

2021 INTERIM REPORT 中期報告

STOCK CODE 股份代號: 0450



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

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Corporate Information

EXECUTIVE DIRECTORS

Yum Chak Ming, Matthew, Executive Chairman
Sung Chee Keung

NON-EXECUTIVE DIRECTORS

Masashi Nakashima
Hirofumi Hori
Aki Tsuge
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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Tel: (852) 2664 8682
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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 2021 as follows:

Consolidated Income Statement

	Note	For the six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	5	1,501,029	1,098,705
Cost of sales	6	(1,289,281)	(926,664)
Gross profit		211,748	172,041
Other revenue	5	27,320	33,863
Other net gain	5	15,508	45,346
Distribution costs		(36,781)	(26,265)
Administrative and selling expenses	6	(171,331)	(219,267)
Operating profit		46,464	5,718
Finance costs	7	(1,215)	(1,968)
Share of profits of associates		1,139	18
Profit before income tax		46,388	3,768
Income tax	8	(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	9		
Basic		4.0	0.5
Diluted		4.0	0.5
		HK\$'000	HK\$'000
Dividend	10	36,315	27,236

The notes on pages 9 to 25 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

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

The notes on pages 9 to 25 form part of this interim financial report.

Consolidated Statement of Financial Position

	Note	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	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
		<u>1,499,105</u>	<u>1,476,811</u>
Current assets			
Inventories		828,208	464,085
Trade and other receivables	12	1,003,302	840,369
Pledged time deposits		246	244
Structured bank deposits		375,149	449,750
Cash and cash equivalents	13	645,367	908,794
Income tax recoverable		575	–
		<u>2,852,847</u>	<u>2,663,242</u>
Current liabilities			
Trade and other payables	14	619,074	434,698
Bank borrowings	15	96,807	120,847
Lease liabilities		12,276	6,350
Income tax payable		8,003	15,657
		<u>736,160</u>	<u>577,552</u>
Net current assets		<u>2,116,687</u>	<u>2,085,690</u>
Total assets less current liabilities		<u>3,615,792</u>	<u>3,562,501</u>

Consolidated Statement of Financial Position (Continued)

	Note	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Non-current liabilities			
Bank borrowings	15	25,899	–
Lease liabilities		2,612	3,212
Receipt in advance	16	143,205	80,898
Deferred income	16	53,459	36,662
Deferred tax liabilities		55,164	53,721
		<u>280,339</u>	<u>174,493</u>
NET ASSETS		<u>3,335,453</u>	<u>3,388,008</u>
CAPITAL AND RESERVES			
Share capital	17	1,652,854	1,652,854
Reserves		1,531,520	1,584,892
Total equity attributable to equity shareholders of the Company		<u>3,184,374</u>	<u>3,237,746</u>
Non-controlling interests		<u>151,079</u>	<u>150,262</u>
TOTAL EQUITY		<u>3,335,453</u>	<u>3,388,008</u>

The notes on pages 9 to 25 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 (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 (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 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

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2021 (Unaudited)

