

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



HUNG HING PRINTING GROUP LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 0450)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND UPDATE OF DIVIDEND POLICY

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 2020 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	2	2,554,029	3,083,904
Cost of sales		(2,130,857)	(2,558,284)
Gross profit		423,172	525,620
Other revenue		101,216	47,672
Other net gain/(loss)		77,332	(21,172)
Distribution costs		(67,122)	(78,066)
Administrative and selling expenses		(407,251)	(379,933)
Operating profit		127,347	94,121
Finance costs	3	(3,484)	(5,695)
Share of loss of associates		(1,998)	(351)
Profit before income tax	4	121,865	88,075
Income tax	5	(20,092)	(19,792)
Profit for the year		101,773	68,283
Attributable to:			
Equity shareholders of the Company		109,357	75,753
Non-controlling interests		(7,584)	(7,470)
Profit for the year		101,773	68,283
		HK cents	HK cents
Earnings per share attributable to equity shareholders of the Company	6		
Basic		12.1	8.4
Diluted		12.1	8.4
		HK\$'000	HK\$'000
Dividends	7	118,023	90,787

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020 HK\$'000	2019 HK\$'000
Profit for the year	101,773	68,283
Other comprehensive income for the year (net of tax):		
<i>Item that will not be reclassified to profit or loss</i>		
Change in fair value of equity investments at fair value through other comprehensive income ("FVOCI") (non-recycling)	(17,823)	(42,483)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements of subsidiaries and an associate outside Hong Kong	65,032	(20,419)
Other comprehensive income for the year	47,209	(62,902)
Total comprehensive income for the year	148,982	5,381
Attributable to:		
Equity shareholders of the Company	148,071	16,597
Non-controlling interests	911	(11,216)
Total comprehensive income for the year	148,982	5,381

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December 2020 HK\$'000	At 31 December 2019 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment		1,344,612	1,286,188
Intangible assets		13,045	12,189
Deposits for acquisition of non-current assets		26,640	72,631
Interest in associates		21,680	10,982
Financial investments		51,998	68,674
Deferred tax assets		18,836	19,101
		<u>1,476,811</u>	<u>1,469,765</u>
Current assets			
Inventories		464,085	473,534
Trade and other receivables	8	840,369	879,898
Pledged time deposits		244	86,186
Structured bank deposits		449,750	-
Cash and cash equivalents		908,794	1,012,293
		<u>2,663,242</u>	<u>2,451,911</u>
Current liabilities			
Trade and other payables	9	434,698	379,797
Bank borrowings		120,847	87,901
Lease liabilities		6,350	7,815
Income tax payable		15,657	18,729
		<u>577,552</u>	<u>494,242</u>
Net current assets		<u>2,085,690</u>	<u>1,957,669</u>
Total assets less current liabilities		<u>3,562,501</u>	<u>3,427,434</u>
Non-current liabilities			
Bank borrowings		-	46,000
Lease liabilities		3,212	4,872
Receipt in advance	10	80,898	-
Deferred income	10	36,662	-
Deferred tax liabilities		53,721	48,881
		<u>174,493</u>	<u>99,753</u>
Net assets		<u>3,388,008</u>	<u>3,327,681</u>
Capital and reserves			
Share capital		1,652,854	1,652,854
Reserves		1,584,892	1,524,927
Total equity attributable to equity shareholders of the Company		<u>3,237,746</u>	<u>3,177,781</u>
Non-controlling interests		150,262	149,900
Total equity		<u>3,388,008</u>	<u>3,327,681</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary announcement of final results for the year ended 31 December 2020 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2019, 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 2019 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 2020 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 2019 except for the accounting policy changes that are reflected in the consolidated financial statements for the year ended 31 December 2020.

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

The HKICPA has issued a number of amendments to HKFRSs and HKASs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1, *Definition of Material*

None of these developments have had a material effect on how the Group's result and financial position for the current or prior periods have been prepared or presented. The Group has not adopted any new standard or interpretation that is not yet effective for the current accounting period.

