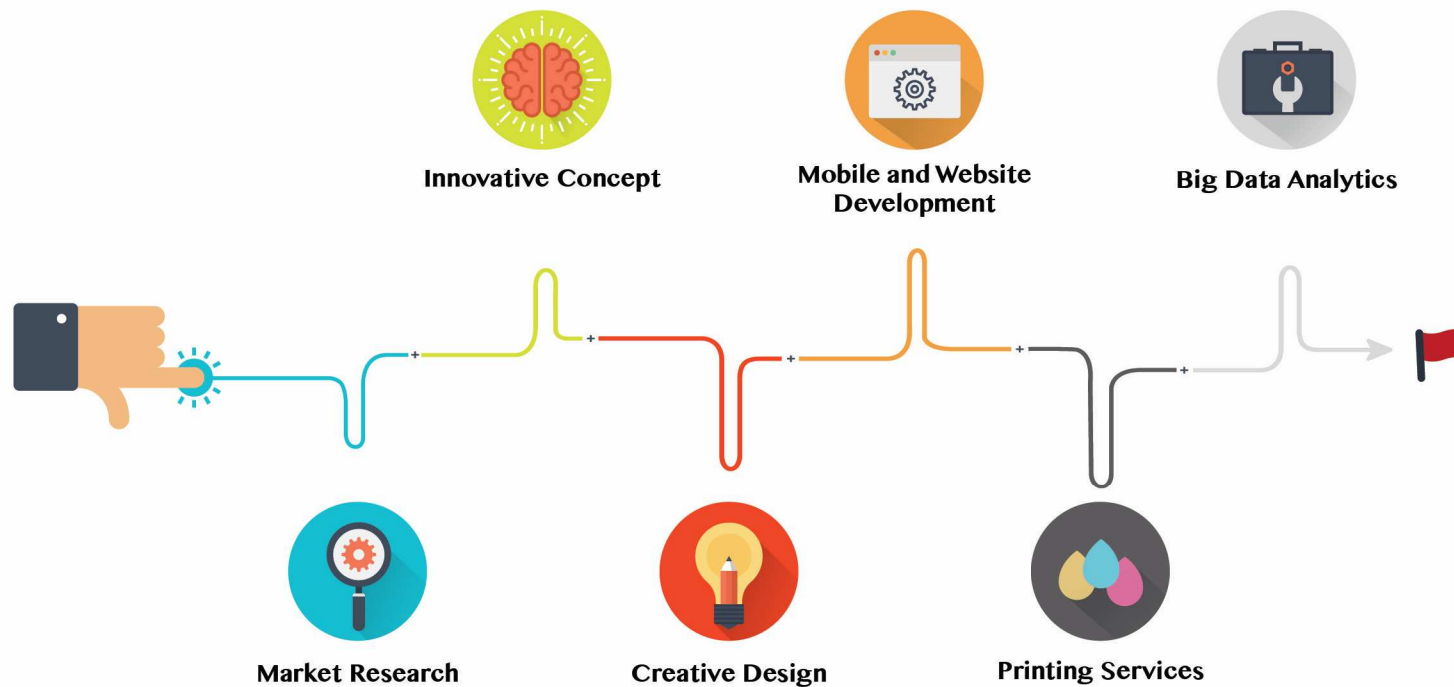
Innovative mobile printing & sharing platform in PRC

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

Appendix: 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





Vertical Integrated Printing Group

From paper to finished product.

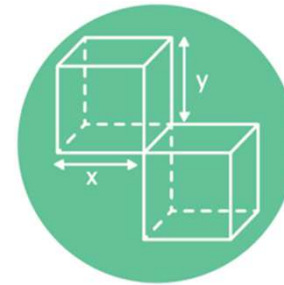
Hung Hing provides service



Graphic design



Print & paper
packaging- both litho &
flexographic printing



Paper engineering/
Structural design



Global paper &
components
sourcing



Products fulfillment-able to
combine HH printing items
and co-pack with
customers' products



Distribution network-various
production locations to serve
both the vast China and
overseas markets.

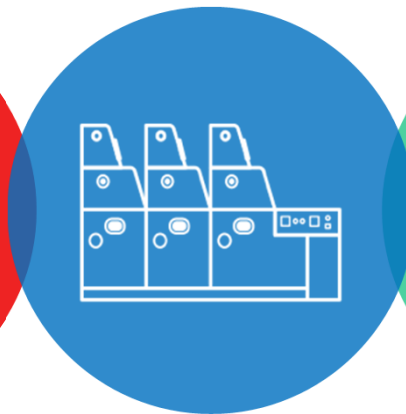


Customization &
Personalization
service

Capabilities overview



8900
Employees
(average)



51
Printing
machines



5
Facilities



Quality, Safety,
Environment and
Ethical standards
compliance

New capabilities



Highcon Euclid III

The new generation digital die cutting and creasing machine offer countless new opportunities for high value applications.



Scodix Ultra Pro & Foil station

Digital Enhancement Press that produces high quality and tangible post-press enhancements for a wide variety of applications for short print runs.



CT 100 casing-in machine

A high performance machine for casing in thin books, CD trays, board book and other product not able to cased-in by traditional casing-in machine.