	Attributable to equity shareholders of the Company											
	Note	Share capital	Other capital reserves	Intangible assets revaluation reserve	Financial assets at FVOCI (non-recycling) reserve	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 2021		1,652,854	(6,745)	7,100	(32,925)	148,456	99,221	4,863	1,364,922	3,237,746	150,262	3,388,008
Changes in equity for the period												
Profit for the period		-	-	-	-	-	-	-	36,417	36,417	263	36,680
Other comprehensive income, net of tax		-	-	-	(1,367)	-	8,641	-	-	7,274	1,646	8,920
Total comprehensive income		-	-	-	(1,367)	-	8,641	-	36,417	43,691	1,909	45,600
Dividends approved in respect of previous year		-	-	-	-	-	-	-	(90,786)	(90,786)	-	(90,786)
Transactions with non-controlling interests		-	-	-	-	-	-	-	-	-	(1,092)	(1,092)
Purchase of shares for share award scheme	21	-	(8,674)	-	-	-	-	-	-	(8,674)	-	(8,674)
Equity compensation expenses	21	-	-	-	-	-	-	2,397	-	2,397	-	2,397
Shares vested and allotted under share award scheme	21	-	4,580	-	-	-	-	(4,580)	-	-	-	-
Transfer of reserve (Note (i))		-	-	-	57,600	-	-	-	(57,600)	-	-	-
Allocation to legal reserve		-	-	-	-	71	-	-	(71)	-	-	-
Total transactions with equity shareholders, recognised directly in equity		-	(4,094)	-	57,600	71	-	(2,183)	(148,457)	(97,063)	(1,092)	(98,155)
Balance at 30 June 2021		1,652,854	(10,839)	7,100	23,308	148,527	107,862	2,680	1,252,882	3,184,374	151,079	3,335,453

Note:

- (i) The fair value changes previously recognised for an equity investment at FVOCI was transferred to retained earnings upon completion of liquidation of the relevant company during the period.

The notes on pages 9 to 25 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

	For the six months ended	
	30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Operating activities		
Cash (used in)/generated from operations	(241,397)	105,914
Income tax paid	(17,042)	(18,406)
Net cash (used in)/generated from operating activities	<u>(258,439)</u>	<u>87,508</u>
Investing activities		
Purchases of property, plant and equipment	(21,050)	(9,584)
Deposits for acquisition of property, plant and equipment	(38,931)	(25,300)
Proceeds from disposal of property, plant and equipment	1,553	71,600
Deposits received for disposal of property, plant and equipment	79,104	108,366
Decrease/(increase) in time deposits with original maturity over three months	378	(12,962)
Decrease/(increase) in structured bank deposits	74,601	(129,816)
Other cash flows arising from investing activities	2,267	8,292
Net cash generated from investing activities	<u>97,922</u>	<u>10,596</u>
Financing activities		
Dividends paid to equity shareholders of the Company	(90,786)	(63,551)
Proceeds from bank borrowings	139,209	31,345
Repayments of bank borrowings	(137,350)	(38,901)
Other cash flows arising from financing activities	(16,662)	(9,350)
Net cash used in financing activities	<u>(105,589)</u>	<u>(80,457)</u>
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	<u>615,319</u>	<u>1,006,544</u>
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
	<u>615,319</u>	<u>1,006,544</u>

The notes on pages 9 to 25 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 24 August 2021.

2. Basis of Preparation

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. 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 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 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 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.

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.

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 arm's length basis.

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

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

	For the six months ended 30 June 2021					
	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	876,785	251,272	125,011	247,961	-	1,501,029
Inter-segment sales	86	3,709	78,433	331,741	(413,969)	-
Total	876,871	254,981	203,444	579,702	(413,969)	1,501,029
Segment results	27,661	(455)	4,891	28,179	(7,793)	52,483
Interest income and other income						16,020
Corporate and unallocated expenses						(22,039)
Operating profit						46,464
Finance costs						(1,215)
Share of profits of associates						1,139
Profit before income tax						46,388
Income tax						(9,708)
Profit for the period						36,680

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 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	<u>654,695</u>	<u>201,420</u>	<u>142,028</u>	<u>257,757</u>	<u>(157,195)</u>	<u>1,098,705</u>
Segment results	<u>(29,380)</u>	<u>(5,282)</u>	<u>703</u>	<u>(4,905)</u>	<u>655</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						58,056
Operating profit						5,718
Finance costs						(1,968)
Share of profits of associates						18
Profit before income tax						3,768
Income tax						(1,349)
Profit for the period						<u>2,419</u>

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	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong	522,664	294,948
The PRC	403,366	308,750
United States of America	324,741	247,358
United Kingdom	122,399	121,870
Other countries	127,859	125,779
	<u>1,501,029</u>	<u>1,098,705</u>

