



INTERIM REPORT

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

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Corporate Information

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Sung Chee Keung

NON-EXECUTIVE DIRECTORS

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Yoshitaka Ozawa
Katsuaki Tanaka
Yam Hon Ming, Tommy

INDEPENDENT NON-EXECUTIVE DIRECTORS

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COMPANY SECRETARY

Tung Yu Bui

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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
Level 22, Hopewell Centre
183 Queen's Road East
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 2014 as follows:

Condensed Consolidated Income Statement

	Note	For the six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	5	1,345,372	1,345,219
Cost of sales	7	(1,189,654)	(1,158,912)
Gross profit		155,718	186,307
Other income and gains	5	13,229	19,063
Distribution costs		(34,106)	(36,003)
Administrative and selling expenses	7	(139,678)	(141,977)
Other expenses	7	(40,997)	(3,502)
Operating (loss)/profit		(45,834)	23,888
Finance costs	6	(4,422)	(3,051)
(Loss)/profit before income tax		(50,256)	20,837
Income tax expense	8	(2,078)	(4,097)
(Loss)/profit for the period		(52,334)	16,740
Attributable to:			
Owners of the Company		(52,463)	15,785
Non-controlling interests		129	955
		(52,334)	16,740
		HK cents	HK cents
(Loss)/earnings per share attributable to owners of the Company			
Basic	9	(5.8)	1.7
Diluted		(5.8)	1.7
		HK\$'000	HK\$'000
Dividend	10	9,079	15,434

The notes on pages 9 to 27 form part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

	For the six months ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/profit for the period	(52,334)	16,740
Other comprehensive (loss)/income:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(26,677)	16,320
Change in value of intangible assets	-	(450)
Change in value of available-for-sale financial assets	35	(174)
Other comprehensive (loss)/income for the period, net of tax	(26,642)	15,696
Total comprehensive (loss)/income for the period	(78,976)	32,436
Attributable to:		
Owners of the Company	(74,562)	28,763
Non-controlling interests	(4,414)	3,673
Total comprehensive (loss)/income for the period	(78,976)	32,436

The notes on pages 9 to 27 form part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Financial Position

		30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
	Note		
Assets			
Non-current assets			
Property, plant and equipment	11	1,261,511	1,307,708
Land use rights	12	102,457	105,069
Intangible assets	13	8,453	8,501
Available-for-sale financial assets	14	42,365	42,929
Properties under construction	15	3,212	10,084
Trade receivables	16	–	1,797
Deferred income tax assets		11,129	14,090
Deposits for acquisition of property, plant and equipment		10,348	8,744
		<u>1,439,475</u>	<u>1,498,922</u>
Total non-current assets		1,439,475	1,498,922
Current assets			
Inventories		664,895	549,664
Trade and bills receivables	16	837,456	832,721
Prepayments, deposits and other receivables		44,534	60,538
Derivative financial instruments		48	2,561
Income tax recoverable		2,046	3,237
Pledged time deposits	17	62,422	47,808
Time deposits with original maturity over three months	17	337,927	213,685
Cash and cash equivalents	17	511,780	608,906
		<u>2,461,108</u>	<u>2,319,120</u>
Total current assets		2,461,108	2,319,120
Total assets		3,900,583	3,818,042
Equity			
Equity attributable to owners of the Company			
Share capital	20	1,652,854	90,787
Reserves		969,379	2,614,904
Proposed dividend		9,079	48,117
		<u>2,631,312</u>	<u>2,753,808</u>
Non-controlling interests		157,175	161,589
Total equity		2,788,487	2,915,397

Condensed Consolidated Statement of Financial Position (Continued)

	Note	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Liabilities			
Non-current liabilities			
Borrowings	19	241,333	195,000
Deferred income tax liabilities		49,949	54,412
Total non-current liabilities		291,282	249,412
Current liabilities			
Trade and bills payables	18	303,972	230,946
Income tax liabilities		3,200	34,193
Other payables and accrued liabilities		169,918	183,884
Derivative financial instruments		16,165	–
Borrowings	19	327,559	204,210
Total current liabilities		820,814	653,233
Total liabilities		1,112,096	902,645
Total equity and liabilities		3,900,583	3,818,042
Net current assets		1,640,294	1,665,887
Total assets less current liabilities		3,079,769	3,164,809

The notes on pages 9 to 27 form part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013 (Unaudited)

Note	Attributable to owners of the Company												Non-controlling interests	Total equity
	Share capital	Share premium	Other capital reserves	Intangible assets revaluation reserve	Available-for-sale investment revaluation reserve	Legal reserve	Exchange fluctuation reserve	Equity compensation reserve	Retained earnings	Proposed dividend	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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, recognised directly in equity			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 27 form part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2014 (Unaudited)

