



鴻興印刷集團有限公司

Hung Hing Printing Group Limited

Interim Results

6 months ended 30 Jun 2021

中期業績簡報

截至2021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. - 2021 Interim Results

鴻興印刷集團2021年度中期業績

Profit attributable to shareholders jumped +650% to 36.4 mil.

Sales increased significantly by +36.6% to 1,501 mil.

股東應佔溢利增加 650% 至 36.4百萬元; 營業額上升 36.6% 至 15.01 億元

(Unit: HK\$ million / 單位: 港幣百萬元)	<u>1H 2021</u>	<u>1H 2020</u>
<ul style="list-style-type: none"> Group revenue increased by 36.6% 集團營業額上升 36.6% 	1,501	1,099
<ul style="list-style-type: none"> Gross profit margin to 14.1% (down 1.6% pt. vs. 2020) 毛利率下調至 14.1%，比上期間減少 1.6 個百分點 	14.1%	15.7%
<ul style="list-style-type: none"> Profit attributable to shareholders increased by 650% 股東應佔溢利增加百分之 650% 	36.4	4.9
<ul style="list-style-type: none"> Net cash (excl. bank borrowings) 淨現金(扣除銀行借貸) Ref: Total cash + all deposits 現金及各類存款 	523 1,021	999 1,255
<ul style="list-style-type: none"> Earnings per share - basic 每股盈利 – 基本 	HK 4.0 cents	HK 0.5 cent

Group Income Statement - 2021 Interim Results

- Gross margin down by 1.6% pt.; mainly due to abrupt paper price inflations, order mix (manual work intensive) and RMB appreciation brought pressure to production costs
- Profit increased significantly to 36.7 mil. tally with robust sales growth of +36.6%

(Unit: HK\$ mil.)	For the six months period ended 30 Jun				Comment
	2021 (Unaudited)	2020 (Unaudited)	Change vs. 2020		
Revenue	1,501.0	1,098.7	402.3	36.6%	*1
Cost of sales	(1,289.3)	(926.6)	(362.7)	39.1%	
Gross profit	211.7	172.1	39.6	23.0%	
Gross Margin as % of Revenue	14.1%	15.7%	(1.6)	pt.	*2
Other revenue	27.3	33.9	(6.6)	-19.5%	*3
Other net gain/(loss)	15.5	45.3	(29.8)	-65.8%	*4
Distribution costs	(36.8)	(26.3)	(10.5)	39.9%	
Admin & selling exp. (incl. b/d prov.)	(171.3)	(219.3)	48.0	-21.9%	*5
Operating profit	46.4	5.7	40.7	714.0%	
Finance costs	(1.2)	(2.0)	0.8	-40.0%	
Share of profits & losses of associates	1.2	0.0	1.2	--	
Profit before income tax	46.4	3.7	42.7	1150.7%	
Income tax	(9.7)	(1.3)	(8.4)	--	
Profit for the period	36.7	2.4	34.3	1454.4%	
Attributable to:					
Equity shareholders of the Company	36.4	4.9	31.5	649.3%	
Non-controlling interests	0.3	(2.4)	2.7	n/a	
Profit for the period	36.7	2.4	34.3	1417.2%	
	HK cents	HK cents	HK cents		
Basic EPS attr. to shareholders, HK Cents	4.0	0.5	3.5	700.0%	
Diluted	4.0	0.5	3.5	700.0%	

*1. Global economies return to growth; substantial increase in sales across both domestic & export markets

*2. Paper supply / price fluctuations, order mix (manual work intensive) and appreciation of RMB brought pressure to production costs

*3. Primarily lower interests income 5.6m in 1H2021; but more than compensated by returns from increased structure deposits (see below)

*4. Favourable exchange & forward hedging performance 23m and higher returns by 6m from increased structure deposits in 1H2021, but absence of 58m gains from partial recognition of WX land resumption in 1H2020.

*5. Mainly impairment of receivables 56m related to kikki.K in 1H2020.

