2019

中期報告

INTERIM REPORT

STOCK CODE 股份代號：0450

HUNG HING

鴻興印刷集團有限公司

HUNG HING PRINTING GROUP LIMITED

CONTENTS

目　錄

Corporate Information

EXECUTIVE DIRECTORS	Yum Chak Ming, Matthew, Executive Chairman Sung Chee Keung
NON-EXECUTIVE DIRECTORS	Hirofumi Hori Masashi Nakashima Yoshihisa Suzuki Yam Hon Ming, Tommy
INDEPENDENT NON-EXECUTIVE DIRECTORS	Lo Chi Hong Luk Koon Hoo Yap, Alfred Donald
COMPANY SECRETARY	Shek Kwok Man
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PRINCIPAL BANKERS	The Hongkong and Shanghai Banking Corporation Limited Hang Seng Bank Limited MUFG Bank, Ltd. BNP Paribas
AUDITOR	KPMG
SHARE REGISTRAR	Tricor Tengis Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
LEGAL ADVISOR	Fangda Partners

The directors of Hung Hing Printing Group Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 as follows:

Consolidated Income Statement

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Note	**HK$'000**	HK$'000
Revenue	5	**1,436,295**	1,463,628
Cost of sales	7	**(1,226,106)**	(1,324,457)
Gross profit		**210,189**	139,171
Other revenue	5	**24,241**	27,664
Other net loss	5	**(7,629)**	(3,877)
Distribution costs		**(34,301)**	(33,041)
Administrative and selling expenses	7	**(187,454)**	(167,434)
Operating profit/(loss)		**5,046**	(37,517)
Finance costs	6	**(2,422)**	(2,345)
Share of loss of an associate		**(329)**	–
Profit/(loss) before income tax		**2,295**	(39,862)
Income tax	8	**(152)**	6,861
Profit/(loss) for the period		**2,143**	(33,001)
Attributable to:			
Equity shareholders of the Company		**4,912**	(34,881)
Non-controlling interests		**(2,769)**	1,880
Profit/(loss) for the period		**2,143**	(33,001)
		HK cents	HK cents
Earnings/(loss) per share attributable to equity shareholders of the Company	9		
Basic		**0.5**	(3.9)
Diluted		**0.5**	(3.9)
		HK$'000	HK$'000
Dividend	10	**27,236**	27,236

The notes on pages 9 to 27 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit/(loss) for the period	**2,143**	(33,001)
Other comprehensive income for the period (net of tax):		
Items that will not be reclassified to profit or loss		
Change in fair value of equity investments at fair value through other comprehensive income ("FVOCI") (non-recycling)	**(695)**	208
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	**(2,744)**	(12,445)
Change in fair value of intangible assets	**–**	1,000
	(3,439)	(11,237)
Total comprehensive income for the period	**(1,296)**	(44,238)
Attributable to:		
Equity shareholders of the Company	**1,855**	(44,404)
Non-controlling interests	**(3,151)**	166
Total comprehensive income for the period	**(1,296)**	(44,238)

The notes on pages 9 to 27 form part of this interim financial report.

Consolidated Statement of Financial Position

	Note	**30 June 2019 (Unaudited) HK$'000**	31 December 2018 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	11	**1,153,296**	1,142,918
Lease premium for land	12	**84,949**	75,519
Properties under construction		**49,926**	31,592
Intangible assets		**11,661**	11,912
Right-of-use assets		**16,954**	–
Deposits for acquisition of non-current assets		**39,671**	63,407
Interest in an associate		**10,981**	11,309
Financial investments		**111,748**	112,330
Deferred tax assets		**20,752**	23,002
		1,499,938	1,471,989
Current assets			
Inventories		**606,307**	527,968
Trade and bills receivables	13	**869,221**	873,228
Prepayments, deposits and other receivables		**100,217**	105,864
Pledged time deposits	14	**96,934**	97,244
Time deposits with original maturity over three months	14	**21,270**	5,885
Cash and cash equivalents	14	**908,124**	983,957
Income tax recoverable		**31**	108
		2,602,104	2,594,254
Current liabilities			
Trade and bills payables	15	**241,401**	213,537
Other payables and accrued liabilities		**209,157**	266,198
Bank borrowings	16	**141,697**	24,000
Lease liabilities		**13,442**	–
Income tax payable		**6,114**	4,528
		611,811	508,263
Net current assets		**1,990,293**	2,085,991
Total assets less current liabilities		**3,490,231**	3,557,980

Consolidated Statement of Financial Position (Continued)

	Note	**30 June 2019 (Unaudited) HK$'000**	31 December 2018 (Audited) HK$'000
Non-current liabilities			
Bank borrowings	16	**95,000**	107,000
Lease liabilities		**4,707**	–
Deferred tax liabilities		**46,309**	53,065
		146,016	160,065
NET ASSETS		**3,344,215**	3,397,915
CAPITAL AND RESERVES			
Share capital	17	**1,652,854**	1,652,854
Reserves		**1,506,397**	1,527,991
Proposed dividends		**27,236**	63,551
Total equity attributable to equity shareholders of the Company		**3,186,487**	3,244,396
Non-controlling interests		**157,728**	153,519
TOTAL EQUITY		**3,344,215**	3,397,915