Note	Attributable to owners of the Company													
	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 2014	90,787	1,559,461	(4,564)	5,150	20,387	128,238	162,783	4,034	739,415	48,117	2,753,808	161,589	2,915,397	
Comprehensive income														
Loss for the period	-	-	-	-	-	-	-	-	(52,463)	-	(52,463)	129	(52,334)	
Other comprehensive (loss)/ income														
	-	-	-	-	35	-	(22,134)	-	-	-	(22,099)	(4,543)	(26,642)	
Total comprehensive (loss)/ income	-	-	-	-	35	-	(22,134)	-	(52,463)	-	(74,562)	(4,414)	(78,976)	
Total contributions by and distributions to owners of the Company, recognised directly in equity														
Transfer on 3 March 2014 upon adoption of the new Hong Kong Companies Ordinance	20	1,562,067	(1,559,461)	(2,606)	-	-	-	-	-	-	-	-	-	
Final dividend for the year ended 31 December 2013		-	-	-	-	-	-	-	-	(48,117)	(48,117)	-	(48,117)	
Shares vested under restricted share award scheme	25	-	-	2,339	-	-	-	(2,339)	-	-	-	-	-	
Equity compensation expenses	25	-	-	-	-	-	-	183	-	-	183	-	183	
Transfer of reserves		-	-	-	-	-	-	(1,878)	1,878	-	-	-	-	
Allocation to legal reserve		-	-	-	-	(102)	-	-	102	-	-	-	-	
Interim dividend	10	-	-	-	-	-	-	-	(9,079)	9,079	-	-	-	
Total contributions by and distributions to owners of the Company, recognised directly in equity		1,562,067	(1,559,461)	(267)	-	(102)	-	(4,034)	(7,099)	(39,038)	(47,934)	-	(47,934)	
At 30 June 2014		1,652,854	-	(4,831)	5,150	20,422	128,136	140,649	-	679,853	9,079	2,631,312	157,175	2,788,487

The notes on pages 9 to 27 form part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

	For the six months ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from:		
Operating activities	(49,298)	131,440
Investing activities	(154,992)	(61,325)
Financing activities	117,212	(46,799)
Net (decrease)/increase in cash and cash equivalents	(87,078)	23,316
Cash and cash equivalents at beginning of period	608,906	533,345
Exchange (loss)/gain in cash and cash equivalents	(10,048)	5,826
Cash and cash equivalents at end of period	511,780	562,487
Analysis of balances of cash and cash equivalents		
Cash and bank balances	237,885	249,057
Time deposits with original maturity less than three months	273,895	313,430
	511,780	562,487

The notes on pages 9 to 27 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 28 August 2014.

2. Basis of Preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2014 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 year ended 31 December 2013.

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 December 2013, 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.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

3. Accounting Policies (Continued)

(a) New and amended standards adopted by the Group

The following amendments to standards and interpretations are mandatory for the Group's accounting year beginning on 1 January 2014:

• HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment entities
• HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities
• HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets
• HKAS 39 (Amendment)	Novation of derivatives and continuation of hedge accounting
• HKFRS 2 (Amendment)	Share-based payment
• HK (IFRIC) – Int 21	Levies

The adoption of these new/revised standards, amendments and interpretations to existing standards do not result in any substantial changes to the Group's accounting policy nor any impact on these interim financial statements.

(b) The following amendments to standards and interpretations are not yet effective and have not been early adopted by the Group:

• HKFRS 7 and HKFRS 9 (Amendment)	Financial instruments: Disclosures – Mandatory effective date of HKFRS 9 and transition disclosures
• HKFRS 9	Financial instruments
• Additions to HKFRS 9	Financial instruments – financial liabilities
• HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
• HKFRS 14	Regulatory deferral accounts
• HKFRS 15	Revenue from contracts with customers
• HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
• HKAS 19 (2011) (Amendment)	Defined benefit plans: Employee contributions
• HKFRSs (Amendment)	Annual improvements to HKFRSs 2010-2012 cycle
• HKFRSs (Amendment)	Annual improvements to HKFRSs 2011-2013 cycle

The impact of adoption of these new standards and amendments to standards in future periods is not currently known or cannot be reasonably estimated.

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 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 basis.

