60 plus HUNG HING
YEARS OF PRINTING EXCELLENCE

鴻興印刷集團有限公司
Hung Hing Printing Group Limited
股份代號 STOCK CODE: 0450

2013
中期報告
INTERIM REPORT

CONTENTS

目　錄

Corporate Information

EXECUTIVE DIRECTORS	Yum Chak Ming, Matthew, Executive Chairman Sung Chee Keung
NON-EXECUTIVE DIRECTORS	Shigechika Ishida Yoshitaka Ozawa Katsuaki Tanaka Yam Hon Ming, Tommy
INDEPENDENT NON-EXECUTIVE DIRECTORS	Lo Chi Hong Luk Koon Hoo Yap, Alfred Donald
COMPANY SECRETARY	Tung Yu Biu
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PRINCIPAL BANKERS	The Hongkong and Shanghai Banking Corporation Limited Hang Seng Bank Limited The Bank of Tokyo-Mitsubishi UFJ, Ltd. BNP Paribas
AUDITOR	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 condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 as follows:

Condensed Consolidated Income Statement

	Note	For the six months ended 30 June **2013** (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Revenue	5	**1,345,219**	1,378,974
Cost of sales	7	**(1,158,912)**	(1,176,862)
Gross profit		**186,307**	202,112
Other income and gains	5	**19,063**	13,758
Distribution costs		**(36,003)**	(33,988)
Administrative and selling expenses	7	**(141,977)**	(139,734)
Other expenses	7	**(3,502)**	(9,932)
Operating profit		**23,888**	32,216
Finance costs	6	**(3,051)**	(5,894)
Share of losses of associates		**–**	(8,257)
Profit before income tax		**20,837**	18,065
Income tax expense	8	**(4,097)**	(4,866)
Profit for the period		**16,740**	13,199
Attributable to:			
Owners of the Company		**15,785**	12,105
Non-controlling interests		**955**	1,094
		16,740	13,199
		HK cents	HK cents
Earnings per share attributable to owners of the Company	9		
Basic		**1.7**	1.3
Diluted		**1.7**	1.3
		HK$'000	HK$'000
Dividend	10	**15,434**	–

The notes on pages 9 to 29 form part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit for the period	**16,740**	13,199
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges	**–**	817
Currency translation differences	**16,320**	(11,823)
Change in value of intangible assets	**(450)**	600
Change in value of available-for-sale financial assets	**(174)**	(116)
Other comprehensive income/(loss) for the period, net of tax	**15,696**	(10,522)
Total comprehensive income for the period	**32,436**	2,677
Attributable to:		
Owners of the Company	**28,763**	3,090
Non-controlling interests	**3,673**	(413)
Total comprehensive income for the period	**32,436**	2,677

The notes on pages 9 to 29 form part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

	Note	**30 June 2013 (Unaudited) HK$'000**	31 December 2012 (Audited) HK$'000
Assets			
Non-current assets			
Property, plant and equipment	11	**1,329,956**	1,352,430
Land use rights	12	**106,199**	107,162
Intangible assets	13	**8,118**	8,940
Available-for-sale financial assets	14	**22,448**	22,463
Properties under construction	15	**7,483**	12,262
Trade receivables	16	**4,450**	7,006
Deferred income tax assets		**11,003**	9,664
Deposits paid for acquisition of property, plant and equipment		**1,486**	–
Total non-current assets		**1,491,143**	1,519,927
Current assets			
Inventories		**671,059**	613,469
Trade and bills receivables	16	**790,713**	823,837
Prepayments, deposits and other receivables		**39,442**	43,622
Derivative financial instruments		**2,246**	1,117
Tax recoverable		**5,320**	4,205
Pledged time deposits	17	**48,235**	46,114
Time deposits with original maturity over three months	17	**91,200**	43,587
Cash and cash equivalents	17	**562,487**	533,345
Total current assets		**2,210,702**	2,109,296
Total assets		**3,701,845**	3,629,223
Equity			
Equity attributable to owners of the Company			
Share capital	20	**90,787**	90,787
Reserves		**2,569,716**	2,555,591
Proposed dividend		**15,434**	18,157
		2,675,937	2,664,535
Non-controlling interests		**152,863**	149,190
Total equity		**2,828,800**	2,813,725

Condensed Consolidated Statement of Financial Position (Continued)

	Note	**30 June 2013 (Unaudited) HK$'000**	31 December 2012 (Audited) HK$'000
Liabilities			
Non-current liabilities			
Borrowings	19	**158,597**	228,937
Deferred income tax liabilities		**48,142**	47,749
Total non-current liabilities		**206,739**	276,686
Current liabilities			
Trade and bills payables	18	**261,185**	181,887
Current income tax liabilities		**22,221**	21,363
Other payables and accrued liabilities		**184,541**	182,244
Derivative financial instruments		**105**	–
Borrowings	19	**198,254**	153,318
Total current liabilities		**666,306**	538,812
Total liabilities		**873,045**	815,498
Total equity and liabilities		**3,701,845**	3,629,223
Net current assets		**1,544,396**	1,570,484
Total assets less current liabilities		**3,035,539**	3,090,411

The notes on pages 9 to 29 form part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012 (Unaudited)

		Attributable to owners of the Company													
	Note	Share capital HK$'000	Share premium HK$'000	Other capital reserves 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 January 2012		90,787	1,559,461	(14,043)	(817)	5,800	(582)	118,723	145,483	12,250	754,461	–	2,671,523	140,859	2,812,382
Comprehensive income															
Profit for the period		–	–	–	–	–	–	–	–	–	12,105	–	12,105	1,094	13,199
Other comprehensive income/(loss)		–	–	–	817	600	(116)	–	(10,316)	–	–	–	(9,015)	(1,507)	(10,522)
Total comprehensive income/(loss)		–	–	–	817	600	(116)	–	(10,316)	–	12,105	–	3,090	(413)	2,677
Total contributions by and distributions to owners of the Company recognised directly in equity															
Final dividend for year ended 31 March 2012		–	–	–	–	–	–	–	–	–	(18,157)	18,157	–	–	–
Shares vested under restricted share award scheme	25	–	–	4,739	–	–	–	–	–	(4,739)	–	–	–	–	–
Forfeiture of share awarded	25	–	–	–	–	–	–	–	–	(1,654)	1,654	–	–	–	–
Equity compensation expenses	25	–	–	–	–	–	–	–	–	710	–	–	710	–	710
Allocation to legal reserve		–	–	–	–	–	–	3,861	–	–	(3,861)	–	–	–	–
Total contributions by and distributions to owners of the Company		–	–	4,739	–	–	–	3,861	–	(5,683)	(20,364)	18,157	710	–	710
At 30 June 2012		90,787	1,559,461	(9,304)	–	6,400	(698)	122,584	135,167	6,567	746,202	18,157	2,675,323	140,446	2,815,769

