



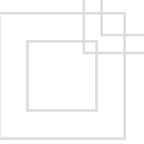
鴻興印刷集團有限公司  
HUNG HING Printing Group Limited

中 期 報 告

—— 2010/2011 ——

INTERIM REPORT



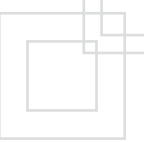


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## Corporate Information

### HONORARY CHAIRMAN

Yam Cheong Hung

### EXECUTIVE CHAIRMAN

### EXECUTIVE DIRECTOR

Yum Chak Ming, Matthew

### EXECUTIVE DIRECTOR

Sung Chee Keung

### NON-EXECUTIVE DIRECTORS

Ho Chi Kit

Lam Tsz-Wang, Alvin

Mak Lok Qun, Denise

Peter Martin Springford

Yam Ho Ming, Michael

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Yap, Alfred Donald

Luk Koon Hoo

Lo Chi Hong

### ADVISER

Leung Pak To

### COMPANY SECRETARY

Tung Yu Bui

### REGISTERED OFFICE

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17-19 Dai Hei Street

Tai Po Industrial Estate

New Territories, Hong Kong

Tel: (852) 2664 8682

Fax: (852) 2664 2070

E-mail: info@hhop.com.hk

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited

Hang Seng Bank Limited

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

### AUDITORS

PricewaterhouseCoopers

### SHARE REGISTRAR

Tricor Tengis Limited

26/F, Tesbury Centre

28 Queen's Road East

Wanchai

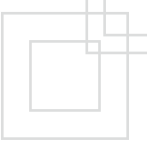
Hong Kong

## 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 2010 as follows:

### Condensed Consolidated Income Statement

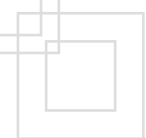
	Note	For the six months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>Continuing operations</b>			
Revenue	5	1,559,548	1,320,490
Cost of sales	7	(1,223,958)	(1,021,084)
Gross profit		335,590	299,406
Other income and gains	5	18,257	10,870
Distribution costs		(41,370)	(31,908)
Administrative and selling expenses	7	(131,458)	(123,671)
Other expenses	7	(2,298)	(1,800)
<b>Operating profit</b>		<b>178,721</b>	152,897
Finance costs	6	(5,666)	(6,104)
Share of loss of associates		(8,386)	(1,897)
<b>Profit before income tax</b>		<b>164,669</b>	144,896
Income tax expense	8	(33,068)	(30,800)
Profit from continuing operations		131,601	114,096
<b>Discontinued operations</b>			
Loss from discontinued operations	9	-	(7,756)
<b>Profit for the period</b>		<b>131,601</b>	106,340
<b>Attributable to:</b>			
Equity holders of the Company			
Continuing operations		129,221	105,505
Discontinued operations		-	(4,563)
		129,221	100,942
Non-controlling interests			
Continuing operations		2,380	8,591
Discontinued operations		-	(3,193)
		2,380	5,398
		131,601	106,340



## Condensed Consolidated Income Statement (Continued)

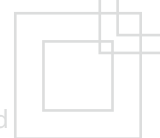
	Note	For the six months ended 30 September	
		2010 (Unaudited) HK cents	2009 (Unaudited) HK cents
<b>Earnings/(loss) per share for profit/(loss) from continuing and discontinued operations attributable to the equity holders of the Company</b>	10		
Basic			
Continuing operations		<b>14.3</b>	11.4
Discontinued operations		–	(0.5)
		<u><b>14.3</b></u>	<u>10.9</u>
Diluted			
Continuing operations		<b>14.2</b>	11.4
Discontinued operations		–	(0.5)
		<u><b>14.2</b></u>	<u>10.9</u>
		<b>HK\$'000</b>	HK\$'000
Dividend	11	<u><b>199,730</b></u>	<u>36,545</u>

The notes on pages 9 to 26 form part of the condensed consolidated interim financial information.

**Condensed Consolidated Statement of Comprehensive Income**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the period</b>	<b>131,601</b>	106,340
<b>Other comprehensive income:</b>		
Cash flow hedges, net of tax	<b>2,201</b>	115
Currency translation differences	<b>22,248</b>	6,763
Fair value (loss)/gain on intangible assets	<b>(100)</b>	358
Fair value (loss)/gain on available-for-sale financial assets	<b>(231)</b>	1,868
Impairment of available-for-sale financial assets	-	199
<b>Other comprehensive income for the period, net of tax</b>	<b>24,118</b>	9,303
<b>Total comprehensive income for the period</b>	<b>155,719</b>	115,643
<b>Total comprehensive income for the period attributable to:</b>		
Equity holders of the Company		
Continuing operations	<b>150,138</b>	112,771
Discontinued operations	-	(4,563)
	<b>150,138</b>	108,208
Non-controlling interests		
Continuing operations	<b>5,581</b>	10,628
Discontinued operations	-	(3,193)
	<b>5,581</b>	7,435
<b>Total comprehensive income for the period</b>	<b>155,719</b>	115,643

The notes on pages 9 to 26 form part of the condensed consolidated interim financial information.



## Condensed Consolidated Balance Sheet

	Note	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	12	1,355,964	1,304,175
Land use rights	13	111,666	112,328
Intangible assets	14	9,717	8,698
Available-for-sale financial assets	15	8,388	8,490
Properties under construction	16	421	249
Interests in associates		17,028	21,638
Derivative financial instruments		-	193
Deferred income tax assets		12,138	11,429
<b>Total non-current assets</b>		<b>1,515,322</b>	<b>1,467,200</b>
<b>Current assets</b>			
Inventories		616,777	656,162
Trade and bills receivables	17	822,560	524,762
Prepayments, deposits and other receivables		44,099	48,137
Derivative financial instruments		1,906	1,492
Amounts due from associates		-	15,383
Tax recoverable		-	1,052
Cash and cash equivalents	18	778,608	1,108,778
<b>Total current assets</b>		<b>2,263,950</b>	<b>2,355,766</b>
<b>Total assets</b>		<b>3,779,272</b>	<b>3,822,966</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	21	90,964	91,158
Reserves		2,544,505	2,594,941
Proposed dividend		199,730	172,989
		2,835,199	2,859,088
Non-controlling interests		133,959	128,378
<b>Total equity</b>		<b>2,969,158</b>	<b>2,987,466</b>
<b>Non-current liabilities</b>			
Derivative financial instruments		-	233
Borrowings	20	117,281	185,898
Deferred income tax liabilities		44,489	40,654
<b>Total non-current liabilities</b>		<b>161,770</b>	<b>226,785</b>
<b>Current liabilities</b>			
Trade and bills payables	19	174,413	166,580
Current income tax liabilities		43,990	24,971
Other payables and accrued liabilities		156,314	168,859
Derivative financial instruments		3,313	9,111
Amounts due to associates		3,178	-
Borrowings	20	267,136	239,194
<b>Total current liabilities</b>		<b>648,344</b>	<b>608,715</b>
<b>Total liabilities</b>		<b>810,114</b>	<b>835,500</b>
<b>Total equity and liabilities</b>		<b>3,779,272</b>	<b>3,822,966</b>
<b>Net current assets</b>		<b>1,615,606</b>	<b>1,747,051</b>
<b>Total assets less current liabilities</b>		<b>3,130,928</b>	<b>3,214,251</b>

The notes on pages 9 to 26 form part of the condensed consolidated interim financial information.