Notes to the Condensed Consolidated Interim Financial Information (Continued)

4. Segment Information (Continued)

	For the six months ended 30 June 2014					
	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	727,958	338,729	88,948	189,737	-	1,345,372
Inter-segment sales	412	1,368	43,999	280,904	(326,683)	-
Total	<u>728,370</u>	<u>340,097</u>	<u>132,947</u>	<u>470,641</u>	<u>(326,683)</u>	<u>1,345,372</u>
Segment results	<u>(6,756)</u>	<u>(4,429)</u>	<u>(3,141)</u>	<u>11,119</u>	<u>(4,299)</u>	<u>(7,506)</u>
Interest, dividend income and other gains						9,489
Corporate and unallocated expenses						<u>(47,817)</u>
Operating loss						<u>(45,834)</u>
Finance costs						<u>(4,422)</u>
Loss before income tax						<u>(50,256)</u>
Income tax expense						<u>(2,078)</u>
Loss for the period						<u><u>(52,334)</u></u>

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	<u>763,520</u>	<u>358,788</u>	<u>148,680</u>	<u>350,618</u>	<u>(276,387)</u>	<u>1,345,219</u>
Segment results	<u>15,999</u>	<u>2,021</u>	<u>4,478</u>	<u>5,395</u>	<u>(3,431)</u>	24,462
Interest, dividend income and other gains						13,827
Corporate and unallocated expenses						<u>(14,401)</u>
Operating profit						23,888
Finance costs						<u>(3,051)</u>
Profit before income tax						20,837
Income tax expense						<u>(4,097)</u>
Profit for the period						<u>16,740</u>

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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue:		
Sale of goods	<u>1,345,372</u>	<u>1,345,219</u>
Other income and gains:		
Fair value gain on derivative financial instruments not qualified as hedges, net	–	4,393
Interest income from derivative financial instruments	–	<u>1,279</u>
Net gain on derivative financial instruments	–	5,672
Bank interest income	9,349	5,258
Dividend income from available-for-sale financial assets	140	139
Foreign exchange gain, net	–	3,787
Sundry income	<u>3,740</u>	<u>4,207</u>
	<u>13,229</u>	<u>19,063</u>

6. Finance Costs

	For the six months ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	<u>4,422</u>	<u>3,051</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 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	53,688	55,752
Amortisation of land use rights	1,607	1,603
Amortisation of intangible assets	260	553
Employee benefit expense (including directors' emoluments)	382,144	379,249
Foreign exchange loss, net	15,044	–
Fair value loss on derivative financial instruments not qualified as hedges, net	24,073	–
Interest income from derivative financial instruments	(1,510)	–
Net loss on derivative financial instruments	22,563	–
Provision for impairment of inventories, net	2,141	2,361
Provision for impairment of trade receivables	888	3,040
Loss on disposals of property, plant and equipment	2,976	531

Notes to the Condensed Consolidated Interim Financial Information (Continued)

8. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	1,253	1,678
– PRC corporate income tax	2,040	3,600
Total current tax	3,293	5,278
Deferred income tax	(1,215)	(1,181)
Income tax expense	2,078	4,097

For the six months ended 30 June 2014 and 2013, there was no tax credit/charge relating to components of other comprehensive loss/income.

9. (Loss)/Earnings per Share

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/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	
	2014	2013
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company (HK\$'000)	(52,463)	15,785
Weighted average number of ordinary shares in issue excluding own held shares for calculation of basic (loss)/earnings per share (thousands)	905,592	903,992
Basic (loss)/earnings per share (HK cents per share)	(5.8)	1.7

Notes to the Condensed Consolidated Interim Financial Information (Continued)

9. (Loss)/Earnings per Share (Continued)

(b) Diluted (loss)/earnings per share

For the six months ended 30 June 2014, diluted loss per share is the same as the basic loss per share as there was no dilutive potential ordinary shares in existence during the period.

Diluted earnings per share for the six months ended 30 June 2013 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had only one category of dilutive potential ordinary shares: shares repurchased for the purpose of share award scheme (Note 25). A calculation was 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 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	15,785
Weighted average number of ordinary shares in issue excluding own held shares for calculation of diluted earnings per share (thousands)	904,409
Diluted earnings per share (HK cents per share)	<u>1.7</u>

10. Dividend

	For the six months ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK 1 cent (2013: HK 1.7 cents) per ordinary share	<u>9,079</u>	<u>15,434</u>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

11. Property, Plant and Equipment

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Opening net book amount at 1 January 2014/2013	1,307,708	1,352,430
Additions	16,567	41,651
Transfer from properties under construction (Note 15)	8,095	11,921
Transfer from deposit for acquisition of property, plant and equipment	3,083	–
Disposals	(5,252)	(2,043)
Depreciation	(53,688)	(113,152)
Exchange differences	(15,002)	16,901
	<u>1,261,511</u>	<u>1,307,708</u>
Closing net book amount at 30 June 2014/31 December 2013	<u>1,261,511</u>	<u>1,307,708</u>

Certain buildings of the Group with a total net book amount of HK\$73,051,000 (31 December 2013: HK\$76,438,000) have been pledged to secure banking facilities granted to the Group.