2. Revenue and Segment Information

The management committee (being the chief operating decision-maker) has determined the operating segments based on the reports reviewed to make strategic decisions and assess performance. The management committee, comprising the executive chairman and other senior management, 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 gain/(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, other corporate income and expenses and share of result of associates.

The following tables present revenue, results and certain information for the Group's business segments for the years ended 31 December 2020 and 2019.

	2020			Segment results
	Segment revenue			
	Sales to external customers	Inter-segment sales	Total	
	HK'\$000	HK'\$000	HK'\$000	HK'\$000
Book and Package Printing	1,559,219	1,411	1,560,630	85,976
Consumer Product Packaging	469,979	1,265	471,244	(10,810)
Corrugated Box	238,811	99,501	338,312	13,318
Paper Trading	286,020	282,466	568,486	(5,130)
Eliminations	-	(384,643)	(384,643)	1,420
	<u>2,554,029</u>	<u>-</u>	<u>2,554,029</u>	<u>84,774</u>
Interest income and other income				38,463
Corporate and unallocated expenses				(52,843)
Gain on disposal of property, plant and equipment (note 4)				56,953
Operating profit				127,347
Finance costs				(3,484)
Share of loss of associates				(1,998)
Profit before income tax				121,865
Income tax				(20,092)
Profit for the year				<u>101,773</u>

2019

	Segment revenue			Segment results HK'\$000
	Sales to external customers HK'\$000	Inter-segment sales HK'\$000	Total 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
	<u>3,083,904</u>	<u>-</u>	<u>3,083,904</u>	<u>125,722</u>
Interest income and other income				25,048
Corporate and unallocated expenses				(56,649)
Operating profit				<u>94,121</u>
Finance costs				(5,695)
Share of loss of an associate				(351)
Profit before income tax				<u>88,075</u>
Income tax				(19,792)
Profit for the year				<u><u>68,283</u></u>

3. Finance Costs

	2020 HK'\$000	2019 HK'\$000
Interest on bank borrowings	3,015	5,036
Interest on lease liabilities	469	659
	<u>3,484</u>	<u>5,695</u>

4. Profit Before Income Tax

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

	2020 HK'\$000	2019 HK'\$000
After charging -		
Depreciation		
- owned property, plant and equipment	106,229	106,025
- other assets leased for own use	12,755	12,843
- land use rights	3,213	3,039
Amortisation of intangible assets	1,494	1,089
Loss on disposal of property, plant and equipment	-	4,139
Loss allowance of trade receivables	48,281	1,217
Loss allowance of other receivables	9,937	-
Lease charges for short-term leases	2,990	5,646
Employee benefits expense (including directors' emoluments)	629,343	743,904
Net foreign exchange loss	1,129	17,376
Fair value loss in structured bank deposits	-	357
Write-down of inventories, net	<u>4,444</u>	<u>123</u>

	2020 HK\$'000	2019 HK\$'000
After crediting -		
Dividend income from financial investments	484	462
Interest income	16,374	24,918
Government grants (note (i))	73,129	13,214
Gain on disposal of property, plant and equipment, net (note(ii))	55,695	-
Net realised gain on derivative financial instruments not qualified as hedges	15,488	521
Fair value gain in structured bank deposits	7,278	-

Notes:

- (i) In 2020, the Group successfully applied for funding support of \$17,407,000 from the Employment Support Scheme under the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region (“HKSAR”). The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all funding on paying wages to the employees.

In 2020, the Group recognised government grants of HK\$1,688,000 and \$54,034,000 from the Government of the HKSAR and PRC, respectively, in relation to the Group’s operation upon satisfaction of the conditions attached to the receipts of these government grants.

