HUNG HING

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

Annual Results
2020

2020年業績簡報

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 Results 鴻興印刷集團2020年度業績

Profit Attributable to Shareholders increased over 44% to 109.4 mil.;
Despite Sales came off 17%, Net Cash* jumped 28% above 2019 to 1,238 mil.
股東應佔溢利增加超過44%至一億零九百四十萬元；
儘管營業額下調17**%** ，淨現金* 跳升28%至十二億三仟八百萬元。

(Unit: HK$ million / 单位: 港 幣 百 萬 元)	Year 2020	Year 2019
• Group revenue declined by 17.2% 集 團 營 業 額 下 調 1 7 . 2 %	2,554	3,084
• Gross profit margin 16.6% (down 0.4% pt. vs. 2019) 毛 利 率 1 6 . 6 %， 比 去 年 微 降 0 . 4 個 百 份 點	16.6%	17.0%
• Profit attributable to shareholders increased by 44.4% 股 東 應 佔 溢 利 增 加 百 份 之 4 4 . 4 %	109.4	75.8
• Net cash* < excl. bank borrowings but incl. struct. deps > 淨現金<扣除银行借贷但包括結構性存款>	1,238	965
• Earnings per share - basic 每 股 盈利 – 基本	HK 12.1 cents	HK 8.4 cents

Group Income Statement

Profit significantly increased, driven by: **a) operational improvements** (product innovation, workflow design, portfolio diversification, labor cost control via increased automation and prudent inventory management); and **b) one-off gains** including WX land resumption, fav. currency hedging and pandemic-related gov't support programs

(Unit: HK$ mil.)	2020	2019	Change vs. 2019		
Revenue	**2,554.0**	3,083.9	(529.9)	-17.2%	*1
Cost of sales	**(2,130.8)**	(2,558.3)	427.5	-16.7%	
Gross profit	**423.2**	525.6	(102.4)	-19.5%	
Gross Margin as % of Revenue	**16.6%**	17.0%	(0.5)	pt.	*2
Other revenue	**101.2**	47.7	53.5	112.2%	*3
Other net gain/(loss)	**77.3**	(21.2)	98.5	n/a	*4
Distribution costs	**(67.1)**	(78.1)	11.0	-14.1%	
Admin & selling exp. (incl. b/d prov.)	**(407.3)**	(379.9)	(27.4)	7.2%	*5
Operating profit	**127.3**	94.1	33.2	35.3%	
Finance costs	**(3.4)**	(5.7)	2.3	-40.4%	
Share of loss of associates	**(2.0)**	(0.3)	(1.7)	n/a	
Profit before income tax	**121.9**	88.1	33.8	38.4%	
Income tax	**(20.1)**	(19.8)	(0.3)	--	
Profit for the year	**101.8**	68.3	33.5	49.0%	
Attributable to:					
Equity shareholders of the Company	**109.4**	75.8	33.6	44.3%	
Non-controlling interests	**(7.6)**	(7.5)	(0.1)	1.3%	
Profit for the year	**101.8**	68.3	33.5	49.0%	
EPS attributable to shareholders	**HK cents**	HK cents	HK cents		
Basic	**12.1**	8.4	3.7	--	
Diluted	**12.1**	8.4	3.7	--	

For the year ended 31 Dec

Comment

*1. Business slowdown due to Covid-19 & geo-political tensions

*2. Oper. Improvements offset impact of sales decline and protected GP% margin level: *Product innovation, workflow design, portfolio diversification, labor cost control via increased automation, inventory mgt, etc.*

*3. Mainly pandemic-related gov't support programmes

*4. Mainly $57m gain related to WX land resumption, plus fav. forward & exch $31m

*5. Incl. one-off provisions $57m in 1H on trade / other receivables; offset by savings in selling exp $21m & admin exp. $9m

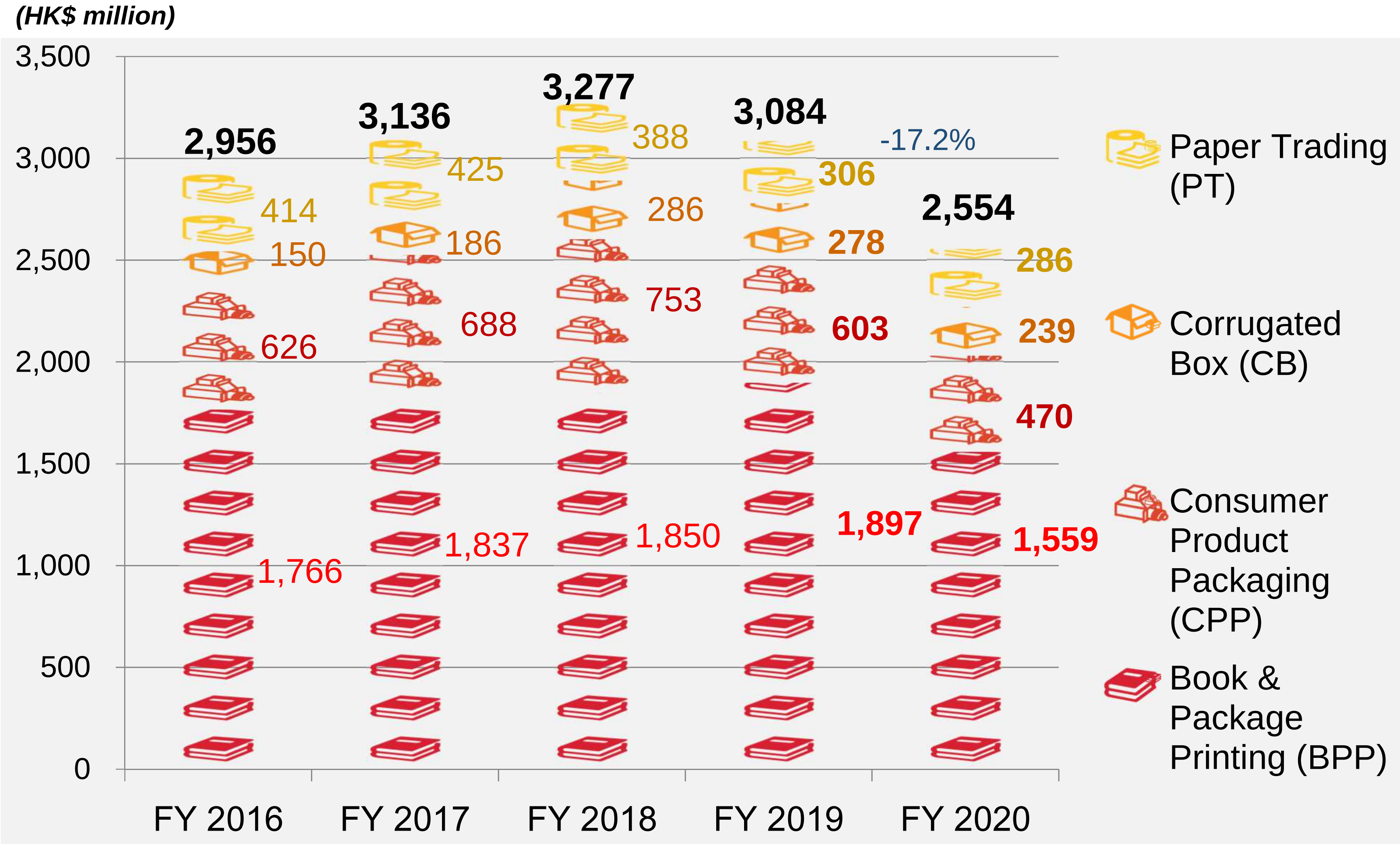
Robust financial position: Strong net cash and liquidity