The notes on pages 9 to 29 form part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2013 (Unaudited)

		Attributable to owners of the Company												
	Note	Share capital HK$'000	Share premium HK$'000	Other capital reserves 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 January 2013		90,787	1,559,461	(9,303)	5,600	(616)	123,159	138,843	7,837	730,610	18,157	2,664,535	149,190	2,813,725
Comprehensive income														
Profit for the period		-	-	-	-	-	-	-	-	15,785	-	15,785	955	16,740
Other comprehensive income/(loss)		-	-	-	(450)	(174)	-	13,602	-	-	-	12,978	2,718	15,696
Total comprehensive income/(loss)		-	-	-	(450)	(174)	-	13,602	-	15,785	-	28,763	3,673	32,436
Total contributions by and distributions to owners of the Company recognised directly in equity														
Final dividend for the nine months ended 31 December 2012		-	-	-	-	-	-	-	-	-	(18,157)	(18,157)	-	(18,157)
Shares vested under restricted share award scheme	25	-	-	4,739	-	-	-	-	(4,739)	-	-	-	-	-
Equity compensation expenses	25	-	-	-	-	-	-	-	796	-	-	796	-	796
Forfeiture of share awarded	25	-	-	-	-	-	-	-	(226)	226	-	-	-	-
Interim dividend	10	-	-	-	-	-	-	-	-	(15,434)	15,434	-	-	-
Total contributions by and distributions to owners of the Company		-	-	4,739	-	-	-	-	(4,169)	(15,208)	(2,723)	(17,361)	-	(17,361)
At 30 June 2013		90,787	1,559,461	(4,564)	5,150	(790)	123,159	152,445	3,668	731,187	15,434	2,675,937	152,863	2,828,800

The notes on pages 9 to 29 form part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash inflow/(outflow) from:		
Operating activities	**131,440**	(125,233)
Investing activities	**(61,325)**	33,652
Financing activities	**(46,799)**	(103,295)
Net increase/(decrease) in cash and cash equivalents	**23,316**	(194,876)
Cash and cash equivalents at beginning of period	**533,345**	698,294
Exchange gain/(loss) in cash and cash equivalents	**5,826**	(4,188)
Cash and cash equivalents at end of period	**562,487**	499,230
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**249,057**	272,343
Time deposits with original maturity less than three months	**313,430**	226,887
	562,487	499,230

The notes on pages 9 to 29 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 (together the "Group") are engaged in the following principal activities:

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

This condensed consolidated interim financial information is presented in thousands of HK dollars (HK$'000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 23 August 2013.

2. Basis of Preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2013 have not been audited and have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements as set out in Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention except that certain financial assets are stated at fair values and which should be read in conjunction with the annual financial statements for the period from 1 April to 31 December 2012.

3. Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the period from 1 April to 31 December 2012, as described in those annual financial statements.

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

Change of financial year end date

Pursuant to the resolution of the board of directors of the Company dated 16 April 2012, the Company's financial year end date has been changed from 31 March to 31 December.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

3. Accounting Policies (Continued)

Change of financial year end date (Continued)

The change is to align with the financial year end date of the Company with that of its subsidiaries established in the People's Republic of China (the "PRC"), the financial results of which are consolidated into its consolidated financial statements each year, and their financial statements are statutorily required to use 31 December as the financial year end.

To enhance comparability, the comparative figures in these unaudited condensed consolidated interim financial statements, except the condensed consolidated statement of financial position and its associated disclosure notes, cover the six months period from 1 January 2012 to 30 June 2012. These comparative figures have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS").

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards and interpretations are mandatory for accounting year beginning on 1 January 2013:

- HKAS 1 (Revised) (Amendment) — Presentation of financial statements – Presentation of items of other comprehensive income
- HKAS 19 (Amendment) — Employee benefits
- HKAS 27 (2011) — Separate financial statements
- HKAS 28 (2011) — Investments in associates and joint ventures
- HKFRS 7 (Amendment) — Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
- HKFRS 10 — Consolidated financial statements
- HKFRS 11 — Joint arrangements
- HKFRS 12 — Disclosures of interests in other entities
- HKFRS 13 — Fair value measurement
- HK (IFRIC) – Int 20 — Stripping costs in the production phase of a surface mine

The adoption of these new/revised standards, amendments and interpretations to existing standards does not have any significant implication to the Group's accounting policy applied in these interim financial statements except for below:

HKFRS 13 "Fair Value Measurements" defines fair value and provides a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements do not extend the use of fair value accounting. The Group has applied the new fair value measurement and disclosure requirements prospectively in accordance with the standard. The Group has included the disclosures required by HKAS 34 paragraph 16A(j) in the interim financial statements.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

3. Accounting Policies (Continued)

Changes in accounting policy and disclosures (Continued)

(b) The following amendments to standards and interpretations are not yet effective from the accounting year beginning on 1 January 2013 and have not been early adopted by the Group

• HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities
• HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets
• HKFRS 7 and HKFRS 9 (Amendment)	Financial instruments: Disclosures – Mandatory effective date of HKFRS 9 and transition disclosures
• HKFRS 9	Financial instruments
• HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011) (Amendment)	Investment entities
• HK (IFRIC) – Int 21	Levies

Management is in the process of making an assessment of the impact of these new standards and amendments to standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

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 the executive chairman, the chief executive 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.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-marker.

