HUNG HING

HUNG HING PRINTING GROUP LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 0450)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors of Hung Hing Printing Group Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**2019** **HK$'000**	2018 *(note)* HK$'000
Revenue	2	**3,083,904**	3,276,800
Cost of sales		**(2,558,284)**	(2,907,463)
Gross profit		**525,620**	369,337
Other revenue		**47,672**	46,709
Other net loss		**(21,172)**	(42,563)
Distribution costs		**(78,066)**	(78,859)
Administrative and selling expenses		**(379,933)**	(367,754)
Operating profit/(loss)		**94,121**	(73,130)
Finance costs	3	**(5,695)**	(4,558)
Share of loss of an associate		**(351)**	-
Profit/(loss) before income tax		**88,075**	(77,688)
Income tax	5	**(19,792)**	5,544
Profit/(loss) for the year		**68,283**	(72,144)
Attributable to:			
Equity shareholders of the Company		**75,753**	(74,518)
Non-controlling interests		**(7,470)**	2,374
Profit/(loss) for the year		**68,283**	(72,144)
		HK cents	HK cents
Earnings/(loss) per share attributable to equity shareholders of the Company	6		
Basic		**8.4**	(8.3)
Diluted		**8.4**	(8.3)
		HK$'000	HK$'000
Dividends	7	**90,787**	90,787

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2019	2018
		(note)
	HK$'000	HK$'000
Profit/(loss) for the year	**68,283**	(72,144)
Other comprehensive income for the year (net of tax):		
Item that will not be reclassified to profit or loss		
Change in fair value of equity investments at fair value through other comprehensive income ("FVOCI") (non-recycling)	**(42,483)**	(1,250)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of subsidiaries and an associate outside Hong Kong	**(20,419)**	(48,593)
Change in fair value of intangible assets	**-**	1,000
Other comprehensive income for the year	**(62,902)**	(48,843)
Total comprehensive income for the year	**5,381**	(120,987)
Attributable to:		
Equity shareholders of the Company	**16,597**	(116,197)
Non-controlling interests	**(11,216)**	(4,790)
Total comprehensive income for the year	**5,381**	(120,987)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 31 December 2019 HK$'000**	At 31 December 2018 *(note)* HK$'000
Non-current assets			
Property, plant and equipment		**1,286,188**	1,250,029
Intangible assets		**12,189**	11,912
Deposits for acquisition of non-current assets		**72,631**	63,407
Interest in an associate		**10,982**	11,309
Financial investments		**68,674**	112,330
Deferred tax assets		**19,101**	23,002
		1,469,765	1,471,989
Current assets			
Inventories		**473,534**	527,968
Trade and other receivables	8	**879,898**	979,092
Pledged time deposits		**86,186**	97,244
Cash and cash equivalents		**1,012,293**	989,842
Income tax recoverable		**-**	108
		2,451,911	2,594,254
Current liabilities			
Trade and other payables	9	**379,797**	479,735
Bank borrowings		**87,901**	24,000
Lease liabilities		**7,815**	-
Income tax payable		**18,729**	4,528
		494,242	508,263
Net current assets		**1,957,669**	2,085,991
Total assets less current liabilities		**3,427,434**	3,557,980
Non-current liabilities			
Bank borrowings		**46,000**	107,000
Lease liabilities		**4,872**	-
Deferred tax liabilities		**48,881**	53,065
		99,753	160,065
Net assets		**3,327,681**	3,397,915
Capital and reserves			
Share capital		**1,652,854**	1,652,854
Reserves		**1,524,927**	1,591,542
Total equity attributable to equity shareholders of the Company		**3,177,781**	3,244,396
Non-controlling interests		**149,900**	153,519
Total equity		**3,327,681**	3,397,915

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The financial information relating to the years ended 31 December 2019 and 2018 included in this preliminary announcement of final results for the year ended 31 December 2019 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2018, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance ("Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2019 in due course. The Company's auditor has reported on these financial statements for both years. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The significant accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018 except for the accounting policy changes that are reflected in the consolidated financial statements for the year ended 31 December 2019.

Details of any change in accounting policies are set out below.

The HKICPA has issued a new HKFRSs, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the development have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease,* HK(SIC) 15, *Operating leases - incentive*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease.* It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged. HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balances at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments were ranging from 3.3% to 4.75%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019.

