



2023 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

CONTENTS

| | |
|--|----|
| Corporate Information | 1 |
| Unaudited Financial Report | |
| Consolidated Income Statement | 2 |
| Consolidated Statement of Comprehensive Income | 3 |
| Consolidated Statement of Financial Position | 4 |
| Consolidated Statement of Changes in Equity | 6 |
| Condensed Consolidated Statement of Cash Flows | 7 |
| Notes to the Unaudited Interim Financial Report | 8 |
| Management Discussion and Analysis | 27 |
| Information Provided in Accordance with the Listing Rules | 32 |

目 錄

| | |
|---------------------------|----|
| 公司資料 | 35 |
| 未經審核財務報告 | |
| 綜合收益表 | 36 |
| 綜合全面收益表 | 37 |
| 綜合財務狀況表 | 38 |
| 綜合權益變動表 | 40 |
| 簡明綜合現金流量表 | 41 |
| 未經審核中期財務報告附註 | 42 |
| 管理層討論及分析 | 61 |
| 按上市規則所需提供資料 | 66 |

Corporate Information

EXECUTIVE DIRECTORS

Yum Chak Ming, Matthew, Executive Chairman
Yum Carson, Christopher

NON-EXECUTIVE DIRECTORS

Hirofumi Hori
Hitoshi Shibasaki
Aki Tsuge
Yam Hon Ming, Tommy

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lo Chi Hong
Luk Koon Hoo
Tan Chuen Yan, Paul

COMPANY SECRETARY

Shek Kwok Man

LEGAL ADVISOR

Fangda Partners

REGISTERED OFFICE

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17–19 Dai Hei Street
Tai Po Industrial Estate
New Territories, Hong Kong
Tel: (852) 2664 8682
E-mail: info@hunghingprinting.com

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 Accounting and
Financial Reporting Council Ordinance

SHARE REGISTRAR

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

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

| | Note | For the six months ended 30 June | |
|---|------|-------------------------------------|---------------------------------|
| | | 2023 (Unaudited) HK\$'000 | 2022 (Unaudited) HK\$'000 |
| Revenue | 5 | 1,192,964 | 1,551,383 |
| Cost of sales | 6 | (986,529) | (1,372,919) |
| Gross profit | | 206,435 | 178,464 |
| Other revenue | 5 | 29,406 | 34,482 |
| Other net gain/(loss) | 5 | 75,328 | (24,011) |
| Distribution costs | | (23,917) | (36,538) |
| Administrative and selling expenses | 6 | (172,187) | (176,706) |
| Operating profit/(loss) | | 115,065 | (24,309) |
| Finance costs | 7 | (2,926) | (1,768) |
| Share of losses of associates | | (521) | (1,026) |
| Profit/(loss) before income tax | | 111,618 | (27,103) |
| Income tax | 8 | (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 | 9 | | |
| Basic | | 9.1 | (2.6) |
| Diluted | | 9.1 | (2.6) |

The notes on pages 8 to 26 form part of this interim financial report.

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 | 79,972 | (27,508) |
| 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) | (2,873) | 92 |
| <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 | (39,193) | (38,102) |
| Change in fair value of intangible assets | (200) | 700 |
| Other comprehensive income for the period | (42,266) | (37,310) |
| Total comprehensive income for the period | 37,706 | (64,818) |
| Attributable to: | | |
| Equity shareholders of the Company | 44,075 | (54,667) |
| Non-controlling interests | (6,369) | (10,151) |
| Total comprehensive income for the period | 37,706 | (64,818) |

The notes on pages 8 to 26 form part of this interim financial report.

Consolidated Statement of Financial Position

| | Note | 30 June 2023 (Unaudited) HK\$'000 | 31 December 2022 (Audited) HK\$'000 |
|---|------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 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 |
| | | <u>1,544,938</u> | <u>1,570,010</u> |
| Current assets | | | |
| Inventories | | 522,295 | 540,226 |
| Trade and other receivables | 12 | 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 | 13 | 1,033,936 | 1,042,535 |
| | | <u>2,345,450</u> | <u>2,415,138</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | 419,246 | 454,324 |
| Bank borrowings | 15 | 159,308 | 191,578 |
| Lease liabilities | | 9,707 | 9,843 |
| Income tax payable | | 32,706 | 19,682 |
| | | <u>620,967</u> | <u>675,427</u> |
| Net current assets | | <u>1,724,483</u> | <u>1,739,711</u> |
| Total assets less current liabilities | | <u>3,269,421</u> | <u>3,309,721</u> |

