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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 2022

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 2022 as follows:

CONSOLIDATED INCOME STATEMENT

		For the six months ended	
		30 June	
		2022	2021
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Note		
Revenue	2	1,551,383	1,501,029
Cost of sales		(1,372,919)	(1,289,281)
Gross profit		178,464	211,748
Other revenue		34,482	27,320
Other net (loss)/gain		(24,011)	15,508
Distribution costs		(36,538)	(36,781)
Administrative and selling expenses		(176,706)	(171,331)
Operating (loss)/profit		(24,309)	46,464
Finance costs	3	(1,768)	(1,215)
Share of (loss)/profits of associates		(1,026)	1,139
(Loss)/profit before income tax	4	(27,103)	46,388
Income tax	5	(405)	(9,708)
(Loss)/profit for the period		(27,508)	36,680
Attributable to:			
Equity shareholders of the Company		(23,380)	36,417
Non-controlling interests		(4,128)	263
(Loss)/profit for the period		(27,508)	36,680

		HK cents	HK cents
(Loss)/earnings per share attributable to equity shareholders of the Company	6		
Basic		<u>(2.6)</u>	<u>4.0</u>
Diluted		<u>(2.6)</u>	<u>4.0</u>
		HK\$'000	HK\$'000
Dividend	7	<u>36,315</u>	<u>36,315</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
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(Loss)/profit for the period	<u>(27,508)</u>	<u>36,680</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)	92	(1,367)
<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	(38,102)	10,287
Change in fair value of intangible assets	700	-
Other comprehensive income for the period	<u>(37,310)</u>	<u>8,920</u>
Total comprehensive income for the period	<u>(64,818)</u>	<u>45,600</u>
Attributable to:		
Equity shareholders of the Company	(54,667)	43,691
Non-controlling interests	(10,151)	1,909
Total comprehensive income for the period	<u>(64,818)</u>	<u>45,600</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		1,380,781	1,392,360
Intangible assets		13,966	13,396
Deposits for acquisition of non-current assets		36,741	45,026
Interest in associates		21,308	22,400
Financial investments		59,244	60,507
Deferred tax assets		20,613	14,249
		1,532,653	1,547,938
Current assets			
Inventories		752,400	733,362
Trade and other receivables	8	996,421	949,698
Structured bank deposits		139,478	388,600
Cash at bank and on hand	9	813,431	685,352
		2,701,730	2,757,012
Current liabilities			
Trade and other payables	10	504,931	470,337
Bank borrowings		240,261	192,282
Lease liabilities		7,901	6,384
Income tax payable		14,971	8,650
		768,064	677,653
Net current assets		1,933,666	2,079,359
Total assets less current liabilities		3,466,319	3,627,297
Non-current liabilities			
Lease liabilities		1,563	1,937
Receipt in advance	11	139,516	145,727
Deferred income	11	72,843	79,881
Deferred tax liabilities		51,695	52,616
		265,617	280,161
Net assets		3,200,702	3,347,136

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Capital and reserves		
Share capital	1,652,854	1,652,854
Reserves	1,398,862	1,535,145
Total equity attributable to equity shareholders of the Company	3,051,716	3,187,999
Non-controlling interests	148,986	159,137
Total equity	3,200,702	3,347,136

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Net cash inflow/(outflow) from:		
Operating activities	(8,273)	(258,439)
Investing activities	197,957	97,922
Financing activities	(43,454)	(105,589)
Net increase/(decrease) in cash and cash equivalents	146,230	(266,106)
Cash and cash equivalents at 1 January	667,006	878,710
Effect of foreign exchange rate changes	(5,660)	2,715
Cash and cash equivalents at 30 June	807,576	615,319
Analysis of balances of cash and cash equivalents		
Cash and bank balances	241,262	268,370
Time deposits with original maturity less than three months	566,314	346,949
	807,576	615,319

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 2022 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 2021.