Financial position: 2021 Interim

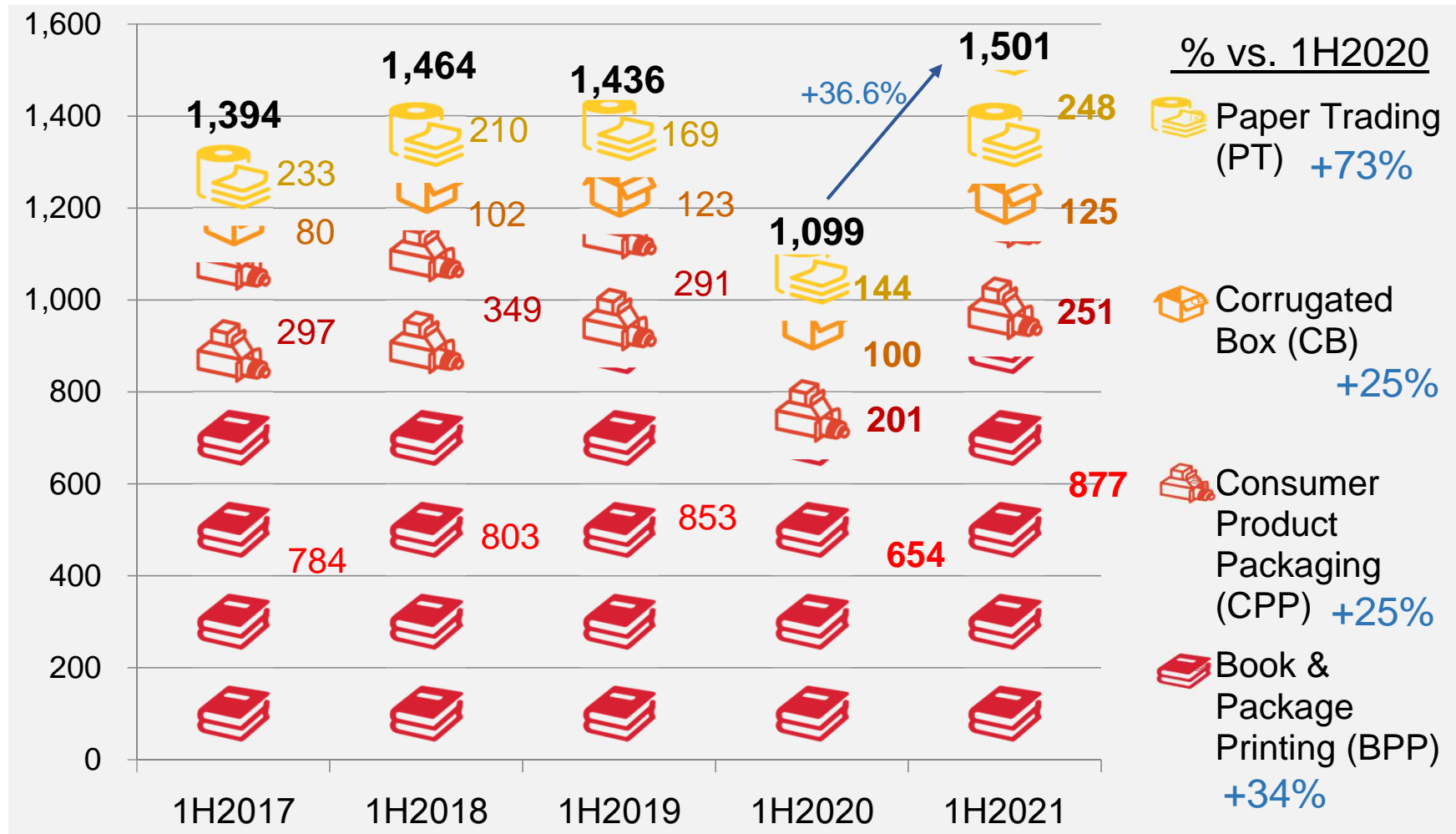
Strong financial position with net cash 898m (incl. 375m structured deposits) and low gearing 3.7% despite challenging market conditions; Propose to uplift interim dividend by 33% to HK 4 cents, reflecting confidence to maximize shareholder return in line with dividend policy

(HK\$ million)	Jun 30 2021	Jun 30 2020	Dec 31 2020	vs. Dec-20	Comment (vs. Dec-20)
Assets					
Non-current	1,499	1,417	1,477	22	Capex 69m and capitalised leases 12m; offset partly by depreciation & amortization 63m in 1H/2021
Current	2,853	2,452	2,663	190	Higher inventory & trade receivables due to shipments delay (worldwide logistics hindrance); and deposits to secure favourable paper supply
Total Assets	4,352	3,869	4,140	212	
<i>Incl. Cash & Bank, Time & Structured Deposits</i>	1,021	1,255	1,359	(338)	Mainly capex, dividends, working capital (shipments delay), and deposits for paper supply; offset partly by WX progress payment received (79m)
Liabilities					
Non-current	281	189	174	107	WX land progress payment up +79m vs. year beginning (book balance 197m), plus term-loan from banks 26m
Current	736	451	578	158	Primarily higher trade payables 187m driven by increased production activities; but reduced short-term bank borrowing 24m
Total Liabilities	1,017	640	752	265	
<i>Incl. Bank Borrowings</i>	123	126	121	2	Replenished term-loans and adjusted bank facilities usage as needed
Net Assets	3,335	3,229	3,388	(53)	
Equity					
Attributable to shareholders	3,184	3,084	3,238	(54)	Interim profits +36m; and dividends paid -91m
Non-controlling interest	151	145	150	1	
Total Equity	3,335	3,229	3,388	(53)	
Gearing Ratio	3.7%	3.9%	3.6%	0.1%	
<i>Net Cash (Net-off Bank Borrowings)</i>	898	1,129	1,238	(340)	Net cash 898m includes 375m structured deposits but excludes 123m bank borrowings
Current Ratio	3.9	5.4	4.6	(0.7)	

