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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 2023

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 2023 as follows:

CONSOLIDATED INCOME STATEMENT

		For the six months ended	
		30 June	
		2023	2022
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Note		
Revenue	2	1,192,964	1,551,383
Cost of sales		(986,529)	(1,372,919)
Gross profit		206,435	178,464
Other revenue		29,406	34,482
Other net gain/(loss)		75,328	(24,011)
Distribution costs		(23,917)	(36,538)
Administrative and selling expenses		(172,187)	(176,706)
Operating profit/(loss)		115,065	(24,309)
Finance costs	3	(2,926)	(1,768)
Share of losses of associates		(521)	(1,026)
Profit/(loss) before income tax	4	111,618	(27,103)
Income tax	5	(31,646)	(405)
Profit/(loss) for the period		79,972	(27,508)
Attributable to:			
Equity shareholders of the Company		82,377	(23,380)
Non-controlling interests		(2,405)	(4,128)
Profit/(loss) for the period		79,972	(27,508)

		HK cents	HK cents
Earnings/(loss) per share attributable to equity shareholders of the Company	6		
Basic		<u>9.1</u>	<u>(2.6)</u>
Diluted		<u>9.1</u>	<u>(2.6)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) for the period	<u>79,972</u>	<u>(27,508)</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)	(2,873)	92
<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	(39,193)	(38,102)
Change in fair value of intangible assets	(200)	700
Other comprehensive income for the period	<u>(42,266)</u>	<u>(37,310)</u>
Total comprehensive income for the period	<u>37,706</u>	<u>(64,818)</u>
Attributable to:		
Equity shareholders of the Company	44,075	(54,667)
Non-controlling interests	(6,369)	(10,151)
Total comprehensive income for the period	<u>37,706</u>	<u>(64,818)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
	Note		
Non-current assets			
Property, plant and equipment		1,389,089	1,417,683
Intangible assets		12,735	13,615
Prepayments for acquisition of non-current assets		33,005	34,044
Interest in associates		23,603	22,204
Financial investments		53,774	57,674
Deferred tax assets		32,732	24,790
		1,544,938	1,570,010
Current assets			
Inventories		522,295	540,226
Trade and other receivables	8	686,746	628,204
Income tax recoverable		1,555	593
Pledged time deposits		23,143	-
Structured bank deposits		77,775	203,580
Cash at bank and on hand	9	1,033,936	1,042,535
		2,345,450	2,415,138
Current liabilities			
Trade and other payables	10	419,246	454,324
Bank borrowings		159,308	191,578
Lease liabilities		9,707	9,843
Income tax payable		32,706	19,682
		620,967	675,427
Net current assets		1,724,483	1,739,711
Total assets less current liabilities		3,269,421	3,309,721
Non-current liabilities			
Lease liabilities		22,413	28,184
Deferred income	11	16,716	20,267
Deferred tax liabilities		82,798	71,220
		121,927	119,671
Net assets		3,147,494	3,190,050

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Capital and reserves		
Share capital	1,652,854	1,652,854
Reserves	1,365,629	1,401,816
Total equity attributable to equity shareholders of the Company	3,018,483	3,054,670
Non-controlling interests	129,011	135,380
Total equity	3,147,494	3,190,050

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from:		
Operating activities	53,419	(8,273)
Investing activities	17,850	197,957
Financing activities	(122,848)	(43,454)
Net (decrease)/increase in cash and cash equivalents	(51,579)	146,230
Cash and cash equivalents at 1 January	972,841	667,006
Effect of foreign exchange rate changes	(5,037)	(5,660)
Cash and cash equivalents at 30 June	916,225	807,576

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 2023 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 2022.

The financial information relating to the financial year ended 31 December 2022 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 2022 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 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of the changes in accounting policies are described below.

The HKICPA has issued a new Hong Kong Financial Reporting Standards ("HKFRSs") and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments to HKFRSs are relevant to the Group:

- Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to HKAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*
- Amendments to HKAS 12, *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to HKAS 12, *Income Taxes: International Tax Reform - Pillar Two Model Rules*

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.

The HKICPA has also issued a new HKICPA guidance on the accounting implications of abolition of the Mandatory Provident Fund-Long Service Payment offsetting mechanism in July 2023. As the Group is in the progress of making an assessment, further impacts may be identified in due course.

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.

Revenue from external customers are after elimination of inter-segment revenue. Inter-segment revenue is charged in accordance with terms determined and agreed mutually by relevant parties.

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/(loss) that are allocated to each segment. Other information provided is measured in a manner consistent with that in the financial statements.