The financial information relating to the financial year ended 31 December 2021 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 2021 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 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 (loss)/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 2022			Segment
	Segment Revenue		Total	Results
	Sales to external customers (Unaudited) HK'\$000	Inter- segment sales (Unaudited) HK'\$000	(Unaudited) HK'\$000	(Unaudited) HK'\$000
Book and Package Printing	1,068,893	1,374	1,070,267	27,818
Consumer Product Packaging	207,626	6,758	214,384	(27,478)
Corrugated Box	112,920	83,043	195,963	8,468
Paper Trading	161,944	249,304	411,248	6,360
Eliminations	-	(340,479)	(340,479)	(1,403)
	<u>1,551,383</u>	<u>-</u>	<u>1,551,383</u>	<u>13,765</u>
Interest income and other income				6,183
Corporate and unallocated expenses				(44,257)
Operating loss				(24,309)
Finance costs				(1,768)
Share of loss of associates				(1,026)
Loss before income tax				(27,103)
Income tax				(405)
Loss for the period				<u>(27,508)</u>

For the six months ended 30 June 2021

	Segment Revenue			Segment Results
	Sales to external customers (Unaudited) HK'\$000	Inter-segment sales (Unaudited) HK'\$000	Total (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><u>36,680</u></u>

3. Finance Costs

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest on bank borrowings	1,634	1,031
Interest on lease liabilities	134	184
	<u>1,768</u>	<u>1,215</u>

4. (Loss)/Profit before Income Tax

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

	For the six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
After charging -		
Depreciation		
- Owned property, plant and equipment	54,442	53,916
- Other assets leased for own use	6,565	6,150
- Land use rights	1,993	1,980
Amortisation of intangible assets	1,102	1,357
Loss on disposal of property, plant and equipment	3,215	1,794
Loss allowance of trade receivables, net	499	243
Employee benefits expense (including directors' emoluments)	383,032	354,320
Fair value loss on derivative financial instruments not qualified as hedges	5,584	-
Fair value loss on structured bank deposits	2,968	-
Net foreign exchange loss	12,244	-
After crediting -		
Interest income	5,794	4,184
Dividend income from financial investments	357	277
Government grants	18,701	11,275
Reversal of write-down of inventories, net	560	882
Fair value gain on derivative financial instruments not qualified as hedges	-	5,837
Fair value gain on structured bank deposits	-	6,758
Net foreign exchange gain	-	4,707

5. Income Tax

	For the six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
- Hong Kong Profits Tax	794	130
- People's Republic of China ("PRC") Income Tax	5,614	8,683
Total current tax	6,408	8,813
Deferred tax	(6,003)	895
Income tax	405	9,708

The provision for Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the period.

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 2021 and 2022 was subject to a reduced tax rate of 15%. For PRC entities other than HHCN, PRC Income Tax represents CIT calculated at 25% (2021: 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% (2021: 5%) of the dividend income from subsidiaries in the PRC.

6. (Loss)/Earnings Per Share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of HK\$23,380,000 (2021: profit of HK\$36,417,000) 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	
	2022	2021
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to equity shareholders of the Company (HK\$'000)	(23,380)	36,417
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)	(9,515)	(4,115)
Weighted average number of ordinary shares in issue for calculation of basic (loss)/earnings per share ('000)	898,350	903,750
Basic (loss)/earnings per share (HK cents per share)	(2.6)	4.0

(b) Diluted (loss)/earnings per share

For the period ended 30 June 2022, the diluted and basic loss per share were the same as the ordinary shares repurchased for the Share Award Scheme are anti-diluted to the loss per share. For the period ended 30 June 2021, the calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$36,417,000 and the weighted average number of ordinary shares of 906,738,000 shares.

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

7. Dividend

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK4 cents (2021: HK4 cents) per ordinary share	<u>36,315</u>	<u>36,315</u>

8. Trade and Other Receivables

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivable	806,750	854,588
Less: Loss allowance	(8,046)	(7,293)
	<u>798,704</u>	<u>847,295</u>
Trade receivable due from related parties	297	176
Total trade receivable, net	799,001	847,471
Bills receivable	4,900	12,692
Prepayment, deposits and other receivables	189,090	87,085
Amount due from an associate	3,430	2,450
	<u>996,421</u>	<u>949,698</u>

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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
1 - 30 days	369,152	359,661
31 - 60 days	186,526	181,602
61 - 90 days	128,790	123,062
Over 90 days	114,533	183,146
	<u>799,001</u>	<u>847,471</u>

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

9. Cash At Bank and On Hand

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Cash at banks and on hand	813,431	685,352
Less: time deposits with original maturity over three months	(5,855)	(18,346)
Cash and cash equivalents in condensed consolidated statement of cash flows	<u>807,576</u>	<u>667,006</u>

