



HUNG HING PRINTING GROUP LIMITED
鴻興印刷集團有限公司

INTERIM REPORT 2007/2008 中期報告

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CORPORATE INFORMATION

Executive Directors

Yam Cheong Hung, Chairman
Yum Chak Ming, Matthew, Managing Director
Yam Ho Ming, Michael
Yam Hon Ming, Tommy

Non-Executive Directors

Chu Shu Ho, David, JP
Yum Pui Ming, Anna

Independent Non-Executive Directors

Wong Siu Ping
Yap, Alfred Donald
Yip Yu Bun, MH

Company Secretary

Tung Yu Bui

Registered Office

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17–19 Dai Hei Street
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New Territories, Hong Kong
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Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
The Bank of Tokyo-Mitsubishi, Limited

Auditors

Ernst & Young
Nexia Charles Mar Fan & Co.

Share Registrar

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

INTERIM RESULTS

The directors of Hung Hing Printing Group Limited (“the Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30 September 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	2	1,934,840	1,705,338
Cost of sales		(1,593,070)	(1,349,616)
Gross profit		341,770	355,722
Other income and gains		33,065	45,173
Distribution costs		(46,072)	(42,476)
Administrative and selling expenses		(131,434)	(120,938)
Other expenses		(7,360)	(1,385)
		189,969	236,096
Fair value gain on derivative component of convertible bonds	3	10,200	64,050
Finance costs	4	(31,090)	(31,211)
PROFIT BEFORE TAX	5	169,079	268,935
Tax	6	(30,899)	(27,974)
PROFIT FOR THE PERIOD		138,180	240,961
ATTRIBUTABLE TO:			
Equity holders of the parent		124,795	226,649
Minority interests		13,385	14,312
		138,180	240,961
INTERIM DIVIDEND	7	45,059	57,074
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic	8	20.8 cents	37.7 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,542,921	1,493,144
Prepaid land lease payments	10	147,874	147,700
Goodwill		3,041	3,041
Available-for-sale investments	11	13,504	11,554
Properties under construction	12	27,953	50,090
Deferred tax assets		4,910	4,731
Total non-current assets		<u>1,740,203</u>	<u>1,710,260</u>
CURRENT ASSETS			
Inventories		705,934	596,372
Accounts and bills receivable	13	1,084,676	757,120
Prepayments, deposits and other receivables		48,857	40,741
Derivative financial instruments	14	10,723	4,768
Structured deposits		249,097	375,818
Short-term note		22,116	23,095
Cash and cash equivalents	15	544,939	603,584
Total current assets		<u>2,666,342</u>	<u>2,401,498</u>
CURRENT LIABILITIES			
Accounts payable	16	252,982	181,246
Tax payable		17,442	17,048
Other payables and accrued liabilities		158,030	120,367
Derivative component of convertible bonds		22,575	32,775
Derivative financial instruments	14	28,124	7,517
Structured borrowings		17,770	17,042
Interest-bearing bank and other borrowings		421,864	330,592
Total current liabilities		<u>918,787</u>	<u>706,587</u>
NET CURRENT ASSETS		<u>1,747,555</u>	<u>1,694,911</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,487,758</u>	<u>3,405,171</u>
NON-CURRENT LIABILITIES			
Convertible bonds		699,646	679,590
Interest-bearing bank and other borrowings		125,346	110,833
Structured borrowings		46,494	56,896
Deferred tax liabilities		43,832	36,550
Total non-current liabilities		<u>915,318</u>	<u>883,869</u>
Net assets		<u>2,572,440</u>	<u>2,521,302</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		60,078	60,078
Reserves		2,089,674	1,986,974
Proposed dividend		45,059	120,156
		<u>2,194,811</u>	<u>2,167,208</u>
Minority interests		377,629	354,094
Total equity		<u>2,572,440</u>	<u>2,521,302</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007 (Unaudited)

