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 2023

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 2023 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**2023** **HK$'000**	2022 HK$'000
Revenue	2	**2,386,862**	2,950,112
Cost of sales		**(1,997,950)**	(2,530,264)
Gross profit		**388,912**	419,848
Other revenue		**52,663**	63,589
Other net gain		**121,309**	34,400
Distribution costs		**(48,432)**	(70,179)
Administrative and selling expenses		**(337,245)**	(365,316)
Operating profit		**177,207**	82,342
Finance costs	3	**(9,391)**	(4,653)
Share of losses of associates		**(933)**	(2,736)
Profit before income tax	4	**166,883**	74,953
Income tax	5	**(35,615)**	(20,445)
Profit for the year		**131,268**	54,508
Attributable to:			
Equity shareholders of the Company		**135,155**	66,038
Non-controlling interests		**(3,887)**	(11,530)
Profit for the year		**131,268**	54,508
		HK cents	HK cents
Earnings per share attributable to equity shareholders of the Company	6		
Basic		**15.0**	7.3
Diluted		**14.9**	7.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2023	2022
	HK$'000	HK$'000
Profit for the year	**131,268**	54,508
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)	**(6,685)**	(140)
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	**(24,147)**	(97,933)
Change in fair value of intangible assets	**(200)**	900
Other comprehensive income for the year	**(31,032)**	(97,173)
Total comprehensive income for the year	**100,236**	(42,665)
Attributable to:		
Equity shareholders of the Company	**106,467**	(18,908)
Non-controlling interests	**(6,231)**	(23,757)
Total comprehensive income for the year	**100,236**	(42,665)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 31 December 2023 HK$'000**	At 31 December 2022 HK$'000
Non-current assets			
Property, plant and equipment		**1,482,133**	1,417,683
Intangible assets		**13,274**	13,615
Prepayments for acquisition of non-current assets		**63,368**	34,044
Interest in associates		**15,310**	22,204
Financial investments		**55,427**	57,674
Deferred tax assets		**32,396**	24,790
		1,661,908	1,570,010
Current assets			
Inventories		**401,028**	540,226
Trade and other receivables	8	**626,242**	628,204
Income tax recoverable		**315**	593
Structured bank deposits		**311,025**	203,580
Cash at bank and on hand		**810,695**	1,042,535
		2,149,305	2,415,138
Current liabilities			
Trade and other payables	9, 10	**343,343**	454,324
Bank borrowings		**126,004**	191,578
Lease liabilities		**16,406**	9,843
Income tax payable		**72,365**	19,682
		558,118	675,427
Net current assets		**1,591,187**	1,739,711
Total assets less current liabilities		**3,253,095**	3,309,721
Non-current liabilities			
Lease liabilities		**22,652**	28,184
Deferred income	10	**15,847**	20,267
Deferred tax liabilities		**39,441**	71,220
		77,940	119,671
Net assets		**3,175,155**	3,190,050
Capital and reserves			
Share capital		**1,652,854**	1,652,854
Reserves		**1,393,152**	1,401,816
Total equity attributable to equity shareholders of the Company		**3,046,006**	3,054,670
Non-controlling interests		**129,149**	135,380
Total equity		**3,175,155**	3,190,050

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of final results for the year ended 31 December 2023 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2022, 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 2022 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 2023 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 2022 except for the accounting policy changes that are reflected in the consolidated financial statements for the year ended 31 December 2023.

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

(i) New and amended HKFRSs

The HKICPA has issued certain new and amended 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 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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.

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement)(Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date").

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism.

Upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross Long Service Payment ("LSP") benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance. The change does not have a material impact on these financial statements.

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 2023 and 2022.