10. Trade and Other Payables

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Trade payable	290,613	214,466
Trade payable due to related parties	-	184
Total trade payable	<u>290,613</u>	<u>214,650</u>
Bills payable	27,660	28,566
Deferred income - current portion	6,239	6,233
Other payable and accrued liabilities	180,419	220,888
	<u>504,931</u>	<u>470,337</u>

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
1 - 30 days	165,339	163,666
31 - 60 days	70,048	42,123
61 - 90 days	30,604	3,590
Over 90 days	24,622	5,271
	<u>290,613</u>	<u>214,650</u>

11. Receipt In Advance and Deferred Income

On 3 April 2020, the Group entered into certain land resumption agreements (“Land Resumption Agreements”) with Wangzhuang Residential District Office of Wuxi City in Xinwu District of the People’s Republic of China (“Wuxi Local Administration”), pursuant to which Wuxi Local Administration will resume, and the Group will surrender its land and properties at Wuxi in exchange for a compensation of RMB296,237,000 (equivalent to HK\$320,256,000) payable by Wuxi Local Administration. Details of the transaction have been set out in 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.

As at 30 June 2022, receipt in advance of HK\$139,516,000 (31 December 2021: HK\$145,727,000) and deferred income of HK\$52,082,000 (31 December 2021: HK\$54,401,000) 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. The remaining part of the deferred income which amounts to HK\$20,761,000 (31 December 2021: HK\$25,480,000) represents the government grants related to purchase of property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and dividends

The Hung Hing Printing Group achieved topline growth of 3% to HK\$1,551 million during the first half of 2022, resulting from its strong brand and reputation in export markets, as well as a diversified offering and manufacturing base. This revenue growth was driven by the Group’s largest business unit, Book and Package Printing (BPP), which took advantage of strong customer relationships to grow export sales by 22%.

The challenges that were triggered by trade tensions, labour shortages and travel restrictions of 2021 were compounded by unforeseen factors in 2022 such as the unsettled political situation in Eastern Europe. Our strengths in automation and high-value projects enabled us to overcome some of the disruptions that stemmed from the lockdowns associated with the fifth wave of the COVID-19 pandemic in mainland China and Hong Kong.

The Group was not immune to the impact of inflation, operational interruptions due to repeated lockdown restrictions, and abrupt currency movements (mainly RMB and Euro depreciation) which led to unfavorable exchange revaluation and hedging losses versus gains in the same period last year. As a result, a loss of approximately HK\$23 million is attributable to equity shareholders of the Company, compared with a profit of HK\$36 million recorded by the Group during the same period of last year.

The Group continued to maintain a robust total deposit and cash position of approximately HK\$953 million, giving us the financial leverage to invest in future growth and create shareholder value.

The Board of Directors has announced to maintain the interim dividend of HK4 cents (2021: HK4 cents). This interim dividend reflects our strong financial position and commitment to the Group's dividend policy of offering the utmost in rewarding shareholders. It is payable on 21 October 2022 to shareholders whose names appear in the Register of Members of the Company on 29 September 2022.

Capitalising on a diversified business model

Our systematic efforts to reduce risk through diversification along two key parameters yielded satisfactory outcomes during the first half of 2022.

Firstly, the Group's manufacturing operations now spans seven major locations across Asia, including Hong Kong, mainland China (Shenzhen, Zhongshan, Heshan and Foshan in the Guangdong province and Wuxi, near Shanghai) and Hanoi, Vietnam. The Vietnam plant supplemented our capabilities in mainland China and enabled the Group to fulfil customer demand despite geopolitical issues and operational interruptions arising from lockdowns in major cities in China.

Secondly, our customer base spreads across China and key export markets including the US, UK, and Europe, minimising our risk exposure to the economic cycles of any one market. This strategy helped the BPP division to increase revenues, despite soft demand conditions in mainland China.

In addition, our diversified portfolio resulting from state-of-the-art capabilities such as effective management of complex projects and sophisticated manufacturing knowhow allowed us to capture new types of business and streamline our processes. We secured increased interest in our new consumer-facing experiential and edutainment businesses, including STEM Plus and Yum Me Play in the Hong Kong market, following similar successful customer events in 2021. We continued to diversify our product offerings with smart packaging featuring unique, traceable QR codes. This specialised offering will be of immense value in logistics management, anti-counterfeiting, and supply chain traceability for global brands seeking to deploy smart connected technologies.

