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HUNG HING PRINTING GROUP LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 0450)

FINAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	2	2,950,112	3,528,869
Cost of sales		(2,530,264)	(3,050,683)
Gross profit		419,848	478,186
Other revenue		63,589	49,578
Other net gain		34,400	13,330
Distribution costs		(70,179)	(101,110)
Administrative and selling expenses		(365,316)	(368,313)
Operating profit		82,342	71,671
Finance costs	3	(4,653)	(2,930)
Share of losses of associates		(2,736)	(359)
Profit before income tax	4	74,953	68,382
Income tax	5	(20,445)	(19,061)
Profit for the year		54,508	49,321
Attributable to:			
Equity shareholders of the Company		66,038	51,953
Non-controlling interests		(11,530)	(2,632)
Profit for the year		54,508	49,321
		HK cents	HK cents
Earnings per share attributable to equity shareholders of the Company	6		
Basic		7.3	5.8
Diluted		7.3	5.7
		HK\$'000	HK\$'000
Dividends	7	118,023	118,023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2022 HK\$'000	2021 HK\$'000
Profit for the year	54,508	49,321
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)	(140)	15,803
<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	(97,933)	26,376
Change in fair value of intangible assets	900	300
Other comprehensive income for the year	(97,173)	42,479
Total comprehensive income for the year	(42,665)	91,800
Attributable to:		
Equity shareholders of the Company	(18,908)	86,715
Non-controlling interests	(23,757)	5,085
Total comprehensive income for the year	(42,665)	91,800

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December 2022 HK\$'000	At 31 December 2021 HK\$'000
Non-current assets			
Property, plant and equipment		1,417,683	1,392,360
Intangible assets		13,615	13,396
Prepayments for acquisition of non-current assets		34,044	45,026
Interest in associates		22,204	22,400
Financial investments		57,674	60,507
Deferred tax assets		24,790	14,249
		<u>1,570,010</u>	<u>1,547,938</u>
Current assets			
Inventories		540,226	733,362
Trade and other receivables	8	628,204	949,698
Income tax recoverable		593	-
Structured bank deposits		203,580	388,600
Cash at bank and on hand		1,042,535	685,352
		<u>2,415,138</u>	<u>2,757,012</u>
Current liabilities			
Trade and other payables	9	454,324	470,337
Bank borrowings		191,578	192,282
Lease liabilities		9,843	6,384
Income tax payable		19,682	8,650
		<u>675,427</u>	<u>677,653</u>
Net current assets		<u>1,739,711</u>	<u>2,079,359</u>
Total assets less current liabilities		<u>3,309,721</u>	<u>3,627,297</u>
Non-current liabilities			
Lease liabilities		28,184	1,937
Receipt in advance	10	-	145,727
Deferred income	10	20,267	79,881
Deferred tax liabilities		71,220	52,616
		<u>119,671</u>	<u>280,161</u>
Net assets		<u>3,190,050</u>	<u>3,347,136</u>
Capital and reserves			
Share capital		1,652,854	1,652,854
Reserves		1,401,816	1,535,145
Total equity attributable to equity shareholders of the Company		<u>3,054,670</u>	<u>3,187,999</u>
Non-controlling interests		135,380	159,137
Total equity		<u>3,190,050</u>	<u>3,347,136</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement of final results for the year ended 31 December 2022 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2021, 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 2021 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 2022 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 2021 except for the accounting policy changes that are reflected in the consolidated financial statements for the year ended 31 December 2022.

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

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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 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 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 2022 and 2021.

	2022			Segment results
	Segment revenue		Total	
	Sales to external customers	Inter-segment sales		
	HK'\$000	HK'\$000		
Book and Package Printing	2,075,034	2,853	2,077,887	124,537
Consumer Product Packaging	402,454	7,407	409,861	(65,882)
Corrugated Box	233,911	122,690	356,601	9,454
Paper Trading	238,713	363,524	602,237	5,629
Eliminations	-	(496,474)	(496,474)	2,586
	<u>2,950,112</u>	<u>-</u>	<u>2,950,112</u>	<u>76,324</u>
Gain on disposal of property, plant and equipment				59,813
Corporate and unallocated expenses				(53,795)
Operating profit				<u>82,342</u>
Finance costs				(4,653)
Share of losses of associates				(2,736)
Profit before income tax				<u>74,953</u>
Income tax				(20,445)
Profit for the year				<u><u>54,508</u></u>