Strong financial position with net cash increased over 28% to 1,238m (incl. structured deposits); allowing resources and providing flexibility to enhance shareholders' return and pursue growth / investment opportunities at the same time.

(HK$ million)	As at Dec 31 2020	2019	*Changes*	*Comment*
Assets				
Non-current	1,477	1,470	*7*	*Add'l/deposit +126m, Invest'm in Asso +12m, Exch/Translation +29m; Offset by Fair Val adj -20m (kikki.K equity) and Depre. -122m*
Current	2,663	2,452	*211*	*Mainly Structure Deposits +450m, Cash at bank -189m, Trade&Oth. Rec. -40m (incl. kikki.K write-down 57m), and inventory -9m*
Total Assets	4,140	3,922	*218*	
Incl. Cash & Bank, Time & Structured deposits	*1,359*	*1,098*	*261*	
Liabilities				
Non-current	174	100	*74*	*Mainly deposits from WX land resumption +117.6m (excl. disposal gain 56m recognized); and repayment of long-term bank loans -46m*
Current	578	494	*84*	*Trade payables +31m; S-T bank borrowings +33m; and misc. accruals +20m (incl. adj'm of social benefits / housing fund accrual)*
Total Liabilities	752	594	*158*	
Incl. liabilities - Bank Borrowings	*121*	*134*	*-13*	*Scheduled repayment of fixed rate term-loans and trade facilities*
Net Assets	3,388	3,328	*60*	
Equity				
Attributable to shareholders	3,238	3,178	*60*	*Primarily net profits +109m; translation gain +56m; dividends paid -91m; and add'l Impairment of equity investment -20m (kikki.K)*
Non-controlling interest	150	150	*0*	
Total Equity	3,388	3,328	*60*	
Gearing Ratio	3.6%	4.0%	*-0.5%*	
Net Cash (Net-off Bank Borrowings but incl. Structured Deposits)	1,238	964	*274*	
Current Ratio	4.6	5.0	*(0.4)*	