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

5. Revenue, Other Revenue and Other Net Gain

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

	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue		
Sale of goods	<u>1,501,029</u>	<u>1,098,705</u>
Other revenue		
Interest income	4,184	9,825
Dividend income from financial investments	277	277
Government grants	11,275	18,806
Sales of scrap materials	1,792	1,262
Sundry income	9,792	3,693
	<u>27,320</u>	<u>33,863</u>

Notes to the Unaudited Interim Financial Report (Continued)

5. Revenue, Other Revenue and Other Net Gain (Continued)

	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
Other net gain		
Net foreign exchange gain/(loss)	4,707	(12,507)
Fair value gain/(loss) on derivative financial instruments not qualified as hedges	5,837	(230)
Fair value gain on structured bank deposits	6,758	1,000
(Loss)/gain on disposal of property, plant and equipment, net*	(1,794)	57,083
	15,508	45,346

* 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.

6. Expenses by Nature

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

	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
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
Employee benefit expense (including directors' emoluments)	354,320	294,439
(Reversal of write-down)/write down of inventories, net	(882)	2,979
Loss allowance of trade and other receivables, net	243	56,420

Notes to the Unaudited Interim Financial Report (Continued)

7. Finance Costs

	For the six months ended	
	30 June	
	2021	2020
	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>

8. Income Tax

	For the six months ended	
	30 June	
	2021	2020
	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	<u>9,708</u>	<u>1,349</u>

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.

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

(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
Profit attributable to equity shareholders of the Company (HK\$'000)	<u>36,417</u>	<u>4,858</u>
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)	<u>2,988</u>	<u>5,934</u>
Weighted average number of ordinary shares (diluted) at 30 June ('000)	<u>906,738</u>	<u>906,385</u>
Diluted earnings per share (HK cents per share)	<u>4.0</u>	<u>0.5</u>

Notes to the Unaudited Interim Financial Report (Continued)

10. Dividend

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

11. Property, Plant and Equipment

	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Opening net book amount at 1 January 2021/2020	1,344,612	1,286,188
Additions	40,470	110,417
Transfer from deposits for acquisition of non-current assets	10,147	59,187
Disposals/write-off	(3,347)	(18,384)
Depreciation	(62,046)	(122,197)
Exchange differences	6,741	29,401
Closing net book amount at 30 June 2021/31 December 2020	1,336,577	1,344,612

12. Trade and Other Receivables

	30 June	31 December
	2021	2020
	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
Prepayments, deposits and other receivables	162,868	77,905
	1,003,302	840,369

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 2021 HK\$'000	31 December 2020 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
	834,464	757,478

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

13. Cash and Cash Equivalents

	30 June 2021 HK\$'000	31 December 2020 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 the statement of cash flows	615,319	878,710

Notes to the Unaudited Interim Financial Report (Continued)

14. Trade and Other Payables

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

All bills payable at 31 December 2020 and 30 June 2021 were unsecured.

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

	30 June 2021 HK\$'000	31 December 2020 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
	<hr/>	<hr/>
	361,638	187,502
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Unaudited Interim Financial Report (Continued)

15. Bank Borrowings

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Current		
Bank loans – guaranteed	96,807	120,847
Non-current		
Bank loans – guaranteed	25,899	–
	<u>122,706</u>	<u>120,847</u>

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

16. 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.

17. Share Capital

	30 June 2021		31 December 2020	
	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>

The Company's issued and fully paid shares as at 30 June 2021 included 7,002,384 shares (31 December 2020: 3,458,404 shares) held in trust by the trustee under Restricted Share Award Scheme, details of which are set out in note 21.

During the period ended 30 June 2021 and 2020, neither the Company nor any of its subsidiaries purchased any of the Company's shares, 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 (2020: nil share) of the Company.