12. Land Use Rights

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Opening net book amount at 1 January 2014/2013	105,069	107,162
Amortisation	(1,607)	(3,211)
Exchange differences	(1,005)	1,118
	<u>102,457</u>	<u>105,069</u>
Closing net book amount at 30 June 2014/31 December 2013	<u>102,457</u>	<u>105,069</u>

Certain land use rights of the Group with a total net book amount of HK\$16,835,000 (31 December 2013: HK\$17,543,000) 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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Opening net book amount at 1 January 2014/2013	8,501	8,940
Additions	213	832
Fair value changes	–	(450)
Amortisation	(260)	(822)
Exchange differences	(1)	1
	<hr/> 8,453 <hr/>	<hr/> 8,501 <hr/>
Closing net book amount at 30 June 2014/31 December 2013	8,453	8,501

14. Available-for-sale Financial Assets

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Unlisted equity investments, at fair value	34,343	34,941
Unlisted equity investments, at cost	80	80
Club debentures, at fair value	566	566
Hong Kong listed equity investments, at fair value	7,376	7,342
	<hr/> 42,365 <hr/>	<hr/> 42,929 <hr/>

During the period, a fair value gain of the Group's available-for-sale financial assets of HK\$35,000 (2013: loss of HK\$174,000) 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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Opening net book amount at 1 January 2014/2013	10,084	12,262
Additions	1,467	9,536
Transfer to property, plant and equipment (Note 11)	(8,095)	(11,921)
Exchange differences	(244)	207
	<u>3,212</u>	<u>10,084</u>
Closing net book amount at 30 June 2014/31 December 2013	<u>3,212</u>	<u>10,084</u>

The properties under construction are located in the PRC.

16. Trade and Bills Receivables

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Trade receivables	857,332	850,054
Less: provision for impairment of trade receivables	(24,642)	(24,256)
	<u>832,690</u>	<u>825,798</u>
Trade receivables due from related parties	<u>–</u>	<u>386</u>
Total trade receivables, net	832,690	826,184
Bills receivables	4,766	8,334
	<u>837,456</u>	<u>834,518</u>
Less: Non-current trade receivables	<u>–</u>	<u>(1,797)</u>
	<u>837,456</u>	<u>832,721</u>

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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
1–30 days	341,927	323,352
31–60 days	184,145	186,427
61–90 days	158,776	103,366
Over 90 days	147,842	213,039
	<u>832,690</u>	<u>826,184</u>

17. Cash and Cash Equivalents and Time Deposits

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Cash at banks and on hand	237,885	218,744
Time deposits with original maturity less than three months	273,895	390,162
Cash and cash equivalents	511,780	608,906
Time deposits with original maturity over three months	337,927	213,685
Pledged time deposits	62,422	47,808
	<u>912,129</u>	<u>870,399</u>

At of 30 June 2014, time deposits of HK\$62,422,000 (31 December 2013: HK\$47,476,000) and HK\$nil (31 December 2013: HK\$332,000) 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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Trade payables	237,240	196,844
Trade payables due to related parties	–	2,463
	<hr/>	<hr/>
Total trade payables	237,240	199,307
Bills payables	66,732	31,639
	<hr/>	<hr/>
	303,972	230,946
	<hr/> <hr/>	<hr/> <hr/>

At of 30 June 2014, the bills payables of HK\$10,395,042 (31 December 2013: HK\$11,546,000) are secured by the pledged time deposits of HK\$62,422,000 (31 December 2013: HK\$47,476,000).

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

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
1–30 days	166,999	132,764
31–60 days	43,415	49,180
61–90 days	9,531	13,803
Over 90 days	17,295	3,560
	<hr/>	<hr/>
	237,240	199,307
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Interim Financial Information (Continued)

19. Borrowings

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Current		
Bank loans – guaranteed (Note a)	327,559	203,937
Bank loans – secured (Note b)	–	273
	327,559	204,210
Non-current		
Bank loans – guaranteed (Note a)	241,333	195,000
	568,892	399,210

Notes:

- (a) Bank loans amounting to HK\$568,892,000 (31 December 2013: HK\$398,937,000) are secured by the corporate guarantees issued by the Company.
- (b) Bank loans amounting to HK\$nil (31 December 2013: HK\$273,000) 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\$89,886,000 (31 December 2013: HK\$94,313,000) (Notes 11, 12 and 17).

