



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

STOCK CODE 股份代號: 0450

中期報告 INTERIM REPORT 2020

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Corporate Information

EXECUTIVE DIRECTORS

Yum Chak Ming, Matthew, Executive Chairman
Sung Chee Keung

NON-EXECUTIVE DIRECTORS

Masashi Nakashima
Hirofumi Hori
Yoshihisa Suzuki
Yam Hon Ming, Tommy

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lo Chi Hong
Luk Koon Hoo
Yap, Alfred Donald

COMPANY SECRETARY

Shek Kwok Man

REGISTERED OFFICE

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17–19 Dai Hei Street
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PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
MUFG Bank, Ltd.
BNP Paribas

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in
accordance with the Financial Reporting
Council Ordinance

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 2020 as follows:

Consolidated Income Statement

		For the six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
	Note		
Revenue	5	1,098,705	1,436,295
Cost of sales	7	(926,664)	(1,226,106)
Gross profit		172,041	210,189
Other revenue	5	33,863	24,241
Other net income/(loss)	5	45,346	(7,629)
Distribution costs		(26,265)	(34,301)
Administrative and selling expenses	7	(219,267)	(187,454)
Operating profit		5,718	5,046
Finance costs	6	(1,968)	(2,422)
Share of profits and losses of associates		18	(329)
Profit before income tax		3,768	2,295
Income tax	8	(1,349)	(152)
Profit for the period		2,419	2,143
Attributable to:			
Equity shareholders of the Company		4,858	4,912
Non-controlling interests		(2,439)	(2,769)
Profit for the period		2,419	2,143
		HK cents	HK cents
Earnings per share attributable to equity shareholders of the Company	9		
Basic		0.5	0.5
Diluted		0.5	0.5
		HK\$'000	HK\$'000
Dividend	10	27,236	27,236

The notes on pages 9 to 26 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	2,419	2,143
Other comprehensive income for the period (net of tax):		
<i>Item that will not be reclassified to profit or loss</i>		
Change in fair value of equity investments at fair value through other comprehensive income ("FVOCI") (non-recycling)	(21,320)	(695)
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements of subsidiaries and an associate outside Hong Kong	(17,557)	(2,744)
Other comprehensive income for the period	(38,877)	(3,439)
Total comprehensive income for the period	(36,458)	(1,296)
Attributable to:		
Equity shareholders of the Company	(31,379)	1,855
Non-controlling interests	(5,079)	(3,151)
Total comprehensive income for the period	(36,458)	(1,296)

The notes on pages 9 to 26 form part of this interim financial report.

Consolidated Statement of Financial Position

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	Note		
Non-current assets			
Property, plant and equipment	11	1,258,680	1,286,188
Intangible assets		12,335	12,189
Deposits for acquisition of non-current assets		59,962	72,631
Interest in associates		12,539	10,982
Financial investments		47,019	68,674
Deferred tax assets		26,952	19,101
		1,417,487	1,469,765
Current assets			
Inventories		481,862	473,534
Trade and other receivables	12	713,508	879,898
Pledged time deposits		84,562	86,186
Cash and cash equivalents	13	1,040,846	1,012,293
Structured bank deposits		129,816	–
Income tax recoverable		1,164	–
		2,451,758	2,451,911
Current liabilities			
Trade and other payables	14	330,728	379,797
Bank borrowings	15	104,845	87,901
Lease liabilities		11,271	7,815
Income tax payable		4,141	18,729
		450,985	494,242
Net current assets		2,000,773	1,957,669
Total assets less current liabilities		3,418,260	3,427,434

Consolidated Statement of Financial Position (Continued)

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	Note		
Non-current liabilities			
Bank borrowings	15	21,500	46,000
Lease liabilities		4,034	4,872
Receipt in advance	16	108,366	–
Deferred tax liabilities		55,150	48,881
		189,050	99,753
NET ASSETS		3,229,210	3,327,681
CAPITAL AND RESERVES			
Share capital	17	1,652,854	1,652,854
Reserves		1,431,535	1,524,927
Total equity attributable to equity shareholders of the Company		3,084,389	3,177,781
Non-controlling interests		144,821	149,900
TOTAL EQUITY		3,229,210	3,327,681

The notes on pages 9 to 26 form part of this interim financial report.