Business performance

The year of 2022 continued to present many of the operational challenges witnessed in previous years to differing degrees. Ongoing uncertainties persisted, while paper prices stabilised. Around the world, disposable income and consumer confidence took a hit while fuel prices increased steeply following prolonged political tensions in Eastern Europe. Our increased reliance on autonomy, vertically integrated operations, and strong brand enabled us to gain new business from long-standing customer relationships as well as new clients during a period of continued industry consolidation.

Our largest business unit, BPP, increased revenues by 22% to HK\$1,069 million. Automation, advanced capabilities and a focus on higher-margin business helped to improve profits at the same time. Responding quickly to a global increase in the demand of tabletop games, the business obtained licenses from major global brands to produce popular products in this category. Lockdown-related disruptions in Shanghai and the Guangdong province were offset by increased capacity and production at the Vietnam plant, which the Group continued to expand and scale. Following the chaos in shipping and logistics in 2021, more reasonable freight rates and stable shipping conditions re-emerged, helping us to achieve uninterrupted operations.

The Consumer Products Packaging (CPP) business was affected by a soft domestic China market and weak consumer sentiments. As a result, external sales declined by 17% to HK\$208 million. Increases in paper, fuel, and labour costs affected margins, leading to losses of HK\$27 million compared to breakeven during the same period last year. The planned relocation of the Wuxi plant has moved into the construction phase. With an area of 33,000 square metres, the new plant will be equipped with cutting-edge facilities and smart production management systems to support Hung Hing's strategic growth direction.

The Corrugated Box (CB) business took advantage of operational efficiencies following the successful integration with Guangdong Lianhe Packaging Co., Ltd. to increase profit contribution to HK\$8 million, even though external sales declined marginally to HK\$113 million.

The Paper Trading (PT) business was affected by lower market demand and falling paper prices. As a result, external sales declined by 35% and profit contribution declined to HK\$6 million compared to HK\$28 million in 2021. PT continued to augment the Group's vertically integrated strategy by serving as the key supplier of paper to its other business units.

Liquidity and Capital Resources

We maintained our prudent cash management approach, with a diversified funding base and strong cash in hand to protect from uncertain business conditions. As of 30 June 2022, the Group had total cash on hand of HK\$813 million (HK\$953 million if HK\$140 million placed in structured deposits is included) and net cash on hand (total cash net of bank borrowings) of HK\$573 million to support working capital requirements, capital expenditure and investment needs.

About 81% of cash on hand was held in Renminbi to support day-to-day working capital requirements 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 projected cash outflow and to maximise interest income.

Total interest income during the period was HK\$5.8 million, approximately HK\$1.6 million more than the same period last year.

Our strong financial reputation continued to provide us with advantageous options with respect to debt finance. As of 30 June 2022, the Group had total bank borrowings of HK\$240 million. Our gearing ratio, comparing total bank borrowings with total equity, remained low and healthy at 7.5%. Based on agreed loan repayment schedules with banks, HK\$127 million is repayable within one year, HK\$34 million within 1-2 years and HK\$79 million within 2-5 years.

Of the Group's total bank borrowings, 79% is in US dollars, consisting of term loans with bank at fixed interest rates, and trade loans. The remaining 21% represents revolving loans in HK dollars. Trade loan facilities were secured at competitive terms and advantageous interest rates (LIBOR/SOFR plus a relatively low spread) to address both immediate and longer-term operating needs. Total interest costs increased by 59% to HK\$1.6 million compared to HK\$1 million within the same period last year.

During the period under review, the Group spent over HK\$73 million on capital projects and committed an additional HK\$213 million to expand and upgrade existing capacities, construct new plants; and acquire new equipment and technology to support the different stages of development of the Heshan, Vietnam and Wuxi facilities.

Contingent Liabilities and Pledge of Assets

As at 30 June 2022, the Group has provided corporate guarantees to the extent of HK\$27 million to secure the banking facilities of a former related company of the Company governed by shareholders' agreement.