	Attributable to equity holders of the parent												
	Issued capital	Share premium account	Capital redemption reserve	Capital reserve	Hedging reserve	Available-for-sale investment revaluation reserve	Legal reserves	Exchange fluctuation reserve	Retained profits	Proposed dividend	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007	60,078	724,845	966	(814)	—	1,116	89,241	40,030	1,131,590	120,156	2,167,208	354,094	2,521,302
Exchange realignment	—	—	—	—	—	—	—	20,103	—	—	20,103	11,143	31,246
Change in fair value of available-for-sale investments	—	—	—	—	—	2,793	—	—	—	—	2,793	—	2,793
Realisation of change in fair value of available-for-sale investments on disposal	—	—	—	—	—	68	—	—	—	—	68	—	68
Total income and expense recognised directly in equity	—	—	—	—	—	2,861	—	20,103	—	—	22,964	11,143	34,107
Profit for the period	—	—	—	—	—	—	—	—	124,795	—	124,795	13,385	138,180
Total income and expense for the period	—	—	—	—	—	2,861	—	20,103	124,795	—	147,759	24,528	172,287
Final 2007 dividend declared	—	—	—	—	—	—	—	—	—	(120,156)	(120,156)	—	(120,156)
Interim 2008 dividend	—	—	—	—	—	—	—	—	(45,059)	45,059	—	—	—
Contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	—	15,160	15,160
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(16,153)	(16,153)
At 30 September 2007	<u>60,078</u>	<u>724,845</u>	<u>966</u>	<u>(814)</u>	<u>—</u>	<u>3,977</u>	<u>89,241</u>	<u>60,133</u>	<u>1,211,326</u>	<u>45,059</u>	<u>2,194,811</u>	<u>377,629</u>	<u>2,572,440</u>

For the six months ended 30 September 2006 (Unaudited)

	Attributable to equity holders of the parent												
	Issued capital	Share premium account	Capital redemption reserve	Capital reserve	Hedging reserve	Available-for-sale investment revaluation reserve	Legal reserves	Exchange fluctuation reserve	Retained profits	Proposed dividend	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006	60,078	724,845	966	(814)	(1,051)	328	74,638	11,783	1,046,284	120,156	2,037,213	317,017	2,354,230
Exchange realignment	—	—	—	—	—	—	—	14,538	—	—	14,538	8,964	23,502
Change in fair value of available-for-sale investments	—	—	—	—	—	(1,097)	—	—	—	—	(1,097)	—	(1,097)
Total income and expense recognised directly in equity	—	—	—	—	—	(1,097)	—	14,538	—	—	13,441	8,964	22,405
Profit for the period	—	—	—	—	—	—	—	—	226,649	—	226,649	14,312	240,961
Total income and expense for the period	—	—	—	—	—	(1,097)	—	14,538	226,649	—	240,090	23,276	263,366
Final 2006 dividend declared	—	—	—	—	—	—	—	—	—	(120,156)	(120,156)	—	(120,156)
Interim 2007 dividend	—	—	—	—	—	—	—	—	(57,074)	57,074	—	—	—
Contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	—	6,800	6,800
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	(16,025)	(16,025)
Transfer to property, plant and equipment	—	—	—	—	1,051	—	—	—	—	—	1,051	—	1,051
At 30 September 2006	<u>60,078</u>	<u>724,845</u>	<u>966</u>	<u>(814)</u>	<u>—</u>	<u>(769)</u>	<u>74,638</u>	<u>26,321</u>	<u>1,215,859</u>	<u>57,074</u>	<u>2,158,198</u>	<u>331,068</u>	<u>2,489,266</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	(115,804)	(45,449)
INVESTING ACTIVITIES	208,456	(546,346)
FINANCING ACTIVITIES	(34,017)	(156,762)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	58,635	(748,557)
Cash and cash equivalents at beginning of period	422,638	1,272,400
Effect of foreign exchange rate changes, net	4,426	2,523
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>485,699</u>	<u>526,366</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	302,958	206,348
Time deposits with original maturity of less than three months when acquired	183,127	320,018
Bank overdraft, unsecured	(386)	—
	<u>485,699</u>	<u>526,366</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure requirements as set out in Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the annual financial statements for the year ended 31 March 2007.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) that are effective for accounting periods beginning on or after 1 January 2007. The adoption of these new and revised HKFRSs have no significant impact on this unaudited condensed consolidated interim financial statements.