20. Share Capital

	31 December 2013 Number of shares	31 December 2013 (Audited) HK\$'000
Authorised ordinary shares of HK\$0.10 each (Note)	1,200,000,000	120,000
	Number of shares	Share capital HK\$'000
Issued and fully paid ordinary shares		
At 1 January 2014	907,864,974	90,787
Transition to no-par value regime on 3 March 2014 (Note)	–	1,562,067
At 30 June 2014	907,864,974	1,652,854

Notes to the Condensed Consolidated Interim Financial Information (Continued)

20. Share Capital (Continued)

During the six months ended 30 June 2014, the Company did not repurchase any of its own shares (2013: Nil).

Note: As at 31 December 2013, 1,200,000,000 ordinary shares, with par value of HK\$0.10 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Chapter 622), which came into effect on 3 March 2014, the concept of “authorised share capital” and “par value” no longer exists. The amount standing to the credit of the share premium and capital redemption reserve amounted to HK\$1,559,461,000 and HK\$2,606,000 respectively as at 3 March 2014 has become part of the Company’s share capital, under the transitional provisions set out on section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Chapter 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the owners of the Company.

21. 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 reporting period:

	For the six months ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Sales of raw materials or finished goods to:		
– A substantial shareholder	2,114	3,408
– Parties under control of a substantial shareholder	3,598	12,031
Purchase of raw materials from:		
– Parties under control of a substantial shareholder	187	31,870

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

(b) Compensation of key management personnel of the Group

	For the six months ended	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Short-term employment benefits	10,382	10,774
Post-employment benefits	267	264
	10,649	11,038

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Not later than one year	5,203	6,515
Later than one year and not later than five years	17,222	18,367
Later than five years	64,169	65,862
	<u>86,594</u>	<u>90,744</u>

23. Capital 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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Contracted for, but not provided for	<u>33,581</u>	<u>33,604</u>
Authorised but not contracted for	<u>-</u>	<u>-</u>

24. Contingent Liabilities

As at 30 June 2014, the Group has provided corporate guarantees to the extent of HK\$19,378,000 (31 December 2013: HK\$19,375,000) to secure the banking facilities of a former related company. The amount drawn against the banking facilities was HK\$19,378,000 (31 December 2013: HK\$19,375,000).

At the end of the reporting period, the directors do not consider it is probable that a claim will be made against the Group 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 (2013: Nil).

The shares granted will be vested to the participants in three equal tranches upon certain vesting conditions are fulfilled. A total of 933,657 shares (2013: 1,938,071 shares) at an average fair value of HK\$2,339,000 (2013: HK\$4,739,000) were vested during the period.

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\$183,000 (2013: HK\$796,000) has been recognised in the condensed consolidated income statement as employee benefit expense.

There was no shares forfeited during the period. During the period ended 30 June 2013, shares awarded amounted to HK\$226,000 was forfeited and HK\$226,000 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			
	2014		2013	
	Average fair value per share	Number of shares awarded	Average fair value per share	Number of shares awarded
Opening balance at 1 January		933,657		2,976,669
Forfeited		–	2.14	(104,941)
Vested	2.51	(933,657)	2.45	(1,938,071)
Closing Balance at 30 June		–		933,657

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 2014	At 31 December 2013
Opening balance at 1 January 2014/2013	2,566,601	4,504,672
Shares vested during the period	(933,657)	(1,938,071)
Closing balance at 30 June 2014/31 December 2013	1,632,944	2,566,601

There was no purchase of share for the Scheme during the period (2013: Nil).

Notes to the Condensed Consolidated Interim Financial Information (Continued)

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 2014:

	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	–	–	34,343	34,343
– Listed equity investments	7,376	–	–	7,376
– Club debentures	–	–	566	566
Derivative financial instruments	–	–	48	48
Total assets	<u>7,376</u>	<u>–</u>	<u>34,957</u>	<u>42,333</u>
Liabilities:				
Derivative financial instruments	–	–	(16,165)	(16,165)

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 six months ended 30 June 2014:

	Club debentures (Unaudited) HK\$'000	Derivative financial instruments (Unaudited) HK\$'000	Unlisted equity investments (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Opening balance	566	2,561	34,941	38,068
Recognised to consolidated income statement	–	(22,563)	–	(22,563)
Exchange differences	–	–	(598)	(598)
Retired on maturity	–	3,885	–	3,885
Closing balance	<u>566</u>	<u>(16,117)</u>	<u>34,343</u>	<u>18,792</u>
Total loss for the period included in profit or loss for assets held at the end of the reporting period	<u>–</u>	<u>(22,563)</u>	<u>–</u>	<u>(22,563)</u>

Management Discussion and Analysis

The Group's aggregate revenues for the six months ended 30 June 2014 were HK\$1,345 million, comparable to the corresponding period in 2013, in the context of a slowdown in domestic and export activities in the first half of 2014.