- (ii) On 3 April 2020, the Group entered into certain land resumption agreements (“Land Resumption Agreements”) with Wangzhuang Residential District Office of Wuxi City in Xinwu District of the People’s Republic of China (“Wuxi Local Administration”), pursuant to which Wuxi Local Administration will resume, and the Group will surrender its land and properties at Wuxi in exchange for a compensation of RMB296,237,000 payable by Wuxi Local Administration. Details of the transaction have been set out in the circular of the Company dated 25 May 2020 and the announcements of the Company dated 6 April 2020, 17 April 2020, 29 April 2020 and 28 July 2020.

During the year, the Group surrendered and vacated from part of its land and properties in Wuxi to Wuxi Local Administration and recognised a gain of HK\$56,953,000, which was net of related service costs of HK\$3,170,000.

5. Income Tax

	2020 HK\$'000	2019 HK\$'000
Current tax - Hong Kong Profits Tax		
Over-provision in respect of prior years	(55)	-
Current tax - PRC Income Tax		
Provision for the year	18,048	20,627
Over-provision in respect of prior years	-	(1,293)
	18,048	19,334
Withholding tax	142	-
Deferred tax		
Origination and reversal of temporary differences	1,957	458
	20,092	19,792

No provision for Hong Kong Profits Tax has been made for 2019 and 2020 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.

Pursuant to the Administrative Measures for Recognition of High-New Technology Enterprise (“HNTE”) jointly issued by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation, Hung Hing Printing (China) Company Limited (“HHCN”), an indirect wholly owned subsidiary of the Company, was certified as a HNTE in 2020. According to the provisions of Article 28 “Corporate Income Tax Law of the People’s Republic of China”, the effective PRC Corporate Income Tax (“CIT”) for 2020 was subject to a reduced tax rate of 15%. HHCN was not certified as a HNTE in 2019 and the CIT rate applicable to HHCN is 25% for 2019.

For PRC entities other than HHCN, PRC Income Tax represents CIT calculated at 25% (2019: 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% (2019: 5%) of the dividend income from subsidiaries in the PRC.

Vietnam Income Tax represents Vietnam withholding tax at the applicable rates. Pursuant to the income tax rules and regulations, provision for Vietnam withholding tax on interest income is calculated based on 5% (2019: 5%) of the interest income from subsidiary in Vietnam.

6. Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$109,357,000 (2019: HK\$75,753,000) 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.

	2020	2019
Profit attributable to equity shareholders of the Company (HK\$'000)	<u>109,357</u>	<u>75,753</u>
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)	<u>(5,425)</u>	<u>(11,148)</u>
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	<u>902,440</u>	<u>896,717</u>
Basic earnings per share (HK cents per share)	<u>12.1</u>	<u>8.4</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$109,357,000 (2019: HK\$75,753,000) and the weighted average number of ordinary shares of 907,439,000 shares (2019: 905,038,000 shares).

	2020	2019
Profit attributable to equity shareholders of the Company (HK\$'000)	<u>109,357</u>	<u>75,753</u>
Weighted average number of ordinary shares in issue ('000)	902,440	896,717
Effect of deemed issue of shares under the Company's Share Award Scheme ('000)	<u>4,999</u>	<u>8,321</u>
Weighted average number of ordinary shares (diluted) at 31 December ('000)	<u>907,439</u>	<u>905,038</u>
Diluted earnings per share (HK cents per share)	<u>12.1</u>	<u>8.4</u>

7. Dividends

	2020 HK\$'000	2019 HK\$'000
Interim dividend of HK3 cents (2019: HK3 cents) per ordinary share	27,236	27,236
Proposed special dividend of HK6 cents (2019: HK4 cents) per ordinary share	54,472	36,315
Proposed final dividend of HK4 cents (2019: HK3 cents) per ordinary share	36,315	27,236
	118,023	90,787

The directors recommend the payment of a special dividend of HK6 cents per ordinary share and a final dividend of HK4 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