Sales Revenue - 2021 Interim (External Customers)

Sales improved across all segments; Overall +36.6% growth vs. 1H/2020

(HK\$ million, Six-month period)

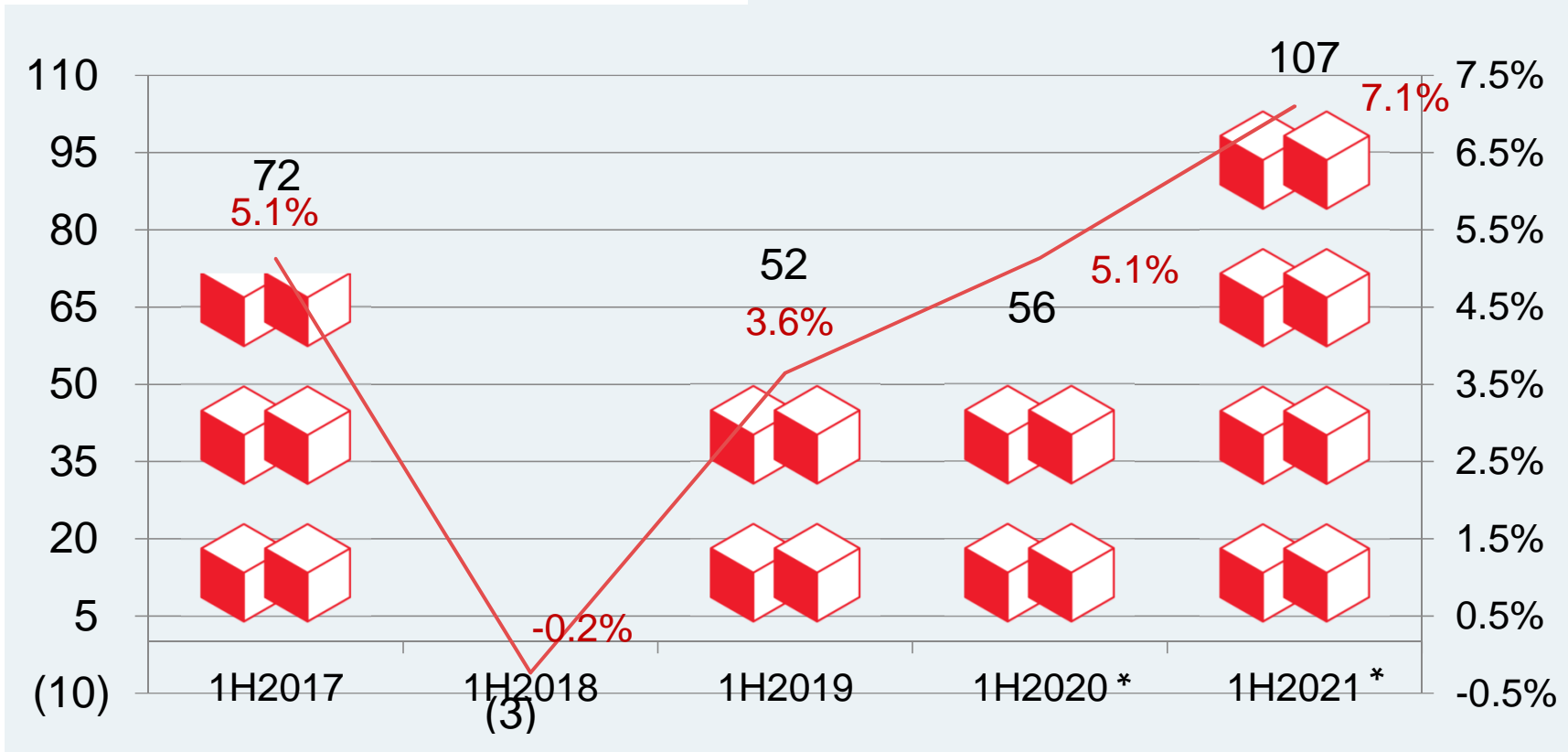


Group EBITDA - 2021 Interim

EBITDA almost doubled to 107mil driven by robust export revenue growth, contribution of paper trading and paper sourcing support under exceptional market conditions, and favorable exchange / forward hedging performance