Consolidated Statement of Financial Position (Continued)

| | Note | 30 June 2023 (Unaudited) HK\$'000 | 31 December 2022 (Audited) HK\$'000 |
|--|------|--|--|
| Non-current liabilities | | | |
| Lease liabilities | | 22,413 | 28,184 |
| Deferred income | 16 | 16,716 | 20,267 |
| Deferred tax liabilities | | 82,798 | 71,220 |
| | | <u>121,927</u> | <u>119,671</u> |
| NET ASSETS | | <u>3,147,494</u> | <u>3,190,050</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 17 | 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 | | <u>3,147,494</u> | <u>3,190,050</u> |

The notes on pages 8 to 26 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 and 2023 (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 2022 | | 1,652,854 | (14,820) | 7,400 | 36,916 | 150,302 | 121,442 | 6,252 | 1,227,653 | 3,187,999 | 159,137 | 3,347,136 |
| Changes in equity for the period | | | | | | | | | | | | |
| Loss for the period | | - | - | - | - | - | - | - | (23,380) | (23,380) | (4,128) | (27,508) |
| Other comprehensive income, net of tax | | - | - | 700 | 92 | - | (32,079) | - | - | (31,287) | (6,023) | (37,310) |
| Total comprehensive income | | - | - | 700 | 92 | - | (32,079) | - | (23,380) | (54,667) | (10,151) | (64,818) |
| Dividends approved in respect of previous year | | - | - | - | - | - | - | - | (81,708) | (81,708) | - | (81,708) |
| Purchase of shares for share award scheme | 21 | - | (2,096) | - | - | - | - | - | - | (2,096) | - | (2,096) |
| Equity compensation expenses | 21 | - | - | - | - | - | - | 2,188 | - | 2,188 | - | 2,188 |
| Shares vested and allotted under share award scheme | 21 | - | 4,960 | - | - | - | - | (4,960) | - | - | - | - |
| Allocation to legal reserve | | - | - | - | - | 2,656 | - | - | (2,656) | - | - | - |
| Balance at 30 June 2022 | | <u>1,652,854</u> | <u>(11,956)</u> | <u>8,100</u> | <u>37,008</u> | <u>152,958</u> | <u>89,363</u> | <u>3,480</u> | <u>1,119,909</u> | <u>3,051,716</u> | <u>148,986</u> | <u>3,200,702</u> |
| Balance at 1 January 2023 | | <u>1,652,854</u> | <u>(11,956)</u> | <u>8,300</u> | <u>36,776</u> | <u>161,291</u> | <u>35,736</u> | <u>6,990</u> | <u>1,164,679</u> | <u>3,054,670</u> | <u>135,380</u> | <u>3,190,050</u> |
| Changes in equity for the period | | | | | | | | | | | | |
| Profit for the period | | - | - | - | - | - | - | - | 82,377 | 82,377 | (2,405) | 79,972 |
| Other comprehensive income, net of tax | | - | - | (200) | (2,873) | - | (35,229) | - | - | (38,302) | (3,964) | (42,266) |
| Total comprehensive income | | - | - | (200) | (2,873) | - | (35,229) | - | 82,377 | 44,075 | (6,369) | 37,706 |
| Dividends approved in respect of previous year | | - | - | - | - | - | - | - | (81,708) | (81,708) | - | (81,708) |
| Equity compensation expenses | 21 | - | - | - | - | - | - | 1,446 | - | 1,446 | - | 1,446 |
| Shares vested and allotted under share award scheme | 21 | - | 5,057 | - | - | - | - | (5,057) | - | - | - | - |
| Balance at 30 June 2023 | | <u>1,652,854</u> | <u>(6,899)</u> | <u>8,100</u> | <u>33,903</u> | <u>161,291</u> | <u>507</u> | <u>3,379</u> | <u>1,165,348</u> | <u>3,018,483</u> | <u>129,011</u> | <u>3,147,494</u> |