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 June 2013					
	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$'000	Total (Unaudited) HK$'000
Segment revenue						
Sales to external customers	**762,778**	**357,684**	**101,473**	**123,284**	**–**	**1,345,219**
Inter-segment sales	**742**	**1,104**	**47,207**	**227,334**	**(276,387)**	**–**
Total	**763,520**	**358,788**	**148,680**	**350,618**	**(276,387)**	**1,345,219**
Segment results	**15,999**	**2,021**	**4,478**	**5,395**	**(3,431)**	**24,462**
Interest, dividend income and other gains						**13,827**
Corporate and unallocated expenses						**(14,401)**
Operating profit						**23,888**
Finance costs						**(3,051)**
Profit before income tax						**20,837**
Income tax expense						**(4,097)**
Profit for the period						**16,740**

Notes to the Condensed Consolidated Interim Financial Information (Continued)

4. Segment Information (Continued)

	For the six months ended 30 June 2012					
	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$'000	Total (Unaudited) HK$'000
Segment revenue						
Sales to external customers	752,901	345,169	115,717	165,187	–	1,378,974
Inter-segment sales	571	4,103	42,412	232,305	(279,391)	–
Total	753,472	349,272	158,129	397,492	(279,391)	1,378,974
Segment results	21,858	5,540	5,663	5,846	(1,696)	37,211
Interest, dividend income and other gains						7,945
Corporate and unallocated expenses						(12,940)
Operating profit						32,216
Finance costs						(5,894)
Share of losses of associates						(8,257)
Profit before income tax						18,065
Income tax expense						(4,866)
Profit for the period						13,199

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:

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue:		
Sale of goods	**1,345,219**	1,378,974
Other income and gains:		
Bank interest income	**5,258**	7,457
Dividend income from available-for-sale financial assets	**139**	140
Fair value gain on derivative financial instruments not qualified as hedges, net	**5,672**	767
Foreign exchange gain, net	**3,787**	–
Sundry income	**4,207**	5,394
	19,063	13,758

6. Finance Costs

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank borrowings wholly repayable within five years	**3,051**	5,894

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 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation	**55,752**	56,531
Amortisation of land use rights	**1,603**	1,594
Amortisation of intangible assets	**553**	476
Employee benefit expense (including directors' emoluments)	**379,249**	344,866
Foreign exchange loss, net	**–**	4,270
Provision for impairment of inventories, net	**2,361**	3,977
Provision for impairment of trade receivables	**3,040**	2,373
Loss on disposals of property, plant and equipment	**531**	3,195

8. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**1,678**	(789)
– PRC corporate income tax	**3,600**	6,961
Total current tax	**5,278**	6,172
Deferred income tax	**(1,181)**	(1,306)
Income tax expense	**4,097**	4,866

Notes to the Condensed Consolidated Interim Financial Information (Continued)

8. Income Tax Expense (Continued)

For the six months ended 30 June 2013, there was no tax change relating to components of other comprehensive income.

For the six months ended 30 June 2012, the tax credit relating to components of other comprehensive loss was as follows:

	Before tax (Unaudited) HK$'000	Tax credit (Unaudited) HK$'000	After tax (Unaudited) HK$'000
Cash flow hedges	978	(161)	817
Currency translation differences	(11,823)	–	(11,823)
Change in value of:			
– Intangible assets	600	–	600
– Available-for-sale financial assets	(116)	–	(116)
Other comprehensive loss	(10,361)	(161)	(10,522)

9. Earnings Per Share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners 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 June	
	2013 **(Unaudited)** **HK$'000**	2012 (Unaudited) HK$'000
Profit attributable to owners of the Company	**15,785**	12,105
Weighted average number of ordinary shares in issue excluding own held shares (thousands)	**903,992**	902,025
Basic earnings per share (HK cents per share)	**1.7**	1.3

Notes to the Condensed Consolidated Interim Financial Information (Continued)

9. Earnings Per Share (Continued)

(b) Diluted earnings per share

Diluted earnings 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 (Note 25). 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 share price of the Company's shares) based on the monetary value of the outstanding shares to be granted.

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit attributable to owners of the Company	**15,785**	12,105
Weighted average number of ordinary shares in issue excluding own held shares (thousands)	**904,409**	903,946
Diluted earnings per share (HK cents per share)	**1.7**	1.3

10. Dividend

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim dividend of HK 1.7 cents (2012: Nil) per ordinary share	**15,434**	–

Notes to the Condensed Consolidated Interim Financial Information (Continued)

11. Property, Plant and Equipment

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Opening net book amount at 1 January 2013/1 April 2012	**1,352,430**	1,366,117
Additions	**13,875**	52,346
Transfer from properties under construction (Note 15)	**10,821**	16,333
Transfer from deposits paid for acquisition of property, plant and equipment	**–**	2,767
Disposals	**(1,151)**	(4,074)
Depreciation	**(55,752)**	(85,996)
Exchange differences	**9,733**	4,937
Closing net book amount at 30 June 2013/31 December 2012	**1,329,956**	1,352,430

Certain buildings of the Group with a total net book amount of HK$76,965,000 (31 December 2012: HK$77,137,000) have been pledged to secure banking facilities granted to the Group.