Consolidated Statement of Changes in Equity

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	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	1,369,662	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)
Equity compensation expenses	21	-	-	-	-	-	3,787	-	3,787	-	3,787
Shares vested and allotted 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)	(63,551)	(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	1,311,023	3,186,487	157,728	3,344,215

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2020 (Unaudited)

		Attributable to equity shareholders of the Company										
	Note	Share capital	Other capital reserves	Intangible assets revaluation reserve	Financial assets at FVOCI reserve (non-recycling)	Legal reserves	Exchange fluctuation reserve	Equity compensation reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2020		1,652,854	(16,703)	7,100	(15,102)	144,716	42,684	12,140	1,350,092	3,177,781	149,900	3,327,681
Changes in equity for the period												
Profit for the period		-	-	-	-	-	-	-	4,858	4,858	(2,439)	2,419
Other comprehensive income, net of tax		-	-	-	(21,320)	-	(14,917)	-	-	(36,237)	(2,640)	(38,877)
Total comprehensive income		-	-	-	(21,320)	-	(14,917)	-	4,858	(31,379)	(5,079)	(36,458)
Dividends approved in respect of previous year		-	-	-	-	-	-	-	(63,551)	(63,551)	-	(63,551)
Equity compensation expenses	21	-	-	-	-	-	-	1,538	-	1,538	-	1,538
Shares vested and allotted under share award scheme	21	-	9,958	-	-	-	-	(9,958)	-	-	-	-
Total transactions with equity shareholders, recognised directly in equity		-	9,958	-	-	-	-	(8,420)	(63,551)	(62,013)	-	(62,013)
Balance at 30 June 2020		1,652,854	(6,745)	7,100	(36,422)	144,716	27,767	3,720	1,291,399	3,084,389	144,821	3,229,210

The notes on pages 9 to 26 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Operating activities		
Cash generated from/(used in) operations	105,914	(39,840)
Income tax paid	(18,406)	(2,902)
Net cash generated from/(used in) operating activities	87,508	(42,742)
Investing activities		
Interest received	8,976	12,215
Purchases of property, plant and equipment	(9,584)	(32,135)
Payment for acquisition of land use rights	–	(11,019)
Deposits for acquisition of property, plant and equipment	(25,300)	(11,655)
Additions to properties under construction	(43)	(19,409)
Proceeds from disposal of property, plant and equipment	71,600	2,912
Deposits received for disposal of property, plant and equipment	108,366	–
Increase in time deposits with original maturity over three months	(12,962)	(15,495)
Increase in structured deposits	(129,816)	–
Other cash flows arising from investing activities	(641)	291
Net cash generated from/(used in) investing activities	10,596	(74,295)
Financing activities		
Dividends paid to equity shareholders of the Company	(63,551)	(63,551)
Proceeds from bank borrowings	31,345	118,269
Repayments of bank borrowings	(38,901)	(12,572)
Capital element of lease rentals paid	(7,441)	(5,163)
Interest element of lease rentals paid	(202)	(379)
Capital injection by non-controlling interest to a subsidiary	–	7,360
Other cash flows arising from financing activities	(1,707)	(2,104)
Net cash (used in)/generated from financing activities	(80,457)	41,860
Net increase/(decrease) in cash and cash equivalents	17,647	(75,177)
Cash and cash equivalents at 1 January	990,818	983,957
Effect of foreign exchange rate changes	(1,921)	(656)
Cash and cash equivalents at 30 June	1,006,544	908,124
Analysis of balances of cash and cash equivalents		
Cash and bank balances	325,814	222,876
Time deposits with original maturity less than three months	680,730	685,248
	1,006,544	908,124

The notes on pages 9 to 26 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 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 25 August 2020.