The notes on pages 8 to 26 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

| | For the six months ended | |
|--|--------------------------|-----------------|
| | 30 June | |
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Operating activities | | |
| Cash generated from/(used in) operations | 66,602 | (8,185) |
| Income tax paid | (13,183) | (88) |
| | <u>53,419</u> | <u>(8,273)</u> |
| Net cash generated from/(used in) operating activities | <u>53,419</u> | <u>(8,273)</u> |
| Investing activities | | |
| Interest received | 13,931 | 6,911 |
| Purchases of property, plant and equipment | (81,989) | (49,568) |
| Prepayments for acquisition of property, plant and equipment | (11,015) | (22,375) |
| Proceeds from disposal of property, plant and equipment | 1,529 | 10,822 |
| Receipt compensation from government, net | 56,255 | – |
| (Increase)/decrease in time deposits with original maturity over three months | (48,411) | 12,230 |
| Increase in pledged time deposits | (23,143) | – |
| Decrease in structured deposits | 126,081 | 246,154 |
| Acquisition of a subsidiary, net of cash acquired | (12,051) | – |
| Other cash flows arising from investing activities | (3,337) | (6,217) |
| | <u>17,850</u> | <u>197,957</u> |
| Net cash generated from investing activities | <u>17,850</u> | <u>197,957</u> |
| Financing activities | | |
| Dividends paid to equity shareholders of the Company | (81,708) | (81,708) |
| Proceeds from bank borrowings | – | 92,855 |
| Repayments of bank borrowings | (32,270) | (44,876) |
| Other cash flows arising from financing activities | (8,870) | (9,725) |
| | <u>(122,848)</u> | <u>(43,454)</u> |
| Net cash used in financing activities | <u>(122,848)</u> | <u>(43,454)</u> |
| 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) |
| | <u>916,225</u> | <u>807,576</u> |
| Cash and cash equivalents at 30 June | <u>916,225</u> | <u>807,576</u> |

The notes on pages 8 to 26 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

1. General Information

Hung Hing Printing Group Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The address of its registered office is Hung Hing Printing Centre, 17-19 Dai Hei Street, Tai Po Industrial Estate, New Territories, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries (together the “Group”) are engaged in the following principal activities:

- Book and package printing;
- Consumer product packaging;
- Corrugated box; and
- Trading of paper.

This interim financial report is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. This condensed consolidated interim financial report was approved for issue by the Board of Directors (the “Board”) on 24 August 2023.

2. Basis of Preparation

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. 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 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 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 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements.

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.

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.

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.

Notes to the Unaudited Interim Financial Report (Continued)

4. Revenue and Segment Information (Continued)

Management assesses the performance of the operating segments based on a measure of gross profit and other revenue less distribution costs, administrative and selling expenses, and other net 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 arm's length basis.

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

(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 2023 | | | | | |
|---|---|--|-------------------------------|------------------------------|--------------------------|-------------------|
| | 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 | 865,219 | 150,124 | 88,222 | 89,399 | - | 1,192,964 |
| Inter-segment sales | 1,558 | 602 | 36,584 | 161,134 | (199,878) | - |
| Total | 866,777 | 150,726 | 124,806 | 250,533 | (199,878) | 1,192,964 |
| Segment results | 77,186 | (27,877) | (5,169) | (1,337) | 1,273 | 44,076 |
| Corporate and unallocated expenses | | | | | | (18,583) |
| Gain on disposal of property, plant and equipment | | | | | | 89,572 |
| Operating profit | | | | | | 115,065 |
| Finance costs | | | | | | (2,926) |
| Share of losses of associates | | | | | | (521) |
| Profit before income tax | | | | | | 111,618 |
| Income tax | | | | | | (31,646) |
| Profit for the period | | | | | | 79,972 |

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 2022 | | | | | |
|---------------------------------------|---|--|-------------------------------|------------------------------|--------------------------|-------------------|
| | 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 | 1,068,893 | 207,626 | 112,920 | 161,944 | - | 1,551,383 |
| Inter-segment sales | 1,374 | 6,758 | 83,043 | 249,304 | (340,479) | - |
| Total | <u>1,070,267</u> | <u>214,384</u> | <u>195,963</u> | <u>411,248</u> | <u>(340,479)</u> | <u>1,551,383</u> |
| Segment results | <u>27,818</u> | <u>(27,478)</u> | <u>8,468</u> | <u>6,360</u> | <u>(1,403)</u> | 13,765 |
| Corporate and unallocated expenses | | | | | | <u>(38,074)</u> |
| Operating loss | | | | | | (24,309) |
| Finance costs | | | | | | (1,768) |
| Share of losses of associates | | | | | | <u>(1,026)</u> |
| Loss before income tax | | | | | | (27,103) |
| Income tax | | | | | | <u>(405)</u> |
| Loss for the period | | | | | | <u>(27,508)</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 | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Hong Kong | 158,821 | 268,682 |
| The PRC | 269,245 | 434,881 |
| United States of America | 493,060 | 562,583 |
| United Kingdom | 87,107 | 117,380 |
| Other countries | 184,731 | 167,857 |
| | <u>1,192,964</u> | <u>1,551,383</u> |

