



鴻興印刷集團有限公司

Hung Hing Printing Group Limited

Annual Results 2017

2017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. - 2017 Results 鸿兴印刷集团2017年度业绩

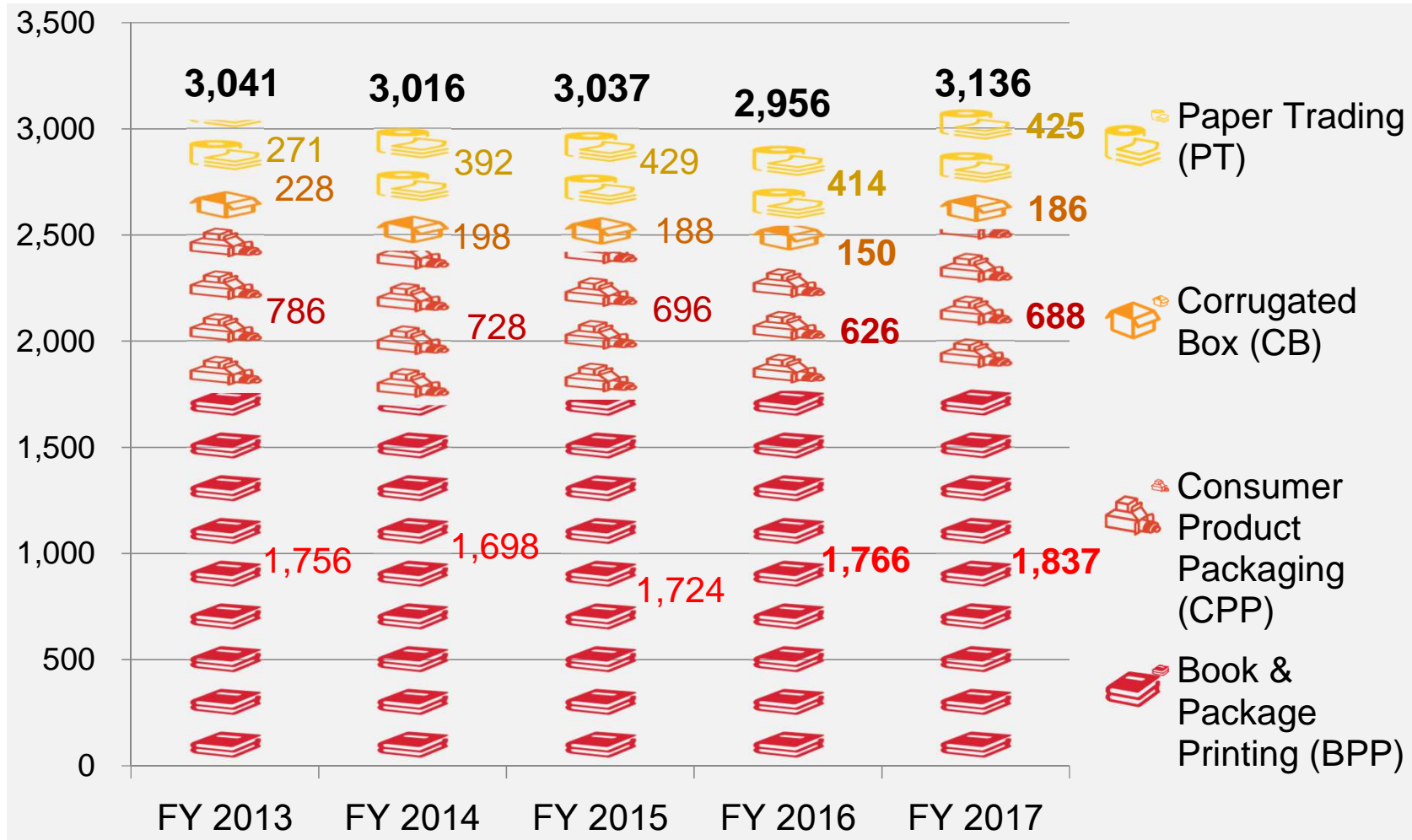
Delivered 6% sales growth; Shareholders' profit increased over 27 times
保持穩定銷售增長6%，股東應佔溢利大幅提升近27倍

(Unit: HK\$ million / 单位: 港幣百萬元)	<u>Year 2017</u>	<u>Year 2016</u>
<ul style="list-style-type: none"> Group revenue growth 6.1% 集團營業額增長6.1% 	3,136	2,956
<ul style="list-style-type: none"> Operating profit significantly increased to over HK\$1.2 billion 經營溢利大幅提高至超過12億港元 	1,207	66
<ul style="list-style-type: none"> Profit attributable to shareholders up over 27 times 股東應佔溢利激增近27倍 	1,050	38
<ul style="list-style-type: none"> Net cash increased to HK\$1,224 mil (excl. 390m in oth. rec.) 淨現金上升至12.24億港元(未包其他應收3.9億) 	1,224 (>1,600 if incl. 390 as other receivables)	561
<ul style="list-style-type: none"> Earnings per share up over 27 times 每股盈利提升近27倍 	HK 116.7 cents	HK 4.2 cents

Sales Revenue - External Customers 营业额 - 对外

Overall Sales Growth +6.1%, including BPP +4% / CPP +10% / CB +24% / PT +3%

(HK\$ million)