2. Basis of Preparation

This interim financial report for the six months ended 30 June 2020 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 2019.

The financial information relating to the financial year ended 31 December 2019 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 2019 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 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of the changes in accounting policies are described below.

The HKICPA has issued a number of amendments to HKFRSs and HKASs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. Revenue and Segment Information

The management committee (being the chief operating decision-maker) has determined the operating segments based on the reports reviewed to make strategic decisions and assess performance. The management committee, comprising the executive chairman and other senior 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-maker.

Notes to the Unaudited Interim Financial Report (Continued)

4. Revenue and Segment Information (Continued)

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 income/(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 2020					
	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	653,964	201,087	99,939	143,715	–	1,098,705
Inter-segment sales	731	333	42,089	114,042	(157,195)	–
Total	654,695	201,420	142,028	257,757	(157,195)	1,098,705
Segment results	(29,380)	(5,282)	703	(4,905)	655	(38,209)
Interest income and other income						10,227
Corporate and unallocated expenses						(24,356)
Gain on disposal of property, plant and equipment (Note 5)						58,056
Operating profit						5,718
Finance costs						(1,968)
Share of profit and losses of associates						18
Profit before income tax						3,768
Income tax						(1,349)
Profit for the period						2,419

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 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)

(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	
	2020	2019
	HK\$'000	HK\$'000
Hong Kong	294,948	391,586
The PRC	308,750	448,257
Europe	208,580	229,525
United States of America	247,358	318,072
Other countries	39,069	48,855
	<u>1,098,705</u>	<u>1,436,295</u>

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 Income/(Loss)

The Group's revenue, other revenue and other net income/(loss) consist of the following:

	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
Revenue		
Sale of goods	<u>1,098,705</u>	<u>1,436,295</u>
Other revenue		
Interest income	9,825	12,872
Dividend income from financial investments	277	254
Government grants	18,806	7,450
Sales of scrap materials	1,262	2,465
Sundry income	<u>3,693</u>	<u>1,200</u>
	<u>33,863</u>	<u>24,241</u>
Other net income/(loss)		
Net foreign exchange loss	(12,507)	(6,682)
Fair value loss on derivative financial instruments not qualified as hedges	(230)	–
Fair value gain on financial assets carried at fair value through profit or loss	–	178
Gain/(loss) on disposal of property, plant and equipment, net*	57,083	(1,742)
Others	<u>1,000</u>	<u>617</u>
	<u>45,346</u>	<u>(7,629)</u>

* On 3 April 2020, the Group entered into certain land resumption agreements with Wangzhuang Residential District Office ("Wuxi Local Administration") of Wuxi City in Xinwu District of the People's Republic of China. For details of the transaction please refer to the circular of the Company dated 25 May 2020 and the announcements of the Company dated 6 April 2020, 17 April 2020, 29 April 2020 and 28 July 2020.

During the period ended 30 Jun 2020, the Group surrendered and vacated from part of its land and properties at Wuxi upon the site inspection carried out by Wuxi Local Administration, accordingly the Group realised a gain of HK\$58,056,000.

Notes to the Unaudited Interim Financial Report (Continued)

6. Finance Costs

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Interest on bank borrowings	1,766	2,043
Interest on lease liabilities	202	379
	<u>1,968</u>	<u>2,422</u>

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	
	2020	2019
	HK\$'000	HK\$'000
Depreciation		
– Owned property, plant and equipment	51,674	52,164
– Other properties leased for own use	6,672	6,361
– Land use rights	1,540	1,476
Amortisation of intangible assets	638	521
Employee benefit expense (including directors' emoluments)	294,439	380,687
Write-down of inventories, net	2,979	791
Loss allowance of trade and other receivables, net	<u>56,420</u>	<u>914</u>

Notes to the Unaudited Interim Financial Report (Continued)

8. Income Tax

	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
Current tax		
– Hong Kong Profits Tax	–	1,049
– People's Republic of China ("PRC") Income Tax	2,654	3,516
Total current tax	2,654	4,565
Deferred tax	(1,305)	(4,413)
Income tax	1,349	152

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries in Hong Kong have either sustained losses for tax purpose or their unused tax losses were sufficient to cover their estimated assessable profits for the period ended 30 June 2020. The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% of the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

PRC Income Tax represents PRC Corporate Income Tax calculated at 25% (2019: 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% (2019: 5%) of the dividend income from subsidiaries in the PRC.