Sales between segments are carried out at an arm's length basis.

Segment results do not include corporate finance costs, other corporate income and expenses and share of result of associates.

The following tables present revenue, results and certain information for the Group's business segments for the six months ended 30 June 2023 and 2022.

For the six months ended 30 June 2023

	Segment Revenue			Segment Results
	Sales to external customers	Inter-segment sales	Total	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'\$000	HK'\$000	HK'\$000	HK'\$000
Book and Package Printing	865,219	1,558	866,777	77,186
Consumer Product Packaging	150,124	602	150,726	(27,877)
Corrugated Box	88,222	36,584	124,806	(5,169)
Paper Trading	89,399	161,134	250,533	(1,337)
Eliminations	-	(199,878)	(199,878)	1,273
	<u>1,192,964</u>	<u>-</u>	<u>1,192,964</u>	<u>44,076</u>
Corporate and unallocated expenses				(18,583)
Gain on disposal of property, plant and equipment				<u>89,572</u>
Operating profit				115,065
Finance costs				(2,926)
Share of losses of associates				(521)
Profit before income tax				<u>111,618</u>
Income tax				<u>(31,646)</u>
Profit for the period				<u>79,972</u>

For the six months ended 30 June 2022

	Segment Revenue			Segment Results
	Sales to external customers	Inter-segment sales	Total	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'\$000	HK'\$000	HK'\$000	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>
Corporate and unallocated expenses				(38,074)
Operating loss				(24,309)
Finance costs				(1,768)
Share of losses of associates				(1,026)
Loss before income tax				<u>(27,103)</u>
Income tax				<u>(405)</u>
Loss for the period				<u>(27,508)</u>

3. Finance Costs

	For the six months ended	
	30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	2,089	1,634
Interest on lease liabilities	837	134
	2,926	1,768

4. Profit/(Loss) Before Income Tax

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

	For the six months ended	
	30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
After charging -		
Depreciation		
- Owned property, plant and equipment	51,389	54,442
- Other assets leased for own use	5,076	6,565
- Land use rights	1,881	1,993
Amortisation of intangible assets	917	1,102
Net loss on disposal of property, plant and equipment	-	3,215
Loss allowance of trade and other receivables, net	5,203	499
Employee benefits expense (including directors' emoluments)	326,057	383,032
Write-down of inventories, net	3,263	-
Fair value loss on derivative financial instruments not qualified as hedges	1,542	5,584
Fair value loss on structured bank deposits	-	2,968
Net foreign exchange loss	12,047	12,244
After crediting -		
Interest income	13,284	5,794
Dividend income from financial investments	277	357
Government grants	8,752	18,701
Reversal of write-down of inventories, net	-	560
Net gain on disposal of property, plant and equipment*	88,640	-
Fair value gain on structured bank deposits	277	-

* During the period ended 30 June 2023, the Group surrendered and vacated from part of its land and properties in Wuxi under the Land Resumption Agreements as set out in note 11 and recognised a gain of HK\$89,572,000.

5. Income Tax

	For the six months ended	
	30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
- Hong Kong Profits Tax	64	794
- People's Republic of China ("PRC") Income Tax	24,282	5,614
Total current tax	24,346	6,408
Deferred tax	7,300	(6,003)
Income tax	31,646	405

The provision for Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the period.

PRC Corporate Income Tax ("CIT") represents CIT calculated at 25% (2022: 25%) and PRC withholding tax at the applicable rates. Hung Hing Printing (China) Company Limited, an indirect wholly owned subsidiary of the Company, was certified as a High-New Technology Enterprise in 2020. The effective CIT for 2022 was subject to a reduced tax rate of 15%. Pursuant to the income tax rules and regulations, provision for PRC withholding tax on dividend income is calculated based on 5% (2022: 5%) of the dividend income from subsidiaries in the PRC.

The provision for CIT in Vietnam is calculated at 20% of the estimated taxable profits for the period. HH Dream Printing Company Limited, a subsidiary of the Company incorporated in Vietnam, is entitled to a preferential tax treatment of CIT exemption for the first two years starting from which profit is generated and 50% income tax reduction for the next four years.

Pursuant to the income tax rules and regulations, provision for Vietnam withholding tax on interest income is calculated based on 5% (2022: 5%) of the interest income from subsidiary in Vietnam.