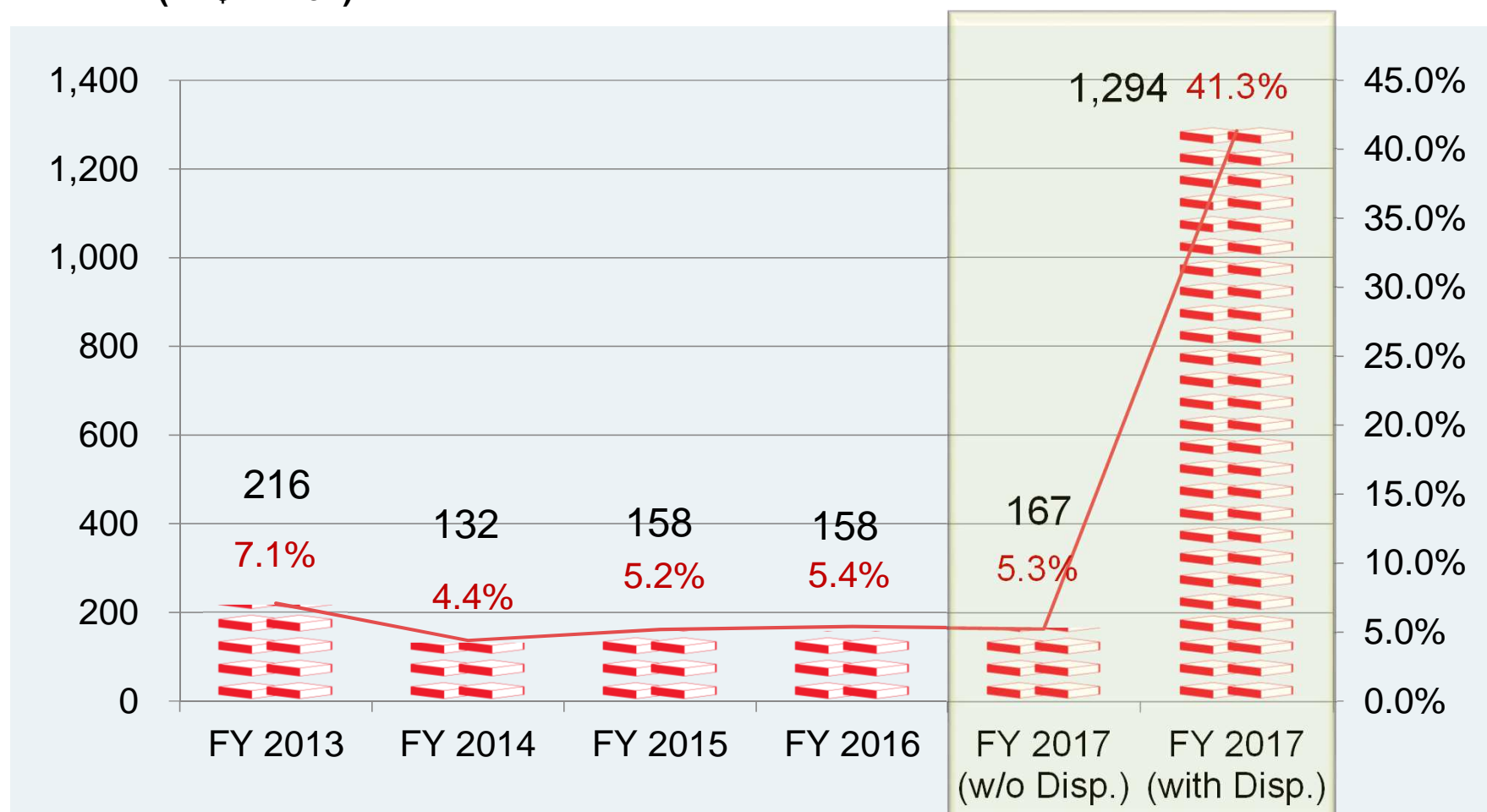


Group EBITDA 息税折旧前溢利

Group EBITDA uplifted to HK\$1,294 mil with the gain from Disposal HK\$1,144m
息税折旧前溢利上升至12.94亿港元(包括出售资产收益11.44亿港元)

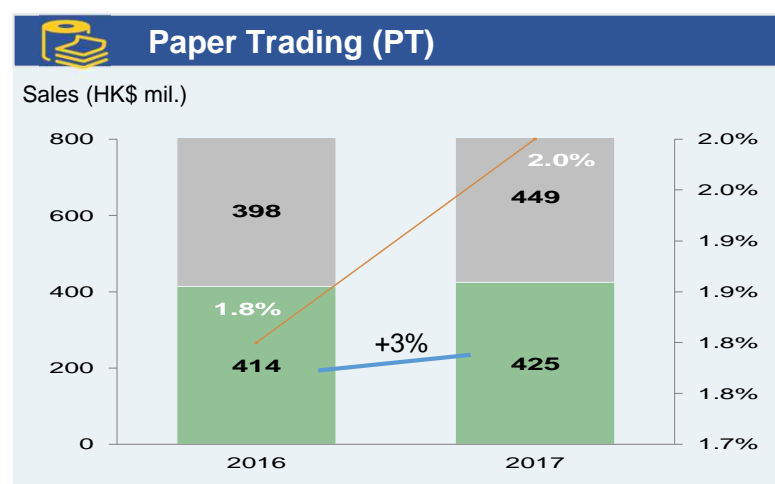
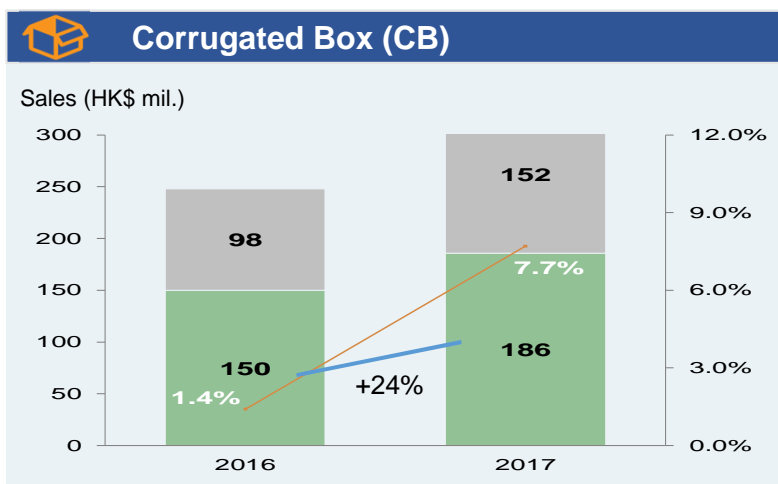
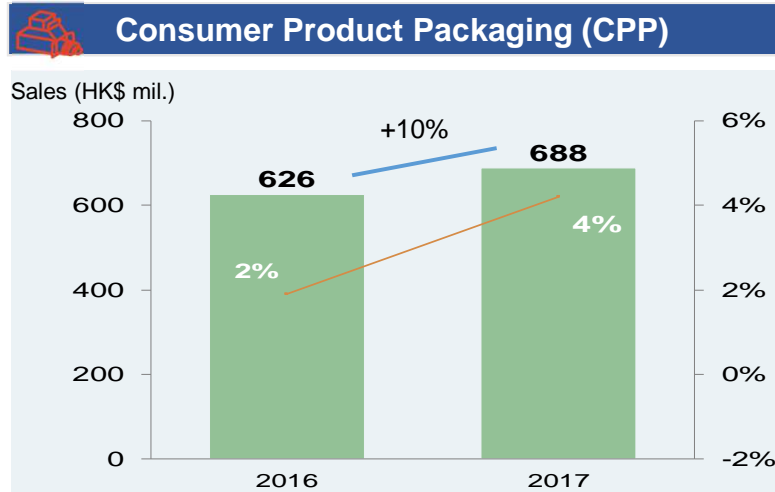
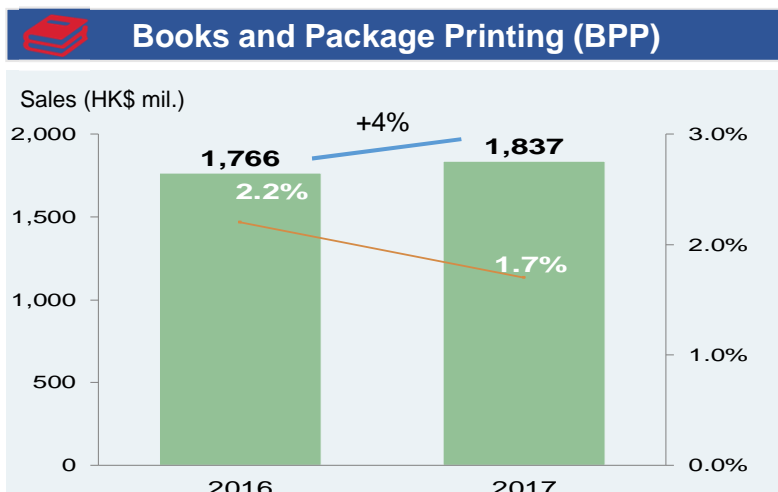
EBITDA (HK\$ million)