12. Land Use Rights

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Opening net book amount at 1 January 2013/1 April 2012	**107,162**	109,215
Amortisation	**(1,603)**	(2,390)
Exchange differences	**640**	337
Closing net book amount at 30 June 2013/31 December 2012	**106,199**	107,162

Certain land use rights of the Group with a total net book amount of HK$17,590,000 (31 December 2012: HK$17,562,000) have been pledged to banks to secure banking facilities granted to the Group.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

13. Intangible Assets

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Opening net book amount at 1 January 2013/1 April 2012	**8,940**	11,140
Additions	**180**	270
Fair value changes	**(450)**	(800)
Write-off	**–**	(639)
Amortisation	**(553)**	(1,032)
Exchange differences	**1**	1
Closing net book amount at 30 June 2013/31 December 2012	**8,118**	8,940

14. Available-for-sale Financial Assets

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Unlisted equity investments, at fair value	**14,506**	14,330
Unlisted equity investments, at cost	**80**	80
Club debentures, at fair value	**566**	583
Hong Kong listed equity investments, at fair value	**7,296**	7,470
	22,448	22,463

During the period, a fair value loss of the Group's available-for-sale financial assets of HK$174,000 (2012: HK$116,000) was recognised directly in the available-for-sale investment revaluation reserve.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

15. Properties Under Construction

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Opening net book amount at 1 January 2013/1 April 2012	**12,262**	19,391
Additions	**5,862**	8,878
Transfer from deposits paid for acquisition of property, plant and equipment	**–**	297
Transfer to property, plant and equipment (Note 11)	**(10,821)**	(16,333)
Exchange differences	**180**	29
Closing net book amount at 30 June 2013/31 December 2012	**7,483**	12,262

The properties under construction are located in Hong Kong and the PRC.

16. Trade and Bills Receivables

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Trade receivables	**797,935**	844,022
Less: provision for impairment of trade receivables	**(28,882)**	(26,650)
	769,053	817,372
Trade receivables due from related parties	**4,325**	4,689
Total trade receivables, net	**773,378**	822,061
Bills receivables	**21,785**	8,782
	795,163	830,843
Less: Non-current trade receivables	**(4,450)**	(7,006)
	790,713	823,837

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 and 90 days from date of issuance. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

16. Trade and Bills Receivables (Continued)

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.

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

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
1–30 days	**371,711**	311,860
31–60 days	**165,336**	185,256
61–90 days	**120,687**	118,927
Over 90 days	**115,644**	206,018
	773,378	822,061

17. Cash and Cash Equivalents and Time Deposits

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Cash at banks and on hand	**249,057**	317,200
Time deposits with original maturity less than three months	**313,430**	216,145
Cash and cash equivalents	**562,487**	533,345
Time deposits with original maturity over three months	**91,200**	43,587
Pledged time deposits	**48,235**	46,114
	701,922	623,046

At of 30 June 2013, time deposits of HK$46,514,000 (31 December 2012: HK$44,735,000) and HK$1,721,000 (31 December 2012: HK$1,379,000) were pledged as collaterals for the issuance of bills payables and the Group's banking facilities, respectively.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

18. Trade and Bills Payables

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Trade payables	**235,072**	151,882
Trade payables due to related parties	**10,990**	16,546
Total trade payables	**246,062**	168,428
Bills payables	**15,123**	13,459
	261,185	181,887

At of 30 June 2013, the bills payables of HK$8,471,000 (31 December 2012: HK$11,178,000) are secured by the pledged time deposits of HK$46,514,000 (31 December 2012: HK$44,735,000).

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

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
1–30 days	**148,576**	120,230
31–60 days	**70,381**	36,538
61–90 days	**16,879**	6,236
Over 90 days	**10,226**	5,424
	246,062	168,428

Notes to the Condensed Consolidated Interim Financial Information (Continued)

19. Borrowings

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Current		
Bank loans – guaranteed (Note a)	**198,254**	152,266
Bank loans – secured (Note b)	**–**	1,052
	198,254	153,318
Non-current		
Bank loans – guaranteed (Note a)	**158,597**	228,937
	356,851	382,255

Note:

(a) Bank loans amounting to HK$356,851,000 (31 December 2012: HK$381,203,000) are secured by the corporate guarantees issued by the Company (Note 24).

(b) Bank loans amounting to HK$Nil (31 December 2012: HK$1,052,000) are secured by the pledge of certain of the Group's buildings, land use rights and time deposits, which had an aggregate carrying value at the end of the reporting period of approximately HK$96,276,000 (31 December 2012: HK$96,078,000) (Notes 11,12 and 17).

20. Share Capital

	30 June 2013 Number of shares	31 December 2012 Number of shares	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Authorised ordinary shares of HK$0.10 each	**1,200,000,000**	1,200,000,000	**120,000**	120,000
Issued and fully paid ordinary shares of HK$0.10 each	**907,864,974**	907,864,974	**90,787**	90,787

During the six months ended 30 June 2013, the Company did not repurchase any of its own shares (2012: Nil).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

21. Related Party Transactions

(a) Transactions with related parties

Rengo Co., Ltd. ("Rengo") is a substantial shareholder of the Company. Its subsidiaries Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited and Zhongshan Ren Hing Paper Manufacturing Company Limited (collectively, the "Paper Mill Entities") are also the associates of the Company up to 30 December 2012. Starting from 30 December 2012, the investment in Paper Mills Entities was derecognised as an investment in associates and redesignated as an available-for-sale financial asset.

The transactions between Rengo (or its subsidiaries) and the Company (or its subsidiaries) are related party transactions which also fall under the definition of continuing connected transaction of the Company as stipulated in the Listing Rules.

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

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Sales of raw materials or finished goods to:		
Associates		
– Paper Mills Entities	**–**	15,284
– Others	**–**	2,638
A substantial shareholder	**3,408**	3
Subsidiaries of a substantial shareholder		
– Paper Mills Entities	**11,330**	–
– Others	**701**	–
Purchase of raw materials from:		
Associates		
– Paper Mills Entities	**–**	33,567
– Others	**–**	2,270
Subsidiaries of a substantial shareholder		
– Paper Mills Entities	**31,651**	–
– Others	**219**	654
Rental income from an associate	**–**	575

The above transactions were carried out in the normal course of business of the Group and on terms as agreed with the parties.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

21. Related Party Transactions (Continued)

(b) Compensation of key management personnel of the Group

	For the six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Short-term employment benefits	**10,774**	11,157
Post-employment benefits	**264**	258
	11,038	11,415

22. Operating Lease Commitments

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

At the end of the reporting period, the Group had total future aggregate minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Not later than one year	**8,976**	6,101
Later than one year and not later than five years	**17,198**	15,370
Later than five years	**66,725**	67,094
	92,899	88,565