	2021			Segment results
	Segment revenue			
	Sales to external customers	Inter-segment sales	Total	
	HK'\$000	HK'\$000	HK'\$000	
Book and Package Printing	2,307,027	1,749	2,308,776	27,792
Consumer Product Packaging	539,510	22,213	561,723	(9,106)
Corrugated Box	284,241	167,457	451,698	8,861
Paper Trading	398,091	608,247	1,006,338	47,947
Eliminations	-	(799,666)	(799,666)	(2,733)
	<u>3,528,869</u>	<u>-</u>	<u>3,528,869</u>	<u>72,761</u>
Corporate and unallocated expenses				(1,090)
Operating profit				<u>71,671</u>
Finance costs				(2,930)
Share of losses of associates				(359)
Profit before income tax				<u>68,382</u>
Income tax				(19,061)
Profit for the year				<u><u>49,321</u></u>

3. Finance Costs

	2022 HK\$'000	2021 HK\$'000
Interest on bank borrowings	4,150	2,493
Interest on lease liabilities	503	437
	<u>4,653</u>	<u>2,930</u>

4. Profit Before Income Tax

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

	2022 HK\$'000	2021 HK\$'000
After charging -		
Depreciation		
- owned property, plant and equipment	109,089	110,555
- other assets leased for own use	14,139	12,515
- land use right	3,906	3,971
Amortisation of intangible assets	2,067	2,176
Loss on disposal of property, plant and equipment, net	-	5,105
Loss allowance of trade receivables	11,302	-
Loss allowance of other receivables	-	933
Loss allowance of loan to/amount due from an associate	4,698	-
Lease charges for short-term leases	1,386	3,235
Employee benefits expense (including directors' emoluments)	725,780	809,210
Fair value loss on financial assets measured at FVPL	-	7,850
Fair value loss on structured bank deposits	293	-
Net foreign exchange loss	20,191	-
Net realised loss on derivative financial instruments not qualified as hedges, net	<u>5,793</u>	<u>-</u>

	2022 HK\$'000	2021 HK\$'000
After crediting -		
Dividend income from financial investments	564	484
Interest income	14,544	8,336
Government grants	29,193	19,138
Gain on disposal of property, plant and equipment, net*	60,677	-
Reversal of write-down of inventories, net	1,079	874
Reversal of loss allowance of trade receivables	-	206
Reversal of loss allowance of other receivables	162	-
Net foreign exchange gain	-	4,391
Fair value gain on structured bank deposits	-	11,280
Net realised gain on derivative financial instruments not qualified as hedges, net	-	10,614
	<u> </u>	<u> </u>

* During the year ended 31 December 2022, the Group surrendered and vacated from part of its land and properties in Wuxi to Wuxi Local Administration and recognised a gain of HK\$59,813,000.

5. Income Tax

	2022 HK\$'000	2021 HK\$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	23	2,434
Under-provision in respect of prior years	480	-
	<u> </u>	<u> </u>
	503	2,434
Current tax - PRC Income Tax		
Provision for the year	9,332	2,679
Under-provision in respect of prior years	-	11,606
	<u> </u>	<u> </u>
	9,332	14,285
Withholding tax	<u> </u>	<u> </u>
	1	61
Deferred tax		
Origination and reversal of temporary differences	10,609	2,281
	<u> </u>	<u> </u>
	20,445	19,061
	<u> </u>	<u> </u>

The provision for Hong Kong Profits Tax for 2022 and 2021 is calculated at 16.5% of the estimated assessable profits for the year.

Hung Hing Printing (China) Company Limited (“HHCN”), an indirect wholly owned subsidiary of the Company, was certified as a High-New Technology Enterprise in 2020. The effective PRC Corporate Income Tax (“CIT”) for 2021 and 2022 was subject to a reduced tax rate of 15%. For PRC entities other than HHCN, PRC Income Tax represents CIT calculated at 25% (2021: 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% (2021: 5%) of the dividend income from subsidiaries in the PRC.

The provision for CIT in Vietnam is calculated at 20% of the estimated taxable profits for the year. HH Dream Printing Company Limited, a subsidiary of the Company incorporated in Vietnam, is entitled to a preferential tax treatment of CIT exemption for the first two years starting from which profit is generated and 50% income tax reduction for the next four years. Pursuant to the income tax rules and regulations, provision for Vietnam withholding tax on interest income is calculated based on 5% (2021: 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\$66,038,000 (2021: HK\$51,953,000) 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.