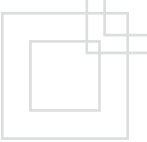
## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2009 (Unaudited)

Note	Attributable to equity holders of the Company												Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Hedging reserve	Intangible assets revaluation reserve	Available-for-sale investment revaluation reserve	Legal reserve	Exchange fluctuation reserve	Retained earnings	Proposed dividend	Total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 April 2009	92,428	1,559,461	966	(814)	(5,727)	3,742	(1,418)	111,984	111,949	909,116	92,428	2,874,115	218,958	3,093,073
Comprehensive income														
Profit for the period	-	-	-	-	-	-	-	-	-	100,942	-	100,942	5,398	106,340
Other comprehensive income														
Cash flow hedges, net of tax	-	-	-	-	115	-	-	-	-	-	-	115	-	115
Gain on revaluation	-	-	-	-	-	358	1,868	-	-	-	-	2,226	-	2,226
Impairment loss	-	-	-	-	-	-	199	-	-	-	-	199	-	199
Currency translation differences	-	-	-	-	-	-	-	-	4,726	-	-	4,726	2,037	6,763
Total other comprehensive income for the period	-	-	-	-	115	358	2,067	-	4,726	-	-	7,266	2,037	9,303
Total comprehensive income for the period	-	-	-	-	115	358	2,067	-	4,726	100,942	-	108,208	7,435	115,643
Final 2009 dividend declared	-	-	-	-	-	-	-	-	-	-	(92,198)	(92,198)	-	(92,198)
Shares repurchased and cancelled	(858)	-	858	-	-	-	-	-	-	(17,674)	-	(17,674)	-	(17,674)
Reduction in final 2009 dividend due to repurchase of shares	-	-	-	-	-	-	-	-	-	230	(230)	-	-	-
Interim 2010 dividend	11	-	-	-	-	-	-	-	-	(36,545)	36,545	-	-	-
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	2,934	2,934
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(19,763)	(19,763)
At 30 September 2009	91,570	1,559,461	1,824	(814)	(5,612)	4,100	649	111,984	116,675	956,069	36,545	2,872,451	209,564	3,082,015

The notes on pages 9 to 26 form part of the condensed consolidated interim financial information.



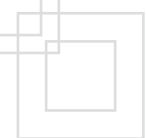


## Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 September 2010 (Unaudited)

Note	Attributable to equity holders of the Company															
	Share capital HK\$'000	Share premium HK\$'000	Own held shares reserve HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Hedging reserve HK\$'000	Intangible assets revaluation reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Legal reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Equity compensation reserve HK\$'000	Retained earnings HK\$'000	Proposed dividend HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2010	91,158	1,559,461	(7,910)	2,236	(814)	(6,925)	4,400	(96)	114,725	89,947	3,303	836,614	172,989	2,859,088	128,378	2,987,466
Comprehensive income																
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	129,221	-	129,221	2,380	131,601
Other comprehensive income																
Cash flow hedges, net of tax	-	-	-	-	-	2,201	-	-	-	-	-	-	-	2,201	-	2,201
Loss on revaluation	-	-	-	-	-	-	(100)	(231)	-	-	-	-	-	(331)	-	(331)
Currency translation differences	-	-	-	-	-	-	-	-	-	19,047	-	-	-	19,047	3,201	22,248
Total other comprehensive income for the period	-	-	-	-	-	2,201	(100)	(231)	-	19,047	-	-	-	20,917	3,201	24,118
Total comprehensive income for the period	-	-	-	-	-	2,201	(100)	(231)	-	19,047	-	129,221	-	150,138	5,581	155,719
Final 2010 dividend declared	-	-	-	-	-	-	-	-	-	-	-	(172,831)	-	(172,831)	-	(172,831)
Shares repurchased and cancelled	21	(194)	-	194	-	-	-	-	-	-	-	(4,692)	-	(4,692)	-	(4,692)
Purchase of shares for share award scheme	26	-	(1,237)	-	-	-	-	-	-	-	-	-	-	(1,237)	-	(1,237)
Equity compensation expenses	-	-	-	-	-	-	-	-	-	-	2,112	-	-	2,112	-	2,112
Settlement of derivative financial instruments	-	-	-	-	-	2,621	-	-	-	-	-	-	-	2,621	-	2,621
Reduction in final 2010 dividend due to repurchase of shares	-	-	-	-	-	-	-	-	-	-	-	158	(158)	-	-	-
Interim 2011 dividend	11	-	-	-	-	-	-	-	-	-	-	(45,393)	45,393	-	-	-
Special 2011 dividend	11	-	-	-	-	-	-	-	-	-	-	(154,337)	154,337	-	-	-
At 30 September 2010	90,964	1,559,461	(9,147)	2,430	(814)	(2,103)	4,300	(327)	114,725	108,994	5,415	761,571	199,730	2,835,199	133,959	2,969,158

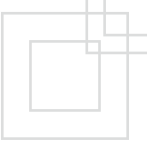
The notes on pages 9 to 26 form part of the condensed consolidated interim financial information.



## Condensed Consolidated Cash Flow Statement

	For the six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from:		
Operating activities	8,327	79,283
Investing activities	(120,008)	1,348
Financing activities	(225,198)	(213,192)
Net decrease in cash and cash equivalents	(336,879)	(132,561)
Cash and cash equivalents at beginning of period	1,108,778	1,309,770
Effect of foreign exchange rate changes, net	6,710	1,588
Cash and cash equivalents at end of period	<u>778,609</u>	<u>1,178,797</u>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	402,678	703,456
Time deposits with original maturity of three months or less when acquired	375,930	475,341
	<u>778,608</u>	<u>1,178,797</u>

The notes on pages 9 to 26 form part of the condensed consolidated interim financial information.