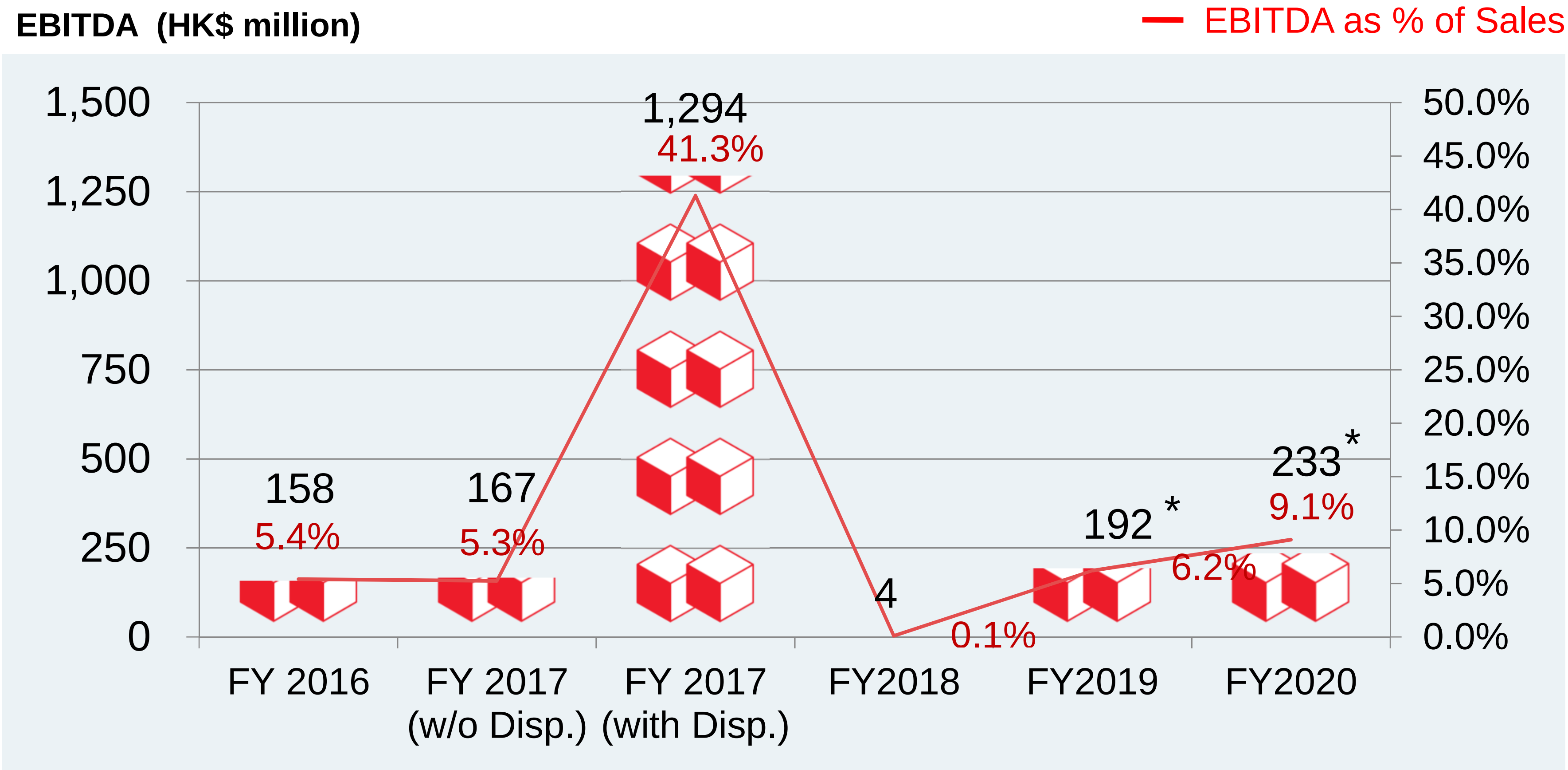
Sales Revenue - External Customers

2020 Overall Sales -17.2%: BPP -17.8% / CPP -22.0% / CB -14.0% / PT -6.6%



Group EBITDA

EBITDA jumped up to **233mil.** with margin as % of Sales pushed up to **9.1%**. Key Drivers: **a) operational improvements**; and **b) one-off gains** including WX land resumption, favorable currency hedging and pandemic-related gov't support programs



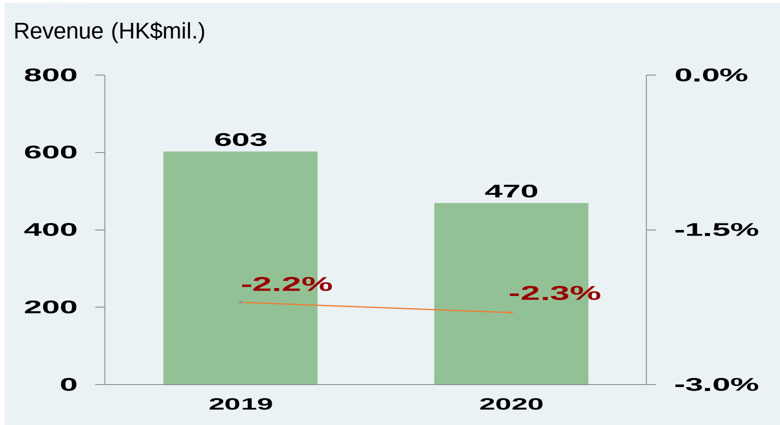
* HKFRS 16 on Lease applied since 2019. For valid comparison with historical results: 2020 & 2019 EBITDA would be restated to HK$219.4m (8.6% of sales) and HK$178.5m (5.8% of sales) respectively if depreciation and interest expenses under HKFRS 16 was not applied.

Operational improvements were in place to counteract, but margins of all 4 BUs were suppressed by the impact of Covid-19 & geo-political tensions.

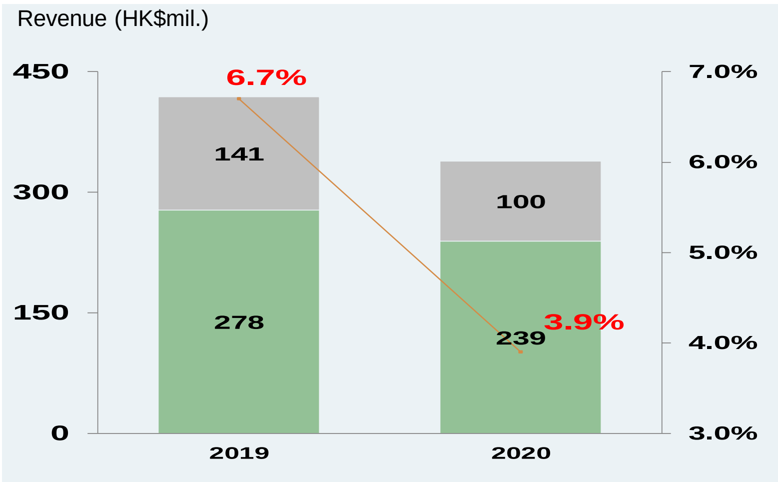
Segment revenue & profit contribution%

Books and Package Printing (BPP)

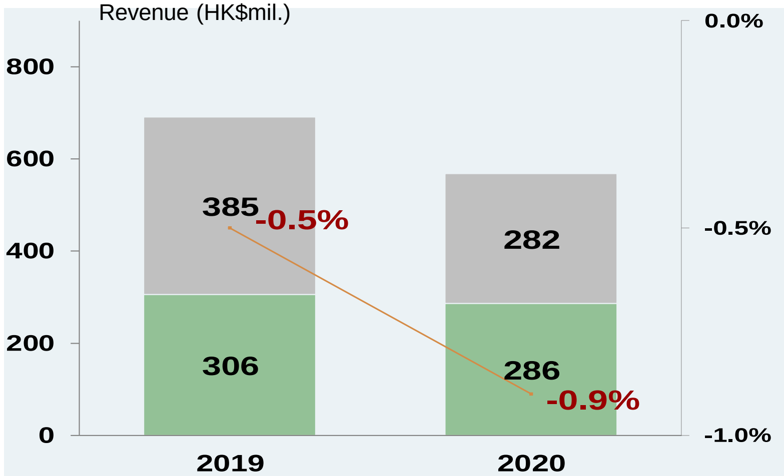
Consumer Product Packaging (CPP)



Corrugated Box (CB)



Paper Trading (PT)



External Revenue | Intersegment Revenue | Segment profit contribution(%)