The Group's profitability performance was affected by a change in its sales mix as well as fluctuations in the exchange rate. As a result, a loss attributable to owners of the Company of HK\$52 million was recorded for the six month period ended 30 June 2014. An advance profit warning was issued on 24 July 2014 to shareholders and potential investors.

While the change in the Group's sales mix had an adverse impact on profitability amounting to HK\$14 million, the decrease in earnings in the first half of 2014 is primarily attributable to the fluctuations in the exchange rate of Renminbi amounting to HK\$38 million which can be broken down as net fair value losses of HK\$23 million on forward contracts hedging against the Group's Renminbi exposure; and exchange losses of HK\$15 million on Renminbi monetary assets supporting the Group's core operations in China. HK\$31 million of the HK\$38 million were unrealized losses related to fair value booking and exchange losses with no cash-flow impact.

Sporadic interventions with respect to the Renminbi are expected during the course of deepening economic reform in mainland China. The Group has been monitoring the situation and has observed widespread expectations that the depreciation of the Renminbi will be short-lived.

Short-term fluctuations prolong overall global recovery

During the first half of 2014, the extreme cold weather in North America led to disruptions in daily business activities of our overseas customers. This affected the Group directly in terms of delays in order placement as well as indirectly due to slower retail activity.

As a result, sales and capacity utilization of our business units including Book and Package Printing (BPP), Consumer Product Packaging (CPP) and Corrugated Boxes (CB) were impacted, and reported losses of HK\$14 million in total for the first half of 2014. There was a shift in the sales mix with a significant increase in revenues for the Paper Trading (PT) business, which reported a 34% year-on-year growth in sales. This increase kept the Group's overall revenue on par with the comparable period of 2013 at HK\$1,345 million.

The Group has already witnessed an upturn in revenues during the second quarter and sales are expected to improve further in the second half particularly during the summer peak season, as evidenced by the strong first-half performance of the upstream Paper Trading business unit, which achieved strong growth both in external and internal sales of 54% and 24% respectively. The Group is well prepared with appropriate inventory levels in anticipation of increases in orders but with more smaller order quantities and shorter lead times for the rest of this year.

Strong liquidity position maintained

During the period under review the Group continued to maintain strong net cash on hand (total cash net of bank borrowings) of HK\$343 million, the same level compared to 2013. With a robust liquidity position, higher returns from short-term deposits were attained with interest income HK\$4 million higher than the same period last year.

Management Discussion and Analysis (Continued)

Based on confidence in improvement of business performance during the rest of the year and backed by the Group's strong cash and financial position, the Board of Directors has declared an interim dividend of HK 1 cent per share.

Leading industry innovation – “Apps Plus”

The BelugaBloo kids e-bookstore, introduced by the Group in 2011, continued to innovate and help strengthen our core printing business by deepening our relationships with international publishers. The Group believes that “Apps Plus”, a concept that merges physical printed products with digital apps, is the way the industry will evolve in the future.

Currently the Group has two such technologies, branded ‘Bridging Book’ and ‘TouchCode’. It is our goal to develop applications along with print products that will enrich the reading experience and make the content come alive. By utilizing digital apps we will go beyond what conventional book and traditional packaging can offer.

Our Little Musician series, for instance, uses TouchCode technology and secured a Certificate of Merit at the Hong Kong ICT awards – Best Lifestyle (Learning and Living) category. Bridging Book, launched at the 2013 Frankfurt Book Fair, is a patent-pending technology where flipping a book page will refresh the screen on the app simultaneously, allowing a seamless flow of content and artwork between book and screen. The first few Bridging Book titles are expected to be launched in the second half of 2014.

BUSINESS UNIT REPORTS

Book and Packaging Printing (BPP)

Book and Packaging Printing (BPP) remains the Group's largest business unit and accounts for approximately 54% of total sales (First half of 2013: 57%). 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 cartons, 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 around 9,500 workers at the end of 30 June 2014. 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 of the year:

- Revenues of HK\$728 million, down 5% from HK\$763 million the previous year
- Loss of HK\$7 million, vs. profit contribution of HK\$16 million last year

Management Discussion and Analysis (Continued)

Review of Operations

The BPP business unit was directly affected by the delays in customers' activities due to the extreme cold weather in North America. The Group's workforce was realigned to effectively address ongoing work and the Group achieved a reduction of approximately 9% in headcount compared to the same period last year. As a result of these measures, efficiency improvements and other cost saving initiatives, overall labor costs have been kept under control despite an increase in wage levels in early 2014. Capacity utilization was unavoidably disadvantaged due to lower sales during the period.