The notes on pages 9 to 27 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 (Unaudited)

		Attributable to equity shareholders of the Company											
	Note	Share capital HK$'000	Other capital reserves HK$'000	Intangible assets revaluation reserve HK$'000	Financial assets at FVOCI reserve (non-recycling) HK$'000	Legal reserves HK$'000	Exchange fluctuation reserve HK$'000	Equity compensation reserve HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2018		1,652,854	(24,293)	6,100	27,910	136,588	101,507	6,508	1,475,008	272,360	3,654,542	158,309	3,812,851
Changes in equity for the period													
Loss for the period		–	–	–	–	–	–	–	(34,881)	–	(34,881)	1,880	(33,001)
Other comprehensive income, net of tax		–	–	1,000	208	–	(10,731)	–	–	–	(9,523)	(1,714)	(11,237)
Total comprehensive income		–	–	1,000	208	–	(10,731)	–	(34,881)	–	(44,404)	166	(44,238)
Dividends approved in respect of previous year		–	–	–	–	–	–	–	–	(272,360)	(272,360)	–	(272,360)
Interim dividend	10	–	–	–	–	–	–	–	(27,236)	27,236	–	–	–
Equity compensation expenses	21	–	–	–	–	–	–	4,764	–	–	4,764	–	4,764
Shares vested under share award scheme	21	–	5,108	–	–	–	–	(5,108)	–		–	–	–
Purchase of shares for share award scheme		–	(6,340)	–	–		–	–	–	–	(6,340)	–	(6,340)
Total transactions with equity shareholders, recognised directly in equity		–	(1,232)	–	–	–	–	(344)	(27,236)	(245,124)	(273,936)	–	(273,936)
Balance at 30 June 2018		1,652,854	(25,525)	7,100	28,118	136,588	90,776	6,164	1,412,891	27,236	3,336,202	158,475	3,494,677

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2019 (Unaudited)

		Attributable to equity shareholders of the Company											
	Note	Share capital HK$'000	Other capital reserves HK$'000	Intangible assets revaluation reserve HK$'000	Financial assets at FVOCI reserve (non-recycling) HK$'000	Legal reserves HK$'000	Exchange fluctuation reserve HK$'000	Equity compensation reserve HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2019		1,652,854	(25,526)	7,100	26,660	140,180	60,078	13,388	1,306,111	63,551	3,244,396	153,519	3,397,915
Changes in equity for the period													
Profit for the period		-	-	-	-	-	-	-	4,912	-	4,912	(2,769)	2,143
Other comprehensive income, net of tax		-	-	-	(695)	-	(2,362)	-	-	-	(3,057)	(382)	(3,439)
Total comprehensive income		-	-	-	(695)	-	(2,362)	-	4,912	-	1,855	(3,151)	(1,296)
Dividends approved in respect of previous year		-	-	-	-	-	-	-	-	(63,551)	(63,551)	-	(63,551)
Interim dividend	10	-	-	-	-	-	-	-	(27,236)	27,236	-	-	-
Equity compensation expenses	21	-	-	-	-	-	-	3,787	-	-	3,787	-	3,787
Shares vested under share award scheme	21	-	8,823	-	-	-	-	(8,823)	-	-	-	-	-
Contribution from non-controlling interest		-	-	-	-	-	-	-	-	-	-	7,360	7,360
Total transactions with equity shareholders, recognised directly in equity		-	8,823	-	-	-	-	(5,036)	(27,236)	(36,315)	(59,764)	7,360	(52,404)
Balance at 30 June 2019		1,652,854	(16,703)	7,100	25,965	140,180	57,716	8,352	1,283,787	27,236	3,186,487	157,728	3,344,215