Notes to the Condensed Consolidated Interim Financial Information (Continued)

23. Commitments

In addition to the operating lease commitments disclosed in Note 22 above, the Group had the following capital commitments for plant and machinery at the end of the reporting period:

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Contracted for, but not provided for	**23,949**	8,729
Authorised but not contracted for	**–**	–

24. Contingent Liabilities

At the end of the reporting period, contingent liabilities not provided for in the condensed consolidated financial statement were as follows:

	Group		**Company**	
	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000	**30 June 2013 (Unaudited) HK$'000**	31 December 2012 (Audited) HK$'000
Guarantees given to banks for banking and trading facilities granted to subsidiaries and former associates of the Company	**26,208**	29,300	**2,049,455**	2,006,783
Amount of banking facilities guaranteed by the Company and utilised by subsidiaries and former associates of the Company	**26,208**	29,300	**568,292**	536,326

At the end of the reporting period, the directors do not consider it is probable that a claim will be made against the Company under any of these guarantees.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

25. Restricted Share Award Scheme

The Restricted Share Award Scheme (the "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 2015.

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

Under the rules of the Scheme, shares will be awarded to the participants of the Scheme when certain performance target is met and shares will be awarded to the participants on or before 30 June of each financial year. There was no share offered and awarded to the participants during the period (2012: Nil). The shares granted will be vested to the participants in three equal tranches upon certain vesting conditions are fulfilled. A total of 1,938,071 shares (2012: 1,938,066 shares) at an average fair value of HK$4,739,000 (2012: HK$4,739,000) were vested during the period. At 30 June 2013, the total number of shares held by the Trustee was 2,566,601 shares (31 December 2012: 4,504,672 shares).

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$796,000 (2012: HK$710,000) has been recognised in the condensed consolidated income statement as employee benefit expense.

Shares awarded amounted to HK$226,000 (2012: HK$1,654,000) was forfeited during the period, and HK$226,000 (2012: HK$1,654,000) was transferred from equity compensation reserve to retained earnings accordingly.

Movement in the number of shares awarded and their related average fair value is as follows:

	For the six months ended 30 June			
	2013		2012	
	Average fair value per share	**Number of shares awarded**	Average fair value per share	Number of shares awarded
Opening balance at 1 January		**2,976,669**		6,442,738
Forfeited	**3.13**	**(104,941)**	2.85	(1,528,003)
Vested	**2.45**	**(1,938,071)**	2.45	(1,938,066)
Closing balance at 30 June		**933,657**		2,976,669

Notes to the Condensed Consolidated Interim Financial Information (Continued)

25. Restricted Share Award Scheme (Continued)

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

	Number of shares	
	At 30 June 2013	At 31 December 2012
Opening balance at 1 January 2013/ 1 April 2012	**4,504,672**	6,442,738
Shares vested during the period	**(1,938,071)**	(1,938,066)
Closing balance at 30 June 2013/ 31 December 2012	**2,566,601**	4,504,672

There was no purchase of share for the Scheme during the period (2012: Nil).

26. Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2013:

	Level 1 (Unaudited) HK$'000	**Level 2 (Unaudited) HK$'000**	**Level 3 (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**
Assets				
Available-for-sale financial assets				
– Unlisted equity investments	**–**	**–**	**14,506**	**14,506**
– Listed equity investments	**7,296**	**–**	**–**	**7,296**
– Club debentures	**–**	**–**	**566**	**566**
Derivative financial instruments	**–**	**–**	**2,246**	**2,246**
	7,296	**–**	**17,318**	**24,614**
Liabilities				
Derivative financial instruments	**–**	**–**	**(105)**	**(105)**

Notes to the Condensed Consolidated Interim Financial Information (Continued)

26. Fair Value Estimation (Continued)

The fair value of club debentures is determined with reference to quoted market prices at the end of the reporting period without any deduction for transaction costs.

The fair values of unlisted equity instruments and derivative financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The following table presents the changes in level 3 instruments for the period from 1 January to 30 June 2013:

	Club debentures (Unaudited) HK$'000	Derivative financial instruments (Unaudited) HK$'000	Unlisted equity investments (Unaudited) HK$'000	Total (Unaudited) HK$'000
Opening balance	583	1,117	14,330	16,030
Recognised to consolidated income statement	(17)	5,672	–	5,655
Exchange differences	–	–	176	176
Retired on maturity	–	(4,648)	–	(4,648)
Closing balance	566	2,141	14,506	17,213
Total (loss)/gains for the period included in profit or loss for assets held at the end of the reporting period	(17)	5,672	–	5,655

27. Subsequent Event

On 31 July 2013, the Company, among others, enter into equity transfer agreements with an independent third party, pursuant to which the Company agreed to dispose of 7.5% of its equity interests in the Paper Mills Entities by the Company to the third party at an aggregate consideration of RMB18,179,000.

Further details of the event are set out in the announcements of the Company dated 31 July 2013 and 9 August 2013.

Management Discussion and Analysis

Hung Hing Printing Group introduced 31 December as its new financial year end date in 2012. This is the first time that the Group has reported its interim results for the new six-month period from 1 January to 30 June. To facilitate meaningful comparison, and eliminate the effect of seasonality due to different cut-off dates for the results, data for the comparable previous period (January to June 2012) is used in our discussion below.

The Group reported stable aggregate revenues across business segments and a 27% increase in net profit for the six months ended 30 June 2013. Overall sales totaled HK$1,345 million, slightly behind the comparable period in 2012 by 2% due to paper price adjustments and persistent economic uncertainties in both overseas and domestic markets which impacted customer demand and confidence in general.

The two largest business units, Book and Package Printing and Consumer Product Packaging, which combined account for over 80% of the Group's overall sales revenue, achieved moderate sales growth. The other two businesses, Corrugated Box and Paper Trading, reported sales declines as the customers of these two segments were more sensitive to export volatility and followed a more conservative inventory strategy in response to paper price fluctuations.

