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HUNG HING PRINTING GROUP LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 450)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 as follows:

CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Revenue	2	1,501,029	1,098,705
Cost of sales		(1,289,281)	(926,664)
Gross profit		211,748	172,041
Other revenue		27,320	33,863
Other net gain		15,508	45,346
Distribution costs		(36,781)	(26,265)
Administrative and selling expenses		(171,331)	(219,267)
Operating profit		46,464	5,718
Finance costs	3	(1,215)	(1,968)
Share of profits of associates		1,139	18
Profit before income tax	4	46,388	3,768
Income tax	5	(9,708)	(1,349)
Profit for the period		36,680	2,419
Attributable to:			
Equity shareholders of the Company		36,417	4,858
Non-controlling interests		263	(2,439)
Profit for the period		36,680	2,419

		HK cents	HK cents
Earnings per share attributable to equity shareholders of the Company	6		
Basic		<u>4.0</u>	<u>0.5</u>
Diluted		<u>4.0</u>	<u>0.5</u>
		HK\$'000	HK\$'000
Dividend	7	<u>36,315</u>	<u>27,236</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Profit for the period	<u>36,680</u>	<u>2,419</u>
Other comprehensive income for the period (net of tax):		
<i>Items 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)	(1,367)	(21,320)
<i>Items 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	<u>10,287</u>	<u>(17,557)</u>
	<u>8,920</u>	<u>(38,877)</u>
Total comprehensive income for the period	<u>45,600</u>	<u>(36,458)</u>
Attributable to:		
Equity shareholders of the Company	43,691	(31,379)
Non-controlling interests	1,909	(5,079)
Total comprehensive income for the period	<u>45,600</u>	<u>(36,458)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		1,336,577	1,344,612
Intangible assets		13,578	13,045
Deposits for acquisition of non-current assets		55,382	26,640
Interest in associates		23,812	21,680
Financial investments		50,850	51,998
Deferred tax assets		18,906	18,836
		1,499,105	1,476,811
Current assets			
Inventories		828,208	464,085
Trade and other receivables	8	1,003,302	840,369
Pledged time deposits		246	244
Structured bank deposits		375,149	449,750
Cash and cash equivalents	9	645,367	908,794
Income tax recoverable		575	-
		2,852,847	2,663,242
Current liabilities			
Trade and other payables	10	619,074	434,698
Bank borrowings		96,807	120,847
Lease liabilities		12,276	6,350
Income tax payable		8,003	15,657
		736,160	577,552
Net current assets		2,116,687	2,085,690
Total assets less current liabilities		3,615,792	3,562,501
Non-current liabilities			
Bank borrowings		25,899	-
Lease liabilities		2,612	3,212
Receipt in advance	11	143,205	80,898
Deferred income	11	53,459	36,662
Deferred tax liabilities		55,164	53,721
		280,339	174,493
Net assets		3,335,453	3,388,008

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Capital and reserves		
Share capital	1,652,854	1,652,854
Reserves	1,531,520	1,584,892
Total equity attributable to equity shareholders of the Company	3,184,374	3,237,746
Non-controlling interests	151,079	150,262
Total equity	3,335,453	3,388,008

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from:		
Operating activities	(258,439)	87,508
Investing activities	97,922	10,596
Financing activities	(105,589)	(80,457)
Net (decrease)/increase in cash and cash equivalents	(266,106)	17,647
Cash and cash equivalents at 1 January	878,710	990,818
Effect of foreign exchange rate changes	2,715	(1,921)
Cash and cash equivalents at 30 June	615,319	1,006,544
Analysis of balances of cash and cash equivalents		
Cash and bank balances	268,370	325,814
Time deposits with original maturity less than three months	346,949	680,730
	615,319	1,006,544

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Basis of Preparation and Accounting Policies

This interim financial report for the six months ended 30 June 2021 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 of Hong Kong Limited (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 value and which should be read in conjunction with the annual financial statements for the year ended 31 December 2020.

The financial information relating to the financial year ended 31 December 2020 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 2020 to the Registrar of Companies in accordance with 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.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards that are first effective for the current accounting period of the Group. None of these 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 the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. 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.

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 gain 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 an arm's length basis.