2. Segment Information

Business segments

The principal activities of the Group consisted of the printing and manufacturing of paper and carton boxes, the manufacturing of paper, the manufacturing of corrugated cartons and the trading of paper.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

2. Segment Information *(continued)*

Business segments (continued)

An analysis by business segments is as follows:

	For the six months ended 30 September 2007			SEGMENT
	SEGMENT REVENUE			RESULTS
	Sales to	Intersegment	Total sales	
	external	sales	Total sales	(Unaudited)
	customers	sales	(Unaudited)	(Unaudited)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Paper and carton box				
printing and manufacturing	970,796	20,728	991,524	98,872
Paper manufacturing	394,197	92,168	486,365	26,487
Corrugated carton manufacturing	320,766	69,355	390,121	27,549
Paper trading	249,081	204,767	453,848	35,792
Eliminations	—	(387,018)	(387,018)	(1,662)
	<u>1,934,840</u>	<u>—</u>	<u>1,934,840</u>	<u>187,038</u>
Interest, dividend income and other gains				17,590
Corporate and unallocated expenses				<u>(14,659)</u>
				189,969
Fair value gain on derivative component of convertible bonds				10,200
Finance costs				<u>(31,090)</u>
Profit before tax				169,079
Tax				<u>(30,899)</u>
Profit for the period				<u>138,180</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

2. Segment Information *(continued)*

Business segments (continued)

	For the six months ended 30 September 2006			SEGMENT
	SEGMENT REVENUE			RESULTS
	Sales to external customers (Unaudited) HK\$'000	Intersegment sales (Unaudited) HK\$'000	Total sales (Unaudited) HK\$'000	(Unaudited) HK\$'000
Paper and carton box printing and manufacturing	892,131	19,341	911,472	142,290
Paper manufacturing	370,712	71,544	442,256	34,469
Corrugated carton manufacturing	283,138	59,797	342,935	20,299
Paper trading	159,357	266,916	426,273	21,392
Eliminations	—	(417,598)	(417,598)	948
	<u>1,705,338</u>	<u>—</u>	<u>1,705,338</u>	219,398
Interest, dividend income and other gains				24,189
Corporate and unallocated expenses				<u>(7,491)</u>
				236,096
Fair value gain on derivative component of convertible bonds				64,050
Finance costs				<u>(31,211)</u>
Profit before tax				268,935
Tax				<u>(27,974)</u>
Profit for the period				<u>240,961</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

2. Segment Information (continued)

Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

An analysis of segment revenue by geographical segments is as follows:

	For the six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sales to external customers:		
Hong Kong	771,532	687,050
Mainland China	676,768	568,612
Europe	279,378	215,251
United States of America	139,513	157,547
Others	67,649	76,878
	<u>1,934,840</u>	<u>1,705,338</u>

3. Fair Value Gain on Derivative Component of Convertible Bonds

On 29 March 2006, Greatest Joy Investments Limited, a subsidiary of the Company, issued five-year zero coupon guaranteed convertible bonds with a nominal value of HK\$750,000,000. There was no movement in the number of these convertible bonds during the period.

The net proceeds received from the issue of the convertible bonds have been split between the derivative and liability components. The derivative component is measured at fair value using an option pricing model and the change in fair value of that component is recognised in the income statement.

During the period, the share price of the Company decreased, the fair value of the derivative component of the convertible bonds decreased accordingly, resulting in a fair value gain of HK\$10,200,000 (2006 : HK\$64,050,000).