2023

	Segment revenue			**Segment results**
	Sales to external customers HK'$000	**Inter-segment sales HK'$000**	**Total HK'$000**	**HK'$000**
Book and Package Printing	**1,700,115**	**5,528**	**1,705,643**	**122,569**
Consumer Product Packaging	**296,176**	**1,319**	**297,495**	**(51,114)**
Corrugated Box	**186,695**	**64,200**	**250,895**	**(9,289)**
Paper Trading	**203,876**	**273,224**	**477,100**	**(5,224)**
Eliminations	**-**	**(344,271)**	**(344,271)**	**3,635**
	2,386,862	**-**	**2,386,862**	**60,577**
Gain on disposal of property, plant and equipment				**133,667**
Corporate and unallocated expenses				**(17,037)**
Operating profit				**177,207**
Finance costs				**(9,391)**
Share of losses of associates				**(933)**
Profit before income tax				**166,883**
Income tax				**(35,615)**
Profit for the year				**131,268**

2022

	Segment revenue			Segment results
	Sales to external customers HK'$000	Inter-segment sales HK'$000	Total 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
	2,950,112	-	2,950,112	76,324
Gain on disposal of property, plant and equipment				59,813
Corporate and unallocated expenses				(53,795)
Operating profit				82,342
Finance costs				(4,653)
Share of losses of associates				(2,736)
Profit before income tax				74,953
Income tax				(20,445)
Profit for the year				54,508

3. Finance Costs

	2023	2022
	HK$'000	HK$'000
Interest on bank borrowings	**7,455**	4,150
Interest on lease liabilities	**1,936**	503
	9,391	4,653

4. Profit Before Income Tax

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

	2023	2022
	HK$'000	HK$'000
After charging -		
Depreciation		
- owned property, plant and equipment	**103,503**	109,089
- other assets leased for own use	**15,664**	14,139
- land use rights	**3,674**	3,906
Amortisation of intangible assets	**1,580**	2,067
Loss allowance of trade receivables, net	**5,556**	11,302
Loss allowance of loan to an associate	**4,574**	4,698
Impairment loss of investment in an associate	**3,300**	-
Lease charges for short-term leases	**3,934**	1,386
Staff cost (including directors' emoluments)	**633,284**	725,780
Write-down of inventories, net	**3,803**	-
Fair value loss on structured bank deposits	**-**	293
Net foreign exchange loss	**12,065**	20,191
Net realised loss on derivative financial instruments not qualified as hedges, net	**1,726**	5,793
After crediting -		
Dividend income from financial investments	**4,058**	564
Interest income	**23,743**	14,544
Government grants	**10,460**	29,193
Gain on disposal of property, plant and equipment, net*	**131,043**	60,677
Reversal of write-down of inventories, net	**-**	1,079
Reversal of loss allowance of other receivables	**-**	162
Fair value gain on structured bank deposits	**7,357**	-

* During the year ended 31 December 2023, the Group surrendered and vacated from all of its land and properties in Wuxi to Wuxi Local Administration and recognised a gain of HK$133,667,000 (2022: HK$59,813,000).

5. Income Tax

	2023	2022
	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	**715**	23
Under-provision in respect of prior years	**-**	480
	715	503
Current tax - PRC Income Tax		
Provision for the year	**72,534**	9,332
Withholding tax	**-**	1
Deferred tax		
Origination and reversal of temporary differences	**(37,634)**	10,609
	35,615	20,445

The provision for Hong Kong Profits Tax for 2023 and 2022 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 2022 and 2023 was subject to a reduced tax rate of 15%. For PRC entities other than HHCN, PRC Income Tax represents CIT calculated at 25% (2022: 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% (2022: 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 and HHD (Thai Ha) Company Limited, subsidiaries of the Company incorporated in Vietnam, are 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% (2022: 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$135,155,000 (2022: HK$66,038,000) 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.

	2023	2022
Profit attributable to equity shareholders of the Company (HK$'000)	**135,155**	66,038
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)	**(5,737)**	(8,858)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	**902,128**	899,007
Basic earnings per share (HK cents per share)	**15.0**	7.3

(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$135,155,000 (2022: HK$66,038,000) and the weighted average number of ordinary shares of 907,048,000 shares (2022: 904,819,000 shares).