The notes on pages 9 to 27 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
Operating activities		
Cash used in operations	**(39,840)**	(57,619)
Income tax paid	**(2,902)**	(19,827)
Net cash used in operating activities	**(42,742)**	(77,446)
Investing activities		
Interest received	**12,215**	17,732
Settlement of derivative financial instruments	**–**	13,340
Purchases of property, plant and equipment	**(32,135)**	(48,439)
Payment for lease premium for land	**(11,019)**	–
Deposits for acquisition of property, plant and equipment	**(11,655)**	(38,924)
Additions to properties under construction	**(19,409)**	(13,742)
Settlement of other receivables in relation to the disposal of a subsidiary company in prior year	**–**	390,339
Consideration for acquisition of a subsidiary company	**–**	(61,468)
Increase in time deposits with original maturity over three months	**(15,495)**	(15,957)
Decrease in pledged time deposits	**306**	25,346
Increase in financial assets at fair value through profit or loss	**–**	(102,823)
Other cash flows arising from investing activities	**2,897**	1,275
Net cash (used in)/generated from investing activities	**(74,295)**	166,679
Financing activities		
Payment for purchase of shares for share award scheme	**–**	(6,340)
Dividends paid to equity shareholders of the Company	**(63,551)**	(272,359)
Proceeds from bank borrowings	**118,269**	24,088
Repayments of bank borrowings	**(12,572)**	(64,752)
Capital element of lease rentals paid	**(5,163)**	–
Interest element of lease rentals paid	**(379)**	–
Capital injection by non-controlling interest to a subsidiary	**7,360**	–
Other cash flows arising from financing activities	**(2,104)**	(2,374)
Net cash generated from/(used in) financing activities	**41,860**	(321,737)
Net decrease in cash and cash equivalents	**(75,177)**	(232,504)
Cash and cash equivalents at 1 January	**983,957**	1,299,409
Effect of foreign exchange rate changes	**(656)**	(5,246)
Cash and cash equivalents at 30 June	**908,124**	1,061,659
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**222,876**	238,105
Time deposits with original maturity less than three months	**685,248**	823,554
	908,124	1,061,659

The notes on pages 9 to 27 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

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 report is presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. This condensed consolidated interim financial report was approved for issue by the Board of Directors (the "Board") on 28 August 2019.

2. Basis of Preparation

This condensed consolidated interim financial report for the six months ended 30 June 2019 has not been audited and has 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 2018.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) ("Companies Ordinance") is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

Notes to the Unaudited Interim Financial Report (Continued)

3. Accounting Policies

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of the changes in accounting policies are described below.

The HKICPA has issued a new Hong Kong Financial Reporting Standards ("HKFRSs"), HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Notes to the Unaudited Interim Financial Report (Continued)

3. Accounting Policies (Continued)

Further details of the nature and effect of the changes to previous accounting policies are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Notes to the Unaudited Interim Financial Report (Continued)

3. Accounting Policies (Continued)

(ii) Lessee accounting (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value;

– right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and

– right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Unaudited Interim Financial Report (Continued)

4. Revenue and 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 and other senior management, that are used to make strategic decisions and assess performance.

Management committee 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 and other revenue less distribution costs, administrative and selling expenses, and other net loss 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.

(i) Disaggregation of revenue and profit or loss by business segments

The following tables present revenue and results for the Group's business segments for the period.

	For the six months ended 30 June 2019					
	Book and Package Printing HK$'000	**Consumer Product Packaging HK$'000**	**Corrugated Box HK$'000**	**Paper Trading HK$'000**	**Eliminations HK$'000**	**Total HK$'000**
Segment revenue						
Sales to external customers	**852,608**	**291,362**	**123,368**	**168,957**	**–**	**1,436,295**
Inter-segment sales	**181**	**631**	**68,717**	**230,188**	**(299,717)**	**–**
Total	**852,789**	**291,993**	**192,085**	**399,145**	**(299,717)**	**1,436,295**
Segment results	**22,613**	**(11,622)**	**7,106**	**3,107**	**(1,555)**	**19,649**
Interest income and other income						**13,487**
Corporate and unallocated expenses						**(28,090)**
Operating profit						**5,046**
Finance costs						**(2,422)**
Share of loss of an associate						**(329)**
Profit before income tax						**2,295**
Income tax						**(152)**
Profit for the period						**2,143**

Notes to the Unaudited Interim Financial Report (Continued)

4. Revenue and Segment Information (Continued)

(i) Disaggregation of revenue and profit or loss by business segments (Continued)

	For the six months ended 30 June 2018					
	Book and Package Printing HK$'000	Consumer Product Packaging HK$'000	Corrugated Box HK$'000	Paper Trading HK$'000	Eliminations HK$'000	Total HK$'000
Segment revenue						
Sales to external customers	803,574	348,827	101,608	209,619	–	1,463,628
Inter-segment sales	139	496	74,864	227,953	(303,452)	–
Total	803,713	349,323	176,472	437,572	(303,452)	1,463,628
Segment results	(58,392)	8,115	10,792	11,486	(960)	(28,959)
Interest income and other income						16,486
Corporate and unallocated expenses						(25,044)
Operating loss						(37,517)
Finance costs						(2,345)
Loss before income tax						(39,862)
Income tax						6,861
Loss for the period						(33,001)

Notes to the Unaudited Interim Financial Report (Continued)

4. Revenue and Segment Information (Continued)

(ii) Disaggregation of revenue by geographical location of customers

The analysis of the Group's revenue from external customers attributed to the locations in which the customers are located during the period consists of the following:

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Hong Kong	**391,586**	422,024
The PRC	**448,257**	475,907
Europe	**229,525**	228,044
United States of America	**318,072**	281,179
Other countries	**48,855**	56,474
	1,436,295	1,463,628

Revenue from the individual countries included in other countries are not material.