— EBITDA as % of Sales



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

All four segments grew in sales from +3% to +24%, and improved in profit contribution except for BPP due to timing of price adjustments for annual contracts



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

Group Income Statement

Achieved profits HK\$ 1,050 mil. and EPS HK cents 116.7 attributable to shareholders

	For the twelve months period ended 31 Dec				Comment
(Unit: HK\$' 000)	2017	2016	Change vs. 2016		
Revenue	3,135,659	2,955,924	179,735	6.1%	Mix & Pricing: BPP +4%; CPP +10%; CB +24%; PT +3%
Cost of sales	(2,666,224)	(2,510,845)	(155,379)	6.2%	
Gross profit	469,435	445,079	24,356	5.5%	Increased GP\$ driven mainly by pricing and mix
Gross Margin as % of Revenue	15.0%	15.1%	(0.1) pt.		Managed paper price movements; kept GP% stable
Other revenue	25,535	31,523	(5,988)	-19.0%	Less gov't grants primarily due to timing
Other net loss	(333)	(15,587)	15,254	-97.9%	Exch/Fwd gains 14m (vs. PY: -9m) offset by assets w/off 7m
Distribution costs	(74,379)	(80,568)	6,189	-7.7%	
Admin & selling exp. (incl. b/d prov.)	(357,222)	(314,048)	(43,174)	13.7%	Inflation, plus 7m share-based payments recognized and other one-off charges incl. discretionary bonus 17m absent in 2016
Gain on disposal of SHPSZ	1,143,809	-	1,143,809	--	Pre-tax gains recognized upon completion of SHPSZ Disposal
Operating profit	1,206,845	66,399	1,140,446	--	
Finance costs	(6,192)	(5,972)	(220)	3.7%	Less bank borrowing offset impact of interest rate increase
Profit before income tax	1,200,653	60,427	1,140,226	--	
Income tax	(145,104)	(18,087)	(127,017)	--	Included 117m withholding tax for disposal, and reduced deferred tax assets for prudence
Profit for the year	1,055,549	42,340	1,013,209	--	
Attributable to:					
Equity shareholders of the Company	1,050,483	37,785	1,012,698	--	
Non-controlling interests	5,066	4,555	511	11.2%	
Profit for the year	1,055,549	42,340	1,013,209	--	
EPS attributable to shareholders	HK cents	HK cents	HK cents		
Basic	116.7	4.2	112.5	--	
Diluted	116.3	4.2	112.1	--	

Group Income Statement – Excl. the effect of SHPSZ disposal

Excluded the effect of disposal and one-off charges; the opr. profit / profit attri. to shareholders increased to HK\$ 77m / HK\$ 40m resp. (up +20% & +8% vs. PY)

	For the twelve months period ended 31 Dec				Comment
(Unit: HK\$' 000)	2017	2016	Change vs. 2016		
Revenue	3,135,659	2,955,924	179,735	6.1%	Mix & Pricing: BPP +4%; CPP +10%; CB +24%; PT +3%
Cost of sales	(2,666,224)	(2,510,845)	(155,379)	6.2%	
Gross profit	469,435	445,079	24,356	5.5%	Increased GP\$ driven mainly by pricing and mix
Gross Margin as % of Revenue	15.0%	15.1%	(0.1) pt.		Managed paper price movements; kept GP% stable
Other revenue	25,535	31,523	(5,988)	-19.0%	Less gov't grants primarily due to timing
Other net gain/(loss)	(333)	(15,587)	15,254	-97.9%	Exch/Fwd gains 14m (vs. PY: -9m) offset by assets w/off 7m
Distribution costs	(74,379)	(80,568)	6,189	-7.7%	
Admin & selling exp. (incl. b/d prov.)	(340,580)	(314,048)	(26,532)	8.4%	Inflation and 7m share-based payments absent in 2016 (remove one-off charges incl. discretionary bonus 17m due to the disposal)
Gain on disposal of SHPSZ	-	-	-	--	Removed pre-tax gains from the SHPSZ Disposal
Operating profit	79,678	66,399	13,279	20.0%	
Finance costs	(6,192)	(5,972)	(220)	3.7%	Less bank borrowing offset impact of interest rate increase
Profit before income tax	73,486	60,427	13,059	21.6%	
Income tax	(27,739)	(18,087)	(9,652)	53.4%	Incl. reduced deferred tax assets for prudence; Removed 117m withholding tax for the disposal
Profit for the year	45,747	42,340	3,407	8.0%	
Attributable to:					
Equity shareholders of the Company	40,681	37,785	2,896	7.7%	
Non-controlling interests	5,066	4,555	511	11.2%	
Profit for the year	45,747	42,340	3,407	8.0%	
EPS attributable to shareholders	HK cents	HK cents	HK cents		
Basic	4.5	4.2	0.3	7.2%	
Diluted	4.5	4.2	0.3	6.8%	