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

— EBITDA as % of Sales

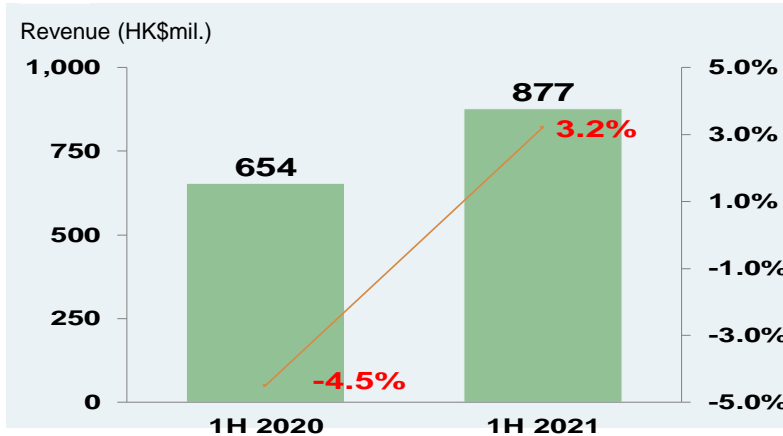


* For valid comparison with prior years, 2021 & 2020 EBITDA would be restated to HK\$100.5m (6.7% of sales) and HK\$49.6m (4.5% of sales) if depre. / amort. (2021: HK\$6.2m; 2020: HK\$6.7m) & interest exp. (2021: HK\$0.2m; 2020: HK\$0.2m) under HKFRS 16 are not applied since 2019.

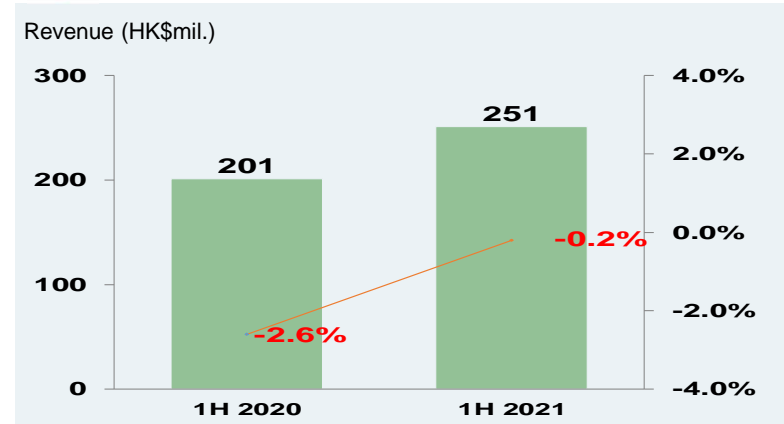
Segment revenue & profit contribution% - 2021 Interim

All segments reported significant Sales growth and Profit Contribution improvement

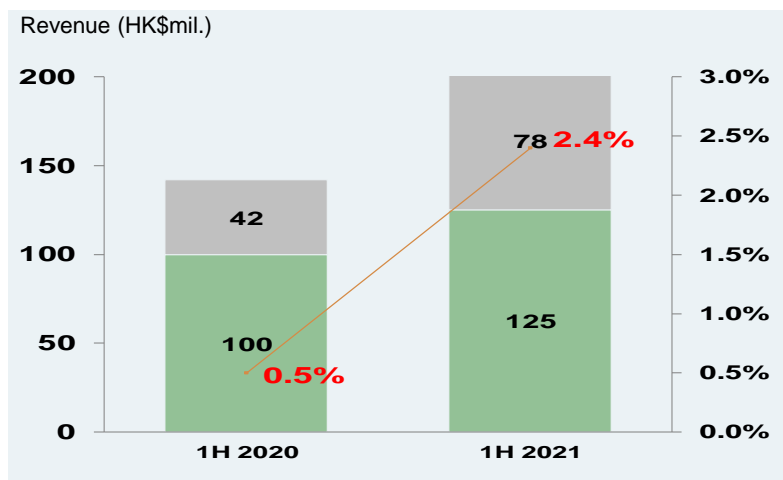
Books and Package Printing (BPP)



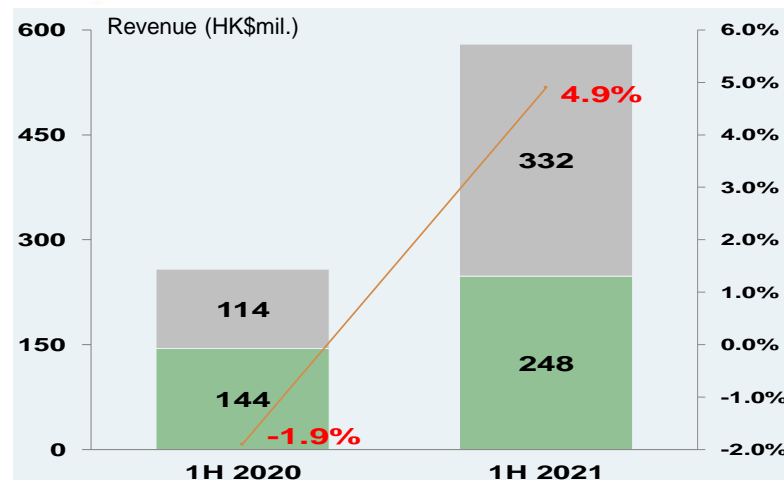
Consumer Product Packaging (CPP)