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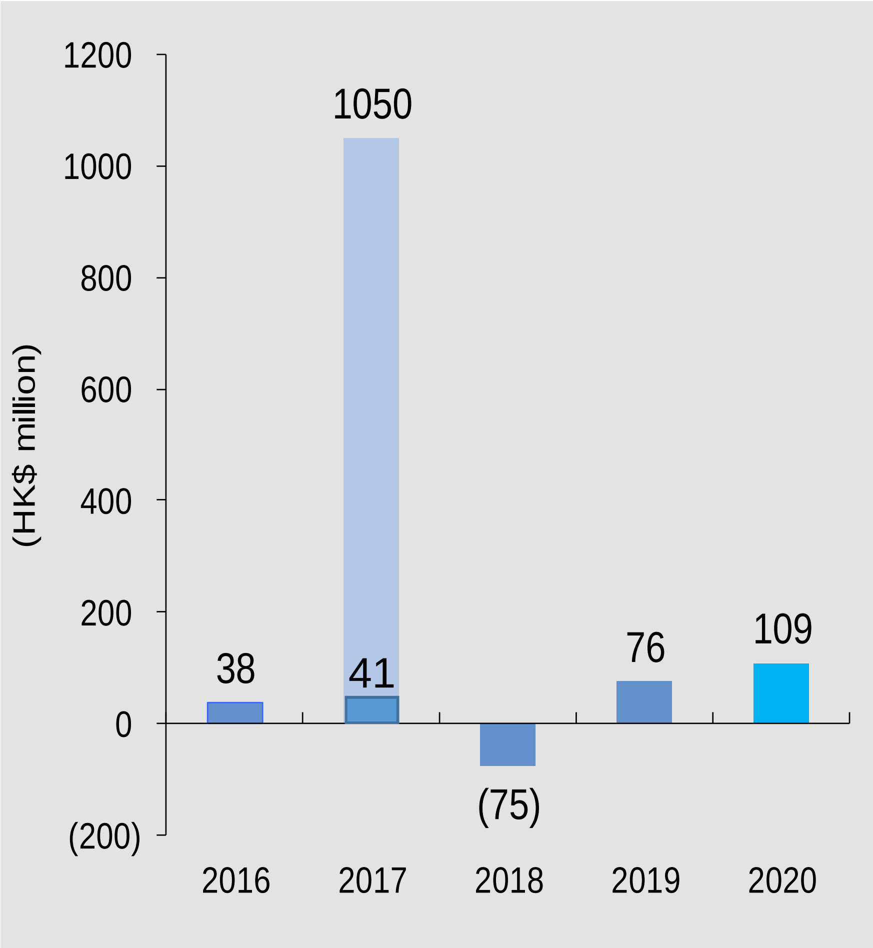
Hung Hing Printing Group Limited

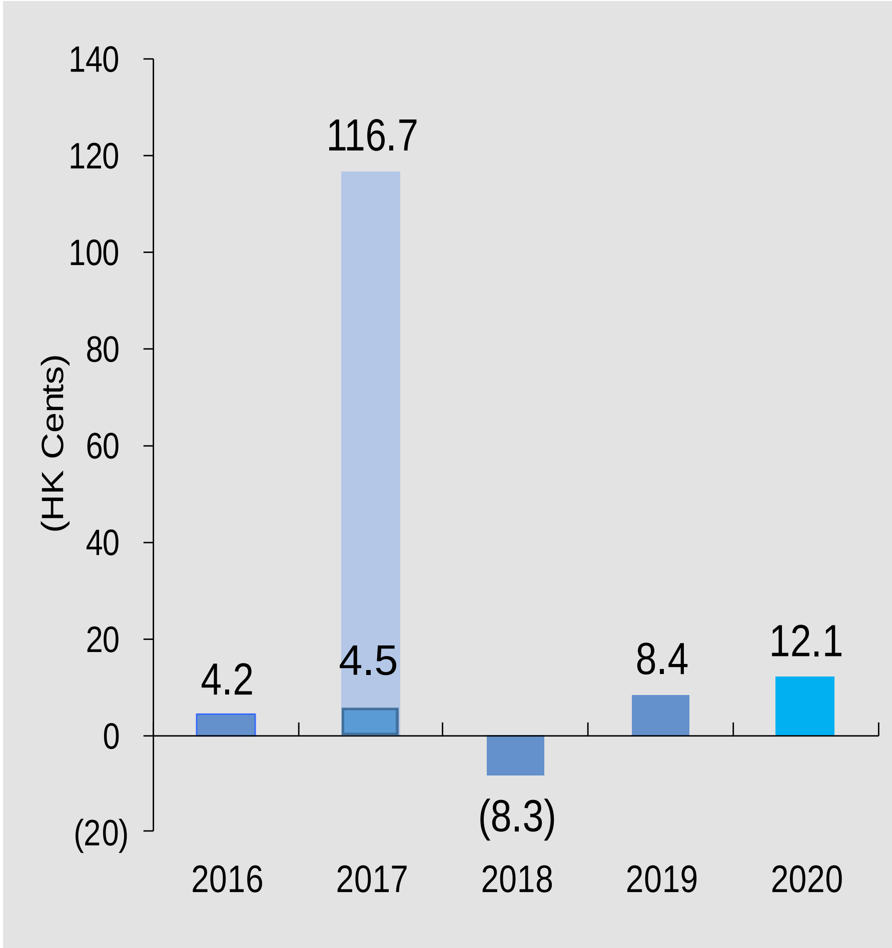
Proposed Final & Special Dividends

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)