	1 January 2019 HK'$000
Operating lease commitments at 31 December 2018	72,259
Less: commitments relating to leases exempt from capitalisation:	
- short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(1,768)
- non-lease components separated from the contracts	(52,751)
	17,740
Less: total future interest expenses	(608)
Present value of remaining lease payments, discounted using the incremental borrowing rates and total lease liabilities recognised at 1 January 2019	17,132

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities. Upfront payments for leasehold lands in Hong Kong and the PRC were classified as land use rights as at 31 December 2018. Upon the adoption of HKFRS 16, the land use rights of HK$75,519,000 were reclassified to right-of-use assets. Right-of-use assets as at 1 January 2019 comprise right-of-use assets relating to operating leases recognised upon adoption of HKFRS 16 of HK$17,132,000 and amount reclassified from land use rights of HK$75,519,000. Such right-of-use assets are presented within "property, plant and equipment".

(c) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported operating profit in the Group's consolidated income statement, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

2. Revenue and Segment Information

The management committee (being the chief operating decision-maker) has determined the operating segments based on the reports reviewed by the management committee. The management committee, comprising the executive chairman and other senior management, that are used to make strategic decisions and assess performance.

Management committee has determined the operating segments based on these reports. The Group is organised into four business segments:

(a) Book and Package Printing segment;
(b) Consumer Product Packaging segment;
(c) Corrugated Box segment; and
(d) Paper Trading segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Revenue from external customers are after elimination of inter-segment revenue. Inter-segment revenue is charged in accordance with terms determined and agreed mutually by relevant parties.

Management assesses the performance of the operating segments based on a measure of gross profit and other revenue less distribution costs, administrative and selling expenses, and other net loss that are allocated to each segment. Other information provided is measured in a manner consistent with that in the financial statements.

Sales between segments are carried out at an arm's length basis.

Segment results do not include corporate finance costs and other corporate income and expenses.

The following tables present revenue, results and certain information for the Group's business segments for the years ended 31 December 2019 and 2018.

2019

	Segment revenue			**Segment results**
	Sales to external customers HK'$000	**Inter-segment sales HK'$000**	**Total HK'$000**	**HK'$000**
Book and Package Printing	**1,896,708**	**1,106**	**1,897,814**	**111,205**
Consumer Product Packaging	**602,700**	**1,957**	**604,657**	**(13,373)**
Corrugated Box	**278,199**	**140,958**	**419,157**	**28,191**
Paper Trading	**306,297**	**385,319**	**691,616**	**(3,301)**
Eliminations	**-**	**(529,340)**	**(529,340)**	**3,000**
	3,083,904	**-**	**3,083,904**	**125,722**
Interest income and other income				**25,048**
Corporate and unallocated expenses				**(56,649)**
Operating profit				**94,121**
Finance costs				**(5,695)**
Share of loss of an associate				**(351)**
Profit before income tax				**88,075**
Income tax				**(19,792)**
Profit for the year				**68,283**

2018

	Segment revenue			Segment results
	Sales to external customers HK'$000	Inter-segment sales HK'$000	Total HK'$000	HK'$000
Book and Package Printing	1,850,481	309	1,850,790	(73,713)
Consumer Product Packaging	752,676	5,188	757,864	18,069
Corrugated Box	285,906	152,155	438,061	25,974
Paper Trading	387,737	438,701	826,438	6,589
Eliminations	-	(596,353)	(596,353)	1,036
	3,276,800	-	3,276,800	(22,045)
Interest income and other income				35,213
Corporate and unallocated expenses				(86,298)
Operating loss				(73,130)
Finance costs				(4,558)
Loss before income tax				(77,688)
Income tax				5,544
Loss for the year				(72,144)

3. Finance Costs

	2019	2018
	HK$'000	HK$'000
Interest on bank borrowings	**5,036**	4,558
Interest on lease liabilities	**659**	-
	5,695	4,558

4. Profit/(loss) Before Income Tax

The Group's profit/(loss) before income tax is arrived at after charging or crediting the following items:

	2019	2018
	HK$'000	HK$'000
After charging -		
Depreciation		
- owned property, plant and equipment	**106,025**	100,888
- other properties leased for own use	**12,843**	-
- land use right	**3,039**	2,696
Amortisation of intangible assets	**1,089**	1,307
Loss allowance of trade receivables, net	**1,217**	602
Lease charges for short-term leases	**5,646**	-
Operating lease charges in respect of land and buildings under HKAS 17	**-**	21,207
Employee benefits expense (including directors' emoluments)	**743,904**	863,340
Net realised loss on derivative financial instruments not qualified as hedges, net	**-**	46,258
Net foreign exchange loss	**17,376**	2,789
Write-down of inventories, net	**308**	-
After crediting -		
Dividend income from financial investments	**462**	439
Interest income	**24,918**	28,200
Net realised gain on derivative financial instruments not qualified as hedges, net	**521**	-
Reversal of write-down of inventories, net	**-**	2,384