Notes to the Unaudited Interim Financial Report (Continued)

9. Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$4,858,000 (2019: HK\$4,912,000) 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	
	2020	2019
Profit attributable to equity shareholders of the Company (HK\$'000)	4,858	4,912
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)	(7,414)	(13,064)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	900,451	894,801
Basic earnings per share (HK cents per share)	0.5	0.5

(b) Diluted earnings per share

The calculation of diluted earnings 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	
	2020	2019
Profit attributable to equity shareholders of the Company (HK\$'000)	4,858	4,912
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	900,451	894,801
Effect of dilutive potential ordinary shares in respect of own held shares for Share Award Scheme ('000)	5,934	7,271
Weighted average number of ordinary shares (diluted) at 30 June ('000)	906,385	902,072
Diluted earnings per share (HK cents per share)	0.5	0.5

Notes to the Unaudited Interim Financial Report (Continued)

10. Dividend

	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
Interim dividend of HK3 cents (2019: HK 3 cents) per ordinary share	27,236	27,236

11. Property, Plant and Equipment

	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Opening net book amount at 1 January 2020/2019	1,286,188	1,267,161
Additions	20,187	116,564
Transfer from deposits for acquisition of non-current assets	37,365	48,293
Disposals/write-off	(15,018)	(11,967)
Depreciation	(59,886)	(121,907)
Exchange differences	(10,156)	(11,956)
Closing net book amount at 30 June 2020/31 December 2019	1,258,680	1,286,188

12. Trade and Other Receivables

	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Trade receivable	684,699	794,951
Less: Loss allowance	(41,352)	(9,872)
	643,347	785,079
Trade receivable due from related parties	171	101
Total trade receivable, net	643,518	785,180
Bills receivable	3,453	11,573
Prepayments, deposits and other receivables	66,537	83,145
	713,508	879,898

Notes to the Unaudited Interim Financial Report (Continued)

12. Trade and Other Receivables (Continued)

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 2020 HK\$'000	31 December 2019 HK\$'000
1–30 days	254,479	300,744
31–60 days	157,515	161,661
61–90 days	103,336	119,248
Over 90 days	128,188	203,527
	<u>643,518</u>	<u>785,180</u>

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

13. Cash and Cash Equivalents

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Cash at banks and on hand	1,040,846	1,012,293
Less: time deposits with original maturity over three months	<u>(34,302)</u>	<u>(21,475)</u>
Cash and cash equivalents in the statement of cash flows	<u>1,006,544</u>	<u>990,818</u>

Notes to the Unaudited Interim Financial Report (Continued)

14. Trade and Other Payables

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Trade payable	139,521	159,252
Trade payable due to related parties	–	196
Total trade payable	139,521	159,448
Bills payable	15,886	11,889
Other payable and accrued liabilities	175,321	208,460
	330,728	379,797

At of 30 June 2020, the bills payable of HK\$15,880,000 (31 December 2019: HK\$11,210,000) are secured by the pledged time deposits of HK\$84,562,000 (31 December 2019: HK\$86,186,000).

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
1–30 days	97,122	122,595
31–60 days	23,168	26,077
61–90 days	6,656	2,321
Over 90 days	12,575	8,455
	139,521	159,448

15. Bank Borrowings

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Current		
Bank loans – guaranteed	104,845	87,901
Non-current		
Bank loans – guaranteed	21,500	46,000
	126,345	133,901

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

Notes to the Unaudited Interim Financial Report (Continued)

16. Receipt in Advance

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Receipt in advance	<u>108,366</u>	<u>–</u>

As at 30 Jun 2020, the amount represents a receipt in advance of HK\$108,366,000 (31 December 2019: HK\$nil) from Wuxi Local Administration in relation to the land resumption agreements (note 5).