4. Finance Costs

	For the six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on convertible bonds	20,056	18,923
Interest on bank loans	11,034	12,288
	<u>31,090</u>	<u>31,211</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

5. Profit Before Tax

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

	For the six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
After charging —		
Depreciation	66,225	60,075
Recognition of prepaid land lease payments	1,915	1,601
Employee benefits expense (including directors' remuneration)	279,224	247,061
Fair value losses, net:		
Derivative instruments not qualified as hedges	3,982	—
Short-term note	979	—
After crediting —		
Dividend income from available-for-sale investments	232	206
Gain on disposal of available-for-sale investments	225	—
Bank interest income	9,715	15,193
Fair value gains, net:		
Derivative instruments not qualified as hedges	—	3,510
Structured deposits	5,356	5,280
Structured borrowings	1,494	—
	<u> </u>	<u> </u>

6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong	7,252	7,335
— Mainland China	16,627	14,448
Deferred tax	7,020	6,191
Total tax charge for the period	<u>30,899</u>	<u>27,974</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

7. Interim Dividend

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK7.5 cents (2006: HK9.5 cents) per ordinary share	<u>45,059</u>	<u>57,074</u>

8. Earnings per Share attributable to Equity Holders of the Parent

The calculation of basic earnings per share amount is based on the profit for the period attributable to equity holders of the parent of HK\$124,795,000 (2006: HK\$226,649,000) and the weighted average of 600,780,529 (2006: 600,780,529) shares in issue during the period.

Diluted earnings per share amounts for the periods ended 30 September 2007 and 30 September 2006 have not been presented as the convertible bonds had an anti-dilutive effect on the basic earnings per share for these periods.

9. Property, Plant and Equipment

	30 September 2007 (Unaudited) HK\$'000
Net carrying amount at 1 April 2007	1,493,144
Additions	46,503
Transfer from properties under construction	47,281
Disposals	(1,793)
Depreciation provided during the period	(66,225)
Exchange realignment	<u>24,011</u>
Net carrying amount at 30 September 2007	<u>1,542,921</u>

Certain buildings and plant and machinery of the Group with a total net book value of HK\$261,780,000 (31 March 2007: HK\$266,834,000) have been pledged to secure banking facilities granted to the Group.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

10. Prepaid Land Lease Payments

	30 September 2007 (Unaudited) HK\$'000
Carrying amount at beginning of period	147,700
Recognised during the period	(1,915)
Exchange realignment	<u>2,089</u>
Carrying amount at 30 September 2007	<u><u>147,874</u></u>

Certain leasehold lands of the Group with a total net book value of HK\$48,331,000 (31 March 2007: HK\$47,478,000) have been pledged to banks to secure banking facilities granted to the Group.

11. Available-for-sale Investments

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Unlisted equity investments, at fair value	80	80
Club debentures, at fair value	<u>3,628</u>	<u>3,128</u>
	3,708	3,208
Hong Kong listed equity investments, at market value	<u>9,796</u>	<u>8,346</u>
	<u><u>13,504</u></u>	<u><u>11,554</u></u>

12. Properties Under Construction

	30 September 2007 (Unaudited) HK\$'000
At beginning of period	50,090
Additions	24,425
Transfer to property, plant and equipment	(47,281)
Exchange realignment	<u>719</u>
At 30 September 2007	<u><u>27,953</u></u>

The properties under construction are located in Mainland China.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

13. Accounts and Bills Receivable

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 and 90 days of issuance. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's accounts and bills receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts and bills receivable are non-interest-bearing.