5. Income Tax

	2019	2018
	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**-**	60
Current tax - PRC Income Tax		
Provision for the year	**20,627**	7,082
(Over)/under-provision in respect of prior years	**(1,293)**	103
	19,334	7,185
Deferred tax		
Origination and reversal of temporary differences	**458**	(12,789)
	19,792	(5,544)

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries in Hong Kong have either sustained losses for tax purpose or their unused tax losses were sufficient to cover their estimated assessable profits for the year ended 31 December 2019. The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

PRC Income Tax represents PRC Corporate Income Tax calculated at 25% (2018: 25%) and PRC withholding tax at the applicable rates. Pursuant to the income tax rules and regulations, provision for PRC withholding tax on dividend income is calculated based on 5% (2018: 5%) of the dividend income from subsidiaries in the PRC.

6. Earnings/(loss) Per Share Attributable to Equity Shareholders of the Company

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of HK$75,753,000 (2018: loss of HK$74,518,000) and the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company under the Share Award Scheme.

	2019	2018
Profit/(loss) attributable to equity shareholders of the Company (HK$'000)	**75,753**	(74,518)
Weighted average number of ordinary shares in issue ('000)	**907,865**	907,865
Weighted average number of own held shares for Share Award Scheme ('000)	**(11,148)**	(14,364)
Weighted average number of ordinary shares in issue for calculation of basic earnings/(loss) per share ('000)	**896,717**	893,501
Basic earnings/(loss) per share (HK cents per share)	**8.4**	(8.3)

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the adjusted weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: shares repurchased for the purpose of share award scheme. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the outstanding shares to be granted.

	2019
Profit attributable to equity shareholders of the Company (HK$'000)	**75,753**
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	**896,717**
Effect of deemed issue of shares under the Company's Share Award Scheme ('000)	**8,321**
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share ('000)	**905,038**
Diluted earnings per share (HK cents per share)	**8.4**

For the year ended 31 December 2018, the diluted and basic loss per share were the same as the ordinary shares repurchased for the Share Award Scheme are anti-dilutive to the loss per share.

7. Dividends

	2019	2018
	HK$'000	HK$'000
Interim dividend of HK3 cents (2018: HK3 cents) per ordinary share	**27,236**	27,236
Proposed special dividend of HK4 cents (2018: HK4 cents) per ordinary share	**36,315**	36,315
Proposed final dividend of HK3 cents (2018: HK3 cents) per ordinary share	**27,236**	27,236
	90,787	90,787

The directors recommend the payment of a special dividend of HK4 cents per ordinary share and a final dividend of HK3 cents per ordinary share. Such dividends are to be approved by the shareholders at the forthcoming annual general meeting of the Company.

8. Trade and Other Receivables

	2019	2018
	HK$'000	HK$'000
Trade receivable	**794,951**	876,392
Less: Loss allowance	**(9,872)**	(9,292)
	785,079	867,100
Trade receivable due from related parties	**101**	577
Total trade receivable, net	**785,180**	867,677
Bills receivable	**11,573**	5,551
Prepayment, deposits and other receivables	**83,145**	105,864
	879,898	979,092

Trade receivables are normally due within 30 to 90 days from the date of billing.

The aging analysis of total trade receivables at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	HK$'000	HK$'000
1 - 30 days	**300,744**	345,791
31 - 60 days	**161,661**	187,504
61 - 90 days	**119,248**	124,445
Over 90 days	**203,527**	209,937
	785,180	867,677

Movement in the loss allowance account in respect of trade receivable during the year is as follows:

	2019	2018
	HK$'000	HK$'000
At 1 January	**9,292**	10,740
Acquisition of a subsidary company	**-**	14
Loss allowance recognised during the year	**1,217**	602
Amount written off as uncollectible	**(565)**	(1,881)
Exchange differences	**(72)**	(183)
At 31 December	**9,872**	9,292

9. Trade and Other Payables

	2019	2018
	HK$'000	HK$'000
Trade payables	**159,252**	164,988
Trade payables due to related parties	**196**	301
Total trade payables	**159,448**	165,289
Bills payables	**11,889**	48,248
Other payable and accrued liabilities	**208,460**	266,198
	379,797	479,735

The aging analysis of total trade payables at the end of the reporting period, based on the invoice date, is as follows :

	2019	2018
	HK$'000	HK$'000
1 - 30 days	**122,595**	117,172
31 - 60 days	**26,077**	31,559
61 - 90 days	**2,321**	5,487
Over 90 days	**8,455**	11,071
	159,448	165,289

10. Comparative Figures

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1. In addition, certain comparative figures were reclassified to conform to current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2019, the Hung Hing Printing Group improved its competitive position and overcame global social and geopolitical challenges, such as the impact brought by the US-China trade dispute and Brexit negotiation, to post a moderate decline of 6% in revenue to HK$3.08 billion.