Orders picked up significantly in the second quarter after a quieter first quarter. The Group attained high asset utilization and growth in overall paper consumption during the six months ending 30 June 2013 vis-à-vis the preceding year. In anticipation of continued strong momentum in the third quarter, and to improve operating efficiencies, the Group committed HK$31 million of new investment in the first six months to expand and enhance its printing, box-making and post-print capacity across all its facilities.

Profit attributable to shareholders rose by 30% to HK$16 million. The Group benefited from favorable exchange rates, higher returns from forward contracts and productivity savings from automation initiatives. Furthermore the Group did not have to take any share of the losses of its associates onto its books. As a result, despite the negative effects caused by sales declines, order pattern changes, and operating cost increases in China due to RMB appreciation and increase of social insurance and minimum wages, profits remained strong.

Evolving export business

Changes in reading habits among consumers worldwide and a delayed economic recovery continued to challenge the printing industry as a whole. Consolidation of suppliers in the export printing industry is likely to accelerate triggered by trends such as increasing demand for assured, on-time delivery with more frequent orders but shorter lead times, and more stringent compliance requirements particularly in North America and Europe.

The Group has benefited from these trends due to its blue-chip customer base, long established track record of reliability and strong reputation for integrity, quality, and competitive scale and pricing. During the period Hung Hing continued to adhere closely to the requirements of the governments and customers, conforming to high environmental, safety and ethical standards.

The BelugaBloo kids e-bookstore, introduced by the Group in 2011, continued to expand and now features over 200 children's applications, attracting increasing downloads from markets across the world during the period. The platform has helped strengthen our printing business by deepening our relationship with international publishers.

Management Discussion and Analysis (Continued)

Achieving higher operational efficiency

To be most agile and efficient in the face of macro challenges and uncertainties, the Group sharpened its focus on operations planning, constantly rebalancing work activities based on available resources and the expanded capacity to maximize asset utilization and optimize production output and schedule. The Group believes that optimal capacity utilization and cost efficiency are central to achieving profitability in the future.

Well positioned liquidity situation – strong balance sheet

During the period under review the Group leveraged its robust liquidity position to secure higher returns from its short-term deposits and to hedge against RMB appreciation. The strategy was successful and the Group achieved HK$6 million gains from forward contracts and HK$4 million in exchange gains during the first six-month period.

The Group's balance sheet remains strong with a net cash position of HK$345 million at 30 June 2013, an increase of HK$104 million from January 2013. Backed by the Group's strong cash flow and solid financial position, the Board of Directors has declared an interim dividend of HK 1.7 cents per share.

BUSINESS UNIT REPORTS

Book and Package Printing (BPP)

Book and Package Printing (BPP), the Group's largest business unit, accounts for approximately 57% of total sales. Hung Hing is one of the world's leading producers of folding cartons and packaging for toys, cosmetics and other consumer products. We are also one of the world's largest manufacturers of conventional and children's novelty books.

Production of folding carton, packaging, conventional books and children's books is carried out at the Group's ISO 9001, ISO 14001 and ICTI-COBP certified plants in Shenzhen and Heshan in China's Guangdong province, and at a plant in Hong Kong. The three plants have a combined production space of 300,000 square meters and employed over 10,000 workers at the end of 30 June 2013. The business unit's client base includes many of the world's most recognized toy, cosmetics, and consumer goods producers, as well as leading international publishers.

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

- Revenue of HK$763 million, up 1% from HK$753 million the previous year
- Profit contribution of HK$16 million, down from HK$22 million last year
- Profit contribution margin of 2%, down from 3% the previous year

Management Discussion and Analysis (Continued)

Review of Operations

Book and Package Printing continued its growth trend, albeit at a lower rate compared to prior year. Growth was affected by soft macro-economic conditions in European and United Kingdom markets, which resulted in fewer orders in Q1 amid high inventory position of customers. The Group has successfully expanded into new European territories such as Russia, France and Spain and managed to offset the weaker demand conditions in its traditional markets. Signs of increasing economic activity in the U.S. resulted in new orders for children and novelty book products.

Hung Hing continued to benefit from consolidation of the print industry in southern China. Due to ongoing new regulations on environmental, safety and social compliance requirements in export markets, large publishing companies tend to prefer working with reputable suppliers. As a result, Hung Hing has been selected as a preferred supplier to major toy manufacturers and publishers.

During the six-month period under review, BPP has established the HH Deluxe brand in the United Kingdom and Europe. This branding effectively signals the Group's entry into the high-end luxury packaging market, serving luxury and elite brand customers through its sales offices in the European Union (EU).

Exports to Japan have also grown. Through a partnership with Rengo Co., Ltd., Japan, BPP was able to supply unique point-of-sales paper displays to Japanese clientele that required superior quality and innovative product design with a touch of hand-craftsmanship.

Actions were taken to upgrade cost controls and review pricing, in particular for labor-intensive children's novelty books which demand special craftsmanship but is also a competitive strength of Hung Hing. However, a slower first quarter for special packaging projects, lower customer confidence resulting in smaller order quantities, plus delay in paper deliveries from third-party suppliers impacted BPP's profitability.

During the period under review, the Group partnered with a renowned children's choral and performing arts center in Hong Kong to launch an innovative printed musical product that can interact with the iPad to provide music-related entertainment and education to children. Combining printing and digital technologies to create other innovative new applications and offerings will yield new business opportunities for the Group in areas such as education, publishing, and brand advertising.

Consumer Product Packaging (CPP)

Hung Hing provides high quality packaging solutions for customers through its production plants at Zhongshan (southern China) and Wuxi (near Shanghai). With a combined production space of 180,000 square meters and a skilled workforce of over 2,000, CPP is well positioned to capture the growing consumer market in China.

The CPP business reported the following results for the first half of the year:

- Revenue of HK$358 million, up 4% from HK$345 million the previous year
- Profit contribution of HK$2 million, down from HK$6 million last year
- Profit contribution margin of 1%, down from 2% the previous year

Management Discussion and Analysis (Continued)

Review of Operations

The China domestic consumer packaging market continues to be large but highly fragmented. Government initiatives to rein in extravagance and stabilize property prices affected the high-end luxury packaging business as a whole in the short term. Increased competition and price pressure on the mid/low-end packaging segments also affected the Group's performance. However there are indications that a gradual recovery in domestic consumption is under way, and long-term growth opportunities in the China domestic consumer packaging market remain strong.