17. Share Capital

	30 June 2020		31 December 2019	
	Number of shares	Share capital HK\$'000	Number of shares	Share capital HK\$'000
Ordinary shares, issued and fully paid	<u>907,864,974</u>	<u>1,652,854</u>	<u>907,864,974</u>	<u>1,652,854</u>

During the period ended 30 June 2020, 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	
	2020	2019
	HK\$'000	HK\$'000
Sales of raw materials or finished goods to:		
– A substantial shareholder	1,254	1,067
– Parties under control of a substantial shareholder	48	157
Purchases of raw materials from:		
– A substantial shareholder	–	153

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	
	2020	2019
	HK\$'000	HK\$'000
Short-term employment benefits (excluding discretionary bonus)	11,901	11,934
Discretionary bonus	5,101	4,997
Share-based payments	1,538	3,787
Post-employment benefits	416	370
	18,956	21,088

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 2020 HK\$'000	31 December 2019 HK\$'000
Contracted for, but not provided for	<u>21,220</u>	<u>28,100</u>

20. Contingent Liabilities

The Group issued guarantees to a former related party for its banking facilities and HK\$25,192,000 (31 December 2019: HK\$25,675,000) of the banking facilities was utilised as at 30 June 2020.

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.

The awarded shares are the existing shares, which are purchased on the Stock Exchange by the independent trustee, Law Debenture Trust (Asia) Limited (the "Trustee"), with funds provided by the Company. The maximum number of shares that can be purchased by the trustee under the Scheme is limited to 2% of the shares in issue of the Company as at 1 July 2018.

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. For awardees who cease employment with the Group before vesting, the unvested shares are forfeited. The forfeited shares are held by the trustee of the Scheme. A total of 5,806,010 shares (six months ended 30 June 2019: 5,144,540 shares) at an average fair value of HK\$9,958,000 (six months ended 30 June 2019: HK\$8,823,000) 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.

During the period ended 30 June 2020, no shares were granted to the participants (2019: nil).

Share-based payment of HK\$1,538,000 has been recognised in the consolidated income statement as employee benefit expense during the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$3,787,000).

Notes to the Unaudited Interim Financial Report (Continued)

21. Restricted Share Award Scheme (Continued)

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

	For the six months ended 30 June			
	2020		2019	
	Average fair value per share	Number of share awards	Average fair value per share	Number of share awards
Beginning balance		9,239,500		14,384,040
Vested	1.72	(5,806,010)	1.72	(5,144,540)
Ending balance		<u>3,433,490</u>		<u>9,239,500</u>

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

	Number of shares	
	2020	2019
Beginning balance at 1 January 2020/2019	9,264,414	14,408,954
Vesting of shares	<u>(5,806,010)</u>	<u>(5,144,540)</u>
Ending balance at 30 June 2020/31 December 2019	<u>3,458,404</u>	<u>9,264,414</u>

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 2020:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial investments:				
– Unlisted equity investments	–	–	34,304	34,304
– Listed equity investments	12,715	–	–	12,715
	<u>12,715</u>	<u>–</u>	<u>34,304</u>	<u>47,019</u>

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 values 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 2020:

	Unlisted equity investments HK\$'000
At 1 January	54,639
Change in fair value recognised in reserve	(20,000)
Exchange differences	(335)
	<hr/>
At 30 June	34,304
	<hr/>

Management Discussion and Analysis

Results and dividends

During a year that has evolved in ways that no one could have foreseen in both domestic and export markets, Hung Hing Printing Group increased net profit for the first six months of 2020 by 13% to HK\$2.4 million. Our ongoing investments in digital transformation and automation enabled us to maintain business continuity and quickly implement necessary operational changes to control costs. Innovation and diversified capabilities helped us strengthen relationships with business partners.