## Notes to the Condensed Consolidated Interim Financial Information

### 1. General information

Hung Hing Printing Group Limited (the "Company") is a limited liability company incorporated in Hong Kong. The address of its registered office is Hung Hing Printing Centre, 17-19 Dai Hei Street, Tai Po Industrial Estate, New Territories, Hong Kong. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries are collectively referred to as the "Group". The Group is engaged in the following principal activities:

- Book and package printing;
- Consumer product packaging;
- Corrugated box; and
- Trading of paper.

These unaudited condensed consolidated interim financial information are presented in thousands of HK dollars (HK\$'000), unless otherwise stated. These unaudited condensed consolidated interim financial information were approved by the Board of Directors for issue on 29 November 2010.

### 2. Basis of Preparation

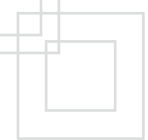
These condensed consolidated interim financial information for the six months ended 30 September 2010 are unaudited and have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

### 3. Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2010, as described in those annual financial statements. Certain comparative amounts have been reclassified to conform with the current period's presentation.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.



## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 3. Accounting Policies (Continued)

(a) Amended standard adopted by the Group

The following amendment to standard is mandatory for the first time for the financial year beginning on 1 April 2010:

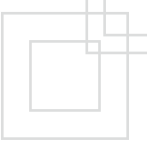
HKAS 17 (Amendment), 'Leases', removes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease.

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 April 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 April 2010 on the basis of information existing at the inception of those leases, and concluded that the leasehold land and land use rights should be continued to be classified as operating leases.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but either not relevant to the Group or do not have any significant impact to the results and financial position of the Group

- HKAS 27 (Revised) – Consolidated and separate financial statements
- HKAS 32 (Amendment) – Financial Instruments: Disclosure and presentation – Classification of rights issues
- HKAS 39 (Amendment) – Eligible hedged items
- HKFRS 1 (Amendment) – Additional exemptions for first-time adopters
- HKFRS 2 (Amendment) – Group cash-settled share-based payment transactions
- HKFRS 3 (Revised) – Business combinations
- HKFRS 5 (Amendment) – Non-current assets held for sale and discontinued operations
- HK(IFRIC)-Int 17 – Distributions of non-cash assets to owners
- Second improvements to HKFRSs (2009)

The Group did not early adopt any of the new or revised standards, amendments to standards and interpretations to existing standards that have been issued by the HKICPA but are not yet effective. The Group has already commenced an assessment of the impact, but is not in a position to state whether these new or revised standards, amendments to standards and interpretations to existing standards would have a significant impact to its results of operations and financial position.



## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 4. Segment Information

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

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.

In prior periods, the paper manufacturing business was presented as a separate segment in segment information. Upon the completion of partial disposal of the subsidiaries engaging in the paper manufacturing business in February 2010 (Note 9), the paper manufacturing segment is presented as discontinued operations. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

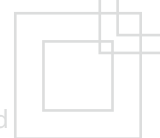
Management assesses the performance of the operating segments based on a measure of gross profit less distribution costs, administrative and selling expenses, and other expenses that are allocated to each segment. Other information provided is measured in a manner consistent with that in the financial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

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

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 4. Segment Information (Continued)

	For the six months ended 30 September 2010					Discontinued Operations	
	Continuing Operations					Paper Manufacturing	
	Book and Package Printing (Unaudited) HK\$'000	Consumer Product Packaging (Unaudited) HK\$'000	Corrugated Box (Unaudited) HK\$'000	Paper Trading (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Total Continuing Operations (Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Segment revenue:</b>							
Sales to external customers	865,998	340,090	170,036	183,424	-	1,559,548	-
Intersegment sales	2,568	4,468	62,323	227,824	(297,183)	-	-
<b>Total</b>	<b>868,566</b>	<b>344,558</b>	<b>232,359</b>	<b>411,248</b>	<b>(297,183)</b>	<b>1,559,548</b>	<b>-</b>
<b>Segment results</b>	<b>104,635</b>	<b>10,001</b>	<b>35,648</b>	<b>46,125</b>	<b>(3,836)</b>	<b>192,573</b>	<b>-</b>
Interest, dividend income and other gains						7,256	-
Corporate and unallocated expenses						(21,108)	-
Operating profit						178,721	-
Finance costs						(5,666)	-
Share of loss of associates						(8,386)	-
Profit before income tax						164,669	-
Income tax expense						(33,068)	-
Profit for the period						131,601	-

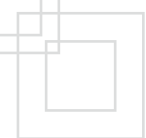


## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 4. Segment Information (Continued)

For the six months ended 30 September 2009

	Continuing Operations					Discontinued Operations	
	Book and Package Printing (Unaudited) HK\$'000	Consumer Product Packaging (Unaudited) HK\$'000	Corrugated Box (Unaudited) HK\$'000	Paper Trading (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Total Continuing Operations (Unaudited) HK\$'000	Paper Manufacturing (Unaudited) HK\$'000
<b>Segment revenue:</b>							
Sales to external customers	681,954	322,779	122,873	192,884	–	1,320,490	182,222
Intersegment sales	88,111	5,169	58,629	178,268	(330,177)	–	31,019
<b>Total</b>	<b>770,065</b>	<b>327,948</b>	<b>181,502</b>	<b>371,152</b>	<b>(330,177)</b>	<b>1,320,490</b>	<b>213,241</b>
<b>Segment results</b>	<b>98,144</b>	<b>23,372</b>	<b>17,244</b>	<b>24,748</b>	<b>(622)</b>	<b>162,886</b>	<b>(2,920)</b>
Interest, dividend income and other gains						5,295	1,011
Corporate and unallocated expenses						(15,284)	–
Operating profit/(loss)						152,897	(1,909)
Finance costs						(6,104)	(4,403)
Share of loss of associates						(1,897)	–
Profit/(loss) before income tax						144,896	(6,312)
Income tax expense						(30,800)	(1,444)
Profit/(loss) for the period						114,096	(7,756)