Robust financial position: Strong cash holding and liquidity

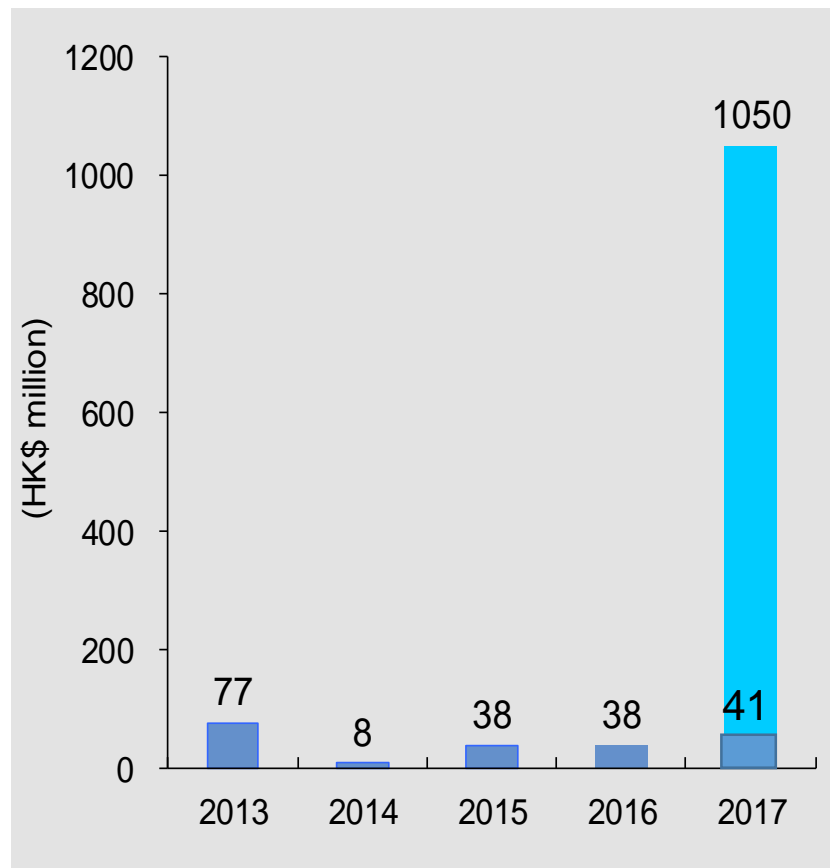
Catalysts for value creation and uplifting shareholders return (both short-term & long-term) with continuous transformation ahead considering acquisitions and divestures

(HK\$ million)	As at Dec 31			Comment
	2017	2016	Changes	
Assets				
Non-current	1,290	1,303	-13	YOY Capex, exch, depr partly offset by SH disposal -34m
Current	3,254	2,189	1,065	Disposal net proceeds 1,093m booked in cash or oth. rec
Total Assets	4,544	3,492	1,052	
<i>Incl. Cash & Bank and Time deposits</i>	<i>1,431</i>	<i>827</i>	<i>605</i>	<i>Remaining 390m proceeds collected in Feb-2018</i>
Liabilities				
Non-current	188	210	-23	Scheduled repayments of fixed rate loans
Current	541	523	18	Higher trade & oth. payables but less bank borrowings
Total Liabilities	729	734	-5	
<i>Incl. liabilities - Bank Borrowings</i>	<i>208</i>	<i>266</i>	<i>-58</i>	<i>Reduced trade loans and scheduled repayments</i>
Net Assets	3,815	2,758	1,057	
Equity				
Attributable to shareholders	3,657	2,613	1,044	Mainly gain on disposal of SHPSZ
Non-controlling interest	158	145	13	
Total Equity	3,815	2,758	1,057	
Gearing Ratio	5.4%	9.6%	-4.2%	
Net Cash (Cash&Dep. - Bank Borrowings)	1,224	561	663	Disp. proceeds less bank loans repayment & Capex
Current Ratio	6.0	4.2	1.8	

Profits & Earnings per Share 公司权益持有人应佔溢利及每股盈利

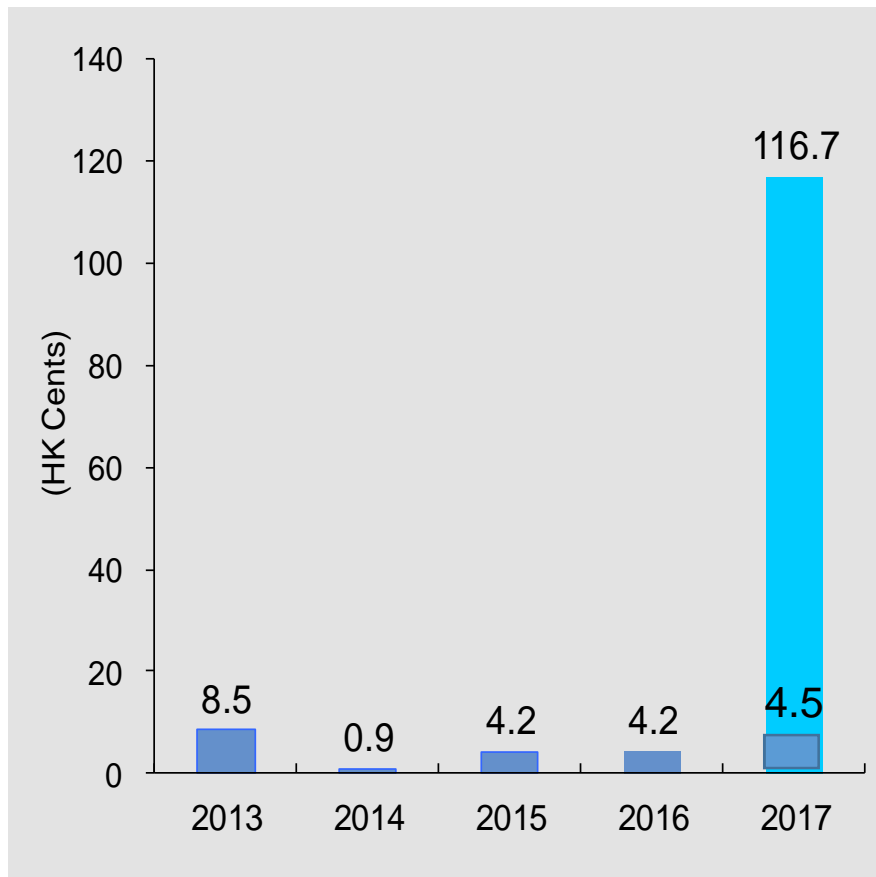
Earnings per share up over 27 times 每股盈利提升近27倍