Notes to the Unaudited Interim Financial Report (Continued)

5. Revenue, Other Revenue and Other Net Loss

The Group's revenue, other revenue and other net loss consist of the following:

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Revenue		
Sale of goods	**1,436,295**	1,463,628
Other revenue		
Bank interest income	**12,872**	16,486
Dividend income from financial investments	**254**	300
Government grants	**7,450**	3,110
Sales of scrap materials	**2,465**	2,157
Sundry income	**1,200**	5,611
	24,241	27,664
Other net loss		
Net foreign exchange (loss)/gain	**(6,682)**	9,366
Fair value loss on derivative financial instruments not qualified as hedges	**–**	(14,861)
Fair value gain on financial assets carried at fair value through profit or loss	**178**	–
(Loss)/gain on disposal of property, plant and equipment	**(1,742)**	258
Others	**617**	1,360
	(7,629)	(3,877)

6. Finance Costs

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Interest on bank borrowings	**2,043**	2,345
Interest on lease liabilities	**379**	–
	2,422	2,345

Notes to the Unaudited Interim Financial Report (Continued)

7. Expenses by Nature

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

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Depreciation		
– owned property, plant and equipment	**52,164**	48,681
– right-of-use assets	**6,361**	–
Amortisation of lease premium for land	**1,476**	1,231
Amortisation of intangible assets	**521**	647
Employee benefit expense (including directors' emoluments)	**380,687**	397,704
Provision/(reversal of provision) for impairment loss of inventories, net	**791**	(1,959)
Provision/(reversal of provision) for impairment loss of trade receivables, net	**914**	(415)

8. Income Tax

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Current tax		
– Hong Kong Profits Tax	**1,049**	1,810
– People's Republic of China ("PRC") Income Tax	**3,516**	3,586
Total current tax	**4,565**	5,396
Deferred tax	**(4,413)**	(12,257)
Income tax	**152**	(6,861)

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the period.

PRC Income Tax represents PRC Corporate Income Tax calculated at 25% (2018: 25%) and PRC withholding tax at the applicable rates. Pursuant to the income tax rules and regulations, provision for PRC withholding tax on dividend income is calculated based on 5% of the dividend income from subsidiaries in the PRC.

Notes to the Unaudited Interim Financial Report (Continued)

9. Earnings/(Loss) Per Share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the earnings attributable to equity shareholders of the Company of HK$4,912,000 (2018: loss of HK$34,881,000) and the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company under the Share Award Scheme.

	For the six months ended 30 June	
	2019	2018
Profit/(loss) attributable to equity shareholders of the Company (HK$'000)	**4,912**	(34,881)
Weighted average number of ordinary shares in issue ('000)	**907,865**	907,865
Weighted average number of own held shares for share award scheme ('000)	**(13,064)**	(14,319)
Weighted average number of ordinary shares in issue for calculation of basic earnings/(loss) per share ('000)	**894,801**	893,546
Basic earnings/(loss) per share (HK cents per share)	**0.5**	(3.9)

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the adjusted weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: shares repurchased for the purpose of share award scheme. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market 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 2019
Profit attributable to equity shareholders of the Company (HK$'000)	**4,912**
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	**894,801**
Effect of dilutive potential ordinary shares in respect of own held shares for share award scheme ('000)	**7,271**
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share ('000)	**902,072**
Diluted earnings per share (HK cents per share)	**0.5**

For the six months ended 30 June 2018, the diluted loss per share was the same as the basic loss per share as the ordinary shares repurchased for the share award scheme are anti-dilutive to the loss per share.

Notes to the Unaudited Interim Financial Report (Continued)

10. Dividend

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Interim dividend of HK3 cents (2018: HK 3 cents) per ordinary share	**27,236**	27,236

11. Property, Plant and Equipment

	30 June 2019	31 December 2018
	HK$'000	HK$'000
Opening net book amount at 1 January 2019/2018	**1,142,918**	1,094,232
Additions	**32,135**	95,819
Acquisition of a subsidiary	**–**	21,248
Transfer from properties under construction	**1,167**	871
Transfer from deposits for acquisition of non-current assets	**36,040**	59,646
Disposals/write-off	**(4,654)**	(4,679)
Depreciation	**(52,164)**	(100,888)
Exchange differences	**(2,146)**	(23,331)
Closing net book amount at 30 June 2019/31 December 2018	**1,153,296**	1,142,918

12. Lease Premium For Land

	30 June 2019	31 December 2018
	HK$'000	HK$'000
Opening net book amount at 1 January 2019/2018	**75,519**	63,251
Additions	**11,019**	–
Acquisition of a subsidiary	**–**	17,898
Amortisation	**(1,476)**	(2,696)
Exchange differences	**(113)**	(2,934)
Closing net book amount at 30 June 2019/31 December 2018	**84,949**	75,519

Notes to the Unaudited Interim Financial Report (Continued)

13. Trade and Bills Receivables

	30 June 2019 HK$'000	31 December 2018 HK$'000
Trade receivable	**878,143**	876,392
Less: Loss allowance	**(9,697)**	(9,292)
	868,446	867,100
Trade receivable due from related parties	**11**	577
Total trade receivable, net	**868,457**	867,677
Bills receivable	**764**	5,551
	869,221	873,228

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

	30 June 2019 HK$'000	31 December 2018 HK$'000
1–30 days	**379,126**	345,791
31–60 days	**197,290**	187,504
61–90 days	**131,878**	124,445
Over 90 days	**160,163**	209,937
	868,457	867,677

Trade receivable are normally due within 30 to 90 days from date of billing.