**Notes to the Condensed Consolidated Interim Financial Information (Continued)****5. Revenue, Other Income and Gains**

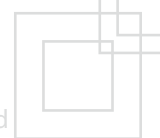
The Group's revenue, other income and gains consists of the following:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Revenue:</b>		
Sale of goods	<u><b>1,559,548</b></u>	<u>1,320,490</u>
<b>Other income and gains:</b>		
Bank interest income	<b>3,739</b>	4,770
Dividend income from available-for-sale financial assets	<b>278</b>	139
Fair value gain/(loss) on derivative financial instruments not qualified as hedges, net	<b>2,450</b>	(78)
Foreign exchange gain, net	<b>7,370</b>	3,071
Gain on disposal of intangible assets	<b>897</b>	240
Sundry income	<u><b>3,523</b></u>	<u>2,728</u>
	<u><b>18,257</b></u>	<u>10,870</u>

**6. Finance Costs**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank borrowings wholly repayable within five years	<u><b>5,666</b></u>	<u>6,104</u>





## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 7. Expenses by Nature

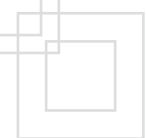
Expenses included in cost of sales, administrative and selling expenses and other expenses are analysed as follows:

	For the six months ended 30 September					
	Continuing operations		Discontinued operations		Total	
	2010	2009	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of land use rights	1,549	1,548	-	454	1,549	2,002
Amortisation of intangible assets	415	-	-	-	415	-
Depreciation	52,882	55,694	-	1,656	52,882	57,350
Employee benefits expense (including directors' remuneration)	305,613	260,875	-	17,414	305,613	278,289
Impairment of available-for-sale financial assets	-	422	-	-	-	422
Impairment of trade receivables	267	633	-	-	267	633
Loss on disposals of property, plant and equipment	2,031	745	-	-	2,031	745
Write-down of inventories to net realisable value	-	-	-	1,173	-	1,173
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,173</u>	<u>-</u>	<u>1,173</u>

### 8. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profit has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Current income tax		
– Hong Kong profits tax	14,029	13,929
– PRC corporate income tax	16,655	10,662
	<u>30,684</u>	<u>24,591</u>
Total current tax	30,684	24,591
Deferred tax	2,384	6,209
	<u>33,068</u>	<u>30,800</u>
Income tax expense	33,068	30,800



## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 8. Income Tax Expense (Continued)

The tax charge relating to components of other comprehensive income is as follows:

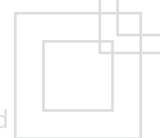
	For the six months ended 30 September 2010		
	Before tax	Tax charge	After tax
	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Cash flow hedges	2,636	(435)	2,201
Currency translation differences	22,248	-	22,248
Fair value loss:			
– Intangible assets	(100)	-	(100)
– Available-for-sale financial assets	(231)	-	(231)
	<u>24,553</u>	<u>(435)</u>	<u>24,118</u>
Other comprehensive income	<u>24,553</u>	<u>(435)</u>	<u>24,118</u>
	For the six months ended 30 September 2009		
	Before tax	Tax charge	After tax
	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Cash flow hedges	137	(22)	115
Currency translation differences	6,763	-	6,763
Fair value gain:			
– Intangible assets	358	-	358
– Available-for-sale financial assets	1,868	-	1,868
Impairment of available-for-sale financial assets	199	-	199
	<u>9,325</u>	<u>(22)</u>	<u>9,303</u>
Other comprehensive income	<u>9,325</u>	<u>(22)</u>	<u>9,303</u>

### 9. Discontinued Operations

During the year ended 31 March 2010, the Group's paper manufacturing operation was discontinued following the disposal of 25% and 5% equity interests in each of the two subsidiaries, Zhongshan Ren Hing Paper Manufacturing Company Limited and Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited (collectively referred to as the "Paper Mill Entities") to LeMonde Inc. and Homegrace Consultants Limited, respectively.

As a result, the effective interest held by the Group in the Paper Mill Entities was reduced from 58.84% to 30.94% hence the Paper Mill Entities have been accounted for as associates of the Company since February 2010 and are initially recognised at the Group's share of net asset value.

The results pertaining to the paper manufacturing segment is presented as discontinued operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Note 4 sets out details of the operating results of the discontinued operations during the prior period.



## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 10. Earnings/(Loss) Per Share

#### (a) Basic earnings/(loss) per share

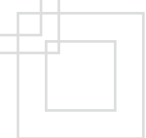
Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company.

	For the six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit from continuing operations attributable to equity holders of the Company	129,221	105,505
Loss from discontinued operations attributable to equity holders of the Company	–	(4,563)
Weighted average number of ordinary shares in issue excluding own held shares (thousands)	906,591	922,683
Basic earnings/(loss) per share (HK cents per share)		
– Continuing operations	14.3	11.4
– Discontinued operations	–	(0.5)

#### (b) Diluted earnings/(loss) per share

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

	For the six months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit from continuing operations attributable to equity holders of the Company	129,221	105,505
Loss from discontinued operations attributable to equity holders of the Company	–	(4,563)
Weighted average number of ordinary shares in issue excluding own held shares (thousands)	912,058	922,683
Diluted earnings/(loss) per share (HK cents per share)		
– Continuing operations	14.2	11.4
– Discontinued operations	–	(0.5)

**Notes to the Condensed Consolidated Interim Financial Information (Continued)****10. Earnings/(Loss) Per Share (Continued)****(b) Diluted earnings/(loss) per share (Continued)**

Diluted earnings/(loss) per share was the same as basic earnings/(loss) per share for the six months ended 30 September 2009 as there were no potentially dilutive ordinary shares outstanding during the period.

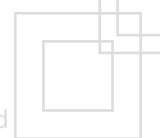
**11. Dividend**

	<b>For the six months ended 30 September</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interim dividend of HK5 cents (2009: HK4 cents) per ordinary share	<b>45,393</b>	36,545
Special dividend of HK17 cents (2009: nil) per ordinary share	<b>154,337</b>	–
	<b><u>199,730</u></b>	<u>36,545</u>

**12. Property, Plant and Equipment**

	<b>30 September</b>	31 March
	<b>2010</b>	2010
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Opening net book amount at 1 April	<b>1,304,175</b>	1,362,602
Additions	<b>96,132</b>	42,470
Transfer from properties under construction (Note 16)	<b>155</b>	55,953
Disposals	<b>(4,202)</b>	(15,482)
Depreciation	<b>(52,882)</b>	(113,682)
Disposal of subsidiaries	<b>–</b>	(32,591)
Exchange differences	<b>12,586</b>	4,905
Closing net book amount at 30 September/31 March	<b><u>1,355,964</u></b>	<u>1,304,175</u>

Certain buildings and plant and machinery of the Group with a total net book amount of HK\$77,982,000 (31 March 2010: HK\$77,447,000) have been pledged to secure banking facilities granted to the Group.



## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 13. Land Use Rights

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Opening net book amount at 1 April	<b>112,328</b>	147,859
Amortisation	<b>(1,549)</b>	(3,930)
Disposal of subsidiaries	–	(32,045)
Exchange differences	<b>887</b>	444
	<hr/>	<hr/>
Closing net book amount at 30 September/31 March	<b><u>111,666</u></b>	<u>112,328</u>

Certain leasehold lands of the Group with a total net book amount of HK\$17,475,000 (31 March 2010: HK\$17,312,000) have been pledged to banks to secure banking facilities granted to the Group.

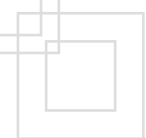
### 14. Intangible Assets

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Opening net book amount at 1 April	<b>8,698</b>	5,231
Acquisition of additional interests in subsidiaries	–	1,634
Additions	<b>1,913</b>	2,152
Fair value changes	<b>(100)</b>	1,700
Disposals	<b>(386)</b>	(1,300)
Amortisation	<b>(415)</b>	(723)
Exchange differences	<b>7</b>	4
	<hr/>	<hr/>
Closing net book amount at 30 September/31 March	<b><u>9,717</u></b>	<u>8,698</u>

### 15. Available-for-sale Financial Assets

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Unlisted equity investments, at cost	<b>80</b>	80
Club debentures, at fair value	<b>550</b>	420
Hong Kong listed equity investments, at fair value	<b>7,758</b>	7,990
	<hr/>	<hr/>
	<b><u>8,388</u></b>	<u>8,490</u>

During the period, a fair value loss of the Group's available-for-sale financial assets of HK\$231,000 (30 September 2009: gain of HK\$1,868,000) was recognised directly in the available-for-sale investment revaluation reserve.

**Notes to the Condensed Consolidated Interim Financial Information (Continued)****16. Properties Under Construction**

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Opening net book amount at 1 April	<b>249</b>	35,994
Additions	<b>327</b>	21,128
Transfer to property, plant and equipment (Note 12)	<b>(155)</b>	(55,953)
Disposal of subsidiaries	-	(934)
Exchange differences	-	14
	<hr/>	<hr/>
Closing net book amount at 30 September/31 March	<b>421</b>	249
	<hr/> <hr/>	<hr/> <hr/>

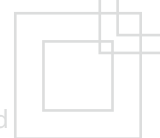
The properties under construction are located in the PRC.

**17. Trade and Bills Receivables**

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Trade receivables	<b>851,583</b>	553,239
Less: provision for impairment of receivables	<b>(30,968)</b>	(30,463)
	<hr/>	<hr/>
Trade receivables, net	<b>820,615</b>	522,776
Bills receivables	<b>1,945</b>	1,986
	<hr/>	<hr/>
	<b>822,560</b>	524,762
	<hr/> <hr/>	<hr/> <hr/>

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 trade and bills receivables relate to a number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.



## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 17. Trade and Bills Receivables (Continued)

The aging analysis of trade receivables, based on invoice date and net of provisions, is as follows:

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
1 – 30 days	<b>330,591</b>	237,921
31 – 60 days	<b>194,106</b>	103,957
61 – 90 days	<b>171,157</b>	101,668
Over 90 days	<b>124,761</b>	79,230
	<b><u>820,615</u></b>	<u>522,776</u>

### 18. Cash and Cash Equivalents

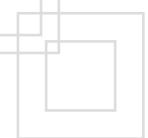
	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Cash and bank balances	<b>402,678</b>	620,005
Time deposits	<b>375,930</b>	488,773
	<b><u>778,608</u></b>	<u>1,108,778</u>

### 19. Trade and Bills Payables

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Trade payables	<b>174,413</b>	142,148
Bills payables	–	24,432
	<b><u>174,413</u></b>	<u>166,580</u>

The aging analysis of trade payables, based on invoice date, is as follows:

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
1 – 30 days	<b>132,272</b>	105,892
31 – 60 days	<b>32,822</b>	24,579
61 – 90 days	<b>1,709</b>	3,112
Over 90 days	<b>7,610</b>	8,565
	<b><u>174,413</u></b>	<u>142,148</u>

**Notes to the Condensed Consolidated Interim Financial Information (Continued)****20. Borrowings**

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Current		
Bank loans – unsecured	<b>267,136</b>	235,785
Bank loans – secured	–	3,409
	<b>267,136</b>	239,194
Non-current		
Bank loans – unsecured	<b>117,281</b>	185,898
	<b>384,417</b>	425,092

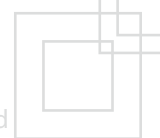
## Note:

- (a) Bank loans amounting to HK\$384,417,000 (31 March 2010: HK\$421,683,000) are secured by the corporate guarantees issued by the Company (Note 25).
- (b) The Group's banking facilities amounting to HK\$46,512,000 (31 March 2010: HK\$45,455,000), of which HK\$Nil (31 March 2010: HK\$3,409,000) had been utilised as at the balance sheet date, are secured by the pledge of certain of the Group's buildings, plant and machinery and land use rights, which had an aggregate net book amount at the balance sheet date of approximately HK\$95,457,000 (31 March 2010: HK\$94,759,000) (Notes 12 and 13).

**21. Share Capital**

	<b>30 September 2010 Number of shares</b>	31 March 2010 Number of shares	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Authorised ordinary shares of HK\$0.10 each	<b>1,200,000,000</b>	1,200,000,000	<b>120,000</b>	120,000
Issued and fully paid ordinary shares of HK\$0.10 each	<b>909,638,974</b>	911,576,974	<b>90,964</b>	91,158





## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 21. Share Capital (Continued)

	Number of shares	Ordinary shares HK\$'000
<b>Opening balance at 1 April 2009</b>	924,280,974	92,428
Shares repurchased and cancelled	(12,704,000)	(1,270)
<b>At 31 March and 1 April 2010</b>	911,576,974	91,158
Shares repurchased and cancelled	(1,938,000)	(194)
<b>At 30 September 2010</b>	<b>909,638,974</b>	<b>90,964</b>

During the period, the Company repurchased 1,938,000 (31 March 2010: 12,704,000) of its own shares from the Stock Exchange. All (31 March 2010: all) of these shares had been cancelled before the period/year end. The total amount paid to acquire these cancelled shares was HK\$4,692,000 (31 March 2010: HK\$27,083,000) and has been deducted from retained earnings within shareholders' equity and these shares had been cancelled accordingly.