Environmental Sustainability

The Group strives to operate sustainably by investing in green energy, reducing waste in design and production, and maximising recycling of waste. We promote sustainability not only in our operations but also in our employees' daily lives through training and resource support. We have installed electric vehicle charging facilities in the Hong Kong headquarters to encourage employees to switch to electric vehicles and promote healthy eating by serving plant-based food every Monday in our Hong Kong headquarters canteen.

In the first half of 2022, our total installed solar panel capacity of 1,070 kWp at our Hong Kong headquarters and Zhongshan site generated 569,979 units of electricity (1 unit = 1 kWh), which is about 2% of the electricity consumed by the Group in the same period. This green energy source helped offset approximately 143 tons of carbon emissions. In 2022, the Group has committed to installing additional solar panel capacity of around 4,800 kWp to cut our carbon footprint further.

The Group's electricity consumption across Hong Kong, mainland China, and Vietnam increased by 2.3% to 28.71 million units (1H 2021: 28.04 million units). Water consumption was 503,314 m³ (1H 2021: 489,160 m³). Production waste recycling remained at 97% (1H 2021: 97%). Recycled materials comprised 19,620 tons of waste paper (1H 2021: 20,761 tons), 190 tons of plastic (1H 2021: 136 tons), and 86 tons of metal (1H 2021: 35 tons). Total non-recyclable waste in the period was 626 tons (1H 2021: 559 tons).

Over 93% of the paper used in production was recycled or from well-managed and sustainable forests. Paper used during the period included over 33,068 tons (1H 2021: 30,095 tons) of FSCTM paper, 509 tons (1H 2021: 889 tons) of PEFC paper and 52,800 tons (1H 2021: 38,983 tons) of paper with high recycled content.

Our People

As at 30 June 2022, Hung Hing has a workforce of 8,003 employees (30 June 2021: 8,111 employees) spread across our Hong Kong headquarters, facilities in five locations in mainland China, and a plant in Vietnam. We provide competitive remuneration to attract talented employees and provide them with a working environment that offers respect, teamwork, and equal opportunities. We invest in employee well-being to improve productivity through training and skill development in operating advanced and automated machinery. Compared to the same period in 2021, we achieved slightly higher sales turnover with fewer employees.

We provided comprehensive training covering ethical standards, quality assurance, and environmental protection. In the period under review, training activities increased in alignment with the scale-up in lean and automated production techniques. A total of over 209,735 training hours (1H 2021: 121,310 hours) was provided to 43,131 attendees (1H 2021: 44,307 attendees).

Outlook

We enter the second half of the year with cautious confidence in a favourable long-term outlook. While uncertainties in the macro-economic environment persist, our agile, diversified production infrastructure will help us respond dynamically to market developments. Consumer sentiment in the China domestic market is likely to improve, alongside a relaxing of lockdown restrictions. There is an acceleration in the trend of replacing plastics with more sustainable and recyclable materials, which will open up new avenues for future development and growth of our industry.

Our continued investments in automation, diversification, innovation and new capabilities render us well placed to fulfil existing and emerging demands from both domestic and export clients. The redevelopment of the Wuxi facility is fortuitously carried out during a period of soft demand. It will come onstream in 2023, in time to address prospective demand from clients in all sectors.

We continue to move closer to consumers through our new investments like STEM Plus and Yum Me Play. Following the success of the inter-school Formula Edge event and the Junior Racing Academy held in 2021, we have secured significant interest from local schools to hold a STEM learning event in the second half of this year. We will also open our first flagship store for Yum Me Play at the popular New Town Plaza in Shatin. The learnings from these launches will serve us in good stead as we pursue our long-term goal of expanding further into mainland China.

While inflation and energy costs will increase, paper, labour, and raw material prices are likely to stabilise. We are poised to capitalise on these trends leveraging the strength of our strong cash position and diversified business model.

In closing, as always, I thank our skilled and dedicated team whose efforts are at the heart of all our achievements.

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK4 cents (2021 : HK4 cents) per share. The interim dividend will be paid on 21 October 2022 to shareholders whose names appear on the Register of Members of the Company on 29 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26 September 2022 to 29 September 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 23 September 2022.

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 1,648,000 shares of the Company at a total consideration of HK\$2,096,000.

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 2022 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, 23 August 2022

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. Yuji Motomatsu, 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.