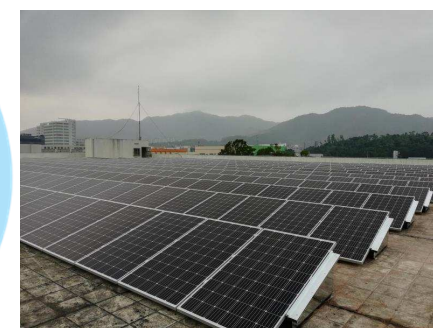
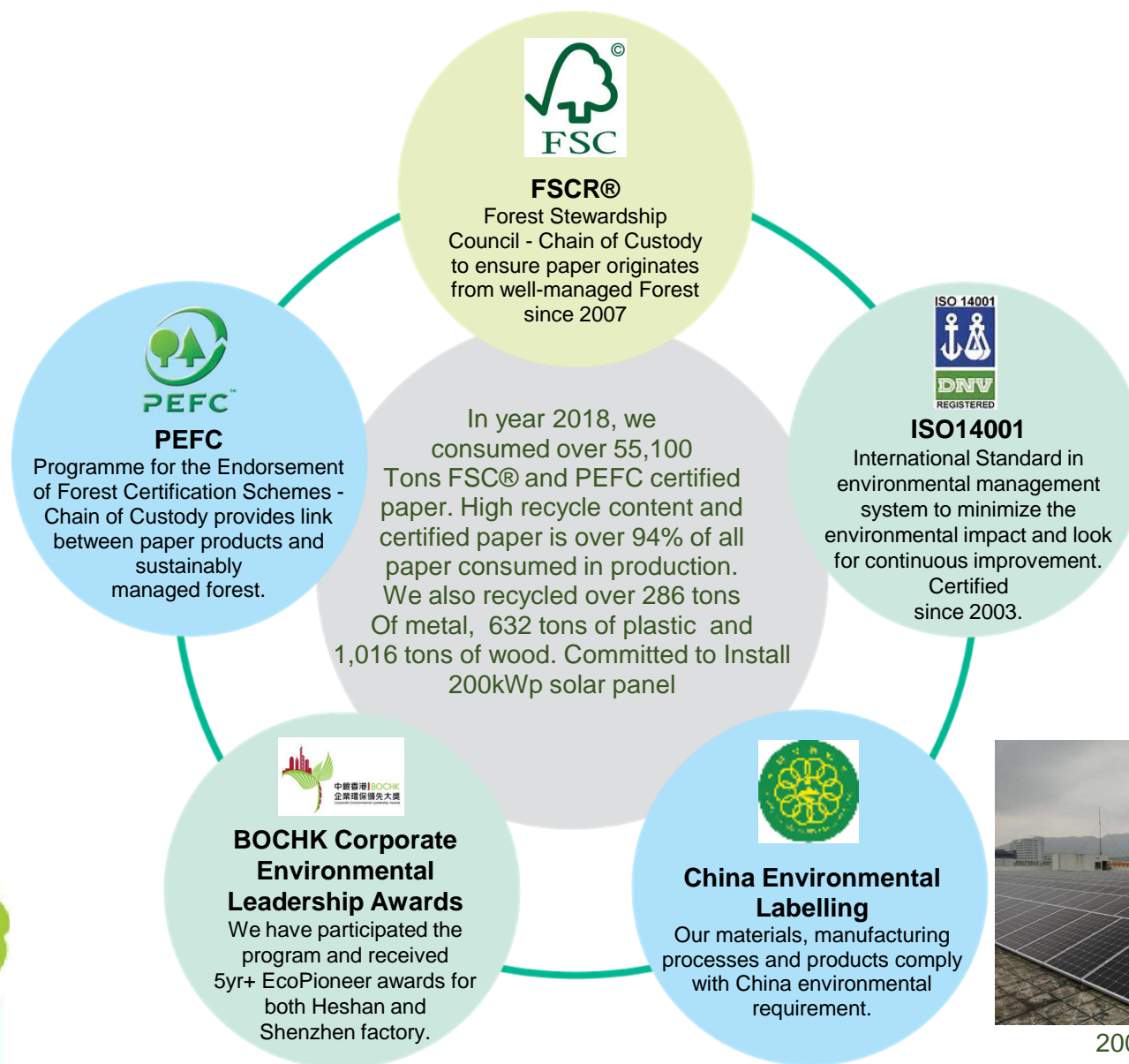




Care about Environment

At Hung Hing, we are conscious about the earth and its environment and protecting it is our duty by utilizing environment friendly materials and processes.

We care about the environment



200kWp solar panel in HK





ICTI-Care
International Council of Toy Industries– Ethical Toy Program, an ethical standard adopted by toy industries worldwide



Caring Company
We participated in Caring Company program since 2006



Happy Company
We participated in Happy Company program to provide a happy working environment to employees



Scholarship
We support students in their pursue of knowledge



Volunteer
Participate in voluntary work for a better community

We care about our employees, customers and community , our factories have accredited different ethical standards. We encourage employees to have better work life balance and contribute to community through donation, sponsor scholarship and voluntary works.



Cleaning the beach event





EN 71

EN71

European toy safety standard



CNAS

We have China National Accreditation Service certified laboratory to perform chemical tests on our materials to ensure compliance with safety standards



REACH

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



Rohs

European regulation on Restriction Of Hazardous Substances in electrical and electronic equipment.



ASTMF963

US toy safety standard

Our raw materials and products comply with international safety standards. Our production follow the leading standards in colour and quality control. Our factories have achieved various quality and hygienic workspace standards

GMI

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



PSA

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



BRC

British Retail Consortium, a standard to ensure workplace hygiene and process suitable to produce indirect food contact items.



ISO9001

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



GSV

Global Security Verification, a supply chain security practice standard that meets requirement for export goods to United States



Summary

Founded in
1950
in Hong Kong



NOW



World's leading provider of comprehensive,
one-stop printing and packaging solutions.

Listed on the Hong Kong
Stock Exchange in
1992 (SEHK 450)

Annual Sales Revenue
us **\$400 million**

5

factories in Hong Kong,
Shenzhen, Zhongshan,
Heshan, Wuxi.



Production floor space
5.7 million ft²



Workforce
8,900
(average)

Disclaimer

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Thank you.