Corrugated Box (CB)



Paper Trading (PT)



■ External Revenue

■ Intersegment Revenue

— Segment profit contribution(%)

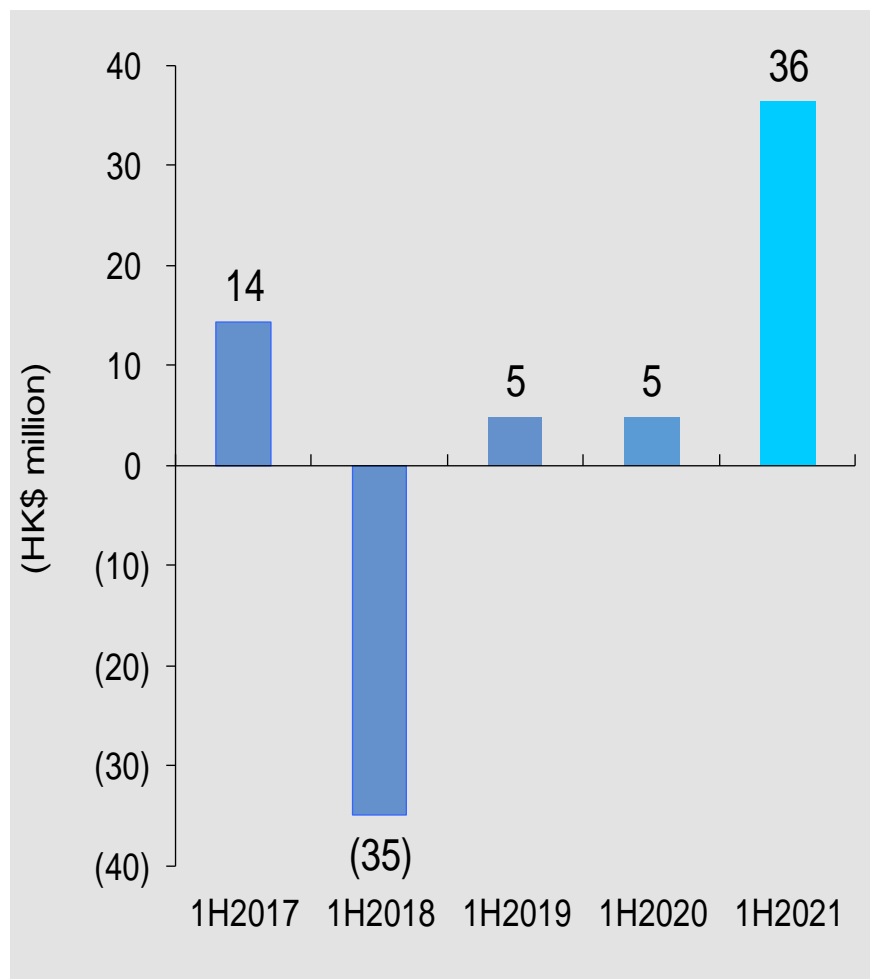


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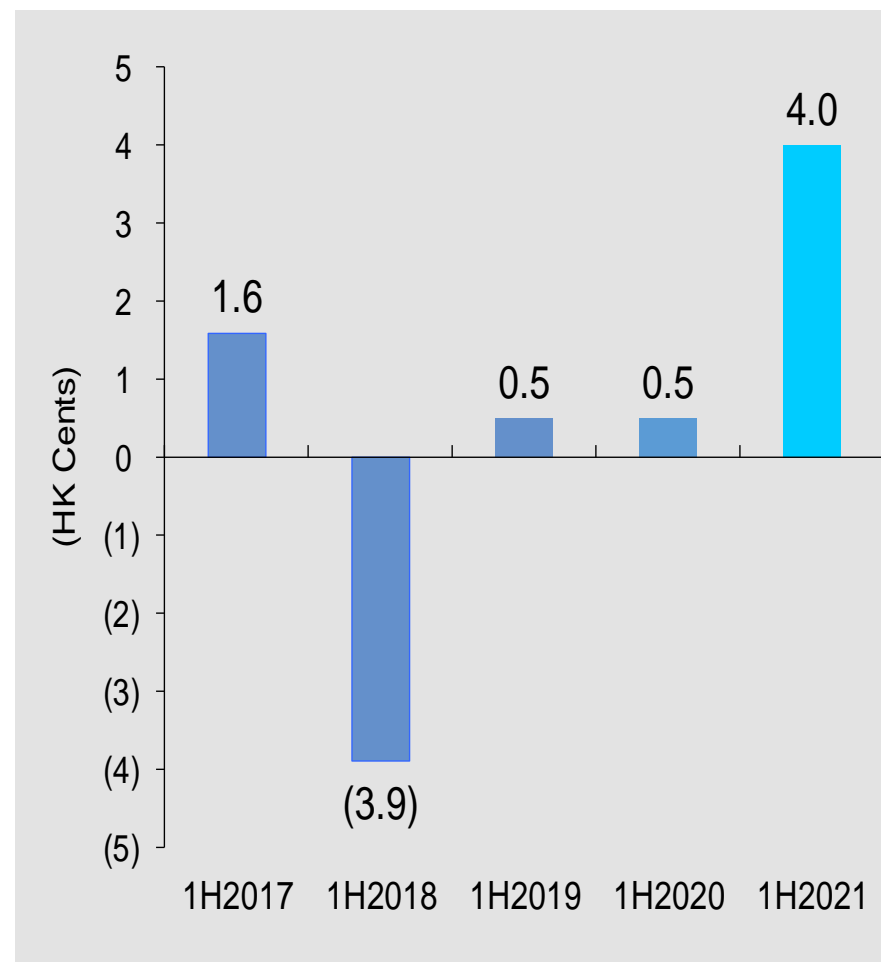
Proposed Interim Dividend

Earnings / (Loss) per Share (EPS / LPS) 公司權益持有人應佔溢利 / (虧損) 及每股盈利 / (虧損)