Looking forward, consolidation of the print industry is expected to continue. Through ongoing new business and project development activity, and building an in-depth knowledge of clients' needs, the BPP business has successfully strengthened its relationships with a growing number of key customers, and stands to benefit from the consolidation. Furthermore, the Group's partnership with our shareholder Rengo Japan is expanding to cover more well-known brands with point-of-purchase print and display accessories, for both the export and domestic China market.

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 approximately 2,000, the Group's CPP business is 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\$339 million, down 5% from HK\$358 million the previous year
- Loss of HK\$4 million, vs. profit contribution of HK\$2 million last year

Review of Operations

The China domestic consumer packaging market continues to be large but highly fragmented. Consumer sentiment has been slow to pick up with slackened economic growth against the backdrop of economic reform measures such as reining in extravagance and stabilizing property prices. HSBC/Markit reported sluggish China manufactory activity in the first half, but activity is picking up according to the latest indications from PMI published in July as government stimulus measures kick in.

Some customers took a more cautious stocking and ordering approach during the first half of 2014, but with plans for special promotions during major festivals later in the year. Major revamps in product packaging design led to temporary adjustments of certain order sizes, which also impacted sales. All these factors led to the sales and earnings performance of the CPP unit being adversely distorted in the first six months of the year.

Management Discussion and Analysis (Continued)

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 CB 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 revenues of HK\$89 million, down 12% from HK\$101 million the previous year
- Loss of HK\$3 million, down from profit contribution of HK\$4 million last year

Review of Operations

The CB business faced the same challenges as BPP and CPP with a slowdown in exports and China domestic demand in the first half of 2014. Relocation of customers' facilities imposed additional strain on sales and logistics costs.

In response, the CB business focused on growing existing key customers and developing new customers by leveraging the corrugated capability of Hung Hing in different manufacturing locations to provide extended customer coverage and cost synergy. Improvement is expected in orders driven by new product development efforts and cost control initiatives in the second half.

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, and able to supply a large variety of paper types and quantities with 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 revenues of HK\$190 million, up 54% from HK\$123 million the previous year
- Profit contribution of HK\$11 million, up 106% from HK\$5 million last year

Review of Operations

Around 80% of the PT business comes from export manufacturers in south China, with the balance coming from the China domestic market. During the first six months of 2014, the PT business reported strong shipment growth of 54% for external customers and 24% for internal customers within the Group itself. Overall the business unit's sales increased by HK\$120 million to HK\$471 million in the first half, representing 34% growth compared to the same period last year.

Part of the sales growth in paper trading resulted from the development of direct export channels to Southeast Asian countries, and strengthening of value-added partnerships with existing customers. More importantly, the PT business has placed the Group in a sensible inventory position to address growing customer demand, shorter runs and quicker deliveries for the rest of 2014.

Management Discussion and Analysis (Continued)

Liquidity and Capital Resources

The Group continued to maintain a strong financial position. As of 30 June 2014 the Group had net cash on hand (total cash net of bank borrowings) of HK\$343 million, which is at the same level as the first half of 2013. This strong cash position renders the Group well placed to address future requirements.

The Group's total cash on hand was HK\$912 million. Most of the Group's cash is held in Renminbi to support the Group's core operational and development needs in mainland China. Of the Group's total cash on hand, 90% was held in Renminbi, 7% in USD and 3% in HKD. Any Renminbi cash not in immediate use was placed in short term time deposits to earn higher interest income. For the period under review, total interest income was HK\$9 million, 78% higher than the same period last year.

During the period, additional new loans were drawn partly to repay old loans scheduled for repayment and partly to capture the opportunity of interest rate differential with time deposit, in particular the Group made more use of its trade loan facilities which offered cheaper interest rate at LIBOR plus a lower spread.

As of 30 June 2014, the Group increased its total bank borrowings to HK\$569 million. The Group's gearing ratio when comparing total bank borrowings with total equity was 20%. Per the loan repayment schedules in the Group's loan agreements with banks, HK\$310 million is repayable within one year, HK\$104 million is repayable within 1–2 years, and HK\$155 million is repayable within 2–4 years.

Of the Group's total bank borrowings, 15% comprised trade loans in US dollars. 81% was owed to banks in Hong Kong in HK dollars at HIBOR or the banks' cost of funds plus some mark-up. The remaining 4% in Hong Kong dollars was owed to banks in mainland China at the banks' cost of funds plus some mark-up. As the Group benefited from higher interest income from additional short-term time deposit, net interest income more than doubled to HK\$5 million in the interim.