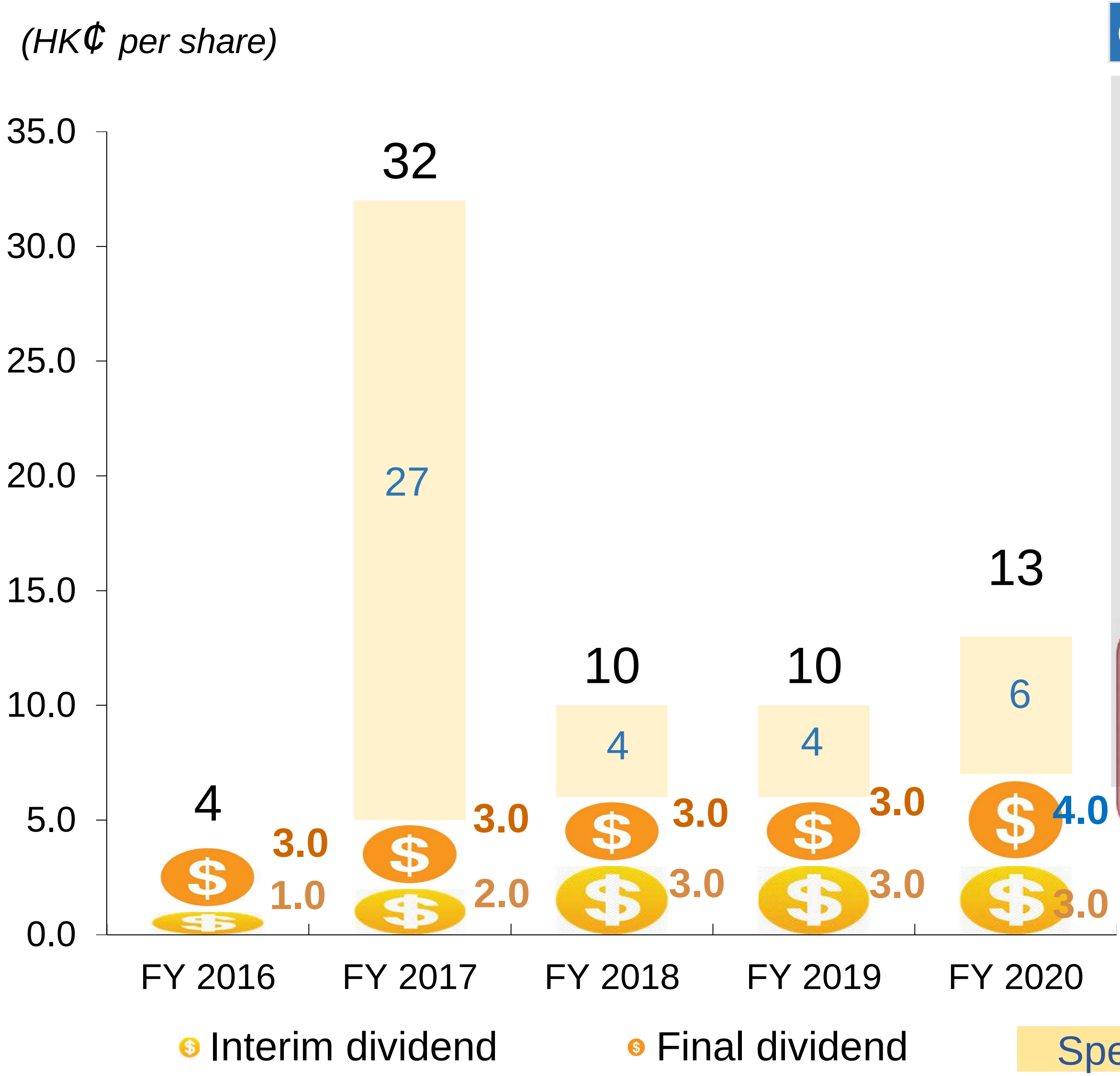


Normal Core

Special gain from the disposal

Proposed Final & Special Dividends for 2020

(With the slightly amended policy, see next page, the Board deliberates and decides to approve the proposed pay out as follows)



Commentary

- Proposed to increase total "Final + Special" dividends by HK¢ 3 (+43% vs. PY) to HK¢ 10, and uplift shareholders' return.
- Despite economic uncertainties, we are cautiously optimistic about sustaining a solid business performance in 2021.
- Provide progressive increment to pursue the dividend policy of "offering the utmost in rewarding shareholders", taking into account:
  - i. Strong financial and retained distributable reserves positions
  - ii. Latest business outlook
  - iii. Progress of WX land receipts

Proposal:

Board resolved to approve the final and special dividend of HK¢ 4 and HK¢ 6 respectively. Total 2020 dividends will increase by +30% to HK¢ 13 compared to 2019.

Hung Hing Printing Group Ltd. - 2020 Results 鸿兴印刷集团2020年度业绩

Proposed final dividend 4 cents and Special dividend 6 cents
建议派发末期股息4仙及特别股息6仙

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• Profit attributable to shareholders 股東應佔溢利	109.4	75.8
• Net cash < excl. bank borrowings but incl. struct. deps > 淨現金<扣除银行借贷>	1,238	965
• Earnings per share - basic 每股盈利 – 基本	HK 12.1 cents	HK 8.4 cents
• Proposed final and full year dividends (excl. special div.) 擬派末期股息4仙;全年普通股息7仙	Final: HK 4 cents; +33% Full Yr: HK 7 cents; +17%	Final: HK 3 cents Full Yr: HK 6 cents
• Proposed special dividend HK₵ 6 擬派特別股息6仙	Spec: HK 6 cents; +50%	Spec: HK 4 cents
• Proposed full year total dividend HK₵ 13 全年擬派(普通+特別)總股息13仙;	Total: HK 13 cents; +30%	Total: HK 10 cents

HUNG HING

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Hung Hing Printing Group Limited

Appendices

Business Structure

Hung Hing Printing Group Limited

	Book & package printing	Consumer product packaging	Corrugated box	Paper trading	Beluga
					
% 2020	61% HK$1,559mm	19% HK$470mm	9% HK$239mm	11% HK$286mm	N.A.
Market position	Leader globally	Top 5 in China	Major player in South China	Leader in South China	Innovative company
Key products	• Books • Children's books • Toys Packaging • Novelties	• Personal care products • Packaged food • Consumer electronics	• Export cartons • Shipping cartons	High quality paper from Europe, Americas, Asia & China	• App dev. • Innovative printing product
Key facilities	Shenzhen, Heshan, HK and Vietnam	Zhongshan Wuxi	Shenzhen Shunde	Shenzhen Hong Kong	Hong Kong

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.

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.

Zhongshan

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

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.