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

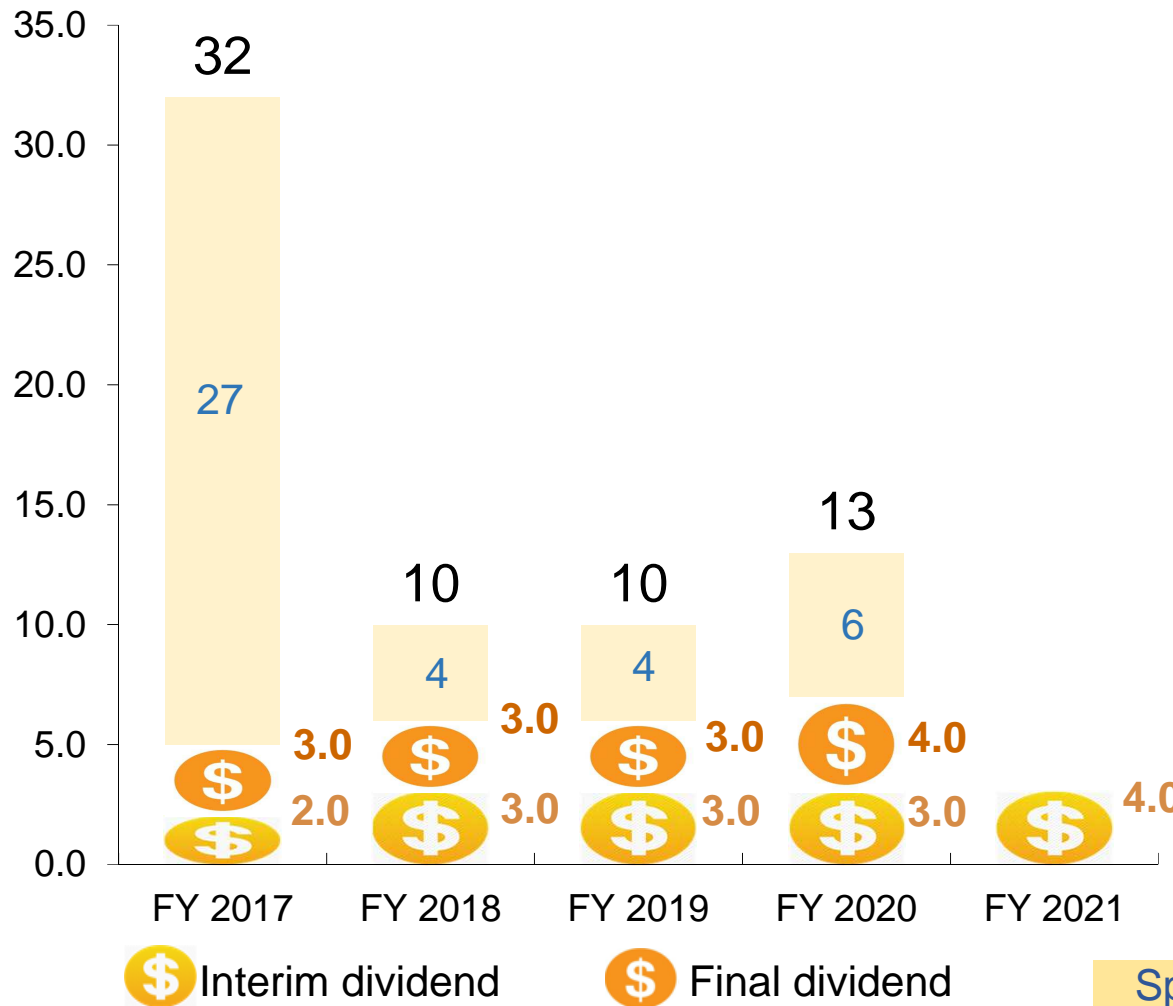


**Basic
EPS / (LPS)**



Proposed Interim Dividend for 2021

(HK¢ per share)



Commentary

- Propose to uplift shareholders return in line with dividend policy, and to offer the utmost in rewarding shareholders whenever business performance allows.
- Despite global economic & geo-political uncertainties remain, we are confident to keep costs in check and maintain business continuity with sustained performance in 2H/2021 and beyond, taking into account:
 - Strong financial position: holding 1,021m total cash + deposits (with 722m in distributable profit)
 - Prudent cashflow management covers adequately foreseeable business and investment needs

Proposal:

Board resolved to approve an interim dividend of HK¢ [4].

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Uplift Interim Dividend by 33% to HK 4 cents 增加派發中期股息至 4 仙

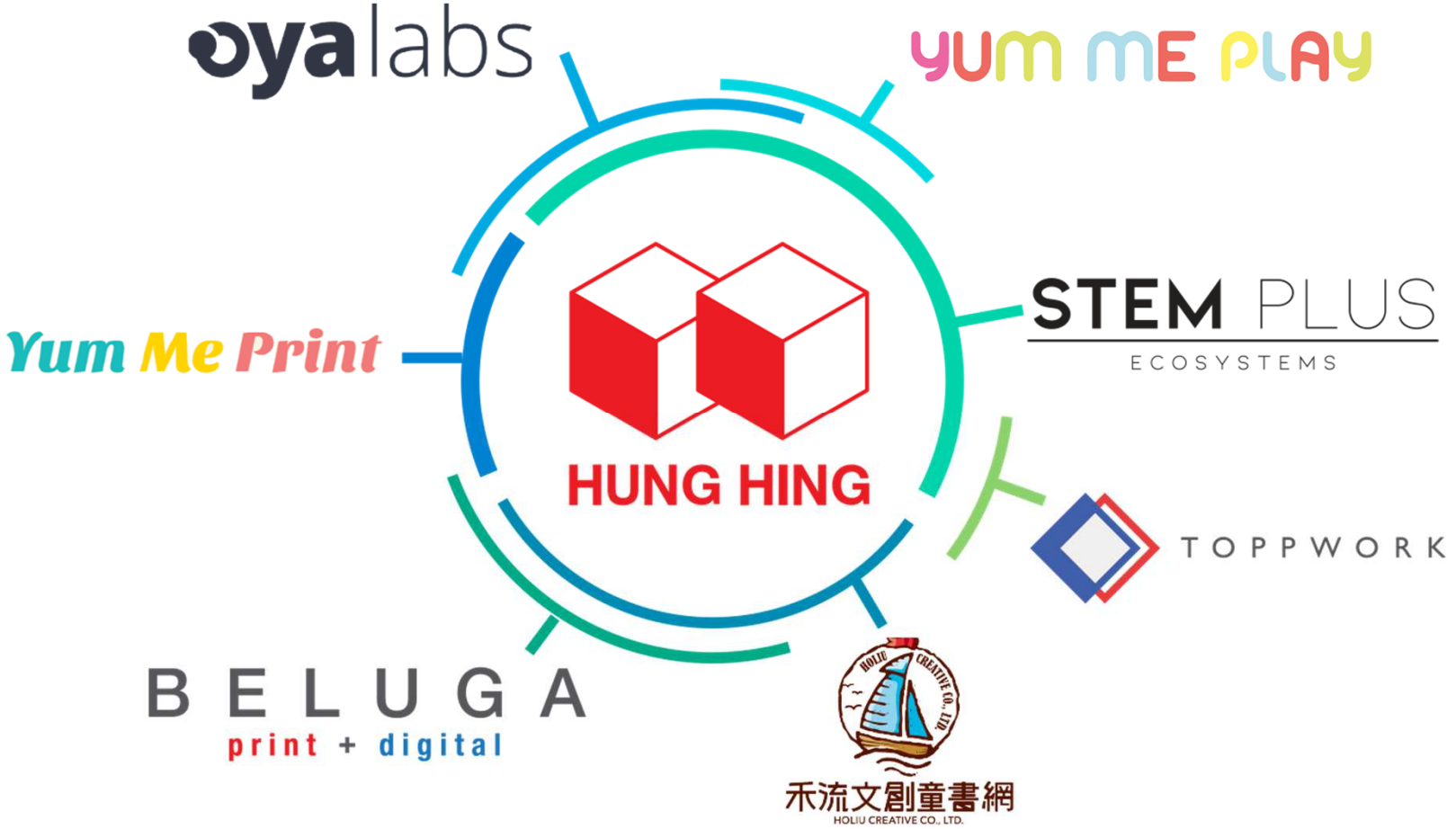
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<ul style="list-style-type: none"> Proposed interim dividend HK¢ 4 擬派中期股息4仙 	Interim: HK 4 cents (+33%)	Interim: HK 3 cents