In April 2020, Hung Hing took advantage of a land resumption opportunity to relocate and transform our Wuxi plant. We entered into an agreement with the local government of Wuxi in China to surrender the existing land of the Wuxi plant in two phases, recognising in the first phase a one-off gain of HK\$58 million. This gain offset the impairment of receivables of HK\$56 million owed by a customer of the Group, kikki.K Pty Ltd ("kikki.K").

Business momentum has been hindered by US-China geographic tension and COVID-19 related disruption, leading to a revenue decline of 23.5% to HK\$1,099 million compared to 2019. However, our financial position, inclusive of cash and deposits, further strengthened to HK\$1,255 million (up 14.3% compared to the year ended 31 December 2019). Basic earnings per share was HK0.5 cents.

In line with our ongoing policy to maintain stable dividends and reward shareholders, the Board of Directors has announced an interim dividend of HK3 cents (2019: HK3 cents). This interim dividend also reflects the resilience of our business fundamentals and our strong financial position and cash flow. It is payable on 22 October 2020 to shareholders whose names appear in the Register of Members of the Company on 30 September 2020.

Consolidating underlying strengths for future market recovery

Hung Hing is not immune to the challenging socio-economic conditions that prevail throughout the world at this time. During the period under review, a number of strategies were put in place to weather the COVID-19 storm and prepare for the future. Our focus was to consolidate our numerous underlying strengths so that we are in the best possible position to respond swiftly when the market recovers. These include augmenting the capabilities of our diversified production base including our Heshan plant in China and Hanoi plant in Vietnam. On the basis of a strong financial position, we made investments in innovative technology areas that have already enabled us to penetrate into new market segments such as branded product packaging and promotional premiums. Our creative hub, Beluga, has launched a new range of reinforced paper novelty products such as handbags under the Papery brand and MASKfolio holders for facemasks.

Management Discussion and Analysis (Continued)

We have continued to enhance our manufacturing infrastructure and increase automation, streamlining operating and manpower costs significantly. In response to evolving customer needs during the period, we acquired new capabilities and redesigned workflows to support new product lines like paper-based promotional premiums that require innovative design, short turnaround times and exceptional engineering capabilities.

Well established working processes and rigorous governance have been extremely helpful in allowing us to uphold a culture of safety and caring. We have implemented social distancing and sanitising measures in alignment with customers' requirements and government guidelines and I am happy to report that we were able to run uninterrupted operations with no infections recorded during the period under review.

Business performance

Lockdowns due to the COVID-19 pandemic in key export markets such as the U.S., U.K. and European countries, closure of key import-export logistical infrastructure like warehouses and container terminals, and conservative order placement trends led to a business slowdown that affected most of our business units.

Book and Package Printing (BPP), our largest business unit, was also affected by political and trade uncertainty, resulting in a revenue decline of 23% to HK\$654 million during the period. Business began to see stability in the second quarter, with gradual improvements in June and July. The sophisticated design and engineering capabilities driven by the Beluga creative hub helped the business pivot into new areas such as special projects and new branded goods which show strong potential going forward. Thanks to these new revenues and stringent control of operating expenses, underlying profit contribution improved to HK\$27 million, if the impact of impairment of receivables owed by kikki.K is excluded.

We continued with our efforts to realign our manufacturing setup to optimise our efficiency and position us better for the new normal that will emerge post-pandemic. The Heshan upgrade project progressed smoothly, delivering increased versatility to take on expansion into new business segments. Installation of state-of-the-art machinery at our strategically important, new 35,000 sq.m. printing and packaging manufacturing facility in Hanoi, Vietnam, continued despite being affected by delays due to lockdowns.

On the marketing front, we continued to invest new resources into expanding our pan European businesses as well as our domestic China business. Whilst the US still remains our largest market, initiatives are being taken to move some projects to the Vietnam facility to better serve customers in the region.