Profits Attributable to Shareholders



Normal Core

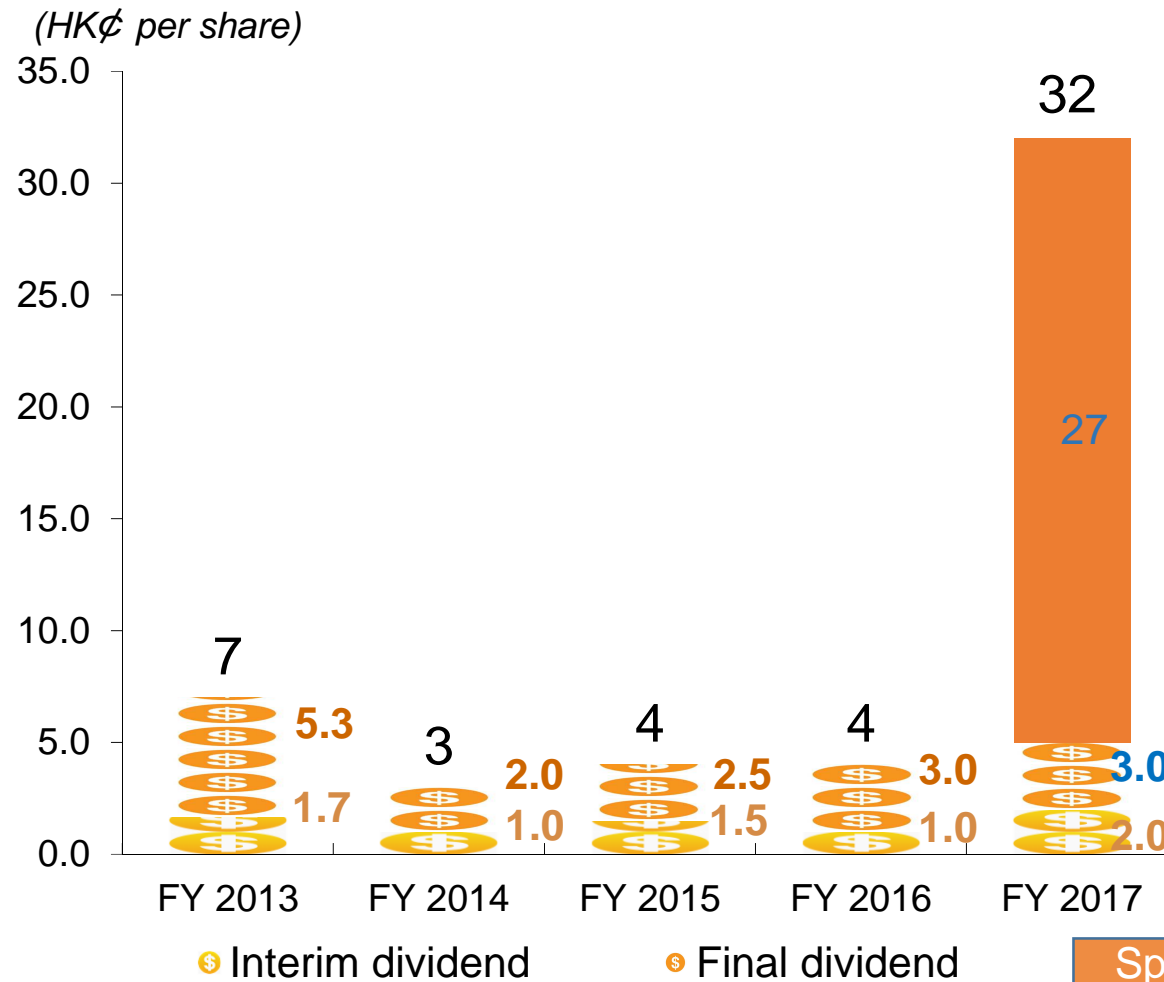
Basic EPS



Special gain from the disposal

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

Uplifting shareholders return short-term with special dividend 27 cents, and alluding to long-term enhanced dividend growth via continuous transformation and value creation



Commentary

- 2017 Dividends

Interim (paid)	2 cents
Final (proposed)	<u>3</u> cents
Total 2017 (YoY +25%)	<u>5</u> cents
Special (proposed)	<u>27</u> cents

- Payout ratios:

Normal Dividends	111 %
(¢5 / ¢4.5 core EPS)	
Special Dividends	24 %*
(¢27 / ¢[116.7-4.5] special EPS)	

***Remark:**
 Payout 24% is already higher than the previous communication of deploying 20% of the disposal gain for enhancement of shareholders return in the coming years

Hung Hing Printing Group Ltd. - 2017 Results 鸿兴印刷集团2017年度业绩

Proposed special dividend 27 cents & final dividend 3 cents to uplift shareholders return 建议派发末期股息3仙及特别股息27仙以提升股東回報