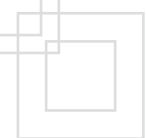
As a result of the share repurchases, an amount equivalent to the par value of the shares repurchased of HK\$194,000 (31 March 2010: HK\$1,270,000) was transferred from share capital to the capital redemption reserve.

### 22. Related Party Transactions

#### (a) Transactions with related parties

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

		<b>For the six months ended 30 September</b>	
		<b>2010</b>	2009
	Note	<b>(Unaudited) HK\$'000</b>	(Unaudited) HK\$'000
Advisory fee paid to companies in which the non-executive directors of the Company are controlling shareholders	(i)	<b>503</b>	791
Disposal of a club debenture to a company in which a director of the Company is a controlling shareholder	(ii)	–	400
Service fee paid to a substantial shareholder	(iii)	<b>75</b>	55

**Notes to the Condensed Consolidated Interim Financial Information (Continued)****22. Related Party Transactions (Continued)**

## (a) Transactions with related parties (Continued)

Note:

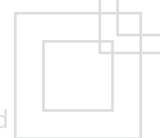
- (i) The advisory fee paid to the companies in which the non-executive directors of the Company are controlling shareholders was charged based on a mutually agreed basis.
- (ii) The consideration of the club debenture disposed to a company in which an executive director of the Company is the controlling shareholder was determined with reference to the market price.
- (iii) The service fee was payable to Asia Packaging Company Limited, a substantial shareholder of the Company. The service fee was charged based on mutually agreed basis.

## (b) Outstanding balances with related parties

There were no outstanding balances with related parties as at 30 September 2010 (31 March 2010: Nil).

## (c) Compensation of key management personnel of the Group

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Short-term employment benefits, including share-based payments	<b>11,903</b>	17,756
Post-employment benefits	<b>266</b>	299
	<b><u>12,169</u></b>	<u>18,055</u>



## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 23. Operating Lease Commitments

The Group leases certain of its office properties, warehouse and staff quarters under non-cancellable operating lease arrangements.

At 30 September 2010, the Group had total future aggregate minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Not later than one year	<b>3,084</b>	3,680
Later than one year and not later than five years	<b>8,945</b>	9,303
Later than five years	<b>58,204</b>	64,620
	<u><b>70,233</b></u>	<u>77,603</u>

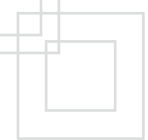
### 24. Commitments

In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the balance sheet date:

	<b>30 September 2010 (Unaudited) HK\$'000</b>	31 March 2010 (Audited) HK\$'000
Contracted for, but not provided for:		
Land and buildings	<b>1,510</b>	–
Plant and machinery	<b>37,674</b>	76,236
Software	<b>468</b>	–
	<u><b>39,652</b></u>	<u>76,236</u>
Authorised but not contracted for:	<u>–</u>	<u>–</u>

### 25. Contingent Liabilities

As at 30 September 2010, the Company has provided corporate guarantees to the extent of HK\$1,384,994,000 (31 March 2010: HK\$1,375,698,000) to secure the banking and trading facilities of subsidiaries and associates. The amount drawn against the banking and trading facilities was HK\$430,625,000 as at 30 September 2010 (31 March 2010: HK\$421,683,000).



## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 26. Restricted Share Award Scheme

The Restricted Share Award Scheme was adopted by the Company on 21 December 2009 as an incentive to attract, motivate and retain employees of the Group. It will expire on 30 June 2012.

Eligible participants of the Restricted Share Award Scheme are senior management and directors of the Group.

Under the rules of the Restricted Share Award Scheme, shares will be awarded to the participants of the Restricted Share Award Scheme when certain performance target is met and shares will be awarded to the participants on or before 30 June of each financial year. At 30 Sep 2010, a total of 3,851,969 shares were granted to the participants. The shares granted will be vested to the participants in three equal tranches upon certain vesting conditions are fulfilled. As at 30 September 2010, no shares were vested to the eligible participants of the Group, while the total number of shares held by the Trustee was 3,851,969.

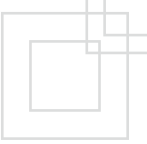
The fair value of the shares was determined based on the closing market price of the Company's shares that are publicly traded on the Stock Exchange on the grant date.

Share-based payment of HK\$2,112,000 (30 September 2009: Nil) has been recognised in the condensed consolidated income statement as employee benefit expense.

Shares held by Law Debenture Trust (Asia) Limited as Trustee for the purpose of the Restricted Share Award Scheme are listed below:

	<b>Number of shares</b>
At 1 April 2010	<b>3,334,000</b>
Shares purchased by the Trustee from the market during the period	<b>517,969</b>
Shares vested during the period	—
	<hr/>
At 30 September 2010	<b><u>3,851,969</u></b>

The total consideration paid for the purchase of 517,969 shares was HK\$1,237,000.



## Management Discussion and Analysis

Since late 2009, the global economy has been showing signs of a slow recovery. This has benefited the Group, which saw increased revenue across all business units of HK\$1.56 billion for the six months ended September 2010. This represents an increase of 18% compared with the same period in 2009.

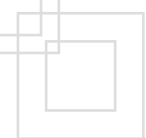
Our business benefited from a gradual recovery in North American and European markets. Accordingly, we were able to grow revenue by 27% in the Book and Package Printing business (our largest business unit) and 38% in the Corrugated Box Business Unit during the period. The Consumer Product Packaging Business Unit achieved a 5% increase in revenue during the period. While China's domestic market continues to be characterized a large number of regional players, the high growth in China's packaging demand provides opportunities for the Group.

During the period under review, paper prices increased. This had varying impact on our different business units. Our paper trading business benefited from the resulting higher margins, which partially offset the negative impact on our printing business units.

Worker wages in the Pearl River Delta (PRD) rose by 20% during the first half of the year. To address these cost impacts, management is continuing to implement various productivity initiatives including right-sizing, improving scheduling and workflow, and increasing the use of automation.

Consumer prices and underlying demand weakness have made complete pass-through of increased costs to customers challenging. Despite this, management delivered notable success in the period. We are pleased to report that for the first half-year, operating profit reached HK\$179 million, up 17% versus 2009. Profit attributable to shareholders for the period was HK\$129 million, up by 28% compared to the corresponding period in 2009. Basic earnings per share increased 31% to HK14.3 cents per share.

The Group's balance sheet remains strong, with a net cash position of HK\$394 million as of September 30, 2010. Backed by the Group's solid cash-flow and financial position, the Board of Directors has decided to return part of the excess cash to our shareholders. The Board of Directors has declared an interim dividend of HK5 cents and a special dividend of HK17 cents, bringing the total dividends to HK22 cents per share. The Company still maintains a significant net cash position.