Notes to the Unaudited Interim Financial Report (Continued)

14. Cash and Cash Equivalents and Time Deposits

	30 June 2019 HK$'000	31 December 2018 HK$'000
Cash at banks and on hand	**222,876**	260,297
Time deposits with original maturity less than three months	**685,248**	723,660
Cash and cash equivalents	**908,124**	983,957
Time deposits with original maturity over three months	**21,270**	5,885
Pledged time deposits	**96,934**	97,244
	1,026,328	1,087,086

At of 30 June 2019, time deposits of HK$96,934,000 (31 December 2018: HK$97,244,000) were pledged as collaterals for the issuance of bills payables.

15. Trade and Bills Payables

	30 June 2019 HK$'000	31 December 2018 HK$'000
Trade payable	**221,618**	164,988
Trade payable due to related parties	**–**	301
Total trade payable	**221,618**	165,289
Bills payable	**19,783**	48,248
	241,401	213,537

At of 30 June 2019, the bills payable of HK$14,666,000 (31 December 2018: HK$27,777,000) are secured by the pledged time deposits of HK$96,934,000 (31 December 2018: HK$97,244,000) (Note 14).

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

	30 June 2019 HK$'000	31 December 2018 HK$'000
1–30 days	**168,886**	117,172
31–60 days	**37,673**	31,559
61–90 days	**5,182**	5,487
Over 90 days	**9,877**	11,071
	221,618	165,289

Notes to the Unaudited Interim Financial Report (Continued)

16. Bank Borrowings

	30 June 2019 HK$'000	31 December 2018 HK$'000
Current		
Bank loans – guaranteed	**141,697**	24,000
Non-current		
Bank loans – guaranteed	**95,000**	107,000
	236,697	131,000

All of the above bank loans are secured by the corporate guarantees issued by the Company.

17. Share Capital

	30 June 2019		31 December 2018	
	Number of shares	**Share capital HK$'000**	Number of shares	Share capital HK$'000
Ordinary shares, issued and fully paid	**907,864,974**	**1,652,854**	907,864,974	1,652,854

During the period ended 30 June 2019, neither the Company nor any of its subsidiaries purchased any of the Company's shares.

Notes to the Unaudited Interim Financial Report (Continued)

18. Material Related Party Transactions

(a) Transactions with related parties

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

	For the six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Sales of raw materials or finished goods to:		
– A substantial shareholder	**1,067**	868
– Parties under control of a substantial shareholder	**157**	7,673
Purchases of raw materials from:		
– A substantial shareholder	**153**	149

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	
	2019	2018
	HK$'000	HK$'000
Short-term employment benefits (excluding discretionary bonus)	**11,934**	11,200
Discretionary bonus	**4,997**	420
Share-based payments	**3,787**	4,764
Post-employment benefits	**370**	329
	21,088	16,713

Notes to the Unaudited Interim Financial Report (Continued)

19. Capital Commitments

The Group had the following capital commitments outstanding at the end of the reporting period:

	30 June 2019 HK$'000	31 December 2018 HK$'000
Contracted for, but not provided for	**60,590**	111,434

20. Contingent Liabilities

As at 30 June 2019, the Group has provided corporate guarantees to the extent of HK$26,166,000 (31 December 2018: HK$26,250,000) to secure the banking facilities of a former related company of the Company governed by Shareholders' agreement. The amount drawn against the banking facilities was HK$26,166,000 (31 December 2018: HK$26,250,000).

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.

21. 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 2021.

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

Under the rules of the Scheme, share awards will be granted to the participants of the Scheme when certain performance target is met and on or before 30 June of each year. Upon certain vesting conditions are fulfilled, the share awards granted to the participants will be vested in three equal tranches provided that the relevant awardee remained employed by the Group or retired on reaching normal retirement age. A total of 5,144,540 shares (six months ended 30 June 2018: 3,033,990 shares) at an average fair value of HK$8,823,000 (six months ended 30 June 2018: HK$5,108,000) 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.

Notes to the Unaudited Interim Financial Report (Continued)

21. Restricted Share Award Scheme (Continued)

Share-based payment of HK$3,787,000 has been recognised in the consolidated income statement as employee benefit expense during the six months ended 30 June 2019 (six months ended 30 June 2018: HK$4,764,000).