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Accounts receivable	997,487	688,437
Bills receivable	<u>87,189</u>	<u>68,683</u>
	<u>1,084,676</u>	<u>757,120</u>

An aged analysis of accounts receivable at the balance sheet date, based on invoice date and net of provisions, is as follows:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Within 30 days	373,955	268,849
31 to 60 days	283,635	176,874
61 to 90 days	190,154	122,232
Over 90 days	<u>149,743</u>	<u>120,482</u>
	<u>997,487</u>	<u>688,437</u>

The carrying amounts of the accounts and bills receivable approximate to their fair values.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

14. Derivative Financial Instruments

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Assets:		
Forward currency contracts	4,123	218
Structured forward currency contracts	<u>6,600</u>	<u>4,550</u>
	<u>10,723</u>	<u>4,768</u>
Liabilities:		
Forward currency contracts	1,815	1,127
Structured forward currency contracts	<u>26,309</u>	<u>6,390</u>
	<u>28,124</u>	<u>7,517</u>

15. Cash and Cash Equivalents

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Cash and bank balances	302,958	184,710
Time deposits	<u>241,981</u>	<u>418,874</u>
Cash and cash equivalents	<u>544,939</u>	<u>603,584</u>

16. Accounts Payable

An aged analysis of accounts payable as at the balance sheet date, based on invoice date, is as follows:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Within 30 days	149,883	147,540
31 to 60 days	80,836	30,419
61 to 90 days	13,323	421
Over 90 days	<u>8,940</u>	<u>2,866</u>
	<u>252,982</u>	<u>181,246</u>

The accounts payables are non-interest-bearing and are normally settled on 30-day terms.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

17. Related Party Transactions

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

		For the six months ended	
		30 September	
		2007	2006
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Rental paid to a company in which a director of the Company is the controlling shareholder	(i)	<u>420</u>	<u>420</u>

Note:

- (i) The rental paid to a company of which a director of the Company is the controlling shareholder was in connection with the housing benefits provided to Mr. Yam Hon Ming, Tommy, a director of the Company and was based on estimated open market rental. It has been included in the directors' remuneration in note 5 to the financial statements.

(b) Outstanding balances with related parties

There were no outstanding balances with related parties as at 30 September 2007 (31 March 2007: Nil).

(c) Compensation of key management personnel of the Group

	For the six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employment benefits	10,613	11,259
Post-employment benefits	<u>336</u>	<u>335</u>
	<u>10,949</u>	<u>11,594</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

18. Contingent Liabilities and Commitments

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
(a) Total future minimum lease payments under non-cancellable operating leases falling due as follows:		
Within one year	6,146	3,843
In the second to fifth years, inclusive	7,541	7,369
After five years	66,276	65,176
	<u>79,963</u>	<u>76,388</u>

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
(b) In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the balance sheet date:		
Contracted for:		
Buildings	7,543	17,409
Plant and machinery	105,585	19,559
	<u>113,128</u>	<u>36,968</u>

- (c) As at 30 September 2007, the Company has provided corporate guarantees to the extent of HK\$1,087,176,000 (31 March 2007: HK\$1,088,056,000) to secure the banking and trading facilities of subsidiaries. The amount drawn against the banking and trading facilities was HK\$340,549,000 as at 30 September 2007 (31 March 2007: HK\$241,224,000).

The Company has also given a guarantee to the extent of HK\$780,787,000 as at 30 September 2007 (31 March 2007: HK\$770,387,000) to a subsidiary for the settlement of convertible bonds issued.

19. Comparative Amounts

Certain comparative amounts have been reclassified and restated to confirm with the current period's presentation. The reclassifications and restatements had no impact on the Group's earnings for the six months ended 30 September 2006.

20. Approval of the Condensed Consolidated Interim Financial Statements

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 10 December 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, Hung Hing maintained steady growth in business and volumes in challenging operating circumstances.

Strong demand in Europe and mainland China for quality paper products saw the Group achieve revenue growth across all business divisions. Overall revenue increased by 13% when compared to the same period last year, to a total of HK\$1,935 million. The paper trading division took advantage of global adjustments in paper prices and grew its external sales to record an increase of 56%.