	2023	2022
Profit attributable to equity shareholders of the Company (HK$'000)	**135,155**	66,038
Weighted average number of ordinary shares in issue ('000)	**902,128**	899,007
Effect of deemed issue of shares under the Company's Share Award Scheme ('000)	**4,920**	5,812
Weighted average number of ordinary shares (diluted) at 31 December ('000)	**907,048**	904,819
Diluted earnings per share (HK cents per share)	**14.9**	7.3

7. Dividends

	2023 **HK$'000**	2022 HK$'000
Interim dividend of HK4 cents (2022: HK4 cents) per ordinary share	**36,315**	36,315
Proposed special dividend of HK5 cents (2022: HK5 cents) per ordinary share	**45,393**	45,393
Proposed final dividend of HK4 cents (2022: HK4 cents) per ordinary share	**36,315**	36,315
	118,023	118,023

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

	2023 HK$'000	2022 HK$'000
Trade receivable	**545,675**	550,805
Less: Loss allowance	**(23,230)**	(18,004)
	522,445	532,801
Trade receivable due from related parties	**293**	-
Total trade receivable, net	**522,738**	532,801
Bills receivable	**203**	608
Prepayment, deposits and other receivables	**103,301**	94,795
	626,242	628,204

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:

	2023 HK$'000	2022 HK$'000
1 - 30 days	**220,826**	238,146
31 - 60 days	**153,758**	115,314
61 - 90 days	**78,401**	65,962
Over 90 days	**69,753**	113,379
	522,738	532,801

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

	2023 HK$'000	2022 HK$'000
At 1 January	**18,004**	7,293
Acquisition of a subsidiary company	**132**	-
Impairment loss	**5,556**	11,302
Amount written off as uncollectible	**(356)**	(296)
Exchange differences	**(106)**	(295)
At 31 December	**23,230**	18,004

9. Trade and Other Payables

	2023 HK$'000	2022 HK$'000
Trade payables	**112,909**	139,184
Bills payables	**10,014**	8,545
Receipt in advance - current portion (note 10)	**-**	126,863
Deferred income - current portion (note 10)	**6,267**	11,930
Other payable and accrued liabilities	**208,453**	167,802
Amount due to an associate	**5,700**	-
	343,343	454,324

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

	2023	2022
	HK$'000	HK$'000
1 - 30 days	**82,406**	100,214
31 - 60 days	**22,801**	27,132
61 - 90 days	**3,261**	6,163
Over 90 days	**4,441**	5,675
	112,909	139,184

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 HK$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 and deferred income of HK$5,245,000 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 in 2023, respectively. The whole land relocation was completed in 2023 and all the receipt in advance and deferred income were recognised as income during the year. The remaining balance of deferred income (including non-current portion) amounting to HK$22,114,000 (2022: HK$26,952,000) represents the government grants related to purchase of property, plant and equipment of other Group companies.

MANAGEMENT DISCUSSION AND ANALYSIS

2023 brought a range of challenges and uncertainties in the global market. Sluggish economic recovery, mounting interest rates, inflationary pressures and escalating geopolitical tensions caused volatility in the business environment. Hung Hing Printing Group maintained its focus on delivering quality and value to domestic and overseas customers to drive business. Improved gross margins, alongside the progressive recognition of a one-off gain from the land resumption in Wuxi, helped achieve a profit attributable to equity shareholders of the company of HK$135 million (2022: HK$66 million) despite a decline of 19.1% in revenue to HK$2,387 million.

Our focus was to conserve our margins while establishing a strong foundation for future growth. Our ongoing concentration on high value-added projects was helpful in this regard. High levels of automation helped us reduce labour costs in addition to improving efficiency. Agile paper procurement strategies enabled us to take advantage of soft paper prices, further augmenting the bottom-line results of all our business units. These factors, along with slowing RMB depreciation, led to a 2.1% point improvement in gross profit margin over 2022 to 16.3%.

The establishment of our manufacturing facility HH Dream in Vietnam in 2019 has proved extremely valuable in strengthening the Group's versatility, geographic diversity and capacity. The facility operated at satisfactory capacity utilisation level throughout the year, increasing its turnover and supported the Book and Packaging Printing business unit with a focus on paper toys and packaging printing.

We continued to advance several initiatives to position us advantageously when the market recovers. STEM Plus completed the integration of the new acquisition, book and toy distributor and retailer Active Minds Limited (AML), during the year. By venturing downstream into retail with AML's network of bookstores, we gathered firsthand information about consumer behaviour and market trends. These insights are a valuable resource for our publishing customers and help to strengthen our bonding with them.