	2022	2021
Profit attributable to equity shareholders of the Company (HK\$'000)	<u>66,038</u>	<u>51,953</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>(8,858)</u>	<u>(7,136)</u>
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	<u>899,007</u>	<u>900,729</u>
Basic earnings per share (HK cents per share)	<u>7.3</u>	<u>5.8</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\$66,038,000 (2021: HK\$51,953,000) and the weighted average number of ordinary shares of 904,819,000 shares (2021: 905,229,000 shares).

	2022	2021
Profit attributable to equity shareholders of the Company (HK\$'000)	<u>66,038</u>	<u>51,953</u>
Weighted average number of ordinary shares in issue ('000)	899,007	900,729
Effect of deemed issue of shares under the Company's Share Award Scheme ('000)	<u>5,812</u>	<u>4,500</u>
Weighted average number of ordinary shares (diluted) at 31 December ('000)	<u>904,819</u>	<u>905,229</u>
Diluted earnings per share (HK cents per share)	<u>7.3</u>	<u>5.7</u>

7. Dividends

	2022 HK\$'000	2021 HK\$'000
Interim dividend of HK4 cents (2021: HK4 cents) per ordinary share	36,315	36,315
Proposed special dividend of HK5 cents (2021: HK5 cents) per ordinary share	45,393	45,393
Proposed final dividend of HK4 cents (2021: HK4 cents) per ordinary share	36,315	36,315
	<u>118,023</u>	<u>118,023</u>

The directors recommend the payment of a special dividend of HK5 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

	2022 HK\$'000	2021 HK\$'000
Trade receivable	550,805	854,588
Less: Loss allowance	(18,004)	(7,293)
	<u>532,801</u>	<u>847,295</u>
Trade receivable due from related parties	-	176
Total trade receivable, net	<u>532,801</u>	<u>847,471</u>
Bills receivable	608	12,692
Prepayment, deposits and other receivables	94,795	87,085
Amount due from an associate	-	2,450
	<u>628,204</u>	<u>949,698</u>

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:

	2022 HK\$'000	2021 HK\$'000
1 - 30 days	238,146	359,661
31 - 60 days	115,314	181,602
61 - 90 days	65,962	123,062
Over 90 days	113,379	183,146
	<u>532,801</u>	<u>847,471</u>

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

	2022 HK\$'000	2021 HK\$'000
At 1 January	7,293	9,545
Impairment loss/(reversal of impairment loss)	11,302	(206)
Amount written off as uncollectible	(296)	(2,164)
Exchange differences	(295)	118
At 31 December	<u>18,004</u>	<u>7,293</u>

9. Trade and Other Payables

	2022 HK\$'000	2021 HK\$'000
Trade payables	139,184	214,466
Trade payables due to related parties	-	184
Total trade payables	<u>139,184</u>	<u>214,650</u>
Bills payables	8,545	28,566
Receipt in advance - current portion (note 10)	126,863	-
Deferred income - current portion (note 10)	11,930	6,233
Other payable and accrued liabilities	167,802	220,888
	<u>454,324</u>	<u>470,337</u>

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

	2022	2021
	HK\$'000	HK\$'000
1 - 30 days	100,214	163,666
31 - 60 days	27,132	42,123
61 - 90 days	6,163	3,590
Over 90 days	5,675	5,271
	<u>139,184</u>	<u>214,650</u>

10. Receipt in advance and deferred income

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 (equivalent to \$320,256,000) 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.

As at 31 December 2022, receipt in advance of HK\$126,863,000 (2021: HK\$145,727,000) and deferred income of HK\$5,245,000 (2021: HK\$54,401,000) 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, respectively. The remaining part of the deferred income which amounts to HK\$26,952,000 (2021: HK\$31,713,000) represents the government grants related to purchase of property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

The Hung Hing Printing Group successfully delivered increased profits by capitalising on a strong brand and diversified core business with a focus on value-added solutions. Our strategic investments in automation and process efficiencies across a geographically distributed manufacturing base allowed us to address unfavourable market conditions like inflation, continued geopolitical unrest and a weak economy. We also benefited from the recognition of the land resumption transaction at our existing Wuxi facility and one-off government subsidies. Overall, profit attributable to equity shareholders of the company increased by 27.1% to HK\$66 million (2021: HK\$52 million), against a 16.4% decline of revenues to HK\$2,950 million.