Movement in the number of share awards granted and their related average fair value is as follows:

	For the six months ended 30 June			
	2019		2018	
	Average fair value per share	**Number of share awards**	Average fair value per share	Number of share awards
Beginning balance		**14,384,040**		9,101,970
Granted		**–**	1.80	8,316,060
Vested	**1.72**	**(5,144,540)**	1.68	(3,033,990)
Ending balance		**9,239,500**		14,384,040

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

	Number of shares	
	2019	2018
Beginning balance at 1 January 2019/2018	**14,408,954**	13,932,944
Purchase of shares	**–**	3,510,000
Vesting of shares	**(5,144,540)**	(3,033,990)
Ending balance at 30 June 2019/31 December 2018	**9,264,414**	14,408,954

Notes to the Unaudited Interim Financial Report (Continued)

22. 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 2019:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial investments:				
– Club debentures	–	–	896	896
– Unlisted equity investments	–	–	97,859	97,859
– Listed equity investments	12,993	–	–	12,993
	12,993	–	98,755	111,748

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 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 fair value of listed equity instruments traded in active markets is based on quoted market prices at the end of the reporting period.

Notes to the Unaudited Interim Financial Report (Continued)

22. Fair Value Estimation (Continued)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2019:

	Financial investment		
	Club debentures HK$'000	Unlisted equity investments HK$'000	Total HK$'000
At 1 January	718	97,924	98,642
Gain recognised in profit or loss	178	–	178
Exchange differences	–	(65)	(65)
At 30 June	896	97,859	98,755
Total gain for the period included in profit or loss	178	–	178

Management Discussion and Analysis

Results and dividends

The Hung Hing Printing Group successfully grew export sales and optimised operating costs during the first six months of 2019. Our diversified product portfolio and robust market standing reassured business partners, enabling us to overcome soft market conditions, particularly in the domestic market. We delivered stable revenues of HK$1,436 million and achieved a turnaround in profitability compared to the same period last year. Driven by strong sales growth in our largest business unit, Book and Package Printing (BPP), the Group delivered a net profit of HK$2 million (2018: Net loss of HK$33 million).

During the period under review, paper prices underwent relative rational adjustments in contrast to trends seen in 2018. The RMB showed stable positive movement, allowing us to optimise operating costs. Labour costs were kept under control as a result of business process improvement and stability in minimum wage in China. These factors, combined with prudent inventory strategies, and increased efficiencies due to automation and enhanced workflow design, allowed us to achieve positive change in our bottom-line results.

The Group maintained a strong cash position of HK$1,026 million as a foundation for future growth. Basic profit per share was HK0.5 cents compared to basic loss per share of HK3.9 cents for the corresponding period in 2018.

The board of directors has declared an interim dividend of HK3 cents (2018: HK3 cents) per share, payable on 24 October 2019 to shareholders whose names appear in the Register of Members of the Company on 2 October 2019.

Value-added approach drives export sales growth

The early part of the period under review started with soft demand in Hung Hing's primary export markets, U.S. and Europe. However, consumer confidence showed a recovery and revenues picked up towards the end of the second quarter. Ongoing market consolidation benefited players such as Hung Hing with strong fundamentals, a vertically integrated business model and a proven track record.

We took action to consolidate our position, sharpening our focus through strategic portfolio management and by continuing to work more collaboratively with key export customers. Our partnership approach and consistent delivery of added value enabled us to cement our relationships with major customers in key overseas markets.

Thanks to these initiatives, the revenues for our BPP unit increased 6.1% to HK$853 million during the first six months in 2019. Improved efficiencies and favourable paper price trends allowed this business unit to achieve a profit of HK$23 million, compared to a loss of HK$58 million. The Beluga creative hub provided consultancy and other services to our recent acquisitions and took the lead in delivering design innovation for our clients. Value-added services, like coordinating the trading of rights for local adaptation of popular international book titles, have helped our overseas customers expand their relationship with Chinese publishers, and in turn presented opportunities of additional printing business for the Group.

Management Discussion and Analysis (Continued)

We have embarked on an ambitious program of manufacturing realignment to enhance our capabilities so that we can meet customers' needs today and into the future, while achieving process improvement through automation. During the period under review, infrastructure work was completed for the Heshan factory upgrade project. We also made steady progress with our 35,000 square meter, state-of-the-art printing and packaging manufacturing facility in Hanoi, Vietnam which we are developing in close partnership with our customer, Dream International Limited. The factory will be completed by the end of the third quarter and operations are set to commence in the fourth quarter.

Consolidating competitive position in the domestic market

Over the past decade the Group has achieved steady growth in China by capitalising on increasing purchasing power and a growing appetite particularly among young parents for high-quality children's books and educational products. This trend holds out strong prospects particularly for our BPP business unit.

Another significant aspect of the fast-growing consumer market in China is the uptake of premium products, making it a key market for our Consumer Product Packaging (CPP) business unit. During the period under review, weaker demand conditions as a result of a softer economy in China exerted higher margin pressure and affected the profitability of the CPP unit which recorded a loss of HK$12 million, compared to a profit of HK$8 million during the six months in 2018.