Set against this, macro-economic factors had an impact on the Group, particularly on its cost of sales. The period under review saw a further rise in oil prices, which affected the Group's energy, transportation and material costs. Regulation-driven increases in wages and benefits, as well as the appreciation of the Renminbi, were also felt by the industry as a whole. These factors, as well as price pressure due to intense competition, impacted the Group's margins and led to a decrease in profit from operating activities of 20%.

Last year, during the period ended 30 September 2006, the Group recognised a significant change in the fair value on the derivative component of its convertible bond (CB), which resulted in an exceptional gain of HK\$64 million. For the period now under review, the Group recognised a smaller gain of HK\$10 million, which correspondingly contributed to a decrease of 37% in profit before tax.

The Group also received a tax refund of HK\$7 million in the same period last year. The refund was granted by the Chinese government to a PRC subsidiary with export enterprise status. This refund had not yet been received during the period under review. Taking into account this factor, profit for the period declined by 43% to HK\$138 million.

Net profit attributable to equity holders of the parent decreased 45% to HK\$125 million. Earnings per share decreased 45% to HK20.8 cents.

The Board of Directors has declared an interim dividend of HK7.5 cents per share.

Ongoing investments and market expansion

In the face of the challenging business environment, the Group continued to upgrade its facilities and expand to new markets in order to position itself competitively.

The Group commissioned its factory in Heshan in March 2007, and added new machinery to expand capacity during the period under review. A new testing laboratory is also being installed at the Heshan operation to allow faster results and further strengthen the Group's control over the quality of raw materials used in the manufacturing process.

The Group's strategy of diversifying its product base to provide a more comprehensive service for customers also drove volume growth, as the demand for conventional books and packaging increased. This was particularly evident in the UK, which saw sales increase by 34% to account for 12% of the Group's business.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Ongoing investments and market expansion *(continued)*

Business growth was also seen in Europe and Canada, as the strong Euro and Canadian dollar facilitated the ongoing trend of outsourcing production to China-based manufacturers. During the period under review the Group augmented its revenues from these two regions by 30% and 60% respectively.

Marketing efforts drove sales in other geographic regions, with the Group significantly increasing orders in Switzerland, Russia and South America. The Group's strategy of appointing an agent in Scandinavia proved successful, resulting in considerable sales growth in Sweden, Denmark and Norway.

Paper and Carton Box Printing and Manufacturing

Driven by increased sales to Europe and the rising production of conventional books, revenue for the paper and carton box printing and manufacturing division grew by 9%. However, paper price adjustments had an impact on margins, leading to a drop of 31% in operating profit to HK\$99 million.

The Group's largest division contributed 50% of the group's revenue for the period under review. The Group currently has two production lines for conventional book printing and intends to add one more in the Heshan facility to manage increased demand and ensure future business growth.

The Heshan facility has made steady progress and allows the Group to enjoy more favourable labour costs and flexibility in production. The facility currently has 1,700 employees, a figure that is expected to grow to 3,000 in the coming year.

The Wuxi factory's performance continued to improve as revenue increased by 24%. However, pressure on margins due to keen competition and cost increases will continue to be felt in the short-term.

Paper Manufacturing

External sales continued to grow during the period under review, increasing by 6%. Enhanced operational efficiency contributed to an increase of 29% in internal sales revenue, where the division supplied paper to the Group's other business divisions.

The paper manufacturing division returned an operating profit of HK\$26 million, a decrease of 23% largely caused by pricing pressure and the rising cost of raw materials. The price of waste paper, the main raw material in the paper manufacturing process, rose as a result of growing environmental concern across the industry. Oil price adjustments also increased transportation costs, as the materials used in the production process are mainly imported from Europe.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Corrugated Carton Manufacturing

The corrugated carton division was able to increase its customer base during the period under review, adding domestic customers from the technology and consumer products sectors. The division faced less pricing pressure due to the more established nature of the sector, and greater automation of production processes meant that labour cost increases had a smaller impact. As a result, the division recorded increases of 13% and 36% in sales and operating profit respectively.