## Management Discussion and Analysis (Continued)

### BUSINESS UNITS REPORT

#### Book and Package Printing

Hung Hing is one of the region's leading producers of folded cartons and packaging for toys, consumer products and electronics. It is also one of the world's largest manufacturers of children's novelty books. The Group has three manufacturing sites: Shenzhen, Heshan and Hong Kong.

The business unit reported the following results for the first half-year:

- Revenue of HK\$866 million, up 27% compared to the same period last year
- Profit contribution of HK\$105 million, up 7%
- Profit margin of 12%, down from 13%

The Book and Package Printing unit is an export-focused business. It is the largest business unit, accounting for 56% of Group revenue in the first half of 2010 compared with 52% during the same period in 2009.

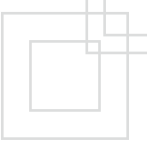
The business benefited from a gradual recovery in the United States and European markets. However, cost challenges—including rising paper prices, increased labour wages and the appreciation of the RMB—impacted margins. Various productivity initiatives helped to partially offset the impact of these cost increases. These included the management of our workforce in line with seasonal demand as well as streamlining workflow and improved forward planning.

#### Consumer Product Packaging

Hung Hing provides packaging solutions for China domestic customers through its production plants in Zhongshan in the PRD, and Wuxi near Shanghai. The two plants have substantial presence in the personal care, packaged food and consumer electronics sectors.

The business unit reported the following results for the first half-year:

- Revenue of HK\$340 million, up 5% compared to the same period last year
- Profit contribution of HK\$10 million, down 57%
- Profit margin of 3%, down from 7%



## Management Discussion and Analysis (Continued)

Rising paper prices and wage rates impacted profitability during the period under review. To offset these cost changes, management is focusing on pricing initiatives and implementing further automation and efficiency programs. Nevertheless, the business unit saw a decline in its profit margin to 3% over the period.

### Corrugated Box

Hung Hing operates a competitive corrugated box business in Shenzhen that supplies a wide range of customers, including those operating in the toy, household product, and food and beverage sectors. Two thirds of sales are generated from export manufacturers in the PRD, while the remaining third is sold to the domestic market.

The business unit reported the following results for the first half-year:

- Revenue of HK\$170 million, up 38% compared to the same period in 2009
- Profit contribution of HK\$36 million, up 107%
- Profit margin of 15%, up from 10%

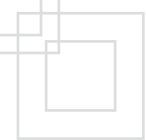
The business benefited from the recovery of the export manufacturing sector in the PRD, and was successful in passing cost increases on to customers. Various productivity initiatives that we have taken have helped to improve margins by 5%, up to 15% in the first half-year.

### Paper Trading

Hung Hing manages one of the largest paper trading businesses in China, operating warehouse facilities in Shenzhen that can store up to 60,000 tonnes. The business is well equipped to supply a large variety of paper to customers on short lead times.

The business unit reported the following results for the first half-year:

- Revenue of HK\$183 million, down 5% compared to the same period in 2009
- Profit contribution of HK\$46 million, up 86%
- Profit margin of 11%, up from 7%



## Management Discussion and Analysis (Continued)

The business unit benefited from paper price increase in the market during the period and serves an integral part of the Group's supply chain, securing a stable supply of competitively priced paper to the manufacturing operations of the Group. Intra-group sales account for 55% of the business unit's sales which are eliminated from reported external revenue figures.

### Associated Companies

Hung Hing has equity interests in two businesses: a 31% stake in Rengo Hung Hing Paper Manufacturing business (RHH) in Zhongshan, and a 40% stake in a beverage multi-pack business in Shanghai (GHH). The Group recorded a loss from the two businesses in the six month period of HK\$8 million.

While there has been substantial improvement at RHH, the Group's share of the business losses was HK\$7.1 million on an equity percentage basis. The Group continues to work with its joint venture partner, Rengo, to leverage their industry knowledge and production expertise in implementing initiatives that will improve business performance in the future.

GHH is a joint venture with Graphic Packaging International, a leading provider of packaging solutions in the beverage industry. Based in Shanghai, the business sells multi-pack beverage packaging to China's growing beverage market. The business recorded a loss in the first half of the year; the Group's share was HK\$1.3 million on an equity percentage basis. We believe there is significant opportunity for this business as consumers shift preference toward buying beverages such as beer and carbonated soft drinks in multi-packs.

### Liquidity and Capital Resources

The Group is in a sound financial position. As of September 30, 2010, the Group had a net cash (total cash net of bank borrowings) balance of HK\$394 million.

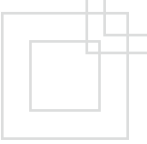
Overall, the Group's business reflects some seasonality as its largest business unit, the Book and Package Printing, is export-focused with substantial shipments during the late summer months. Accordingly, trade receivables as of September 30, 2010 rose by HK\$298 million compared with the balance six months ago.

The Group spent HK\$98 million in capital expenditure over the interim period including four new state of the art printing presses at the Shenzhen, Heshan and Wuxi plants, adding capacity and improving quality.

Upon completing the acquisition of the additional 15% in the Zhongshan packaging business (increasing its stake from 56% to 71%), the Group paid out HK\$42 million to the selling parties in May 2010.

The Group also paid out the 2009/10 (final and special) dividends, amounting to HK\$173 million, in September 2010.





## Management Discussion and Analysis (Continued)

In addition, the Group repaid HK\$41 million bank loan in the first half-year. As of September 30, 2010, the Group's bank borrowings amounted to HK\$384 million, of which HK\$267 million is repayable within one year and HK\$117 million is repayable within two to three years. Of the Group's bank borrowings, 96% was in Hong Kong dollars and 4% in RMB. The Group's gearing ratio, comparing bank borrowings to shareholder equity, was 14%.

As of September 30, 2010, the Group's cash on hand, including time deposits, was HK\$779 million, down HK\$330 million when compared to six months ago. This reflects the various events and changes mentioned above that took place during the period under review.

With the introduction of cross-border RMB trade settlement in July, the Group has converted more of its cash balance into RMB. Of the Group's total cash on hand, 67% was held in RMB, 26% in Hong Kong dollars and 7% in U.S. dollars as of September 30, 2010. This move aligns with the fact that most of the Group's operating expenses are denominated in RMB, and it also helps partially mitigate the impact of RMB appreciation.