Operating costs were optimised through prudent inventory strategies and effective control of labour cost via increased automation and enhanced workflow design. We continued to transform our business model and rationalise our order portfolio for value enhancement, achieving a 5.8 point improvement in gross profit margin to 17.0%. Net profit was HK$68 million in 2019 compared to the net loss of HK$72 million last year which saw unprecedented adverse movements in exchange rates and irrational paper price adjustments.

The acquisition of Guangdong Lianhe Packaging Co., Ltd ("Guangdong Lianhe Packaging") in the middle of 2018, and the green-field establishment of our manufacturing facility HH Dream Printing Co., Ltd ("HH Dream") in Vietnam in 2019 strengthened the Group's market position. Operating and administrative expenses increased when compared to 2018, mainly due to the full-year effect of Guangdong Lianhe Packaging and the set-up of HH Dream. The two strategic investments will yield versatility, geographic diversity and increased capacity for the Group over the long term.

With a significant share of export businesses in our portfolio, managing foreign exchange exposure is a key priority for us. Operating a strong network of manufacturing facilities in China, the Group also needs to satisfy hefty funding requirements in Renminbi (RMB). An action plan was deployed during the year to revitalise year-round RMB cash-flow needs and secure RMB16 million in tax incentives related to the capital injection requirement of RMB300 million. All these initiatives bore fruit in 2019, and we managed to minimise the exposure of our RMB cash holding by 16% compared to a year ago amidst continued depreciation pressure of RMB in both 2018 (-4.8%) and 2019 (-2.2%). Exchange losses in 2019 reduced to HK$17 million (vs. losses of HK$49 million in 2018), primarily due to revaluation of RMB current assets on-hand with no real cash-flow impact.

Business Unit Report

Our new 35,000 sq.m. manufacturing facility in Hanoi has augmented our capabilities and diversified our manufacturing base, giving us greater agility to fulfil customer requests and demand from our business partners.

Book and package printing (BPP), the largest Group business, reported sales growth and increased margins due to strong fundamentals and operational efficiencies. With the addition of manufacturing facility in Hanoi, BPP will be even better positioned with increased capacity to serve better customer needs, both domestically in Vietnam and worldwide. BPP is committed to working closely and creatively with customers to overcome challenges and adversities by offering tailor-made solutions, and at the same time strengthening mutual trust and relationships.

The consumer product packaging (CPP) business continued to focus on serving the domestic market in mainland China, especially in the area of premium packaging solutions. Weaker demand conditions as a result of a softer economy exerted pressure on business momentum and affected margins during the year. Despite unfavourable economic indicators in the short term, the CPP business unit remains confident due to its strong prospects and a unique competitive edge that enable it to address a steadily growing affluent middle-class in mainland China, through its solid and enduring partnerships with popular brands.

This year marks the first time that we have incorporated the full-year results from our June 2018 acquisition of Guangdong Lianhe Packaging into the corrugated box (CB) business. The CB business unit achieved relatively stable revenues and improved contribution margins by 8.5% to HK$28.2 million. Our strategy of expanding our supply network to satisfy customer needs more cost effectively enabled the CB business to overcome difficulties experienced by all within the manufacturing sector in the year.

The paper trading (PT) business unit is one of the largest paper trading operators in Asia (ex-Japan). It also serves as a strategic paper supply partner for the Group's other business units. Revenues and margins suffered from a deterioration of market conditions and prolonged softening of demand amid abrupt paper price movements.

Strong Financial Position: Net Cash Holding HK$965 Million

The Group maintained a robust cash position with HK$965 million net cash in hand (total cash net of bank borrowings). This financial strength gives us leverage to explore synergistic investment opportunities for long-term profitable growth. To accomplish our vision of leading the world in printing and packaging product innovation, and become a long-term strategic partner to leading global brands, approximately HK$76 million was invested during 2019 to set up HH Dream in Hanoi. Capital investments of HK$92 million were also made to systematically upgrade our existing manufacturing facilities to achieve process improvements and enhance automation.