It is anticipated that future consolidation in the industry will improve the business environment. With the additional capacity from the new corrugator installed in the Zhongshan facility and its ongoing focus on providing value-added services, the Group will be well-positioned to capitalise on opportunities in the domestic and export markets.

Paper Trading

The paper trading division benefited from global paper price adjustments to achieve an increase of 67% in operating profit.

The division improved its external sales performance by 56%, benefiting from rising demand for high quality paper types, including woodfree and art paper. As the mainland economy grows, domestic demand for quality paper is also increasing. To take advantage of this shift, the division will intensify its marketing activities to further develop domestic sales.

The Shenzhen logistics facility's broad range of paper and prompt delivery service enabled the division to comfortably manage larger, often urgent, orders. A new warehouse will be added to the Shenzhen facility in 2008, to increase capacity and cope with future demand.

Environmental achievements

The Group is committed to sustainable practices that are sensitive to environmental considerations. The Group was one of the first China-based printing companies to receive Forest Stewardship Council (FSC) certification, the world's leading environmental certification that provides a guarantee that a product comes from well-managed, sustainable forests.

In the period under review, the Group continued its ongoing sustainability measures, including solar power utilisation and fuel conservation. New measures during the period included the replacement of high-wattage lighting with fluorescent globes that will save approximately 770,000kwh of electricity per year. The Group additionally invested in its drainage and wastewater treatment plant to enable the recycling and re-use of wastewater.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity and Capital Resources

The Group continued to strategically invest in new equipment and facilities in the period under review. Capital expenditure for the period was HK\$71 million, the majority of which was spent on investments in new machinery for the Shenzhen, Heshan and Wuxi plants.

As at 30 September 2007, the Group had total bank borrowings, including structured borrowings, of HK\$611 million, of which HK\$439 million was repayable within one year and HK\$172 million was repayable within two to four years. Of the Groups' total bank borrowings, 74% was borrowed in Hong Kong dollars, 16% in U.S. dollars and 10% in Renminbi. The Group continued to take steps to reduce its borrowings in Renminbi.

The Group's interest expenses, including the accrued loan interest on the convertible bond of HK\$20 million, amounted to HK\$31 million, a similar amount to the same period last year.

Anticipating increasing paper prices, the Group retained higher than usual levels of inventory, which had the impact of reducing the Group's cash on hand. As at 30 September 2007, the Group had total cash on hand, including structured deposits, of HK\$794 million, of which HK\$491 million was placed in bank deposits. Of the total cash on hand, 41% was in Hong Kong dollars, 36% was in Renminbi, 19% in U.S. dollars and 4% in Euro and Sterling Pounds.

The total debt of the Group, including the loan component of the convertible bond, was HK\$1,311 million. Net debt (total debt net of cash on hand) was HK\$517 million, which, as a ratio to shareholders' equity, was 24%.

Employees

As at 30 September 2007, the Group employed a total of 17,145 people in Hong Kong and China. Of the total, 388 were employed in Hong Kong and 16,757 in China. As the Heshan facility continues to grow, the number of employees based in China is expected to increase gradually.

The Group maintained its policy of providing its employees with competitive remuneration. As an employer of choice, we are committed to the provision of regular training to motivate staff, enhance their operational efficiency and facilitate further career development.

Prospects

The ongoing trend of outsourcing production to Asia is expected to continue to benefit quality and reliable suppliers such as Hung Hing. The Group will continue its strategy of expanding business in new geographic regions and will increase its European marketing efforts in order to take advantage of the strong Euro. Domestic sales are also expected to increase as the robust mainland economy leads customers to demand better quality products.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Prospects *(continued)*

Nonetheless, macro-economic factors, such as high oil and paper prices as well as exchange rate volatility will continue to impact the industry as a whole in the second half of the fiscal year and will continue to affect the Group's margins.