Heshan

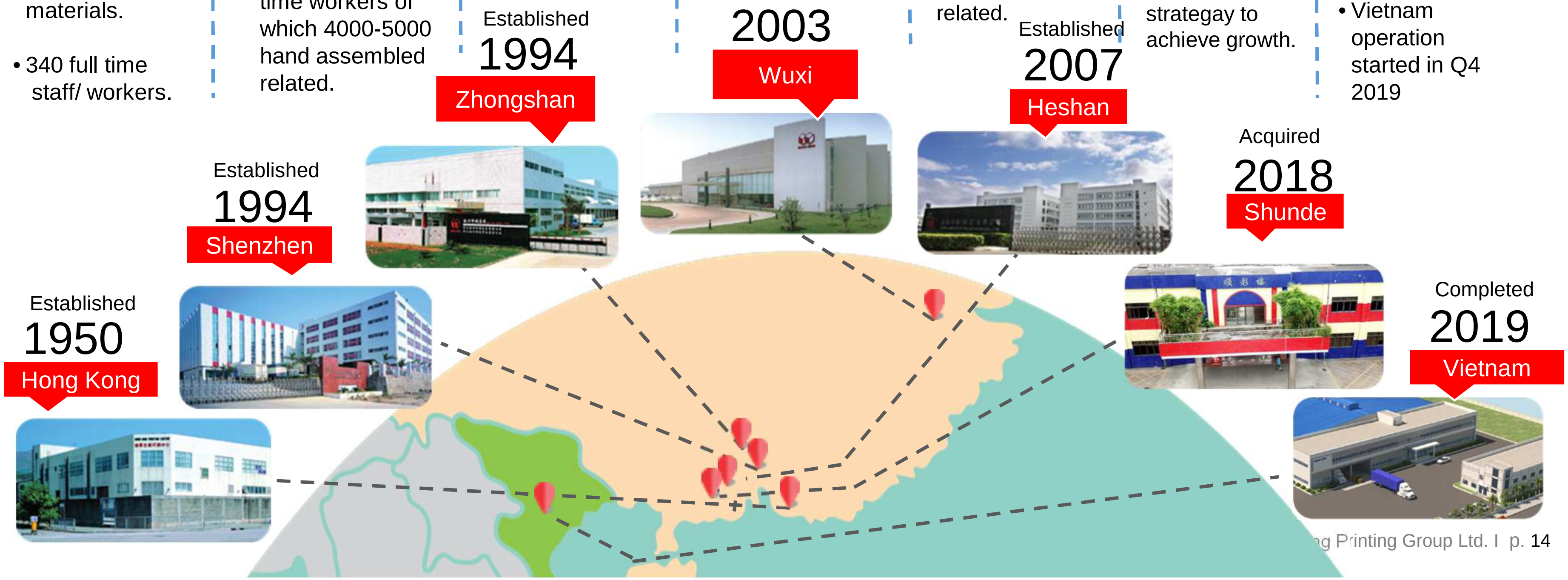
- Established in 2007 for printing children's and conventional books.
- Awarded ISO9001; ISO 14001; ICTI-COBP & BRC/IOP certifications; M&S Eco-factory.
- 2500-4000 full time workers of which 1600- 2900 hand assembled related.

Shunde

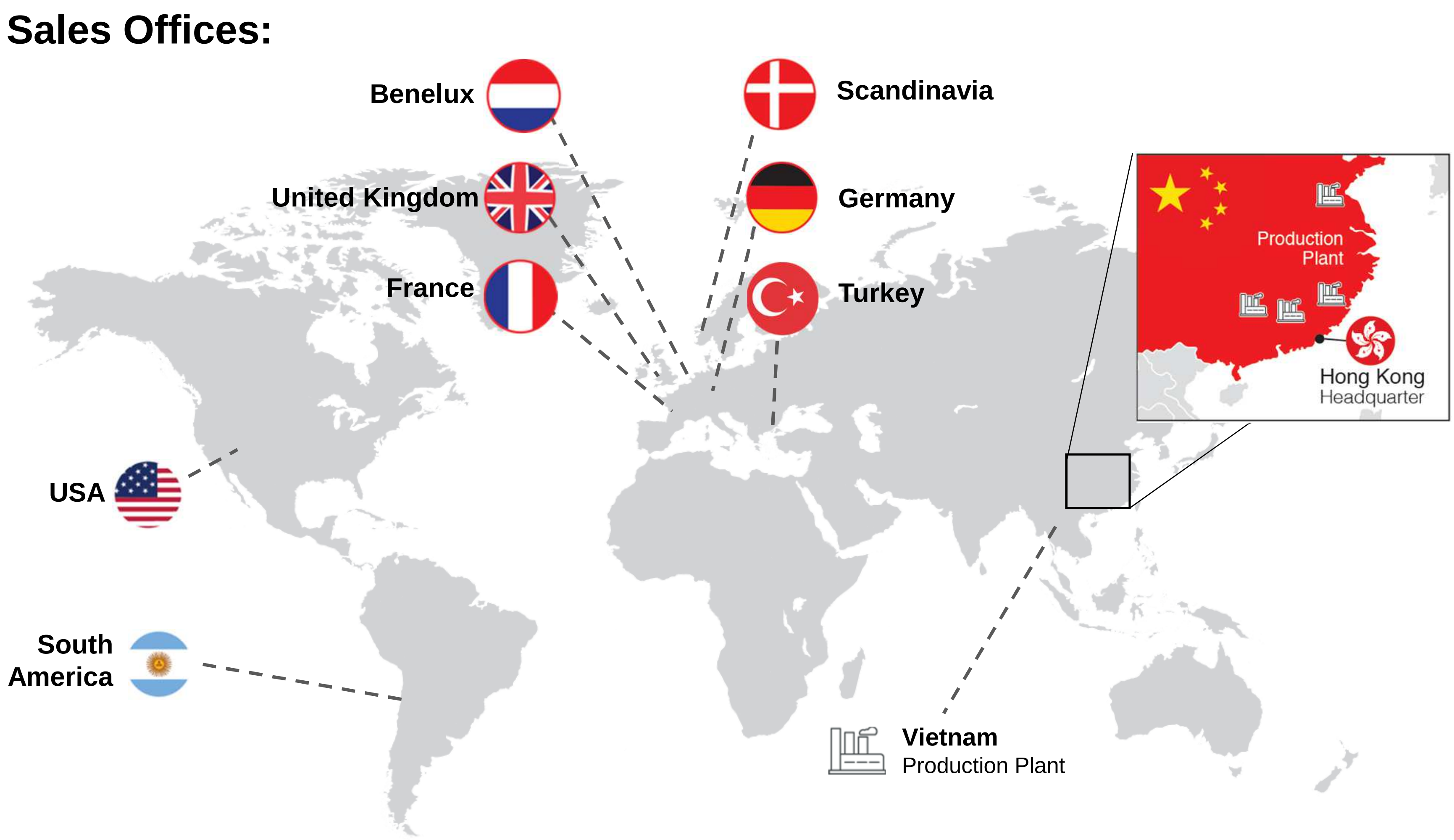
- Printing and manufacturing of folding cartons, litho lam and corrugated containers.
- A strong market position in the production of corrugated cases.
- Mult-location network strategay to achieve growth.