Gearing ratio was kept at a healthy and conservative level of 4.0% (2018: 3.9%)

To mitigate exchange risk while meeting operating cash requirements, RMB cash holding was reduced to approximately 53% of total cash (vs. 2018: 63%), while the rest was mainly held in USD 37% (vs. 2018: 30%) and HKD 7% (vs. 2018: 5%). Loans were also confined to HKD and USD to control currency exposure and minimise interest expenses. We also carefully managed our loan portfolio, using a combination of floating and fixed interest rate facilities depending on financial market conditions to minimise interest rate risk.

Contingent Liabilities and Pledge of Assets

As at 31 December 2019, the Group has provided corporate guarantees to the extent of HK$26 million to secure the banking facilities of a former related company of the Company governed by shareholders' agreement.

As at 31 December 2019, certain time deposits of the Group with a total carrying value of HK$86 million have been pledged to secure trading facilities granted to the Group.

Outlook

The first quarter of 2020 witnessed the coronavirus outbreak leading to a temporary interruption in the supply chain across China. Our focus is to fulfill our commitments to all our stakeholders by managing our delivery schedule optimally for customers while complying with all government directives and instituting measures to ensure the safety of our employees. These include postponement of the re-opening dates of our plants after Chinese New Year, and conducting sanitising measures at factories and living spaces. All our production plants in China and Hong Kong have gradually resumed operations since the middle of February. We are also doing what we can to help the community we operate in through donations, including 20 tonnes of ethanol, a key ingredient in sanitisers, to the local government in Heshan, and children’s books to an NGO in Hong Kong to keep children at home productively occupied when schools are closed due to coronavirus. In addition, we have also offered, on a one-off basis, to sponsor the packaging of face masks manufactured by a Hong Kong startup.

2020 marks seventy years of passion and innovation for Hung Hing. These decades have seen extensive social, economic and political change around the world, but throughout this time our principles of resilience, ethics, and value addition have enabled us to achieve sustained business results and support the success of our stakeholders.

We continue to focus our vision into the future, where we see ourselves as a long-term strategic partner to global customers, leading the world in printing and paper product innovation beyond manufacturing. Our strong cash position of HK$965 million allows us to provide stable returns to shareholders, while giving us the flexibility to seek opportunities to continue to transform our businesses.

In closing, I thank our Board, management and every one of our dedicated employees who together are the driving force behind all our activities and achievements.

SPECIAL DIVIDEND AND FINAL DIVIDEND

The directors recommend a special dividend of HK4 cents (2018: HK4 cents) per share and a final dividend of HK3 cents (2018: HK3 cents) per share. The proposed special dividend and final dividend are subject to shareholders' approval at the forthcoming annual general meeting of the Company. These, together with an interim dividend of HK3 cents (2018: HK3 cent) per share paid in October 2019, will make a total dividend of HK10 cents (2018: HK10 cents) per share for the financial year.

The proposed special dividend and final dividend will be paid by cash on 16 June 2020 to shareholders whose names appear on the Register of Members of the Company on 4 June 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 21 May 2020 to Tuesday, 26 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Tengis Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 20 May 2020.

The Register of Members of the Company will be closed from Monday, 1 June 2020 to Thursday, 4 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed special dividend and final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 29 May 2020.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with all the applicable code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2019 except for the following deviations:

1. Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The roles of the chief executive officer have been undertaken by Mr. Yum Chak Ming, Matthew, the Executive Chairman of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Company that Mr. Yum should hold these offices. The Board believes that it is effective to monitor and assess business performance in a manner that properly protects the interests of shareholders.

2. Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company are not appointed for a specific term. However under the Articles of Association of the Company, one-third of the directors who have served longest on the Board shall retire from office by rotation every year at the annual general meeting. All directors of the Company retire by rotation at least once every three years and hence the terms of appointment of the non-executive directors are limited accordingly.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the final results.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the final results for the year ended 31 December 2019 and the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters. The audit committee comprises three independent non-executive directors and a non-executive director of the Company.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for year ended 31 December 2019 have been agreed by the Group's auditor, KPMG ("KPMG"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2019. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the preliminary announcement.

By Order of the Board
Hung Hing Printing Group Limited
Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 24 March 2020

As at the date of this announcement, the Board comprises Mr. Yum Chak Ming, Matthew and Mr. Sung Chee Keung as executive directors; Mr. Hirofumi Hori, Mr. Masashi Nakashima, Mr. Yoshihisa Suzuki and Mr. Yam Hon Ming, Tommy as non-executive directors; Mr. Yap, Alfred Donald, Mr. Luk Koon Hoo and Mr. Lo Chi Hong as independent non-executive directors.