	For the six months ended 30 June 2021			Segment
	Segment Revenue			Results
	Sales to external customers	Inter- segment sales	Total	
	(Unaudited) HK'\$000	(Unaudited) HK'\$000	(Unaudited) HK'\$000	(Unaudited) HK'\$000
Book and Package Printing	876,785	86	876,871	27,661
Consumer Product Packaging	251,272	3,709	254,981	(455)
Corrugated Box	125,011	78,433	203,444	4,891
Paper Trading	247,961	331,741	579,702	28,179
Eliminations	-	(413,969)	(413,969)	(7,793)
	<u>1,501,029</u>	<u>-</u>	<u>1,501,029</u>	<u>52,483</u>
Interest income and other income				16,020
Corporate and unallocated expenses				<u>(22,039)</u>
Operating profit				46,464
Finance costs				(1,215)
Share of profits of associates				1,139
Profit before income tax				<u>46,388</u>
Income tax				<u>(9,708)</u>
Profit for the period				<u>36,680</u>

For the six months ended 30 June 2020

	Segment Revenue			Segment
	Sales to	Inter-	Total	Results
	external	segment		(Unaudited)
	customers	sales	(Unaudited)	(Unaudited)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'\$000	HK'\$000	HK'\$000	HK'\$000
Book and Package Printing	653,964	731	654,695	(29,380)
Consumer Product Packaging	201,087	333	201,420	(5,282)
Corrugated Box	99,939	42,089	142,028	703
Paper Trading	143,715	114,042	257,757	(4,905)
Eliminations	-	(157,195)	(157,195)	655
	<u>1,098,705</u>	<u>-</u>	<u>1,098,705</u>	<u>(38,209)</u>
Interest income and other income				10,227
Corporate and unallocated expenses				(24,356)
Gain on disposal of property, plant and equipment (Note 4)				58,056
Operating profit				<u>5,718</u>
Finance costs				(1,968)
Share of profits of associates				18
Profit before income tax				<u>3,768</u>
Income tax				(1,349)
Profit for the period				<u><u>2,419</u></u>

3. Finance Costs

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK'\$000	HK'\$000
Interest on bank borrowings	1,031	1,766
Interest on lease liabilities	184	202
	<u>1,215</u>	<u>1,968</u>

4. Profit Before Income Tax

The Group's profit before income tax is arrived at after charging or crediting the following items:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
After charging -		
Depreciation		
- Owned property, plant and equipment	53,916	51,674
- Other assets leased for own use	6,150	6,672
- Land use rights	1,980	1,540
Amortisation of intangible assets	1,357	638
Loss on disposal of property, plant and equipment	1,794	-
Loss allowance of trade and other receivables, net	243	56,420
Employee benefits expense (including directors' emoluments)	354,320	294,439
Write-down of inventories, net	-	2,979
Fair value loss on derivative financial instruments		
not qualified as hedges	-	230
Net foreign exchange loss	-	12,507
	_____	_____
After crediting -		
Interest income	4,184	9,825
Dividend income from financial investments	277	277
Government grants	11,275	18,806
Gain on disposal of property, plant and equipment, net*	-	57,083
Reversal of write-down of inventories, net	882	-
Fair value gain on derivative financial instruments		
not qualified as hedges	5,837	-
Fair value gain on structured bank deposits	6,758	1,000
Net foreign exchange gain	4,707	-
	_____	_____

* During the period ended 30 June 2020, the Group surrendered and vacated from part of its land and properties at Wuxi for the land resumption and realised a gain of HK\$58,056,000.

5. Income Tax

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
- Hong Kong Profits Tax	130	-
- People's Republic of China ("PRC") Income Tax	8,683	2,654
Total current tax	8,813	2,654
Deferred tax	895	(1,305)
Income tax	9,708	1,349

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made for 2020 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.

Hung Hing Printing (China) Company Limited ("HHCN"), an indirect wholly owned subsidiary of the Company, was certified as a High-New Technology Enterprise in 2020. The effective PRC Corporate Income Tax ("CIT") for 2020 and 2021 was subject to a reduced tax rate of 15%. For PRC entities other than HHCN, PRC Income Tax represents CIT calculated at 25% (2020: 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% (2020: 5%) of the dividend income from subsidiaries in the PRC.

6. 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\$36,417,000 (2020: HK\$4,858,000) 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	
	2021	2020
	(Unaudited)	(Unaudited)
Profit attributable to equity shareholders of the Company (HK\$'000)	36,417	4,858
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)	(4,115)	(7,414)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	903,750	900,451
Basic earnings per share (HK cents per share)	4.0	0.5

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$36,417,000 (2020: HK\$4,858,000) and the weighted average number of ordinary shares of 906,738,000 shares (2020: 906,385,000 shares).