During the period under review, the Group invested HK\$21 million plus another capital commitment of HK\$34 million for supplementary printing equipment primarily to strengthen automation and enhance production efficiency. A new high speed large-format offset printing press arrived at our Shenzhen plant in July 2014.

Environmental Sustainability

The group is committed to green manufacturing and has established systems to monitor resource usage. During the period under review the Group monitored its usage of electricity, natural gas, diesel and water across its production facilities, dormitory, canteen and company vehicles, in order to achieve efficiencies in resource usage going forward.

The Group's Shenzhen plant participated in a government organized carbon trade program, and performed better than its carbon emission target by 18% with a quota surplus of over 6,000 tons of carbon emissions.

During the period, we have recycled over 353 tons of plastic waste, 71 tons of metal and 24,600 tons of paper. In support of well-managed and sustainable forestry, the Group has consumed 19,000 tons of FSC paper and 5,300 tons of PEFC paper.

Management Discussion and Analysis (Continued)

Our People

It is our people that have placed us at the forefront of the printing, paper and packaging business. To attract and retain the best employees the Group offers competitive remuneration and equal opportunities to all employees, together with a comprehensive training program.

At the end of June 2014, the Group had 12,246 employees (First half of 2013: 13,163). With an ongoing emphasis on occupational health and safety we continue to improve on our own standards with total incident rates coming down to 0.11 in the six months under review (First half of 2013: 0.17).

Over 86,000 training hours were offered to 34,100 attendees during the period under review.

Health and Safety Month and Quality Month campaigns were held to raise employee awareness of these important matters.

Contingent Liabilities and Pledge of Assets

As at 30 June 2014, the Group has provided corporate guarantees to the extent of HK\$19 million to secure the banking facilities of a former related company.

Certain buildings, land use rights and time deposits of the Group with a total carrying value of HK\$152 million as at 30 June 2014 have been pledged to banks to secure banking facilities granted to the Group.

Prospects

A steady if slow recovery is under way at a macroeconomic level, however uncertainty still persists in the short term. The Group remains optimistic about the prospects of the mainland China domestic market and will aim to grow there. The increase in labor costs which was observed during the past two years will stabilize as inflation slows.

The Group is cautiously confident about demand levels for the second half of 2014. A number of initiatives have been undertaken to improve efficiency and offer more value to customers, including the strengthening of in-house design capabilities with more creative and design staff; increased investment in research and development; and the early adoption of new technologies. These capabilities will allow the Group to work more collaboratively with customers at the product development and production stages.

The Group will also focus on growing business from existing customers by offering more value-added services. Geographic diversification of the Paper Trading business, which is now exporting to Southeast Asian countries, will enable us to adapt to the economic cycles of specific markets.

These strategies of innovation, partnership and diversification position us effectively to benefit as market conditions in Western European and North American markets improve.

The Group's cash position remains strong, allowing it the flexibility to move quickly to capture opportunities presented by evolving market conditions.

Information Provided in accordance with the Listing Rules

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK 1 cent (2013: HK 1.7 cents) per share. The interim dividend will be paid on 28 October 2014 to shareholders whose names appear on the Register of Members of the Company on 3 October 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 29 September 2014 to 3 October 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 26 September 2014.

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 2014, the interests of the directors in the shares 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 directors	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share
	Directly beneficially owned	Through spouse or minor children	Total	
Yum Chak Ming, Matthew	18,807,030	–	18,807,030	2.07
Sung Chee Keung	1,423,064	60,000	1,483,064	0.16
Yap, Alfred Donald	27,504	–	27,504	–

Save as disclosed above, as at 30 June 2014, 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 2014, the following interest of 5% or more of the issued share 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	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share
C.H. Yam International Limited* (Note)	Directly beneficially owned and through controlled corporation	290,834,379	32.03
C.H. Yam Holding Limited (Note)	Through controlled corporation	199,263,190	21.95
Hung Tai Industrial Company Limited (Note)	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	62,510,000	6.89

* 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 2014. 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.

Note: 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.

Information Provided in accordance with the Listing Rules (Continued)

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

Save as disclosed above, as at 30 June 2014, 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 effective to monitor and assess business performance in a manner that properly protects the interests of shareholders.
2. Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company are not appointed for a specific term. However under the Articles of Association of the Company, one-third of the directors who have served longest on the Board shall retire from office by rotation every year at the annual general meeting. All directors of the Company retire by rotation at least once every three years and hence the terms of appointment of the non-executive directors are limited accordingly.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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 2014 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, 28 August 2014