	2020 HK\$'000	2019 HK\$'000
Trade receivable	767,023	794,951
Less: Loss allowance	(9,545)	(9,872)
	757,478	785,079
Trade receivable due from related parties	-	101
Total trade receivable, net	757,478	785,180
Bills receivable	4,986	11,573
Prepayment, deposits and other receivables	77,905	83,145
	840,369	879,898

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

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:

	2020 HK\$'000	2019 HK\$'000
1 - 30 days	282,687	300,744
31 - 60 days	189,927	161,661
61 - 90 days	122,414	119,248
Over 90 days	162,450	203,527
	757,478	785,180

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

	2020 HK\$'000	2019 HK\$'000
At 1 January	9,872	9,292
Impairment loss	48,281	1,217
Amount written off as uncollectible	(48,776)	(565)
Exchange differences	168	(72)
At 31 December	9,545	9,872

9. Trade and Other Payables

	2020 HK\$'000	2019 HK\$'000
Trade payables	187,309	159,252
Trade payables due to related parties	193	196
Total trade payables	187,502	159,448
Bills payables	14,715	11,889
Other payable and accrued liabilities	232,481	208,460
	434,698	379,797

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

	2020 HK\$'000	2019 HK\$'000
1 - 30 days	147,541	122,595
31 - 60 days	27,419	26,077
61 - 90 days	4,942	2,321
Over 90 days	7,600	8,455
	187,502	159,448

10. Receipt In Advance and Deferred Income

As at 31 December 2020, receipt in advance of HK\$80,898,000 and deferred income of HK\$36,662,000 represented receipts from Wuxi Local Administration in relation to the Group's land and properties at Wuxi to be surrendered to Wuxi Local Administration and compensation of the relocation expenses to be incurred for the land resumption as set out in note 4(ii), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The Hung Hing Printing Group consolidated further its offering and capitalised on enhanced capabilities and a strong competitive position during 2020. Despite unavoidable business slowdowns in the first half of 2020, there was a recovery in the order book during the second half of 2020, reflecting an improvement in customer demand and the strength of our enduring customer relationships. The negative impact of COVID-19 and geo-political tensions on business performance led to a decline in revenues and operating profit across the Group's four business units in 2020. Profit opportunities were captured amidst unfavorable business environment throughout the year. Group revenues stood at HK\$2,554 million, a decrease of 17.2% compared to the previous year. An upturn in revenues in the second half enabled a recovery from a drop of 23.5% in the first six months.

The Group's vertical integrated operation model with diversified asset base helped alleviate top-line pressure and improve profitability. Further automation, prudent inventory strategies and better cost control partly offset adversities in exchange and paper price, and gross margin kept at 16.6%. Operating and administrative expenses also fell by 8.9%, if the impact of impairment of receivables is excluded. Net profit rose to HK\$102 million (2019: HK\$68 million).

We have expanded our business base to become more agile and better prepared for geopolitical risks. We have also devoted resources to develop customers in new markets in European Union and Asia-Pacific. To best address these opportunities going forward, we installed advance equipment and acquired all the requisite certifications needed for our strategic new manufacturing facility HH Dream Printing Co., Ltd ("HH Dream") in Vietnam. We also continued to rebalance our manufacturing operations across our locations in Heshan, Shenzhen, Zhongshan, Shunde and Wuxi to capitalise on growing opportunities for domestic sales in China, in particular in the Greater Bay Area, develop higher-value packaging solutions, and create an optimised cost structure.

Profit attributable to equity shareholders significantly improved and stood at HK\$109.4 million, an increase of 44.4% as compared to HK\$75.8 million recorded by the Group last year. The achievement was mainly driven by vigorous and effective cost control measures; partial recognition of one-off gains generated from the Wuxi land resumption; favourable returns of cash management and effective currency hedging; and making appropriate use of government initiatives, including pandemic-related support programmes, to support our continuous growth.