Business Unit Report

Book and Packaging Printing (BPP) remained the largest Group business. Revenues stood at HK$1,700 million, a decline of 18.1% from 2022, owing to low consumer confidence and a lag effect in order placement especially in the second half of the year. Soft paper prices, and rationalization of order and product portfolio augmented margins. The business also reaped the benefits of increased automation and workflow optimisation. As a result of these factors, BPP was able to maintain profit at HK$122.6 million compared to HK$124.5 million in 2022.

The new HH Dream manufacturing facilities in Hanoi, Vietnam, strengthens the Group's competitive advantage, allowing us to support our customers to rebalance their orders in Asia. We will continue to expand our capabilities in Vietnam, and have acquired a new 45,000 sq. m. piece of land near the current site to prepare for future business and capacity expansion, in light of the increasing foreign investment into Vietnam, especially around Hanoi. The expansion will also allow us to tap into the demand of the domestic market.

The Consumer Product Packaging (CPP) business unit was impacted by continuing weak consumer sentiment in the domestic market. While the relocation of the Wuxi plant caused disruption in order fulfilment potential, the increased automation and adoption of Industry 4.0 techniques helped CPP narrow its loss to HK$51 million (excluding the effect of progressive recognition of the proceeds of the land resumption), compared to a loss of HK$66 million in 2022.

During the year, the new facility in Wuxi was completed and is expected to be operating in full swing in Q1 2024. The new plant has a 9-color state-of-the-art UV printing press which will enable it to produce high-end packaging boxes for the cosmetic and pharmaceutical industry. It will further expand our foothold in the food and FMCG sectors as the domestic China economy improves. In addition, the company enriched its offerings to include rigid gift boxes, a popular trend in the cosmetics and high-end branded market.

The Corrugated Box (CB) business posted a decline in external sales due to weak industry demand. Soft paper pricing affected margins and led to a loss of HK$9 million. These unfavourable conditions were alleviated partially by long-term contracts with customers. The business focused on improving the synergies among the Group's network of manufacturing facilities to improve its service offerings, enhance coverage, and increase its competitive position. These will prove valuable in tapping into logistics and infrastructure developments in China such as the new highway network connecting cities in the Greater Bay Area (GBA).

The performance of the Paper Trading (PT) business was also impacted by slow industry demand. A loss of HK$5 million was incurred, mainly due to weak customer confidence as reflected in cautious paper pricing throughout the year. The business continued to play a vital role in our vertically-integrated strategy which allowed timely and competitive paper sourcing for the BPP and CPP businesses. The PT business expanded its scope with specialist types of paper for overseas customers.

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 fueled by pandemics, political disputes and public policy restrictions (movement of people and social distancing) that impacted labour supply. Additionally, the availability of government subsidies to alleviate the business impact of these factors remains uncertain. Geopolitics including but not limited to conflicts in Eastern Europe would continue to affect world trade, and inevitably the Group as well.

Future Business Developments

We ended 2023 with early signs of a slow recovery in global business sentiment and improvement in order pipelines for the publishing and premium packaging segments. We are cautiously optimistic that the recovery of the USA market will strengthen our business in 2024 and provide some growth momentum. In addition, our Vietnam facility is well positioned to take on additional business flowing into Southeast Asia for manufacturing. Following a brief period of turmoil, shipping conditions appear to have returned to stability, despite unsettled geopolitical conditions. Systemic reforms and expectations of cuts in interest rates will help provide customers with more confidence and trigger further order placement.

The Group remains committed to improving its core printing business with strong implementation of the Print 4.0 across its facilities. By utilizing data analytics and new innovations, we are confident to deliver better efficiency and alignment of its resources. Furthermore, we will work with key customers to widen the product offerings and services through different platforms (sales channels) as well as geographically. This will offer greater customer loyalty and more longer term development.