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Profit attributable to equity shareholders of the Company (HK\$'000)	36,417	4,858
Weighted average number of ordinary shares in issue ('000)	903,750	900,451
Effect of deemed issue of shares under the Company's Share Award Scheme ('000)	2,988	5,934
Weighted average number of ordinary shares (diluted) at 30 June ('000)	906,738	906,385
Diluted earnings per share (HK cents per share)	4.0	0.5

7. Dividend

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK4 cents (2020: HK3 cents) per ordinary share	36,315	27,236

8. Trade and Other Receivables

	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivable	846,010	767,023
Less: Loss allowance	(11,782)	(9,545)
	834,228	757,478
Trade receivable due from related parties	236	-
Total trade receivable, net	834,464	757,478
Bills receivable	5,970	4,986
Prepayment, deposits and other receivables	162,868	77,905
	1,003,302	840,369

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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
1 - 30 days	424,500	282,687
31 - 60 days	153,437	189,927
61 - 90 days	134,212	122,414
Over 90 days	122,315	162,450
	<u>834,464</u>	<u>757,478</u>

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

9. Cash and Cash Equivalents

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Cash at banks and on hand	645,367	908,794
Less: time deposits with original maturity over three months	(30,048)	(30,084)
Cash and cash equivalents in statement of cash flows	<u>615,319</u>	<u>878,710</u>

10. Trade and Other Payables

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade payable	358,633	187,309
Trade payable due to related parties	3,005	193
Total trade payable	<u>361,638</u>	<u>187,502</u>
Bills payable	27,780	14,715
Other payable and accrued liabilities	229,656	232,481
	<u>619,074</u>	<u>434,698</u>

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
1 - 30 days	283,016	147,541
31 - 60 days	63,281	27,419
61 - 90 days	10,130	4,942
Over 90 days	5,211	7,600
	<u>361,638</u>	<u>187,502</u>

11. Receipt In Advance and Deferred Income

As at 30 June 2021, receipt in advance of HK\$143,205,000 (31 December 2020: HK\$80,898,000) and deferred income of HK\$53,459,000 (31 December 2020: HK\$36,662,000) represented receipts from Wuxi Local Administration in relation to the Group's land and properties at Wuxi to be surrendered to Wuxi Local Administration and compensation of the relocation expenses to be incurred for the land resumption, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and dividends

Our Interim Report 2021 reflects a six-month period during which our agile operating model and vertically integrated operations enabled the Hung Hing Printing Group to face challenging business circumstances with confidence. Continued market strengthening, combined with our solid execution, resulted in a substantial growth in sales across both domestic and export markets. As a result, we increased revenues for the first six months of 2021 by 37% to HK\$1,501 million compared to the same period in 2020.

Around the world, the continuing impact of the COVID-19 pandemic put global logistics in flux – triggering logistical delays, paper supply and price fluctuations, labour shortages, and variations in order timelines. At the same time, global economies began to return towards growth even though geopolitical tensions remained. Through these unpredictable circumstances, we were able to achieve significant commercial momentum because of our strategic investments in agility underpinned by innovation and staying power. The abilities and contributions of a strong, collaborative culture nurtured by the management executive team, and the benefits from our transformation initiatives in previous years also drove our performance.

Profit attributable to equity shareholders of the Company increased more than six-fold to over HK\$36 million, compared to HK\$5 million recorded in the same period in 2020. These noteworthy results are mainly attributable to robust export revenue growth which increased to higher than pre-COVID-19 levels, favourable exchange rates and forward hedging performance. A very strong contribution was also recorded from the paper trading business segment, which grew considerably in light of exceptional paper market conditions and provided strong sourcing support to the Group.

The Board of Directors has announced an increase of 33% of interim dividend to HK4 cents (2020: HK3 cents). This interim dividend reflects our strong results, financial position and cash flow, and is in accordance with our dividend policy of maximising shareholder returns whenever business performance allows. It is payable on 21 October 2021 to shareholders whose names appear in the Register of Members of the Company on 29 September 2021.

Enhanced capacity and state-of-the-art capabilities

Despite geo-political tensions, the past six months have demonstrated the vital role that China and Asia play in the global supply chain network. With this in mind, the Group continued to expand and innovate. We are increasing capacity and investing in Industry 4.0 manufacturing processes at our Heshan, Wuxi and Vietnam plants in particular. These strategic moves have given us state-of-the-art capabilities including effective management of complex processes and sophisticated manufacturing knowhow.