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	
	2021	2020
	HK\$'000	HK\$'000
Sales of raw materials or finished goods to:		
– A substantial shareholder	1,011	1,254
– Parties under control of a substantial shareholder	5	48
	<u>1,016</u>	<u>1,302</u>
Purchases of raw materials from:		
– A substantial shareholder	4,730	–
– Parties under control of a substantial shareholder	3,515	–
	<u>8,245</u>	<u>–</u>

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	
	2021	2020
	HK\$'000	HK\$'000
Short-term employment benefits (excluding discretionary bonus)	12,038	11,901
Discretionary bonus	5,200	5,101
Share-based payments	2,397	1,538
Post-employment benefits	372	416
	<u>20,007</u>	<u>18,956</u>

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 2021 HK\$'000	31 December 2020 HK\$'000
Contracted for, but not provided for	110,387	24,360
Authorised but not contract for	336,118	332,700
	<u>446,505</u>	<u>357,060</u>

20. Contingent Liabilities

The Group issued guarantees to a former related party for its banking facilities and HK\$27,644,000 (31 December 2020: HK\$27,329,000) of the banking facilities was utilised as at 30 June 2021.

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 2024.

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 2021.

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 2,772,020 shares (six months ended 30 June 2020: 5,806,010 shares) at an average fair value of HK\$4,580,000 (six months ended 30 June 2020: HK\$9,958,000) were vested during the period.

Notes to the Unaudited Interim Financial Report (Continued)

21. Restricted Share Award Scheme (Continued)

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 2021, a total of 9,532,755 shares (2020: nil) at a fair value of HK\$1.36 were granted to the participants. Share-based payment of HK\$2,397,000 has been recognised in the consolidated income statement as employee benefit expense during the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$1,538,000).

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

	For the six months ended 30 June			
	2021		2020	
	Average fair value per share	Number of share awards	Average fair value per share	Number of share awards
Beginning balance		3,433,490		9,239,500
Granted	1.36	9,532,755	–	–
Vested	1.65	(2,772,020)	1.72	(5,806,010)
Ending balance		<u>10,194,225</u>		<u>3,433,490</u>

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

	Number of shares	
	2021	2020
Beginning balance at 1 January 2021/2020	3,458,404	9,264,414
Purchase of shares	6,316,000	–
Vesting of shares	(2,772,020)	(5,806,010)
Ending balance at 30 June 2021/31 December 2020	<u>7,002,384</u>	<u>3,458,404</u>

During the period ended 30 June 2021, the total consideration paid for the purchase of 6,316,000 shares was HK\$8,674,000.

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).
- Observable inputs which fail to meet Level 1 and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available (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 2021:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial investments:				
– Structured bank deposits	–	375,149	–	375,149
– Unlisted equity securities	–	–	28,154	28,154
– Listed equity securities	14,846	–	–	14,846
– Unlisted investments	–	–	7,850	7,850
	<u>14,846</u>	<u>375,149</u>	<u>36,004</u>	<u>425,999</u>

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

The fair value of structured bank deposits is determined by discounting the expected future cash flows at prevailing market interest rates as at the end of the reporting period.

The fair values of unlisted investments 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.

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 2021:

	Unlisted equity securities HK\$'000
At 1 January	35,786
Exchange differences	218
	<hr/>
At 30 June	36,004
	<hr/> <hr/>

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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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 FSC™ 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.

Management Discussion and Analysis (Continued)

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.

Information Provided in Accordance with the Listing Rules

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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2021, 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				Total	Percentage of the Company's issued share
	Directly beneficially owned	Through spouse or minor children	Share award scheme			
Yum Chak Ming, Matthew	52,638,870	–	946,722	53,585,592	5.90	
Sung Chee Keung	3,076,754	60,000	1,102,557	4,239,311	0.47	
Yap, Alfred Donald	27,504	–	–	27,504	–	

Save as disclosed above, as at 30 June 2021, 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 2021, 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 2021. 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 2021, 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 2021 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, 24 August 2021

Hung Hing Printing Group Limited

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