Vietnam

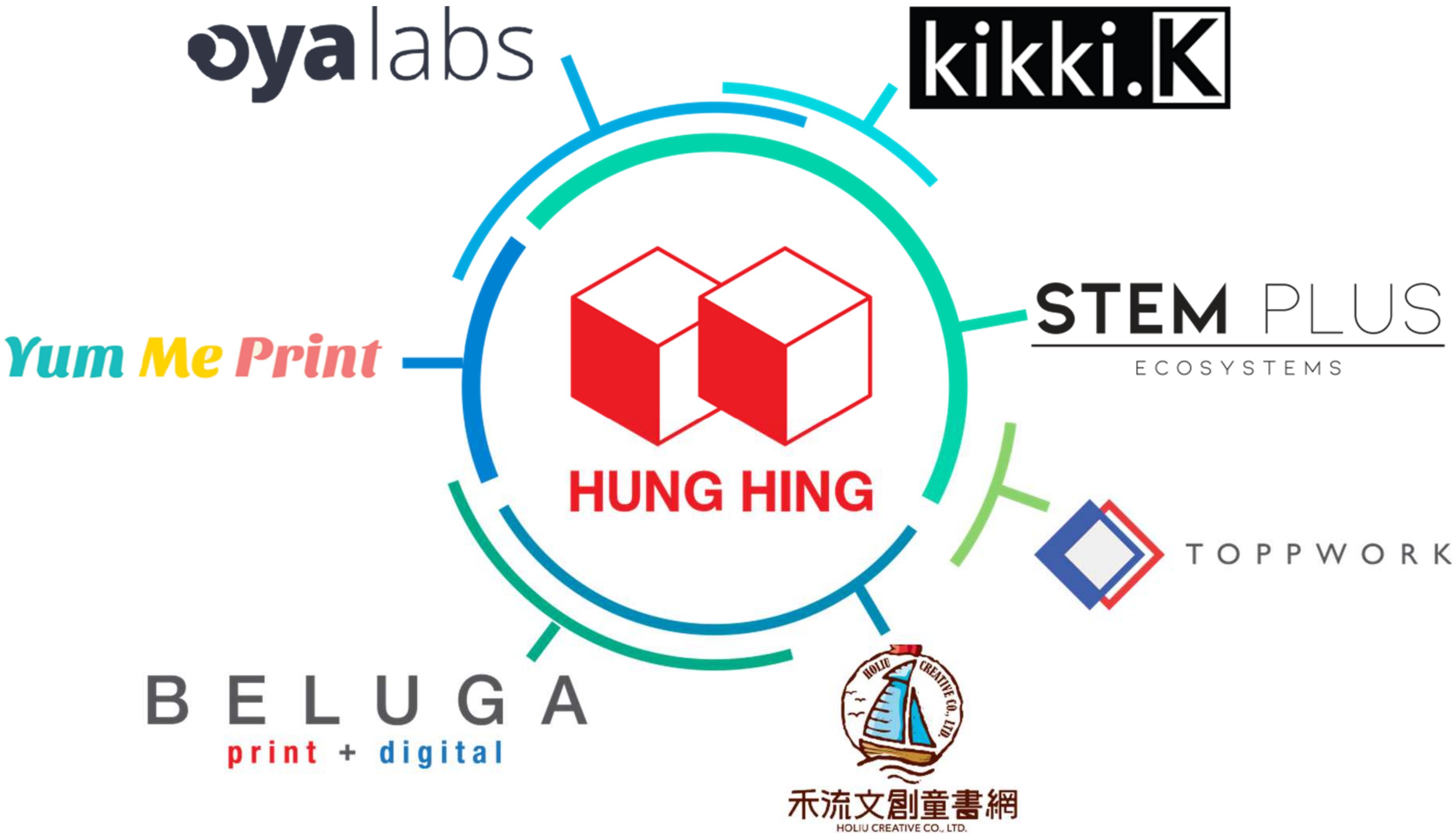
- Land area 35,000sq. Meter
- Factory + office 20,000sq. Meter
- Factory is under construction since April 1, 2019
- Vietnam operation started in Q4 2019



Our Global Presence



Strategic Investments



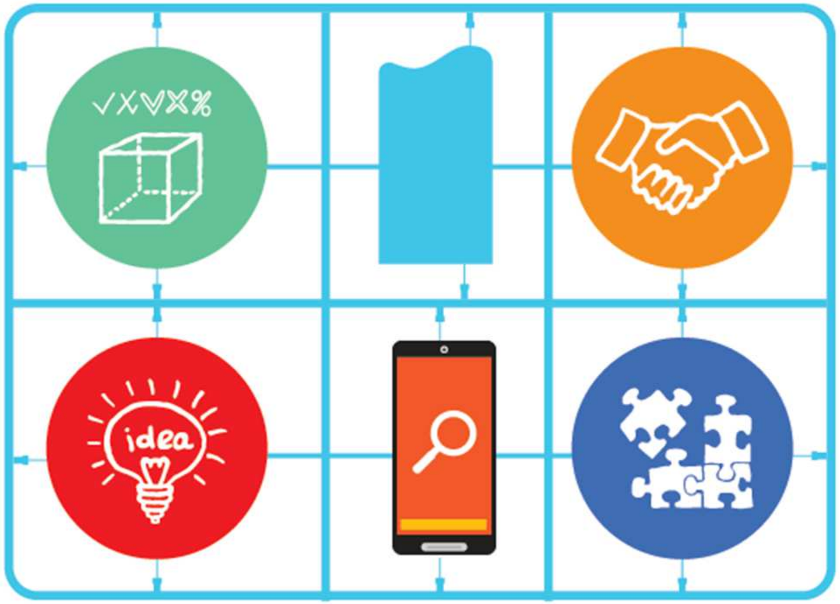
Innovation Hub at HH

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.