We are well positioned for future growth with new products such as advanced packaging with anti-counterfeiting features, for which we have observed strong interest from major clients. New processes and equipment including workflow optimisation, completely automated warehousing and robotics are expected to deliver additional operating efficiencies. Enhanced capabilities following the installation of highly advanced equipment such as a 9-colour large format printer at our Zhongshan plant placed us in a strong position to tap into the potential of the high-end mainland China market as consumer confidence recovers.

During the period, the Corrugated Box (CB) unit benefited from the integration of Guangdong Lianhe Packaging Co., Ltd. ("Guangdong Lianhe") to record a 21% growth in external revenues to HK$123 million, but as a result of the short-term price adjustment in line with the paper price trend, profit dropped 34% to HK$7 million. The acquisition of Guangdong Lianhe gives us access to an immediate increase in manufacturing capacity as well as broader customer base. We can leverage this, along with the agile inventory model introduced last year, to achieve lower costs and improve efficiency.

The Paper Trading (PT) business by its very nature is exposed to movements in paper prices. It was impacted by soft paper prices which prevailed during the period and both revenues and profitability were affected. Increased rental costs following the disposal of our Shenzhen warehouse in 2018 led to an increase in operating costs. Our strategy for the business is to pursue an asset-light model to keep operating costs under control. In order to allow for these realignments to take effect, we are adopting a conservative approach in pursuing opportunities. Revenue for the business unit dropped 19% to HK$169 million and profit dropped 73% to HK$3 million.

Management Discussion and Analysis (Continued)

Diversified strategic portfolio for the long-term future

We continued to support the strategic investments we made last year. YumMePrint, an interactive mobile photo-printing service that we have developed in partnership with Guangzhou Honghai Enterprise Co. Limited in China, has been steadily gaining popularity. During the period, we installed more YumMePrint digital photo kiosks in strategic locations across Hong Kong, including shopping malls, karaoke shops, children's playgrounds and major tourist spots. They were also used by companies to create a buzz at exhibitions and promotional events.

Another major strategic investment of the Group is STEMPlus, an initiative that helps publishers, schools and other educational, toy and learning institutions promote their STEM (Science, Technology, Engineering, Maths) products and create a platform for STEM related items. In July 2019, STEMPlus participated in the popular Hong Kong Book Fair, creating a STEMWorld area with 50 booths for schools, educational institutions and major business partners to showcase and market their products to consumers.

YumMePrint and STEMPlus, along with the Group's other strategic investments such as kikki.k, a global retailer of high-end stationery and gift products of Swedish design, and Oyalabs, an Internet of Things startup working on children's brains and language development, will all serve to complement our core business by helping us diversify, enhancing our digital capabilities and taking us closer to end consumers.

Liquidity and Capital Resources

We maintained our customary prudent cash management approach, with a healthy cash position and a diversified funding base. As of 30 June 2019, the Group had net cash on hand (total cash net of bank borrowings) of HK$790 million to support our working capital requirements, capital expenditure and investment needs.

On 30 June 2019, the Group had total cash on hand of HK$1,026 million, of which 72% of cash was held in Renminbi to support our operational and capital expenditure needs in mainland China. The remainder was held primarily in US Dollars and Hong Kong Dollars. Any cash not earmarked for immediate use was placed in time deposits to match cash outflow and maximize interest income at the same time.

Total interest income during the period was HK$12.9 million, approximately HK$3.6 million less than the same period last year due to adjusted deposit level and terms of deposits.

Our strong financial reputation has proved advantageous in presenting us with numerous options for debt finance. As of 30 June 2019, the Group had total bank borrowings of HK$237 million. Our gearing ratio, comparing total bank borrowings with total equity, remained low and healthy at 7.1%. Based on agreed loan repayment schedules with banks, HK$142 million is repayable within one year, HK$74 million within 1-2 years, and HK$21 million within 2-5 years.

Of the Group's total bank borrowings, 50% comprised trade loans in US Dollars and the remaining 50% in HK Dollars consisted of term loans with banks at fixed interest rates. During the period, the Group secured trade loan facilities under competitive terms and advantageous interest rate at LIBOR plus a relatively lower spread to address both immediate and longer-term operating needs. Total interest costs were at similar levels to last year at HK$2 million.

Management Discussion and Analysis (Continued)

During the period under review, the Group recorded over HK$74 million in capital expenditure and committed an additional HK$61 million for acquiring new printing technology and machinery, automation, efficiency enhancement projects and equipment and the construction/upgrade of plants and facilities.

Contingent Liabilities and Pledge of Assets

As at 30 June 2019, the Group has provided corporate guarantees to the extent of HK$26 million to secure the banking facilities of a former related company of the Company governed by shareholders' agreement.

Certain time deposits of the Group with a total carrying value of HK$97 million as at 30 June 2019 have been pledged to secure banking facilities granted to the Group.