The Consumer Products Packaging (CPP) business was able to stabilise revenue decline and succeeded in cutting losses by 55% compared to 2019 to HK\$5.3 million. The business unit recalibrated its operations to control costs, and also benefited from certain waivers and subsidies offered by the government to support business during this difficult period. The Group is in the process of securing a suitable piece of land to relocate its factory in Wuxi, planning ahead with a long-term relocation strategy over a 2 to 3 year timeframe to ensure uninterrupted and seamless operations.

Management Discussion and Analysis (Continued)

Revenues and profitability of the Corrugated Box (CB) business were affected by the decline in demand caused by the pandemic. Paper prices were soft, reflecting the challenges faced by the entire sector in tandem with the economic downturn. The CB business focussed on maintaining cost controls during the period while successfully completing the integration of Guangdong Lianhe Packaging Co., Ltd. into the Group's operations.

The Paper Trading (PT) unit plays a strategic role in supplying paper to the other business units of the Group. PT was able to take advantage of industry consolidation triggered by weak demand and soft paper prices during the period. In tandem with diminished sales experienced by the Group's other units, PT recorded a drop of 50% in inter-segment sales, while external sales decreased by 15%. The asset-light operating model adopted in previous years stood the business in good stead in facing the current market challenges. The focus was on prudent inventory management and using available paper inventory to control costs.

Liquidity and Capital Resources

During the period under review we maintained our customary prudent cash management approach, with a healthy cash position to address uncertainty in the business environment, and a diversified funding base. As of 30 June 2020, the Group had net cash on hand (total cash net of bank borrowings) of HK\$999 million to support our working capital requirements, capital expenditure and investment needs.

On 30 June 2020, the Group had total cash on hand of HK\$1,125 million (excluding HK\$130 million structured deposits), of which 59% 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. 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\$9.8 million, approximately HK\$3 million less than the same period last year due to adjusted deposit yield and terms of deposits.

Our strong financial reputation has enabled us to have a number of options available with respect to debt finance. As of 30 June 2020, the Group had total bank borrowings of HK\$126 million. Our gearing ratio, comparing total bank borrowings with total equity, remained low and healthy at 3.9%. Based on agreed loan repayment schedules with banks, HK\$105 million is repayable within one year and HK\$21 million within 1-2 years.

Of the Group's total bank borrowings, 75% is in HK Dollars, consisting of term loans with banks at fixed interest rates, and the remaining 25% comprises trade loans in US Dollars. During the period, the Group secured trade loan facilities at competitive terms and advantageous interest rate at LIBOR plus a relatively low spread, to address both immediate and longer-term operating needs. Total interest costs were at similar levels to last year at HK\$2 million.

During the period under review, the Group recorded over HK\$36 million in capital expenditure and committed an additional HK\$10 million to acquire new printing technology and machinery, implement automation and efficiency enhancement projects, and to construct/upgrade plants and facilities.

Management Discussion and Analysis (Continued)

Contingent Liabilities and Pledge of Assets

As at 30 June 2020, the Group has provided corporate guarantees to the extent of HK\$25 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\$85 million as at 30 June 2020 have been pledged to secure banking facilities granted to the Group.

Environmental Sustainability

We aim to follow sustainable methods to minimise waste and reduce our environmental impact in product design, process design and manufacturing. Our operating practices are designed to maximise resource efficiency and we are constantly seeking ways to protect the environment through everything that we can do.

In the first half of 2020, the 200 kWp solar panels installed at our Hong Kong headquarters generated 112,000 kWh of electricity, exceeding projected output by 15%. We also completed the installation of an additional 326 kWp of photovoltaic panels, bringing total solar energy capacity to 526 kWp. The power generated by these panels will enable us to offset 282 tons of carbon emissions each year, while also yielding some economic benefits. We are presently awaiting approval to connect the additional capacity to the power grid.

In the first six months of 2020, the Group's electricity consumption across Hong Kong, China and Vietnam reduced to 25,868 MWh (1H 2019: 31,882 MWh). Water consumption reduced to 522,781 m³ (1H 2019: 547,661 m³). Over 94% of our solid waste was recycled, comprising 16,835 tons of waste paper (1H 2019: 21,296 tons), 179 tons of plastic (1H 2019: 291 tons) and 59 tons of metal (1H 2019: 152 tons). All kitchen waste in our China facilities are collected and recycled for use as biodiesel, biogas or animal feed.