Despite these challenging operating conditions, Hung Hing's strong financial situation, and reputation for high-quality products, leave it better positioned to face the challenges ahead. In the longer term, the trend of consolidation will ease the current intense industry competition and the Group's vertically-integrated operations and high business standards make it well placed to benefit from this shift.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Interim Dividend

The directors have resolved to pay an interim dividend of HK7.5 cents (2006: HK9.5 cents) per share. The interim dividend will be paid on 24 January 2008 to shareholders whose names appear on the Register of Members of the Company on 5 January 2008.

Closure of Register of Members

The Register of Members of the Company will be closed from 2 January 2008 to 5 January 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Tengis Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 31 December 2007.

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 listed securities during the period.

Directors' Interests in Shares and Convertible Bonds

At 30 September 2007, the interests of the directors in the share capital and convertible bonds of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation (Note)		
Yam Cheong Hung	2,284,000	1,650,207	283,214,379	287,148,586	47.80
Yum Chak Ming, Matthew	9,324,537	—	—	9,324,537	1.55
Yum Pui Ming, Anna	1,246,135	951,134	—	2,197,269	0.37
Yap, Alfred Donald	27,504	—	—	27,504	—

Note: Yam Cheong Hung and his family own C.H. Yam International Limited, which directly holds 88,905,189 shares of the Company and indirectly holds 194,309,190 shares of the Company through its subsidiary, Hung Tai Industrial Company Limited.

Save as disclosed above, as at 30 September 2007, none of the directors had registered an interest or short position in the shares or underlying shares or convertible bonds of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES (continued)

Directors' Rights to Acquire Shares and Convertible Bonds

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or convertible bonds of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

At 30 September 2007, the following interest of 5% or more of the issued share capital and convertible bonds of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Note	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Yam Cheong Hung	(a)	Directly beneficially owned and through controlled corporation and his spouse	287,148,586	47.80
C.H. Yam International Limited	(a)	Directly beneficially owned and through controlled corporation	283,214,379	47.14
C.H. Yam Holding Limited	(a)	Through controlled corporation	194,309,190	32.34
Hung Tai Industrial Company Limited	(a)	Directly beneficially owned	194,309,190	32.34
Commonwealth Bank of Australia		Through controlled corporation	48,037,210	8.00
Aberdeen Asset Management PLC		Through controlled corporation	30,112,000	5.01

Note:

- (a) C.H. Yam International Limited is a company owned by Yam Cheong Hung and his family. C.H. Yam International Limited in turn owns Hung Tai Industrial Company Limited as to 96.6% through its wholly-owned subsidiary C.H. Yam Holding Limited. Further, under the SFO, Yam Cheong Hung is deemed to be interested in the 1,650,207 shares (0.27% of the Company's issued share capital) owned by his spouse.

There is a duplication of interests of 194,309,190 shares in the Company among C.H. Yam International Limited, C.H. Yam Holding Limited and Hung Tai Industrial Company Limited.

Save as disclosed above, as at 30 September 2007, no person, other than the directors of the Company, whose interests are set out in section "Directors' interests in shares and convertible bonds" above, had registered an interest and short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES *(continued)*

Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim results, with the exception of the following deviation:

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the Company’s Articles of Association.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) 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 interim results.

Audit Committee

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises three independent non-executive directors of the Company.

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the unaudited financial consolidated accounts of the Company for the period ended 30 September 2007.

Remuneration Committee

To comply with the CG Code, a remuneration committee was established with specific written terms of reference which deal clearly with its authority and duties. The members of the remuneration committee comprises three independent non-executive directors of the Company, Mr. Yap, Alfred Donald, Mr. Yip Yu Bun and Mr. Wong Siu Ping.

By Order of the Board
Yam Cheong Hung
Chairman

Hong Kong, 10 December 2007