6. Earnings/(Loss) Per Share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of HK\$82,377,000 (2022: loss of HK\$23,380,000) 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	
	2023	2022
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to equity shareholders of the Company (HK\$'000)	<u>82,377</u>	<u>(23,380)</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>(7,011)</u>	<u>(9,515)</u>
Weighted average number of ordinary shares in issue for calculation of basic earnings/(loss) per share ('000)	<u>900,854</u>	<u>898,350</u>
Basic earnings/(loss) per share (HK cents per share)	<u>9.1</u>	<u>(2.6)</u>

(b) Diluted earnings/(loss) per share

For the six months ended 30 June 2023, the calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$82,377,000 and the weighted average number of ordinary shares of 905,619,000 shares.

	For the six months ended 30 June 2023 (Unaudited)
Profit attributable to equity shareholders of the Company (HK\$'000)	<u>82,377</u>
Weighted average number of ordinary shares in issue ('000)	900,854
Effect of deemed issue of shares under the Company's Share Award Scheme ('000)	<u>4,765</u>
Weighted average number of ordinary shares (diluted) at 30 June ('000)	<u>905,619</u>
Diluted earnings per share (HK cents per share)	<u>9.1</u>

For the six months ended 30 June 2022, the diluted loss per share was the same as the basic loss per share as the ordinary shares repurchased for the share award scheme are anti-dilutive to the loss per share.

7. Dividend

	For the six months ended	
	30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK4 cents (2022: HK4 cents) per ordinary share	36,315	36,315

8. Trade and Other Receivables

	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivable	551,417	550,805
Less: Loss allowance	(22,952)	(18,004)
	528,465	532,801
Trade receivable due from related parties	505	-
Total trade receivable, net	528,970	532,801
Bills receivable	581	608
Prepayment, deposits and other receivables	157,195	94,795
	686,746	628,204

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	31 December
	2023	2022
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
1 - 30 days	271,115	238,146
31 - 60 days	107,503	115,314
61 - 90 days	84,090	65,962
Over 90 days	66,262	113,379
	528,970	532,801

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

9. Cash and Cash Equivalents

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Cash at banks and on hand	1,033,936	1,042,535
Less: time deposits with original maturity over three months	(117,711)	(69,694)
Cash and cash equivalents in condensed consolidated statement of cash flows	<u>916,225</u>	<u>972,841</u>

10. Trade and Other Payables

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Trade payable	195,020	139,184
Bills payable	10,082	8,545
Receipt in advance - current portion	22,840	126,863
Deferred income - current portion	34,107	11,930
Other payables and accrued liabilities	157,197	167,802
	<u>419,246</u>	<u>454,324</u>

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

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
1 - 30 days	109,146	100,214
31 - 60 days	39,593	27,132
61 - 90 days	34,050	6,163
Over 90 days	12,231	5,675
	<u>195,020</u>	<u>139,184</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 2023, receipt in advance of HK\$22,840,000 (31 December 2022: HK\$126,863,000) and deferred income of HK\$27,828,000 (31 December 2022: HK\$5,245,000) 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 Group anticipated that the whole land relocation will be completed in the second half of 2023. The remaining part of the deferred income which amounts to HK\$22,995,000 (31 December 2022: HK\$26,952,000) represents the government grants related to purchase of property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and dividends

At the Hung Hing Printing Group, we maintained our focus on delivering quality and value to domestic and overseas customers in the context of slow economic recovery during the six months under review. At the same time, we continued with strategic priorities to prepare for a return to normal business conditions. Improved gross profit margins as a result of order rationalisation and a focus on high value projects, alongside the progressive recognition of a one-off gain from the land resumption in Wuxi, helped achieve a profit attributable to equity shareholders of the company of HK\$82 million compared to a loss of HK\$23 million in the same period of 2022.

Sustained political tensions in Eastern Europe prolonged the impact of inflationary pressures and supply chain disruptions. Top-line revenues declined by 23% to HK\$1,193 million due to low customer confidence in the macro-economic outlook. However, we leveraged our strong brand, advanced production capabilities, and scale to strengthen strategic business partnerships, delivering synergy savings to increase profits.

The Group continued to maintain a robust total deposit and cash position of approximately HK\$1,135 million (included structured deposits), giving us the flexibility to invest in our strategic priorities for ongoing development.

The Board of Directors has announced an interim dividend of HK4 cents (2022: HK4 cents), in pursuit of our ongoing policy. It is payable on 20 October 2023 to shareholders whose names appear in the Register of Members of the Company on 28 September 2023.

Investing systematically for future growth

While we were not immune to difficult economic conditions, consistently evolving our offering has allowed us to be at the forefront of change. Taking advantage of our strong financial position, we continued to invest in our strengths in automation, diversified offering to strengthen client relationships, and state-of-the-art manufacturing capabilities in Hong Kong, mainland China, and Vietnam.