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

5. Revenue, Other Revenue and Other Net Gain/(Loss)

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

| | For the six months ended | |
|--|---------------------------------|------------------|
| | 30 June | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Revenue | | |
| Sale of goods | <u>1,192,964</u> | <u>1,551,383</u> |
| Other revenue | | |
| Interest income | 13,284 | 5,794 |
| Dividend income from financial investments | 277 | 357 |
| Government grants | 8,752 | 18,701 |
| Sales of scrap materials | 2,930 | 2,200 |
| Sundry income | 4,163 | 7,430 |
| | <u>29,406</u> | <u>34,482</u> |

Notes to the Unaudited Interim Financial Report (Continued)

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

| | For the six months ended | |
|--|--------------------------|-----------------|
| | 30 June | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Other net gain/(loss) | | |
| Net foreign exchange loss | (12,047) | (12,244) |
| Fair value loss on derivative financial instruments not qualified as hedges | (1,542) | (5,584) |
| Fair value gain/(loss) on structured bank deposits | 277 | (2,968) |
| Net gain/(loss) on disposal of property, plant and equipment (Note) | 88,640 | (3,215) |
| | <u>75,328</u> | <u>(24,011)</u> |

Note:

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 16 and recognised a gain of HK\$89,572,000.

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 | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| 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 |
| Employee benefit expense (including directors' emoluments) | 326,057 | 383,032 |
| Write-down/(reversal of write-down) of inventories, net | 3,263 | (560) |
| Loss allowance of trade receivables, net | 5,203 | 499 |
| | <u>326,057</u> | <u>383,032</u> |

Notes to the Unaudited Interim Financial Report (Continued)

7. Finance Costs

| | For the six months ended | |
|-------------------------------|--------------------------|--------------|
| | 30 June | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Interest on bank borrowings | 2,089 | 1,634 |
| Interest on lease liabilities | 837 | 134 |
| | <u>2,926</u> | <u>1,768</u> |

8. Income Tax

| | For the six months ended | |
|---|--------------------------|------------|
| | 30 June | |
| | 2023 | 2022 |
| | 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 | <u>31,646</u> | <u>405</u> |

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.

Notes to the Unaudited Interim Financial Report (Continued)

8. Income Tax (Continued)

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.

9. 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 |
| 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> |

Notes to the Unaudited Interim Financial Report (Continued)

9. Earnings/(Loss) Per Share (Continued)

(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 |
|---|--|
| 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.

10. Dividend

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

Notes to the Unaudited Interim Financial Report (Continued)

11. Property, Plant and Equipment

| | 30 June 2023 HK\$'000 | 31 December 2022 HK\$'000 |
|---|--------------------------------------|---------------------------------|
| Opening net book amount at 1 January 2023/2022 | 1,417,683 | 1,392,360 |
| Additions | 81,989 | 184,646 |
| Transfer from prepayments for acquisition of non-current assets | 11,309 | 35,683 |
| Acquisition of a subsidiary company | 370 | – |
| Disposals/write-off | (48,662) | (21,197) |
| Depreciation | (58,346) | (127,134) |
| Impairment loss | – | (420) |
| Exchange differences | (15,254) | (46,255) |
| | <u>1,389,089</u> | <u>1,417,683</u> |
| Closing net book amount at 30 June 2023/31 December 2022 | <u>1,389,089</u> | <u>1,417,683</u> |

12. Trade and Other Receivables

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

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 2023 HK\$'000 | 31 December 2022 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 |
| | <u>528,970</u> | <u>532,801</u> |

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

13. Cash and Cash Equivalents

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

Notes to the Unaudited Interim Financial Report (Continued)