### Business Sustainability

The Group continues to invest in and pursue sustainable business practices. During the period under review, our energy efficiency improvement programs received a commendation in the Hong Kong-Guangdong Cleaner Production Partners Recognition Scheme. We also won the Hang Seng Pearl River Delta Environmental Award in recognition of efforts and progress made in energy savings and environmental protection.

The Group also continues its commitment to source paper made from responsible and well-managed forests with the proportion of certified paper procured by the Group increasing during the past few years.

### Employees

As of September 30, 2010, the Group employed a total of 13,378 people in Hong Kong and China, with 357 based in Hong Kong and 13,021 in the Mainland.

The Group places high priority on the health and safety of all its employees, and workplace safety training continues to be an area of intense focus, during the period overall safety targets exceeded those of the previous year and were truly at world class levels.

### Prospects

Although the second half of the year is traditionally a low season for Hung Hing's export-focused business units, the Group expects that the enhanced sales team now in place in the Consumer Product Packaging Business Unit will be able to capture more of the growing spending in China's consumer market. The Group also plans to counter rising material and labour costs through various efficiency improvements including projects in procurement, manufacturing productivity and order-to-shipment process flow, measures that will improve margins. These and other efforts will help position Hung Hing as a leader in cost efficiency in the highly competitive printing and packaging industry.

## Information Provided in accordance with the Listing Rules

### INTERIM AND SPECIAL DIVIDEND

The directors have resolved to pay an interim dividend and a special dividend of HK5 cents (2009: HK4 cents) and HK17 cents (2009: nil) per share respectively. The interim dividend and special dividend will be paid on 12 January 2011 to shareholders whose names appear on the Register of Members of the Company on 31 December 2010.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 29 December 2010 to 31 December 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special 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 28 December 2010.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

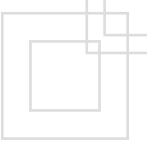
During the period ended 30 September 2010, the Company repurchased a total of 1,938,000 shares on the Stock Exchange at an aggregate consideration of approximately HK\$4,692,000 (including expenses) and all the repurchased shares were cancelled.

Particulars of the repurchased shares are as follows:

Month	Number of ordinary shares of HK\$0.10 each	Price per share		Aggregate consideration paid (including expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
April 2010	156,000	2.40	2.39	375
May 2010	950,000	2.40	2.34	2,258
July 2010	832,000	2.49	2.42	2,059
	<u>1,938,000</u>			<u>4,692</u>

On 21 December 2009, the Company adopted a Restricted Share Award Scheme. During the period ended 30 September 2010, the Trustee of the Restricted Share Award Scheme purchased 517,969 shares at a total consideration of approximately HK\$1,237,000 on the Stock Exchange pursuant to the Scheme Rules and Trust Deed.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's securities during the six months ended 30 September 2010.



## Information Provided in accordance with the Listing Rules (Continued)

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2010, the interests of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of 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:

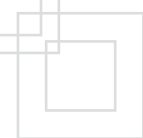
Long positions in ordinary shares of the Company:

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	Share award scheme		
Yum Chak Ming, Matthew	9,374,537	–	–	916,380	10,290,917	1.13
Yap, Alfred Donald	27,504	–	–	–	27,504	–
Sung Chee Keung	702,824	60,000	–	334,270	1,097,094	0.12

Long positions in ordinary shares of associated corporations:

Name of director	Name of associated corporation	Capacity and nature of interest	Number of ordinary shares/registered capital held	Percentage of the associated corporation's issued share capital/registered capital
Sung Chee Keung	Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited	Through controlled corporation	US\$1,441,500	5
Sung Chee Keung	Zhongshan Ren Hing Paper Manufacturing Company Limited	Through controlled corporation	US\$735,500	5

Save as disclosed above, as at 30 September 2010, none of the directors had registered an interest or short position in the shares or underlying shares 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

Pursuant to the Restricted Share Award Scheme, the executive directors are eligible participants of the Restricted Share Award Scheme, details of which are set out in note 26 to the financial information.

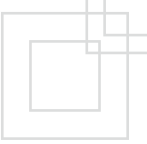
Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries 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 2010, the following interest of 5% or more of the issued share capital 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
CVC Capital Partners Asia III Limited	(a)	Through controlled corporation	340,476,445	37.43
CVC Capital Partners Asia Pacific III L.P.	(a)	Through controlled corporation	340,476,445	37.43
Asia Packaging Group Holdings Limited	(a)	Through controlled corporation	340,476,445	37.43
Asia Packaging Holdings Limited	(a)	Through controlled corporation	340,476,445	37.43
Asia Packaging Company Limited	(a)	Directly beneficially owned	340,476,445	37.43
Yam Cheong Hung	(b)	Directly beneficially owned and through controlled corporation and his spouse	291,616,586	32.06
C.H. Yam International Limited	(b)	Directly beneficially owned and through controlled corporation	286,834,379	31.53
C.H. Yam Holding Limited	(b)	Through controlled corporation	195,263,190	21.47
Hung Tai Industrial Company Limited	(b)	Directly beneficially owned	195,263,190	21.47
Aberdeen Asset Management PLC		Through controlled corporation	64,272,000	7.07



## Information Provided in accordance with the Listing Rules (Continued)

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Note:

- (a) There is a duplication of interests of 340,476,445 shares in the Company among CVC Capital Partners Asia III Limited, CVC Capital Partners Asia Pacific III L.P., Asia Packaging Group Holdings Limited, Asia Packaging Holdings Limited and Asia Packaging Company Limited.
- (b) 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 100% 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 (0.18% of the Company's issued share capital) owned by his spouse.

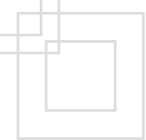
There is a duplication of interests of 195,263,190 shares in the Company among C.H. Yam International Limited, C.H. Yam Holding Limited and Hung Tai Industrial Company Limited.

Save as disclosed above, as at 30 September 2010, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" 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.

### CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company subsequent to the date of the annual financial statements for the year ended 31 March 2010 or the latest pertaining publication of the Company subsequent to the annual financial statements for the year ended 31 March 2010 (if any) are set out below:

Name of director	Details of changes
Mr Luk Koon Hoo	Mr Luk has resigned from the board of Wheelock Properties Limited from 1 August 2010 following its recent privatization. He has joined the board of i-Cable Communications Limited as Independent Non-executive Director on 16 September 2010.



## 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 that 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 as 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 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 and a non-executive director of the Company.

The audit committee of the Company has reviewed the interim results for the six months period ended 30 September 2010 and the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

By Order of the Board

**Yum Chak Ming, Matthew**

*Executive Chairman*

Hong Kong, 29 November 2010