Our future-readiness strategy rests on three pillars: a sustainable portfolio providing high value; automation and integration in manufacturing; and diversification.

We have consistently expanded our product portfolio, including sustainable paper-based products and those needing sophisticated manufacturing know-how. We have also invested in securing and maintaining strong relationships with leading global brands by offering excellent product and service quality.

While inflation pressures are easing, there is still a shortage of highly skilled workers and we are investing in increased automation, with a well-connected network of facilities and advanced equipment. Our new facilities in Hanoi and Wuxi, equipped with innovative technology and printing equipment, will operate across the value chain from sourcing to manufacturing and customer fulfilment. Across all our plants, we are investing in equipment that offers higher efficiencies, improved quality, and greener solutions.

Our manufacturing facilities are spread across seven locations in Asia, including Hong Kong, mainland China (Shenzhen, Zhongshan, Heshan and Foshan in Guangdong province and Wuxi in Jiangsu province) and Hanoi, Vietnam. This spread provides us with operating synergies and complementary capabilities, allowing us to maintain uninterrupted operations.

We are also diversifying our offering, moving closer to the end consumer with a stronger brand. We supplemented our investments in consumer-facing businesses by completing the required paperwork to acquire Active Minds Limited, a major retailer and distributor of children's books and toys in Hong Kong. STEM Plus, which focusses on educational programmes and events, made satisfactory progress and prepared for a major inter-school event later in the year.

Business performance

Our largest business unit, Book and Packaging Printing ("BPP"), achieved a 177% increase in profit contribution to HK\$77 million despite a sales decline of 19% over the corresponding period last year. In response to a stronger emphasis on sustainability among global brands, BPP expanded its recyclable paper-based product segment. HH Dream, our manufacturing facility in Hanoi, has delivered encouraging results, chiefly to meet the high demand for toys and products made of paper for the export market as well as printed boxes for the domestic Vietnam market.

The Consumer Products Packaging ("CPP") business was affected by persistent weak consumption conditions in the domestic mainland China market, leading to losses of HK\$28 million. Construction of the new 33,000 square metre Wuxi plant has been completed and is being equipped with new machinery and smart production capabilities. Operations are expected to commence in late August 2023, and will enable us to address the domestic China market with more competitive and attractive printing and packaging solutions.

The weak domestic market also affected our Corrugated Box ("CB") business which saw an overall slowdown in order placement. As a result, the business unit recorded losses of HK\$5 million, compared to a profit contribution of HK\$8 million in the corresponding period last year.

The Paper Trading ("PT") business faced falling market demand and declining paper prices, resulting in losses of HK\$1 million, compared to a profit contribution of HK\$6 million in the same period of 2022. PT is a critical component of our Group's vertically integrated business model and a strategic partner to the 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 2023, the Group had total cash on hand of HK\$1,057 million (HK\$1,135 million if HK\$78 million placed in structured deposits is included) and net cash on hand (total cash net of bank borrowings) of HK\$898 million to support working capital requirements, capital expenditure and investment needs.

About 83% 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\$13.3 million, approximately HK\$7.5 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 2023, the Group had total bank borrowings of HK\$159 million. Our gearing ratio, comparing total bank borrowings with total equity, remained low and healthy at 5.1%. Based on agreed loan repayment schedules with banks, HK\$66 million is repayable within one year, HK\$48 million within 1-2 years and HK\$45 million within 2-5 years.

Of the Group's total bank borrowings, 71% is in US dollars, consisting of term loans with banks at fixed interest rates. The remaining 29% represents a term loan with a bank at floating rate in HK dollars. Total interest costs increased by 28% to HK\$2.1 million compared to HK\$1.6 million within the same period last year.

During the period under review, the Group spent over HK\$93 million on capital projects and committed an additional HK\$166 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 2023, the Group has provided corporate guarantees to the extent of HK\$25 million to secure the banking facilities of a former related company of the Company governed by shareholders' agreement.

Environmental Sustainability

We continued to make every attempt to improve our sustainability performance in all aspects. Our efforts are focussed on green energy, design and production optimised for minimal waste, and recycling. We believe that we have the responsibility to encourage our stakeholders such as employees and suppliers to adopt sustainable ways of working, providing training as required.

We expanded solar power provision to four sites across our operations in Hong Kong, Shenzhen, Zhongshan and Heshan. In the first half of 2023, our total installed solar panel capacity of 5,295 kWp across these sites generated 2,537,978 units of electricity (1 unit = 1 kWh). This accounted for about 10% of our consumption during the period and helped offset approximately 948 tons of carbon emissions. We are continuing to expand our solar power infrastructure and plan to expand capacity by 280 kWp in the next six months.