Business Unit Report

Our realigned manufacturing setup, particularly the new capabilities in Heshan and Hanoi, Vietnam, will yield significant competitive advantages for the Group as a gradual economic recovery comes into effect and global customers seek efficient, value-adding and highly reliable business partners.

Book and package printing (BPP), the largest Group business, experienced a decline of 17.8% in external sales due to the disruption caused by COVID-19 and US-China trade tensions. Thanks to increased automation and a higher proportion of value-added projects, profitability actually improved if the one-off impairment of receivables reported in the first half is excluded. Children's books and board games sold through online channels were popular during the year's global lockdowns. Branding and promotional premiums, book publishing and new products developed from the enhanced capabilities invested in previous years delivered satisfactory growth and results.

The BPP business is exploring new avenues for growth with innovative new products and capabilities, leveraging partnerships as appropriate with well-managed processes and relationships. The Beluga creative and design hub launched a major new range of eco-friendly paper-based designer products such as maskfolios and handbags. These products, sold under the Group's 'Papery' brand, have seen encouraging uptake online and at major retailers in Hong Kong.

The consumer product packaging (CPP) business continued to focus on serving the domestic market in mainland China but was affected by weak customer confidence and consumer demand particularly during the first half of the year. As a result, revenues suffered a short-term decline. Despite an increase in employee welfare accrual, the business was able to reduce losses by 19.2% compared to 2019. Our strong capabilities will enable us to take advantage of the positive economic indicators that have gradually emerged in China over the second half of the year. To fully capitalise on the potential of the growing Chinese middle class, the Group is in the process of relocating the Wuxi operation into a new hi-tech facility to improve our offering of value-added products applying advanced production technologies at competitive prices. The relocation is estimated take about 18-24 months to complete.

Revenues and profitability of the Corrugated Box (CB) business were affected by a slowdown in industrial demand due to the COVID-19 pandemic. The operations of Guangdong Lianhe Packaging were relatively robust during the year, thanks to its strong links with a loyal and broad customer base. An optimised warehousing strategy enabled us to achieve operating efficiencies and the business made inroads into the fast-moving consumer goods (FMCG) sector during the year.

The paper trading (PT) business unit focussed on exploring cost saving opportunities to drive margin increases. Prudent inventory strategies enabled it to meet soft demand conditions and supply chain disruptions which led to paper price fluctuations. Organisational development initiatives are being put in place to further strengthen the role of paper trading as a key component of the Group's vertically integrated model.

Strong Financial Position: Net Cash Holding HK\$1,238 Million

The Group continued to maintain a robust cash position with HK\$1,238 million net cash in hand (total cash including structured bank deposits and net of bank borrowings) to provide adequate flexibility to pursue various potential opportunities for profitable growth that increases shareholder yield, both short-term and long-term.

Prudent currency hedging strategies to manage fluctuations in currency exchange rates yielded favourable results. The Group deployed RMB-link structured bank deposits of HK\$450 million to enhance yield and at the same time, provide hedging for RMB requirements. As a result of these strategies, the Group was able to make significant RMB exchange gains compared to last year.

Despite the short-term impacts experienced in 2020 due to the COVID-19 pandemic, we believe that global businesses will seek highly efficient and reliable partners who deliver value as they prepare for economic recovery. With this in mind, we continued to make prudent, strategic investments for more robust competitive advantage, which will help us provide attractive shareholder returns. We invested HK\$114 million during 2020 in setting up advanced equipment and facilities in the core business and acquiring stringent certifications for the export market at HH Dream in Hanoi. We will continue to invest in the coming years on unique competitive technologies and capacities, particularly at Heshan and Wuxi, to address the export and China domestic market.