During the period, the Group acquired a large format lamination machine and also upgraded other post-finishing equipment. The dust-free manufacturing zones in our Zhongshan and Wuxi plants render Hung Hing well positioned to meet the hygiene and quality requirements of the packaged food and personal care sectors.

Corrugated Box (CB)

Hung Hing operates a competitive corrugated box manufacturing business that supplies to a wide range of companies, including toy, food and beverage, electronics and household product manufacturers. Over 60% of the Corrugated Box business is generated from exports out of mainland China. The business operates a manufacturing facility in Shenzhen and a distribution center in Hong Kong.

The CB business reported the following results for the first half of the year:

- External revenue of HK$101 million, down 12% from HK$116 million the previous year
- Profit contribution of HK$4 million, down from HK$6 million last year
- Profit contribution margin of 3%, down from 4% the previous year

Review of Operations

The Corrugated Box business benefited from stable growth in demand in the first half of the year as a result of close operational alignment with the Group's Book and Package Printing business. Common customers provided additional opportunities and cross-selling synergies benefited both business units.

The Corrugated Box business was affected by the slowdown in export activities and softer domestic consumption in the first half of the year. Despite 11% increase in internal inter-segment sales, external revenue declined by 12% in the first half compared to last year.

In response to weak demand, rising labor and logistics costs, the CB business placed special focus on business development activities targeting customers with more demanding compliance requirements, which Hung Hing is well positioned to fulfill. Orders from customers were re-grouped and new fulfillment workflows were explored to improve margins. Cost saving measures were put into place such as upgraded steam conservation in boilers and corrugators to conserve energy. These measures will maximize benefits in the second half of the year as the Group addresses peak season demands related to exports and growth of domestic business.

Management Discussion and Analysis (Continued)

Paper Trading (PT)

Hung Hing is one of the largest paper trading operators in Asia outside Japan. The PT business unit is centered around the Group's 60,000-ton paper storage facility in Shenzhen that can supply a large variety of paper types and quantities on short lead times at competitive prices. It also serves a strategic purpose as an integral part of the Group's supply chain, acting as a stable and economical source of paper supply to the Group's core printing and packaging businesses.

The PT business reported the following results for the first half of the year:

- External revenue of HK$123 million, down 25% from HK$165 million the previous year
- Profit contribution of HK$5 million, down slightly from HK$6 million last year
- Profit contribution margin of 2%, similar to the previous year

Review of Operations

Over 80% of the PT business' revenues come from export manufacturers in south China, with the balance coming from the China domestic market. During the half-year, internal inter-segment sales remained stable but external revenue declined by 25% compared to the first half of 2012. Paper trading in general faced the challenges of paper price declines and reduced orders from small to medium-sized customers. To minimize risk, the PT business took steps to expand customer base and tighten credit management. Profit margins during the period were kept relatively stable at 2%.

Investment in Paper Mills Entities

As of 30 June 2013, Hung Hing still had a 17% equity interest in the Paper Mills Entities located in Zhongshan, which operate three production lines that convert waste paper into corrugated medium and testliner, sold both to external customers and the Corrugated Box division within Hung Hing.

On 31 July 2013, Hung Hing Printing Group, among others, entered into Equity Transfer Agreements with Zhongshan Yong Fa, pursuant to which the Group agreed to dispose of 7.5% of its equity interests in each of the Paper Mills Entities to Zhongshan Yong Fa at an aggregate consideration of RMB18,179,000.

Subject to the consideration adjustment mechanism in the Equity Transfer Agreements and in accordance with Hong Kong Financial Reporting Standards, and with reference to the carrying value of the Paper Mills Entities, the Group expects to recognize in its income statement a gain of approximately RMB13.6 million from the disposals upon completion of the transaction.

Management Discussion and Analysis (Continued)

Liquidity and Capital Resources

The Group continued to maintain a strong financial position. As of 30 June 2013, the Group had net cash on hand (total cash net of bank borrowings) of HK$345 million, an increase of HK$104 million compared to the position on 31 December 2012. The optimization of the Group's inventory level and increases in trade payable also helped increase the Group's cash position.

Most of the Group's cash is held in Renminbi as the Group's operating expenses are mainly incurred in this currency. Of the Group's total bank deposits and cash on hand totaling HK$702 million, 81% was held in RMB, 14% in HKD, 4% in USD, and 1% in Euro and Pound Sterling.

As of 30 June 2013, the Group had total bank borrowings of HK$357 million. The Group's gearing ratio when comparing total bank borrowings with total equity was 13% (31 December 2012: 14%). Per the loan repayment schedules in the Group's loan agreements with banks, HK$198 million is repayable within 1 year, HK$108 million is repayable within 1-2 years, and HK$51 million is repayable within 2-4 years.

The Group's total bank borrowings were all in HKD. Of this, 93% was owed to banks in Hong Kong with interest rate at HIBOR or the banks' cost of fund plus certain mark-up %. The remaining 7% was owed to banks in PRC at interest rate with reference to the banks' cost of fund plus certain mark-up %. The Group's interest expense for the period amounted to HK$3 million.

During the period under review, the Group recognized capital investment of HK$20 million out of a commitment of HK$31 million in supplementary printing equipment primarily to strengthen automation and enhance production efficiency.

Environmental Sustainability

The Group is committed to green manufacturing and has established systems to monitor resource usage more effectively. We have installed hundreds of water/electricity sub-meters to monitor how and in what way these resources are used, so as to be able to analyze where we can improve effectively.

Typically, lighting consumed around 11% of our total electric power use in the production area. Up to now, the Group has installed over 20,000 energy-saving lights, achieving an annual energy saving of around 1 million kwh, or 997 tons of carbon emissions.