The Group's electricity consumption across Hong Kong, mainland China, and Vietnam decreased by 12% to 25.28 million units (1H 2022: 28.71 million units). Water consumption was 470,294 m³ (1H 2022: 503,314 m³). We recycled about 97% of all production waste (1H 2022: 97%). Recycled materials comprised 14,787 tons of wastepaper (1H 2022: 19,620 tons), 155 tons of plastic (1H 2022: 190 tons), and 99 tons of metal (1H 2022: 86 tons). Total non-recyclable waste in the period was 506 tons (1H 2022: 626 tons).

We initiated food waste reduction at our headquarters in Tai Po in alignment with the food waste collection pilot scheme led by the Environmental Protection Department (EPD) of Hong Kong.

Over 95% of the paper used in production was recycled or Forest Stewardship Council (FSC) certified. Paper used during the period included over 31,727 tons (1H 2022: 33,068 tons) of FSCTM paper, 294 tons (1H 2022: 509 tons) of PEFC paper and 31,688 tons (1H 2022: 52,800 tons) of paper with high recycled content.

Our People

As at 30 June 2023, our workforce comprised 6,690 employees (30 June 2022: 8,003 employees) spread across Hong Kong, mainland China, and Vietnam. We strive to be an employer of choice by offering a competitive package, equal opportunities, and a supportive environment that enables every employee to perform at their best. We invest in employee development through training and skill development. We also organised a range of recreational and community activities to improve morale and engagement, such as movie nights, trail cleaning, visiting paper recycling facility, and Dragon Boat racing.

We provided over 82,411 training hours (1H 2022: 209,735 hours), with an average of 1.81 hours per employee (1H 2022: 4.86 hours per employee). A wide range of topics was covered, including ethical standards, quality assurance, upskilling to manage highly automated equipment, new technology such as blockchain and AI, and environmental protection.

Outlook

The second half of the year will probably be characterised by persistent uncertainty in the macro-political outlook in key developed markets. As governments worldwide move to control inflation through a series of dampening measures, customer and consumer confidence is likely to slowly re-emerge. Since Asia, in particular mainland China and Vietnam, possesses a well-established track record and deep expertise in manufacturing and supply, we believe it will continue to provide unmatched advantages as a manufacturing hub.

With confidence in the favourable long-term outlook for export growth, we continue to invest in upgrading our facilities in mainland China and Vietnam. Following the completion of the second phase of the Hanoi-based HH Dream printing plant, we have purchased a nearby 50,000-square metre lot for future expansion. Improvement projects at our Zhongshan facility will help to increase agility and synergy with other business units.

In mainland China, stimulation measures are being introduced, leading to expectations of a recovery in the second half of the year. Our upgraded capabilities in Wuxi, which will come onstream later this year, render us well placed to respond quickly and grow revenues as the situation improves.

The acquisition of Active Minds Limited supports our growth strategy and delivers synergies with our other business activities. It provides us with a strong retail and distribution network for books and toys in Hong Kong, and allows us to offer key global publishers both market insights and a route to market, in addition to manufacturing. It also complements other Hung Hing portfolio businesses like Yum Me Play, our edutainment platform; Beluga, our innovation hub; and STEM Plus, our AI-based educational content provider.

STEM Plus will continue with its event-based growth approach, organising book fairs and interschool AI-based competitions in Macau and Hong Kong. All this will help strengthen Hung Hing's market position and brand awareness in the industry.

Customers may become more conservative in placing orders under the uncertain economic environment. With an agile manufacturing infrastructure, Hung Hing is advantageously placed to offer value-added solutions based on market needs.

In closing, as always, I thank the dedicated and talented Hung Hing team, without whom none of our efforts would be possible.

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK4 cents (2022 : HK4 cents) per share. The interim dividend will be paid on 20 October 2023 to shareholders whose names appear on the Register of Members of the Company on 28 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 25 September 2023 to 28 September 2023, 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 22 September 2023.

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.

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:

Code Provision C 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 chairman and 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.

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 2023 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 2023

As at the date of this announcement, the Board comprises Mr. Yum Chak Ming, Matthew and Mr. Yum Carson, Christopher as executive directors; Mr. Hirofumi Hori, Hitoshi Shibasaki, Ms. Aki Tsuge and Mr. Yam Hon Ming, Tommy as non-executive directors; Mr. Luk Koon Hoo, Mr. Lo Chi Hong and Mr. Tan Chuen Yan, Paul as independent non-executive directors.