We have also diversified and developed our consumer-facing paper-related businesses, including MASKfolio facemask holders launched under our Papery brand of premium and sustainable lifestyle paper products. Our experiential learning platform for young learners, Yum Me Play, offered high-quality user experiences via learning giftsets incorporating books, paper toys designed by our Beluga design hub, and interactive games. We also offered online education resources under the STEM Plus brand.

Business performance

After a period of upheaval caused by ongoing uncertainties related to US / China trade relations, key export customers are returning to Hung Hing as a reliable and valued partner, creating a robust sales pipeline. Unpredictable, steep and repeated increases in paper prices posed challenges to the whole sector, which our vertically-integrated operations and prudent inventory policies helped to shield us from. Our extensive and scalable warehousing facilities also enabled us to effectively manage abrupt increases in orders during the period despite logistical disruptions.

Book and Package Printing (BPP), our largest business unit, benefited from a return in consumer confidence in export markets to improve sales by 34% to HK\$877 million. It overcame a range of factors affecting cost of sales and the one-off impact of a receivables write-off done in 2020 to deliver a profit of HK\$28 million compared to a loss of HK\$29 million in the first half of last year. Our Vietnam and Heshan plants continue to expand with added workforce and new capacity, supporting other plants in managing order spikes and serving customers with value-added solutions.

The Consumer Products Packaging (CPP) business took advantage of a relatively stable mainland China economy to grow external sales by 25% to HK\$251 million. During the period, the business unit recovered over HK\$4 million in debt and compensation from a customer that went bankrupt in the past, and received government incentives for investment in advanced technologies. These partially helped CPP to overcome the impact of paper price increases and reduced losses to HK\$0.5 million compared to a loss of HK\$5 million during the same period last year. The Wuxi plant effectively supported the business unit's strategies while making good progress with relocation. All key procedures related to land purchase and planning have been completed and construction of the new hi-tech facility is set to commence imminently.

The Corrugated Box (CB) business also benefited from improved demand in the domestic market, and drove growth in revenues and profits alongside increases in paper prices. External sales increased by 25% to HK\$125 million; while profit increased to HK\$4.9 million from HK\$0.7 million during the period. The successful integration with Guangdong Lianhe Packaging Co., Ltd. also contributed to synergy within the division.

The Paper Trading (PT) division took advantage of paper price increases and industry consolidation to broaden the customer base and increase external sales significantly by 73% to HK\$248 million. The Group's strategy of pursuing prudent inventory practices for effective hedging and assurance of essential stock availability enabled us to increase profit to HK\$28 million from a loss of HK\$4.9 million during the same period last year. PT plays a key role in the Group's vertically integrated strategy by supplying paper to other business units of the Group: thanks to increased sales by BPP and CPP, the division increased inter-segment sales to HK\$332 million.

Liquidity and Capital Resources

During the period under review we adhered to our prudent cash management approach, maintaining a diversified funding base and a healthy liquidity position to address uncertainty in the business environment. As of 30 June 2021, the Group had total cash on hand of HK\$646 million (HK\$1,021 million if HK\$375 million placed in structured deposits is included) and net cash on hand (total cash net of bank borrowings) of HK\$523 million to support working capital requirements, capital expenditure and investment needs.

Out of the total cash on hand, 79% 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 maximise interest income at the same time.

Total interest income during the period was HK\$4.2 million, approximately HK\$5.6 million less than the same period last year due to market changes affecting deposit yield and terms of deposits. This was more than compensated for by higher returns (HK\$6.8 million, an increase of HK\$5.8 million) during the period, driven by an increase in structured deposits in our portfolio.

Our strong financial reputation has enabled us to access a range of advantageous options with respect to debt finance. As of 30 June 2021, the Group had total bank borrowings of HK\$123 million. Our gearing ratio, comparing total bank borrowings with total equity, remained low and healthy at 3.7%. Based on agreed loan repayment schedules with banks, HK\$97 million is repayable within one year, HK\$7 million within 1-2 years and HK\$19 million within 2-5 years.

Of the Group's total bank borrowings, 17.5% is in HK dollars, consisting of term loans with bank at fixed interest rates, and the remaining 82.5% comprises trade and fixed-rate loans in US dollars. During the period, the Group secured trade loan facilities at competitive terms and advantageous interest rates at LIBOR plus a relatively low spread to address both immediate and longer-term operating needs. Total interest costs reduced by 38% to HK\$1.2 million compared to the same period last year.

During the period under review, the Group recorded over HK\$69 million in capital expenditure and committed an additional HK\$110 million to acquire new printing technology and machinery, implement automation and efficiency enhancement projects, and to construct / upgrade plants and facilities.