The expected completion of mega infrastructure projects in the GBA in 2024, including the Shenzhen-Zhongshan Bridge and the Huangmao Cross-Sea Channel Bridge, will dramatically enhance connectivity, making travel between cities in the area possible within an hour. This development positions companies within the GBA at a significant advantage over those based elsewhere, thanks to the area's productivity cluster. With our strategic presence in Shenzhen, Zhongshan, Foshan, and Heshan, we are well poised to capitalise on the integrated strengths of our manufacturing facilities, allowing us to streamline our operations, foster synergies, and boost both efficiency and productivity. Looking forward to 2024, the Group is committed to driving business growth by leveraging these advancements to expand our revenue streams in the domestic market.

STEM Plus will continue with its event-based growth approach, organising book fairs, education expos and inter-school AI-based competitions in Hong Kong and the GBA area. It helps strengthen Hung Hing’s market position and brand awareness in the industry.

With our strong financial position, and solid experience over the years in managing business in China and Vietnam, we are optimistic about our development in China and South East Asia in the long term.

Strong Financial Position: Net Cash Holding of HK$996 million

The Group maintained a robust cash position with HK$996 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 (2023 year-end balance at HK$301 million) to enhance yield and at the same time, provide hedging for RMB requirements.

During the year, the Group spent over HK$264 million on capital projects to construct new facilities, expand and upgrade existing capacities (including land reserve acquisition), and acquire new equipment and technology to support various stages of development at the Heshan, Vietnam and Wuxi facilities.

The gearing ratio was controlled at a conservative level of 4.0% (2022: 6.0%) in light of the higher interest rate environment.

To mitigate exchange risk while meeting operating cash requirements, 54% of total cash including structured deposits (vs. 2022: 49%) was held in RMB, while the rest was mainly held in USD 39% (vs. 2022: 46%) and HKD 4% (vs. 2022: 3%). Loans were confined to HKD and USD to control currency exposure and mostly at fixed rate to 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.

Outlook

2024 holds out both challenges and opportunities. Interest rates, especially in export markets, are expected to decline to stimulate spending, which will likely improve consumer confidence. On the other hand, geopolitical conflict, supply chain and logistics disruption can trigger price fluctuations and scarcity in raw materials.

Looking forward, we are ready to take advantage of any economic recovery with our automated and integrated capabilities. Despite the market disruptions seen in recent years, we are taking a long-term view towards the domestic China market and have intensified efforts in growing our business by leveraging our diversified product portfolio, strong reputation and trusted partnership built over the years. The Greater Bay Area in particular presents tremendous opportunities in terms of both business growth and talent acquisition for the Group. With a market possessing significant consumption power, it is an attractive market for STEM Plus and AML to expand its educational offerings over the medium to long term.

We will continue to strengthen our core business with unswerving commitment to product quality and operational efficiency. Our strong cash position gives us the ability to invest strategically in the future while pursuing innovative opportunities to expand our scope of services.

I would like to express my thanks to my talented team, management, board and shareholders, for their support and efforts.

SPECIAL DIVIDEND AND FINAL DIVIDEND

The directors recommend a special dividend of HK5 cents (2022: HK5 cents) per share and a final dividend of HK4 cents (2022: 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 (2022: HK4 cents) per share paid in October 2023, will make a total dividend of HK13 cents (2022: HK13 cents) per share for the financial year.

The proposed special dividend and final dividend will be paid by cash on 21 June 2024 to shareholders whose names appear on the Register of Members of the Company on 6 June 2024.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 20 May 2024 to Thursday, 23 May 2024, 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, 17 May 2024.

The Register of Members of the Company will be closed from Monday, 3 June 2024 to Thursday, 6 June 2024, 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 Friday, 31 May 2024.

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 C1 (formerly Appendix 14) of the Listing Rules throughout the year ended 31 December 2023 except for the following deviations:

Code Provision C 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.

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 C3 (formerly 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 2023 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 2023 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 2023. 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, 25 March 2024

As at the date of this announcement, the Board comprises Mr. Yum Chak Ming, Matthew and Mr. Yum Christopher Carson as executive directors; Mr. Hirofumi Hori, Hitoshi Shibasaki, Ms. Aki Tsuge and Mr. Yam Hon Ming, Tommy as non-executive directors; Mr. Luk Koon Hoo, Mr. Lo Chi Hong and Mr. Tan Chuen Yan, Paul as independent non-executive directors.