As demand for printing and paper products is cyclical and impacted by macroeconomic movements, diversification has been an important component of our strategy, reducing our reliance on any individual market or business line. We successfully grew the business into new industry sectors, products, and manufacturing base, to consolidate our position as a trusted partner for the world’s leading brands. This approach drove revenues from export markets, compensating in part for a slower domestic China market where lockdowns affected consumer purchase behaviour.

Our new 35,000 sq. m. facility in Hanoi, Vietnam, increased its turnover by three-fold with advanced capabilities and machinery. The plant was critical in fulfilling export orders and achieving operating margins despite the restrictions associated with the COVID-19 pandemic and wage inflation in China.

We are implementing several initiatives to sell and communicate directly with consumers, capitalising on our core strengths in children’s book printing. This will enable us to establish an additional connection with consumers at multiple touchpoints. In pursuit of this goal, the Papery brand increased its go-to-market presence and its products are available on the shelves of leading retailers across Hong Kong. STEM Plus launched the second Inter-school AI Formula Edge Competition, boosting reputation and brand recognition, especially in the education sector. The Yum Me Play experiential learning platform opened a 622 sq. m. experience hub at New Town Plaza in Shatin to inspire and nurture children, with a fun line-up of workshops and experiences.

Business Unit Report

Book & Package Printing (BPP) remained the largest Group business, achieving overall revenues of HK\$2,075 million, a decline of 10.1% from 2021, following a buildup of delivery orders by customers in 2021 to minimise exposure to disruptions in global supply chains. Rationalisation of the order book with a focus on high value-added business helped us keep operating costs under control and improved margins. More stable freight conditions and logistics costs, and cost savings from better automation and workflow optimisation allowed the unit to substantially increase operating profit to HK\$124.5 million compared to 2021.

Sales to major customers remained stable due to our ability to meet their needs and exceed their expectations, with multinational companies choosing Hung Hing as their preferred supplier. The supply chain disruptions that impacted margins in 2021 largely reduced to manageable levels and paper prices stabilised at a higher level. The new board games product line launched earlier contributed to the bottom line, alongside core product lines like book printing and greeting cards.

Beluga launched new bespoke products to meet the requirements of our strategic clients, strengthening our long-term relationships. Its Papery brand expanded its recyclable range of premium paper-based products in addition to our staple products like face mask holders and handbags. The division expanded its marketing reach through attending major European trade shows and other industry events.

The Consumer Product Packaging (CPP) business unit received steady orders from flagship clients. However the business saw a reduction in smaller orders due to the weak domestic market, resulting in a revenue decline of 25% to HK\$402.5 million. External sales were affected due to the relocation of the Wuxi plant which leads to the business unit's loss to HK\$65.9 million (2021: loss of HK\$9.1 million).

The business used this period to redevelop an advanced new facility in Wuxi to replace the existing plant which will serve the domestic market. The site of this existing Wuxi facility will be handed back to the local authority, and CPP is expected to commence production at the new facility by mid-2023.

The Corrugated Box (CB) business increased profit by 7% to HK\$9.5 million thanks to stable demand from key customers and the improvement of processes. A weak domestic market affected overall order placement with revenues declining 17.7% to HK\$233.9 million.

External sales for the Paper Trading (PT) business dropped by around 40% to HK\$238.7 million, reflecting poor market demand and falling paper prices after significant increases in 2021. PT plays a key role in enabling our vertically-integrated strategy by sourcing and supplying a high quality range of paper to the other business units.

Principal Risks and Uncertainties

Risks and uncertainties may affect the Group's business performance or growth prospects, leading to a divergence from expected or historical results. The Group faces certain generic risks that commonly apply to players within the sector, such as fluctuations in exchange rates and commodities prices, including paper prices, and inflation in labour cost.

Risks that affected the Group's activities over the past few years included major disruptions to the global supply chain and abrupt increases in logistics costs fuelled by COVID-19, strained US-Sino trade relationships, and public policy restrictions (movement of people and social distancing) that impacted labour supply. Additionally, COVID-19-related government subsidy policy to alleviate the impact of the pandemic is expected to change in 2023. Geopolitical factors such as those being observed recently in Eastern Europe may continue to affect world trade and also the Group.