Gearing ratio was kept at a conservative level of 3.6% (2019: 4%)

To mitigate exchange risk while meeting operating cash requirements, 59% of total cash (vs. 2019: 53%) was held in RMB, while the rest was mainly held in USD 22% (vs. 2019: 37%) and HKD 18% (vs. 2019: 7%). Loans were 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 2020, the Group has provided corporate guarantees to the extent of HK\$27 million to secure the banking facilities of a former related company of the Company governed by shareholders' agreement.

Outlook

In 2020 Hung Hing's long track record for quality and value-added delivery helped us take advantage of industry consolidation during the prevailing adverse macro-economic circumstances. Our diversified operation and strong cash position of HK\$1,238 million allow us to provide attractive returns to shareholders, while allowing us to invest for the future.

The next stages of COVID-19 and prevailing trade tensions on consumer confidence and the wider global economy remain to be seen, but we are well prepared to face these challenges. The rapid economic development of the Greater Bay Area in China presents us with major avenues for growth. Hung Hing already has a strong presence in the area, with factories in Shenzhen, Heshan and Zhongshan, which have been built over decades, and a factory in Shunde acquired in 2018. We are rebalancing our manufacturing setup with enhanced capabilities and for optimal operations to best capture market share. Our plants are also strategically located and can be repurposed to deliver significant asset value. We are progressing all these opportunities to realise their full potential, for example through the disposal of our paper trading warehouse in Shenzhen in 2017, as well as the land resumption in 2020 for development of an advanced production facility in Wuxi.

Our priority in the coming months is to go to market with the capabilities of HH Dream in Hanoi. The facility, with its state-of-the-art equipment, will yield critical advantages in international markets. In China, we will progress rapidly with the new facilities in Heshan with advanced capabilities, R&D and smart warehousing; and new high-tech infrastructure in Wuxi. The plants in the two locations will enable us to launch higher-value offerings at competitive rates.

Likewise, we are confident that our compelling offerings including agility, service quality excellence, customer support and extensive production capabilities will make us the preferred choice of global blue-chip customers looking for partners they can rely on. Our economies of scale and financial stability render us well placed to benefit from industry consolidation.

We expect significant upward adjustments to raw materials and shipping costs in the short term due to temporary disruptions in the supply chain. Our vertically integrated model with product development and worldwide sourcing capability equips us with competitive advantages to address this to some extent. We continue to review existing strategies to identify further areas for optimisation on an ongoing basis.

I take this opportunity to express my heartfelt gratitude for the dedication and efforts of all my colleagues to support the Group's strategies in this new normal.

UPDATE OF DIVIDEND POLICY

The Board adopted an updated dividend policy before announcing results for the financial year ended 31 December 2020, which outlines a guiding principle together with a slew of relevant factors that should be taken into account in determining any dividend for distribution. In arriving at its recommendation for dividends, the Board has made minor adjustments to the dividend policy in order to manifest the Company's track record and coming trend of dividends distribution. The revised dividend policy is restated as follows:

"The Company has adopted a dividend policy paying on half-yearly basis, pursuant to which the Company endeavors to maintain stable dividend return with progressive increment and special dividend, so as to offer the utmost in rewarding the shareholders of the Company."

All other matters as disclosed in the "Dividend Policy" under the "Report of the Directors" section of the annual report remain unchanged.

SPECIAL DIVIDEND AND FINAL DIVIDEND

The directors recommend a special dividend of HK6 cents (2019: HK4 cents) per share and a final dividend of HK4 cents (2019: 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 (2019: HK3 cent) per share paid in October 2020, will make a total dividend of HK13 cents (2019: HK10 cents) per share for the financial year.

The proposed special dividend and final dividend will be paid by cash on 21 June 2021 to shareholders whose names appear on the Register of Members of the Company on 3 June 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 21 May 2021 to Wednesday, 26 May 2021, 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 Thursday, 20 May 2021.

The Register of Members of the Company will be closed from Tuesday, 1 June 2021 to Thursday, 3 June 2021, 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 Monday, 31 May 2021.

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 2020 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 2020 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 2020 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 2020. 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 2021

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.