BELUGA
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

Environmental & Social Care

We care about the environment

In year 2018, we consumed over *55,100 Tons FSC and PEFC* certified paper. High recycle content and certified paper is *over 94%* of all paper consumed in production.

We also recycled over *286* tons of metal, *632* tons of plastic and *1,016* tons of wood. Committed to Install ***200kWp solar panel .***

PEFC

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

FSC

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

ISO14001

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

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

We care about our employees, customers and community , our factories have accredited different ethical standards.

We encourage employees to have better <u>work life balance</u> and contribute to community through <u>donation, sponsor scholarship</u> and <u>voluntary works.</u>

ICTI-Care

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

Happy Company

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

Caring Company

We participated in Caring Company program since 2006

Scholarship

We support students in their pursue of knowledge

HUNG HING

We care about our products

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*

EN71

European toy safety standard

EN 71

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)

REACH
Registration
Evaluation
Authorisation and
Restriction of Chemicals

Rohs

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

ASTMF963

US toy safety standard

GSV

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

GMI

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

PSA

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

BRC

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

SCAN

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

HUNG HING

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.

Stock code: 0450

1992
Listed on the Stock Exchange of Hong Kong.

1994
Established the print and packaging plant in Shenzhen, China.

1994
Established the print and packaging plant in Zhongshan, China.

2000
Established a new plant in Shenzhen for children's book printing.

2003
Established a new printing plant in Wuxi.

2004
Established the logistics warehouse in Shenzhen, China. As well as a new plant in Zhongshan, China.

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

2018
2^{nd} 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

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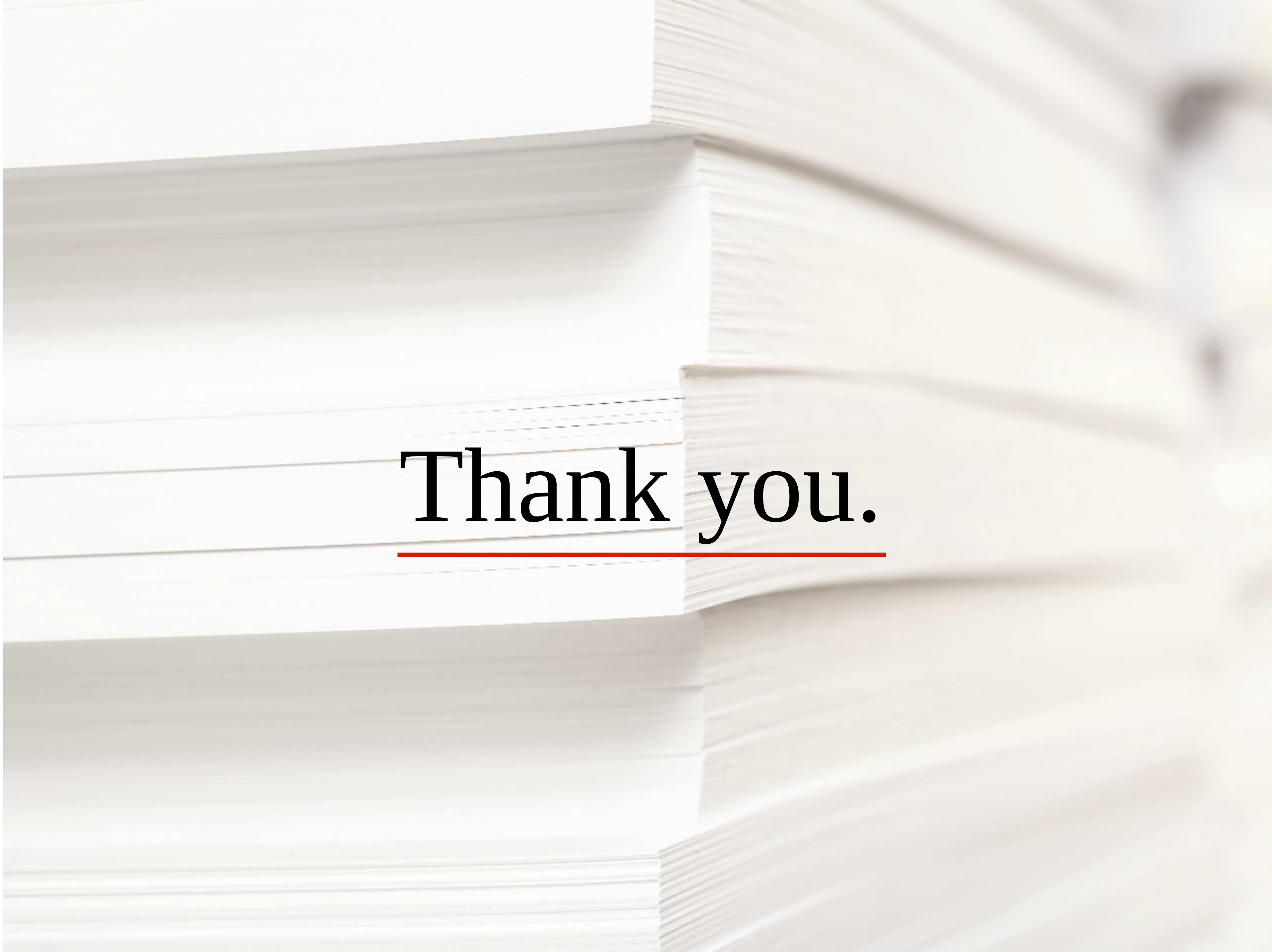
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