(Unit: HK\$ million / 单位: 港幣百萬元)	<u>Year 2017</u>	<u>Year 2016</u>
<ul style="list-style-type: none"> Group revenue growth 6.1% 集團營業額增长6.1% 	3,136	2,956
<ul style="list-style-type: none"> Operating profit significantly increased to over HK\$1.2 billion 經營溢利大幅提高至超过12亿港元 	1,207	66
<ul style="list-style-type: none"> Profit attributable to shareholders up over 27 times 股東應佔溢利激增近27倍 	1,050	38
<ul style="list-style-type: none"> Net cash increased to HK\$1,224 mil (excl. 390m in oth. rec.) 淨現金上升至12.24亿港元(未包其他应收3.9亿) 	1,224 (>1,600 if incl. 390 as other receivables)	561
<ul style="list-style-type: none"> Earnings per share up over 27 times 每股盈利提升近27倍 	HK 116.7 cents	HK 4.2 cents
<ul style="list-style-type: none"> 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25%至5仙 	Final: HK 3.0 cents Full Yr: HK 5.0 cents	Final: HK 3.0 cents Full Yr: HK 4.0 cents
<ul style="list-style-type: none"> Proposed special dividend HK\$ 27 (>20% disp. gain target) 擬派特別股息27仙(超过早前公告中提及的出售收益20%之目标) 	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



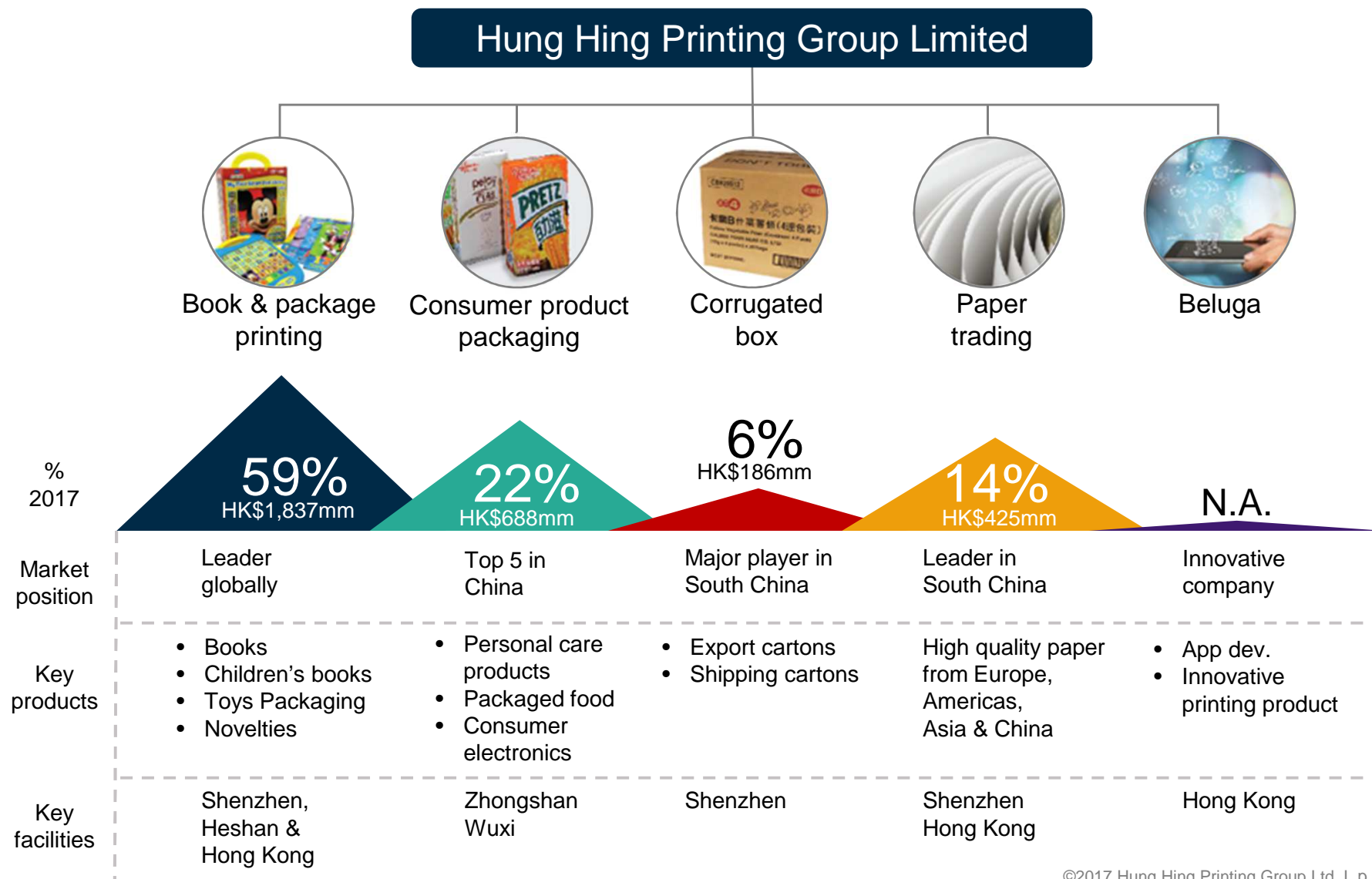
Disposed SZ: 寶安區福永街道鳳塘道

- 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

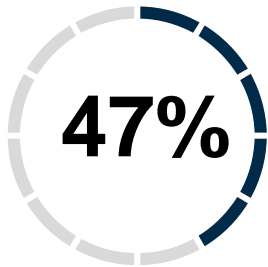


Segment breakdown

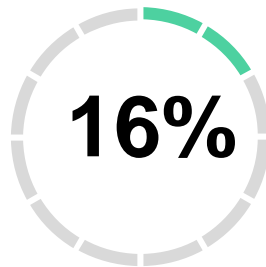
Books & Packaging Printing



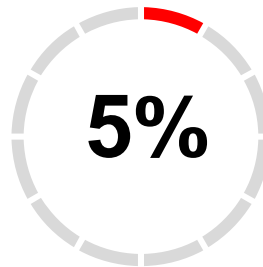
Children Books
& Novelty



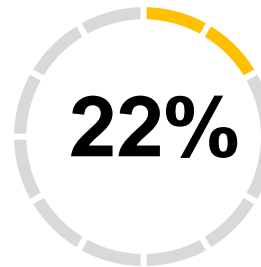
Conventional
Books



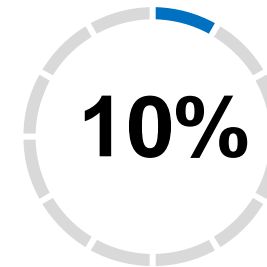
Deluxe
Packaging



Package
Printing



Greeting
Cards



Sales
Promotion



End-market usage

- International Publishers
- Premiums

- International Publishers
- Catalogue

- Brands

- Toy
- Electronic

- Greeting Card
- Stationary

- Brands
- Retailer

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

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
1994

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.