This year, the Group has committed to convert all its boilers to those that use either natural gas or biomass to generate steam for production, a milestone in our environmental protection efforts.

In supporting well-managed and sustainable forestry, the Group continued to increase its use of paper from certified paper sources (FSC or PEFC) which increase from 8,600 tons in 2010 to 25,376 tons in the first half of 2013, an almost 200% increase in two and a half years.

Management Discussion and Analysis (Continued)

Our People

The Group offers competitive remuneration and equal opportunities to all employees, with emphasis on workplace safety and training.

At the end of June 2013, the Group had 13,163 employees at similar level to last year's count of 13,255. Our occupational health and safety track record continues to improve with total incident rates coming down to 0.17 in the six months under review (from 0.29 in the first half of 2012).

In the reporting period, we provided over 70,691 training hours to 19,283 attendants.

Health and Safety Month and Quality Month campaigns were held to raise employee awareness of these important issues, which benefited both the Group and the employees.

Contingent Liabilities and Pledge of Assets

As at 30 June 2013, guarantees amounting to HK$2,049 million were given to banks by the Company for banking and trading facilities granted to subsidiaries and former associates.

Certain buildings, land use rights and time deposits of the Group with a total carrying value of HK$143 million as at 30 June 2013 have been pledged to secure banking and trading facilities granted to the Group.

Prospects

The Group's business has been holding up well in the face of the persistent economic volatility during recent years. Our strategy to differentiate ourselves through a partnership approach to offer both innovation and value has proved correct and we will continue our ongoing focus on quality, innovation and reliability to position ourselves for the recovery.

While there is still some uncertainty about the short-term economic environment overall prospects for the medium term appear encouraging. We expect the European economies to stabilize and slow but stable growth in the U.S. In mainland China the government has also started to introduce measures to gently stimulate economic growth such as a reduction of costs for exporters.

A reduced shareholding in the paper mills will allow a stronger focus more closely on consolidating and growing the core businesses. Automation, optimal capacity utilization and cost efficiency will play a key role in enhancing cost efficiencies and profitability in the coming months and years.

The Group's cash position remains strong, putting it in an advantageous position to capture market opportunities promptly as and when they arise.

As always, I take this opportunity to acknowledge and thank our employees for their diligent efforts on the Group's behalf. Their work is central to our continued growth.

Information Provided in accordance with the Listing Rules

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK 1.7 cents (six months ended 30 September 2012: HK 3 cents) per share. The interim dividend will be paid on 16 October 2013 to shareholders whose names appear on the Register of Members of the Company on 27 September 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 25 September 2013 to 27 September 2013, 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 24 September 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's securities during the period.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2013, 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:

	Number of shares held, capacity and nature of interest					
Name of directors	**Directly beneficially owned**	**Through spouse or minor children**	**Through controlled corporation**	**Share award scheme**	**Total**	**Percentage of the Company's issued share capital**
Yum Chak Ming, Matthew	17,478,325	–	–	352,705	17,831,030	1.96
Sung Chee Keung	1,294,407	60,000	–	128,657	1,483,064	0.16
Yap, Alfred Donald	27,504	–	–	–	27,504	–

Save as disclosed above, as at 30 June 2013, 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 25 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 June 2013, 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
C.H. Yam International Limited*	(a)	Directly beneficially owned and through controlled corporation	290,834,379	32.03
C.H. Yam Holding Limited	(a)	Through controlled corporation	199,263,190	21.95
Hung Tai Industrial Company Limited	(a)	Directly beneficially owned	199,263,190	21.95
Rengo Co., Ltd.		Directly beneficially owned	271,552,000	29.91
Aberdeen Asset Management PLC		Through controlled corporation	64,272,000	7.08

* C.H. Yam International Limited, established by the founder of the Company, was held by Mr. Yum Chak Ming, Matthew, Mr. Yam Hon Ming, Tommy and other immediate family members of the founder as at 30 June 2013. None of such interests renders C.H. Yam International Limited a controlled corporation (as defined in SFO) of any of Mr. Yum Chak Ming, Matthew, Mr. Yam Hon Ming, Tommy or any other members of the family.

Information Provided in accordance with the Listing Rules (Continued)

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

Note:

(a) C.H. Yam International Limited owns Hung Tai Industrial Company Limited as to 100% through its wholly-owned subsidiary, C.H. Yam Holding Limited.

There is a duplication of interests of 199,263,190 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 June 2013, 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.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions listed in the Corporate Governance Code (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:

1. Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Currently the roles of chairman and chief executive officer have been undertaken by Mr. Yum Chak Ming, Matthew. The Board is of the opinion that it is appropriate and in the best interests of the Company that Mr. Yum should hold these offices. The Board believes that it is able effectively to monitor and assess management in a manner that properly protects the interests of shareholders.

2. Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company are not appointed for a specific term. However under the Articles of Association of the Company, one-third of the directors who have served longest on the Board shall retire from office by rotation every year at the annual general meeting. All directors of the Company retire by rotation at least once every three years and hence the terms of appointment of the non-executive directors are limited accordingly.

3. In respect of Code Provision D.1.4, the Company did not have formal letters of appointment for three of its Directors, namely Mr. Yoshitaka Ozawa, Mr. Katsuaki Tanaka and Mr. Hiroyuki Kimura (resigned on 1 April 2013) to setting out the key terms and conditions of their appointment for the period from 1 January to 31 March 2013. However, all Directors shall be subject to retirement in accordance with the Articles of Association of the Company. The Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. Formal letters of appointment for Mr. Yoshitaka Ozawa and Mr. Katsuaki Tanaka have been issued and accepted by them with effect from 1 April 2013. Hence, the Company has complied Code Provision D.1.4 commencing from 1 April 2013.

Information Provided in accordance with the Listing Rules (Continued)

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Lister Issuers (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 audit committee of the Company has reviewed the interim results for the six months ended 30 June 2013 and the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters. The audit committee comprises of three independent non-executive directors and a non-executive director of the Company.

By Order of the Board
Hung Hing Printing Group Limited
Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 23 August 2013