Over 94% 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 20,349 tons (1H 2019: 26,124 tons) of FSCTM paper, 929 tons (1H 2019: 2,304 tons) of PEFC and 38,120 tons (1H 2019: 53,982 tons) of paper with high recycled content.

Our People

As at 30 June 2020, Hung Hing has a workforce of 6,720 employees (30 June 2019: 9,417 employees) at our Hong Kong headquarters, facilities in five locations in China and a plant in Vietnam. In adherence to the Group's overall values and mission, we believe in respect, teamwork, and equal opportunities for all when it comes to our workforce. Through competitive remuneration, skills development through training, and investment in employee well-being, we aim to offer a supportive environment and become the employer of choice in our area of operation.

In tandem with the realignment of our production processes and the installation of new equipment and process flow, we provided comprehensive training to employees. Over 33,000 hours of training (1H 2019: 123,769 hours) were provided to 11,000 attendees (1H 2019: 43,895 attendees) in the six months.

Management Discussion and Analysis (Continued)

Workplace health and safety in particular was a major focus for us during the six months under review. We run a regular training, inspection and safety campaign to attain our accident-free goal. The Group's total incident rate remained low at 0.34 (1H 2019: 0.25) during the six months, with our Vietnam facility reporting zero incidents.

Sanitizing and social distancing measures to combat the COVID-19 pandemic in alignment with all government requirements were our top priority. Everyone entering our premises in China, Hong Kong and Vietnam underwent a body temperature check and had to wear a face mask. We provided masks to employees in all our facilities in mainland China: masks were worn on all shop floors. Canteen tables were partitioned to enable social distancing when people were eating. Hand sanitizers were provided throughout our facilities to ensure ease of access. Thanks to these measures, no COVID-19 cases were reported across all the Group's facilities during the period under review.

Outlook

Today, the ongoing debate is over the shape of the recovery post-pandemic. There is limited visibility or certainty on the speed or extent of economic recovery in global markets. We are cautiously confident but not complacent for a post-COVID world: progressing on the premise that short-term pains will persist and 2020 will be about increased industry consolidation and an emphasis on achieving cost efficiencies.

Beyond the pandemic, the printing and manufacturing sector's transformation will continue – and those that succeed will need to be agile, innovative and able to pivot to address changing client requirements to overcome short-term market impacts. As we celebrate our 70th anniversary in this new reality, our core strengths such as economies of scale, service quality excellence, enduring customer support, world-leading capabilities, and strong financial position place us in an advantageous position to grow over the long term.

Our strategy is to uphold financial discipline and integrity even as we build on our strengths and enhance our capabilities so that we can react swiftly when the market recovers. Our top priorities in this regard will be completing the land resumption at Wuxi and finalising a suitable new location for the plant in the second half. We will also continue to upgrade the Heshan plant and scale up the production capabilities of the Vietnam facility.

My heartfelt thanks to our management and dedicated staff whose efforts even in these challenging times underpin all our efforts.

Information Provided in Accordance with the Listing Rules

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK3 cents (2019: HK3 cents) per share. The interim dividend will be paid on 22 October 2020 to shareholders whose names appear on the Register of Members of the Company on 30 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 25 September 2020 to 30 September 2020, 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 24 September 2020.

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 2020, 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	Share award scheme	Total	
Yum Chak Ming, Matthew	48,649,400	–	1,322,940	49,972,340	5.50
Sung Chee Keung	2,817,544	60,000	259,210	3,136,754	0.35
Yap, Alfred Donald	27,504	–	–	27,504	–

Save as disclosed above, as at 30 June 2020, 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 2020, 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 2020. 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 2020, 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.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the interim results for the six months ended 30 June 2020 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, 25 August 2020

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