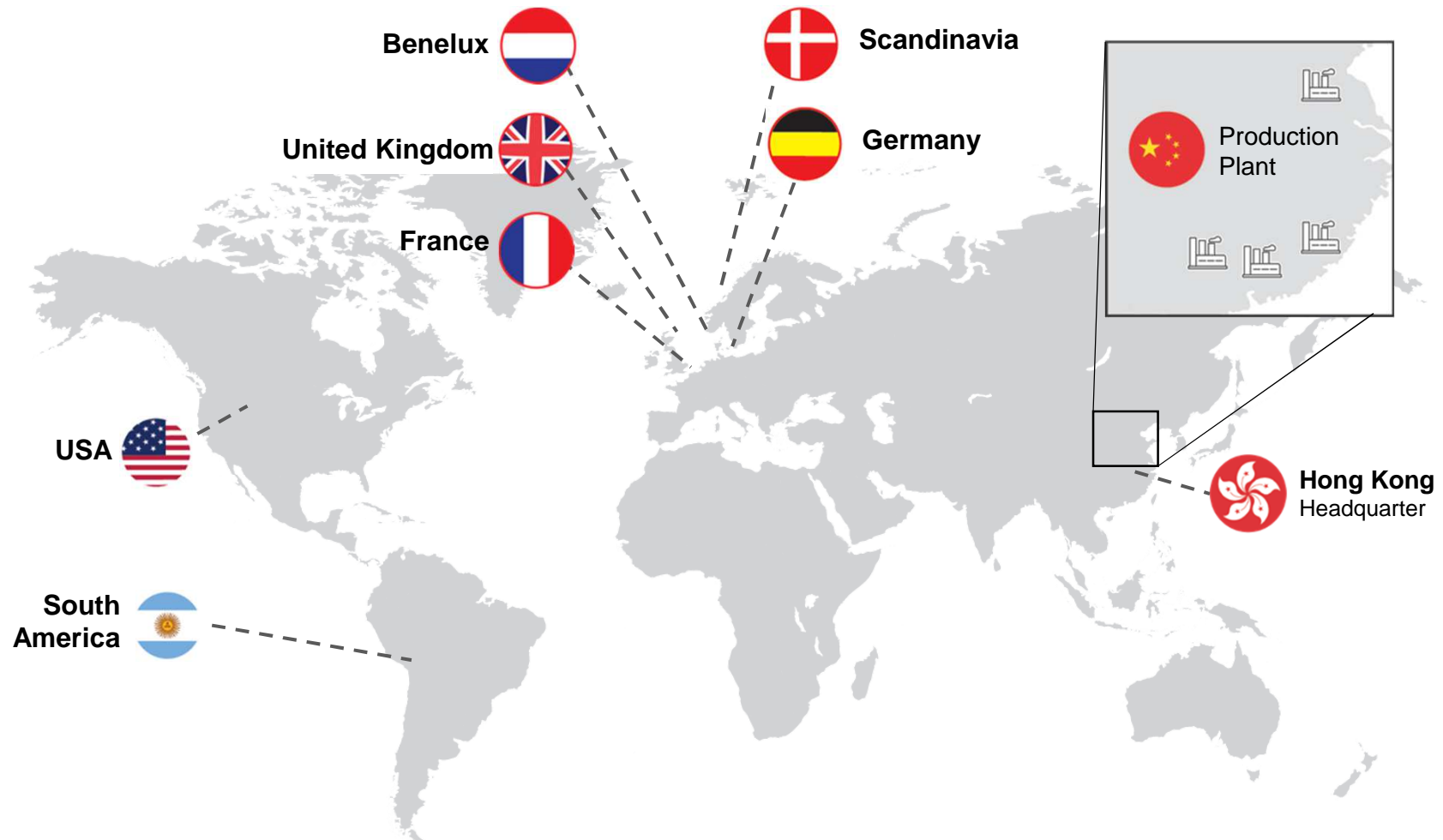
Established
2007

Heshan



Appendix: Our Global Presence

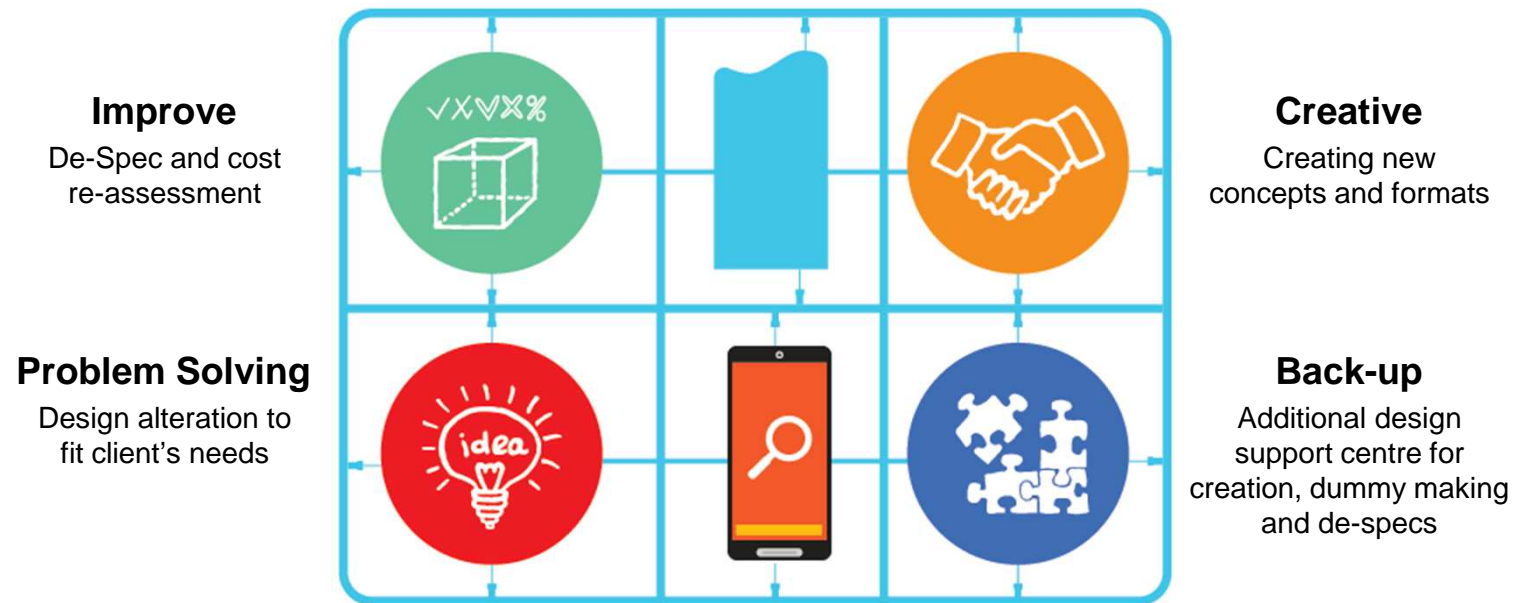
Sales Offices:



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.

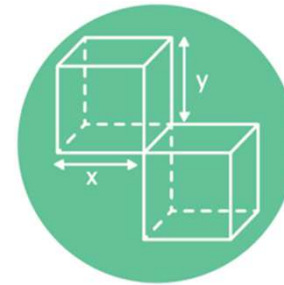
Hung Hing provides service



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.

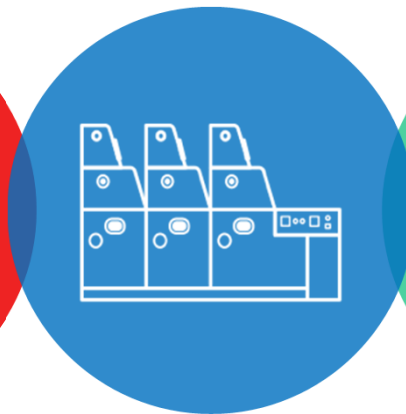


Customization &
Personalization
service

Capabilities overview



12000
Employees



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.

Green Manufacturing



Soy ink

Soy-based ink is more environmentally friendly, might provide more accurate colors, and makes it easier to recycle paper.

Clean Energy

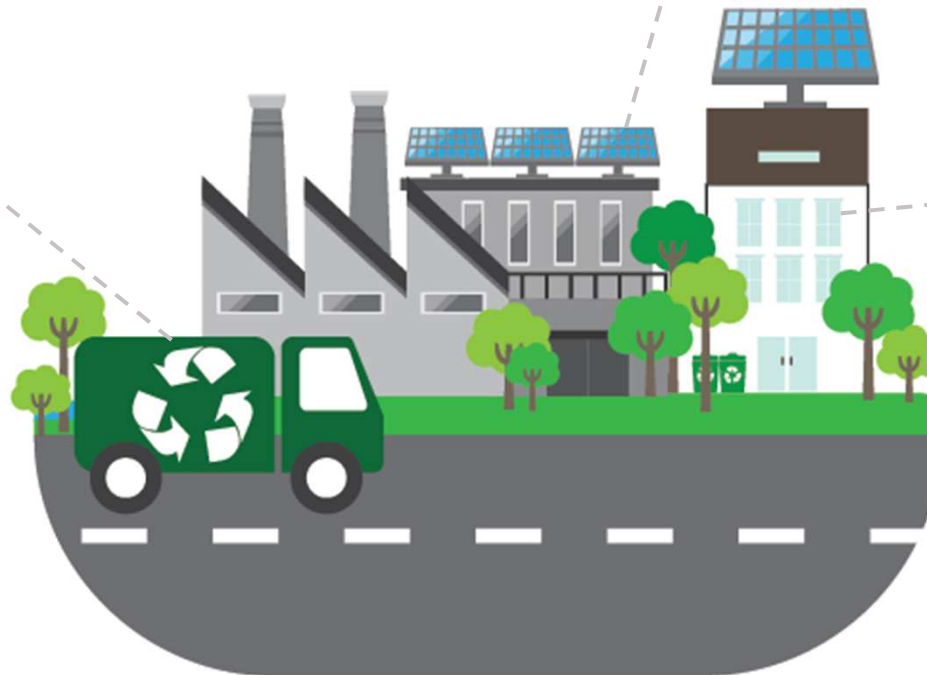
Solar energy is used to provide hot water supply to our dormitories.

Recycle

We recycle all waste materials such as paper, plastic packing materials, nylon straps, metal printing plates, etc.

Energy Efficiency

Replaced normal fluorescent light (T8 type) to energy saving type (T5 type)/ LED to save more energy.



We care about the environment



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



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



ISO14001
International Standard in
environmental management
system to minimize the
environmental impact and
look for continuous
improvement. Certified
since 2003.

In year 2017, we
consumed over 70,685
Tons FSC and PEFC certified
paper. High recycle content and
certified paper is over 91% of all
paper consumed in production.
We also recycled over 358 tons
and 703 tons of metal and
plastic waste respectively.



**BOCHK Corporate
Environmental Leadership
Awards**

We have participated the
program and received 3yr+ and
5yr+ EcoPioneer awards for
Heshan and
Shenzhen factory.



**China Environmental
Labelling**

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



We care about people



ICTI-Care

International Council of Toy Industries– Care program, an ethical standard adopted by toy industries worldwide



Caring Company

We participated in Caring Company program since 2006

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 other involvement.



Scholarship

We support students in their pursuit of knowledge



Promoting
Happiness
Index
Foundation
香港提升快樂指數基金

Happy Company

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



Fitness Challenge

We encourage employees to do exercise and take challenge



Reading corner

We have reading corner to let employees relax and enhance knowledge

People

We care about our products



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
12,000

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.