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Appendices

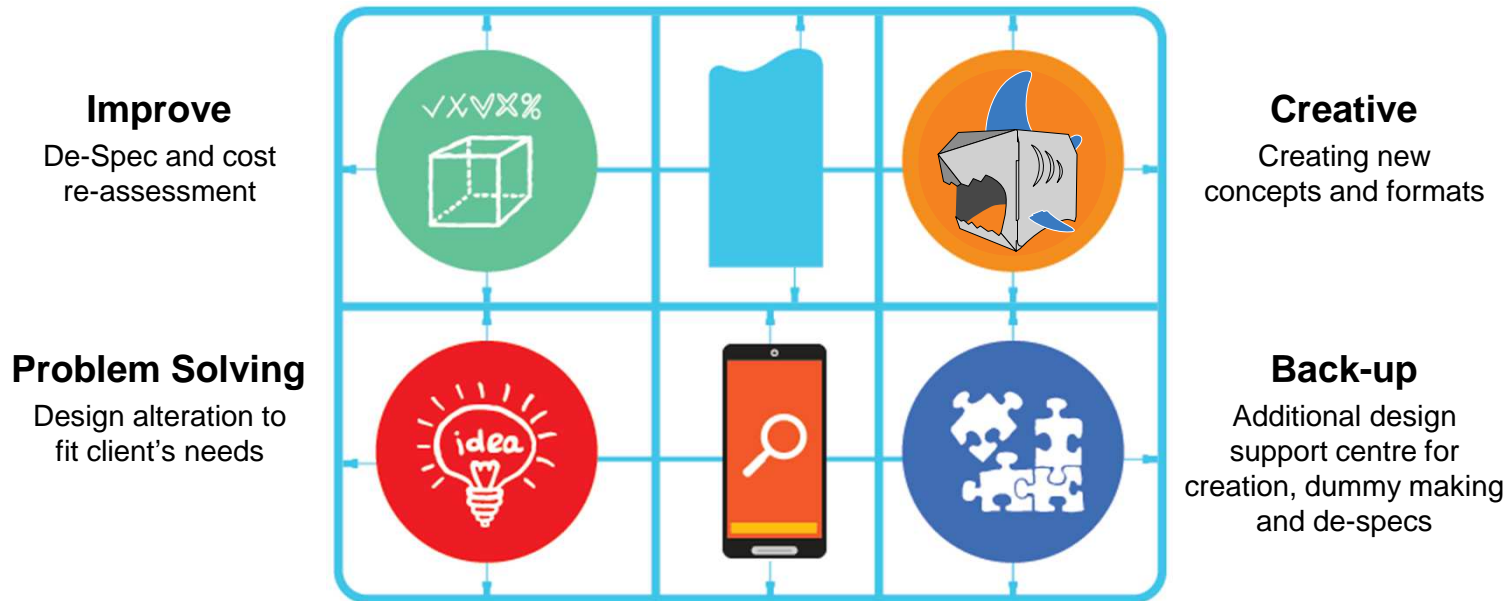
Strategic Investments



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

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



ISO 50001
International Energy Management standard that provides practical way to improve energy use



ISO 14001
International Standard in environmental management system to minimize the environmental impact and look for continuous improvement.



Hong Kong headquarters installed 527kWp solar panel which can reduce 282tons CO2 emission annually



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



EN71
European toy safety standard



EN 71
ASTMF963
US toy safety standard



G7 G7® is Idealliance's global industry-leading set of specifications for achieving visual similarity across all print processes.



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.



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



Sedex Members Ethical Trade Audit (SMETA)
It is one of the most widely used ethical audit formats in the world

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.

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.



2007

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



2018

2nd 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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A close-up, slightly blurred photograph of a stack of several books. The pages are white and the spines are visible. The text 'Thank you.' is centered over the books, underlined with a red line.

Thank you.