Contingent Liabilities and Pledge of Assets

As at 30 June 2021, the Group has provided corporate guarantees to the extent of HK\$28 million to secure the banking facilities of a former related company of the Company governed by shareholders' agreement.

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 2021, the 526kWp solar power system at our Hong Kong headquarters generated 307,206 kWh of electricity, fulfilling 35% of the electricity needs of our headquarters during the period, offsetting about 113 tons of carbon emissions.

The Group's electricity consumption across Hong Kong, China and Vietnam increased 8.4% to 28,048 MWh (1H 2020: 25,868 MWh) while revenues increased 37%. Water consumption reduced to 489,160 m³ (1H 2020: 522,781 m³). Production waste recycling increased from 94% in first half of 2020 to 97%. Recycled materials comprised 20,761 tons of waste paper (1H 2020: 16,835 tons), 136 tons of plastic (1H 2020: 179 tons) and 35 tons of metal (1H 2020: 59 tons). Total non-recyclable waste in the period was 559 tons (1H 2020: 1,076 tons).

Over 73% 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 30,095 tons (1H 2020: 20,349 tons) of FSCTM paper, 889 tons (1H 2020: 929 tons) of PEFC and 38,983 tons (1H 2020: 38,120 tons) of paper with high recycled content.

Our People

As at 30 June 2021, to address increased production activities, Hung Hing has a workforce of 8,111 employees (30 June 2020: 6,720 employees) spread across 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, equal opportunities and inclusion 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.

We provided comprehensive training to employees on using advanced machinery and in lean and automated production techniques. During the COVID-19 pandemic, we also increased workplace health and safety training provision. Over 121,310 hours of training (1H 2020: 33,000 hours) were provided to 44,307 attendees (1H 2020: 11,000 attendees) in the six months.

During the six months under review, the Group health and safety performance has improved by 24% with incident rate declining to 0.26 (1H 2020: 0.34).

Since the start of pandemic, all our sites have remained on high alert and undertaken stringent sanitising and social distancing measures. Thanks to these measures, no COVID-19 cases were reported across all the Group's facilities during the period under review.

Outlook

We enter the second half of the year with conservative optimism, underpinned by a solid order book and comfortable inventory position, while closely monitoring market developments. We are optimistic of a continued strengthening in consumer confidence and looking forward to improved operating conditions in the second half of the year, characterised by more reasonable paper and shipping costs.

Our investments in innovation and new capabilities have enabled us to take advantage of industry consolidation and given us the agility to respond to fast-moving industry developments. We will continue to develop these areas as appropriate across all our facilities. In the meantime, we are expanding our addressable market by getting closer to the consumers through joint direct marketing activities with major brands. For example, a collaboration with Mercedes-Benz and K11 will see us host the Junior Racing Academy, Hong Kong's first user-experience oriented, state-of-the-art STEM learning platform for young aspiring car racers and engineers under the Yum Me Play umbrella, in the second half of 2021.

Steady growth in the mainland China economy, combined with greater integration between Hong Kong and China presents substantial business opportunities for the Group in the Greater Bay Area. We will leverage our extensive and well-established infrastructure and resources in the region to seek further avenues for development.

We have built a strong team of proven leaders and skilled workers that enable us to ensure high-quality execution as we continue to evolve our business to serve the needs of a new era. In closing, I extend my heartfelt thanks to this team whose efforts underpin all our achievements.

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK4 cents (2020 : HK3 cents) per share. The interim dividend will be paid on 21 October 2021 to shareholders whose names appear on the Register of Members of the Company on 29 September 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 24 September 2021 to 29 September 2021, 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 23 September 2021.

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, except that the trustee of the Restricted Share Award Scheme, pursuant to the terms of the rules and trust deed of the Restricted Share Award Scheme, purchased on the Stock Exchange a total of 6,316,000 shares of the Company at a total consideration of HK\$8,674,000.

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 2021 and the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters. The audit committee comprises 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, 24 August 2021

As at the date of this announcement, the Board comprises Mr. Yum Chak Ming, Matthew and Mr. Sung Chee Keung as executive directors; Mr. Hirofumi Hori, Mr. Masashi Nakashima, Ms. Aki Tsuge and Mr. Yam Hon Ming, Tommy as non-executive directors; Mr. Yap, Alfred Donald, Mr. Luk Koon Hoo and Mr. Lo Chi Hong as independent non-executive directors.