Future Business Developments

The expected gradual phasing out of COVID-19 restrictions in Mainland China and Hong Kong mean that the weak domestic demand and logistical restrictions of the past two years are likely to ease. We are cautiously optimistic about a gradual return of consumer confidence and demand for the domestic business.

We will monitor reports of recessionary pressures and respond appropriately. Our core values of credibility, creativity, collaboration, and ownership have enabled us to establish a strong track record and trusted, longstanding client partnerships. Our vertically-integrated offering and solid financial position render us a partner of choice.

We are confident that our diversification efforts with new facilities will enable us to overcome global uncertainties in the coming months. Our recent business development initiatives include purchasing a physical bookstore chain with 10 outlets across Hong Kong. These will be integrated into STEM Plus portfolio of education products and services. In 2022 we invested in a comprehensive rebranding exercise, including our new corporate website which was launched at the end of 2022. We will leverage our refreshed brand to enhance the company image and drive sales, reaching out to a wider group of customers and meeting their needs.

Strong Financial Position: Net Cash Holding of HK\$1,055 million

The Group maintained a robust cash position with HK\$1,055 million net cash in hand (total cash including structured bank deposits and net of bank borrowings). The financial strength enables us to invest for long-term sustainable growth and reward our shareholders.

The Group deployed RMB-link structured bank deposits (2022 year-end balance at HK\$204 million) to enhance yield and at the same time, provide hedging for RMB requirements.

Despite the short-term impacts experienced in 2022 due to the COVID-19 pandemic, global businesses will continue to need reliable partners who deliver value as they gain confidence in market prospects. To drive long term development, we invested HK\$170 million during 2022 in setting up advanced equipment and facilities at various locations of our core businesses, and expanding the Wuxi, Heshan and Vietnam facilities. We will continue to consolidate opportunities in the coming years on unique competitive technologies and capacities to address the export and China domestic market.

Gearing ratio was kept at a conservative level of 6.0% (2021: 5.7%).

To mitigate exchange risk while meeting operating cash requirements, 49% of total cash (vs. 2021: 33%) was held in RMB, while the rest was mainly held in USD 46% (vs. 2021: 49%) and HKD 3% (vs. 2021: 13%). 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 2022, 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.

Outlook

The continued disruption caused by the pandemic has only served to emphasise the strength of the Hung Hing brand, management team, and the value of our diversified business. We are emerging from the pandemic with the foundations in place for long term success and ongoing growth. Our double diversification strategy – covering product range and manufacturing setup – will continue to insulate us to some extent from the socio-economic cyclicality of any one market or industry vertical.

With a heritage of differentiated, vertically-integrated products and services, supported by a refreshed brand and corporate website, and intensive sales and marketing efforts, we are well-placed to capture opportunities in 2023.

Our business model is capital-efficient with high scalability through automation. With a strong cash position we also have the flexibility we need to continue investing in our existing business while remaining in a strong position to pursue innovative opportunities to expand our scope of services.

I am deeply grateful to the untiring efforts of my colleagues, management team, board members and shareholders, for their wholehearted support.

SPECIAL DIVIDEND AND FINAL DIVIDEND

The directors recommend a special dividend of HK5 cents (2021: HK5 cents) per share and a final dividend of HK4 cents (2021: HK4 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 HK4 cents (2021: HK4 cent) per share paid in October 2022, will make a total dividend of HK13 cents (2021: HK13 cents) per share for the financial year.

The proposed special dividend and final dividend will be paid by cash on 21 June 2023 to shareholders whose names appear on the Register of Members of the Company on 5 June 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 19 May 2023.

The Register of Members of the Company will be closed from Thursday, 1 June 2023 to Monday, 5 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 31 May 2023.

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, except that the trustee of the Restricted Share Award Scheme, pursuant to the terms of the rules and trust deed of the Restricted Share Award Scheme, purchased on the Stock Exchange a total of 1,648,000 shares of the Company at a total consideration of HK\$2,095,000.

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 2022 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 2022 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 2022 have been agreed by the Group's auditor, KPMG ("KPMG"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2022. 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, 22 March 2023

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. Yuji Motomatsu, Ms. Aki Tsuge 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.