Environmental Sustainability

We seek to achieve excellence in every aspect of our business and are committed to exploring all appropriate avenues to minimise the environmental impacts of our business operations. All our employees, from the leadership team to our production line staff, share the responsibility for our environmental compliance performance.

During the period under review the Group installed solar panels at our Hong Kong headquarters with a capacity of 200 kW with the goal to generate 200,000 kWh annually, cutting our carbon emission by 102 tons. As of the end of June 2019, the installation has generated 48,254 kWh of electricity. We also participated in two pioneering projects to use advanced technology to reduce volatile organic compounds (VOC) to improve the air quality at our facilities, and to reduce the energy consumption of our air-conditioning systems.

In 2018, the audited carbon emissions level of our Shenzhen factory was 20,430 tons CO2e (carbon dioxide equivalent), 2,452 tons less than the government quota of 22,882 tons.

In the first six months of 2019, after including the environmental data of our subsidiary Guangdong Lianhe, the group's electricity consumption increased slightly to 31,882 MWh (1H 2018: 30,202 MWh). We invested in increased water recycling equipment, successfully reducing water consumption to 547,661 m^3 (1H 2018: 567,557 m^3). Over 95% of our solid waste was recycled, comprising 21,296 tons of waste paper (1H 2018: 21,868 tons), 291 tons of plastic (1H 2018: 110 tons) and 152 tons of metal (1H 2018: 108 tons).

Over 90% of the paper used in production was either recycled or from well-managed and sustainable forests. Paper used during the period under review included over 26,124 tons (1H 2018: 25,004 tons) of FSCTM paper, 2,304 tons (1H 2018: 2,815 tons) of PEFC and 53,982 tons (1H 2018: 55,892 tons) of paper with high recycled content.

Management Discussion and Analysis (Continued)

Our People

As at 30 June 2019, Hung Hing has a total workforce comprising 9,417 employees at our Hong Kong headquarters and facilities in six locations in China. Our human resources values include respect, teamwork, and commitment to the long-term development of our staff. We aim to be the employer of choice by developing our human capital and maintaining competitive standards in remuneration, workplace health and safety, employee training and well-being, and attracting new talents.

We invested in training our employees in the area of production automation, keeping us more competitive and upskilling our employees with the latest industrial trends. Over 123,769 hours of training (1H 2018: 112,573 hours) were provided to 43,895 attendees (1H 2018: 16,391 attendees) in the six months.

Occupational health and safety is our foremost priority and we run a regular training, inspection and safety campaign to attain our accident-free goal. The Group's total incident rate remained low at 0.25 (1H 2018: 0.25) during the six months.

Outlook

Our recent strategic investments are steadily demonstrating value by enhancing our capabilities. While the role they play in our long-term development is significant, value lies predominantly in supporting our core printing business, which we will continue to reinforce with automation and innovation of benefit to our customers.

We have positive expectations from the business in the second half with a robust order pipeline. The Group will pursue an extremely prudent approach in the months ahead, until the outcome of US-China trade negotiations and Brexit develop more fully. Our top priorities are the completion of the Hanoi facility and to deliver capacity reallocation among our existing facilities to ensure we remain on track with our strategic priorities for growth.

Hung Hing will be celebrating its 70th anniversary in 2020. This milestone is testament to our strong fundamentals and the esteem in which our brand is held, not just in Hong Kong but around the world. Features like a vertically integrated operation, our reputation for business integrity and goodwill, and a healthy balance sheet, place us in an advantageous position to overcome short-term market impacts and grow over the long term.

In closing as always I extend my thanks to our skilled employees and loyal shareholders whose commitment and belief in our success makes it all possible.

Information Provided in Accordance with the Listing Rules

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK3 cents (2018: HK3 cents) per share. The interim dividend will be paid on 24 October 2019 to shareholders whose names appear on the Register of Members of the Company on 2 October 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26 September 2019 to 2 October 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 25 September 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2019, 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:

	Number of shares held, capacity and nature of interest				
Name of directors	**Directly beneficially owned**	**Through spouse or minor children**	**Share award scheme**	**Total**	**Percentage of the Company's issued share**
Yum Chak Ming, Matthew	43,601,630	–	2,740,710	46,342,340	5.10
Sung Chee Keung	2,266,314	60,000	810,440	3,136,754	0.35
Yap, Alfred Donald	27,504	–	–	27,504	–

Save as disclosed above, as at 30 June 2019, 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 21 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 directors 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 2019, 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

* 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 2019. 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 2019, 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. The roles of the chief executive officer have been undertaken by Mr. Yum Chak Ming, Matthew, the Executive Chairman of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Company that Mr. Yum should hold these offices. The Board believes that it is effective to monitor and assess business performance in a manner that properly protects the interests of shareholders.

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.

Information Provided in Accordance with the Listing Rules (Continued)

AUDIT COMMITTEE

The audit committee of the Company has reviewed the interim results for the six months ended 30 June 2019 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 2019

TOWARDS THE 70TH ANNIVERSARY
共同迎接70週年

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