14. Trade and Other Payables

| | 30 June 2023 HK\$'000 | 31 December 2022 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 payable and accrued liabilities | 157,197 | 167,802 |
| | <u>419,246</u> | <u>454,324</u> |

All bills payable at 31 December 2022 and 30 June 2023 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 2023 HK\$'000 | 31 December 2022 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> |

Notes to the Unaudited Interim Financial Report (Continued)

15. Bank Borrowings – Unsecured

| | 30 June 2023 HK\$'000 | 31 December 2022 HK\$'000 |
|--|--------------------------------------|---------------------------------|
| Term loans subject to repayment on demand clause | | |
| – Maturity in 2024 | 46,000 | 62,000 |
| – Maturity in 2026 | 113,308 | 129,578 |
| | 159,308 | 191,578 |

In accordance with *HK Interpretation 5* issued by HKICPA, non-current portion of term loans is classified as a current liability as the classification of term loans was determined by reference to the contractual rights and obligations of the lender and the borrower at the reporting date and without considering the probability of the lender choosing to exercise its rights within the next twelve months after the reporting date. The balances are carried at amortised cost and none of the non-current portion of term loans is expected to be settled within one year.

All of the above bank loans are guaranteed by the Company.

16. 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.

Notes to the Unaudited Interim Financial Report (Continued)

17. Share Capital

| | 30 June 2023 | | 31 December 2022 | |
|--|--------------------|------------------------|--------------------|------------------------|
| | 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 2023 included 4,484,604 shares (31 December 2022: 8,211,036 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 2023 and 2022, 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 nil shares (2022: 1,648,000 share) of the Company.

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 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Sales of raw materials or finished goods to: | | |
| – A substantial shareholder | 3,718 | 1,441 |
| – Parties under control of a substantial shareholder | <u>2</u> | <u>74</u> |

The above transactions were carried out in the normal course of business of the Group and on terms as agreed with the parties.

Notes to the Unaudited Interim Financial Report (Continued)

18. Material Related Party Transactions (Continued)

(b) Compensation of key management personnel of the Group

| | For the six months ended | |
|--|--------------------------|---------------|
| | 30 June | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Short-term employment benefits (excluding discretionary bonus) | 12,401 | 11,647 |
| Discretionary bonus | 1,359 | 890 |
| Share-based payments | 1,446 | 2,188 |
| Post-employment benefits | 388 | 413 |
| | <u>15,594</u> | <u>15,138</u> |

19. Capital Commitments

The Group had the following capital commitments outstanding at the end of the reporting period:

| | 30 June | 31 December |
|--------------------------------------|----------------|----------------|
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Contracted for, but not provided for | 165,870 | 182,184 |
| Authorised but not contract for | 47,615 | 49,359 |
| | <u>213,485</u> | <u>231,543</u> |

20. Contingent Liabilities

The Group issued guarantees to a former related party for its banking facilities and HK\$24,838,000 (31 December 2022: HK\$25,747,000) of the banking facilities was utilised as at 30 June 2023.

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.

Notes to the Unaudited Interim Financial Report (Continued)

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 restricted shares in respect of which awards may be granted under the Scheme shall not exceed 18,157,299 Shares, representing 2% of the total issued share capital of the Company as at 1 July 2021. As at the date of this interim report, the total number of Shares available in respect of which restricted share awards may be granted under the Scheme is 15,887,637 Shares representing approximately 1.75% of the Shares in issue as at that date.

During the Scheme Period, the maximum entitlement of each participant shall not exceed 0.25% of the total issued share capital of the Company as at the date on which the Company and the Trustee executed the trust deed in relation to the Scheme.

Details of restricted share awards granted under the Scheme during the period ended 30 June 2023 are as follows:

| | Date of grant | Number of awards unvested as at 1 January 2023 | Number of awards granted during the period | Fair value of awards at the date of grant (HK\$) | Number of awards vested during the period | Number of awards unvested as at 30 June 2023 | Closing price of shares immediately before the date on which awards were granted (HK\$) |
|---|---------------|--|--|--|---|--|---|
| Directors | | | | | | | |
| Yum Chak Ming, Matthew | 01/04/2021 | 190,168 | – | 1.33 | 95,084 | 95,084 | 1.36 |
| | 01/04/2022 | 2,269,662 | – | 1.29 | 756,554 | 1,513,108 | 1.27 |
| Sung Chee Keung (resigned on 25 May 2023) | 01/04/2021 | 735,038 | – | 1.33 | 367,519 | 367,519 | 1.36 |
| Yum Carson, Christopher (appointed on 25 May 2023) | 01/04/2021 | 376,316 | – | 1.33 | 188,158 | 188,158 | 1.36 |
| Five highest paid individuals | 01/04/2021 | 3,249,302 | – | 1.33 | 1,624,651 | 1,624,651 | 1.36 |
| | 01/04/2022 | 2,269,662 | – | 1.29 | 756,554 | 1,513,108 | 1.27 |
| Other employee participants | 01/04/2021 | 2,314,138 | – | 1.33 | 1,157,069 | 1,157,069 | 1.36 |

Notes to the Unaudited Interim Financial Report (Continued)

21. Restricted Share Award Scheme (Continued)

- (1) No restricted share awards granted were cancelled, lapsed or forfeited in accordance with the terms of the Scheme during the period ended 30 June 2023.
- (2) No restricted share awards granted were in excess of the Participant Limit or the 1% individual limit pursuant to Rule 17.07 of the Listing Rules.
- (3) Pursuant to Rule 17.12(1)(a), during the period ended 30 June 2023, restricted share awards were granted to five highest paid individuals, which includes executive Directors, Mr. Yum Chak Ming, Matthew and Mr. Sung Chee Keung (resigned on 25 May 2023), and three senior management of the Company.
- (4) The weighted average closing price of the shares immediately before the dates on which the awards were vested was HK\$1.13.

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 3,726,432 shares (six months ended 30 June 2022: 3,631,348 shares) at an average fair value of HK\$5,057,000 (six months ended 30 June 2022: HK\$4,960,000) were vested during the period.

The fair value of the shares was determined based on the closing market price of the Company's shares that are publicly traded on the Stock Exchange on the grant date.

Share-based payment of HK\$1,446,000 has been recognised in the consolidated income statement as employee benefit expense during the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$2,188,000).

Notes to the Unaudited Interim Financial Report (Continued)

21. Restricted Share Award Scheme (Continued)

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

| | For the six months ended 30 June | | | |
|-------------------|--|---------------------------|--|---------------------------|
| | 2023 | | 2022 | |
| | Average fair value per share HK\$ | Number of share awards | Average fair value per share HK\$ | Number of share awards |
| Beginning balance | | 8,209,418 | | 9,571,104 |
| Granted | – | – | 1.27 | 2,269,662 |
| Vested | 1.36 | (3,726,432) | 1.37 | (3,631,348) |
| Ending balance | | <u>4,482,986</u> | | <u>8,209,418</u> |

Shares held by the Trustee for the purpose of the Scheme are listed below:

| | Number of shares | |
|---|-------------------------|------------------|
| | 2023 | 2022 |
| Beginning balance at 1 January 2023/2022 | 8,211,036 | 10,194,384 |
| Purchase of shares | – | 1,648,000 |
| Vesting of shares | (3,726,432) | (3,631,348) |
| Ending balance at 30 June 2023/31 December 2022 | <u>4,484,604</u> | <u>8,211,036</u> |

During the period ended 30 June 2022, the total consideration paid for the purchase of 1,648,000 shares was HK\$2,096,000.

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).

Notes to the Unaudited Interim Financial Report (Continued)

22. Fair Value Estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2023:

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|------------------------------|---------------------|---------------------|---------------------|-------------------|
| Assets | | | | |
| Financial investments: | | | | |
| – Structured bank deposits | – | 77,775 | – | 77,775 |
| – Unlisted equity securities | – | – | 44,047 | 44,047 |
| – Listed equity securities | 9,727 | – | – | 9,727 |
| | <u>9,727</u> | <u>77,775</u> | <u>44,047</u> | <u>131,549</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 equity instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The following table presents the changes in level 3 instruments for the six months ended 30 June 2023:

| | Unlisted equity investments HK\$'000 |
|----------------------|--|
| At 1 January | 45,076 |
| Exchange differences | <u>(1,029)</u> |
| At 30 June | <u>44,047</u> |

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.

Management Discussion and Analysis (Continued)

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 focuses 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 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 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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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 focused 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.

Management Discussion and Analysis (Continued)

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 our skilled and dedicated team whose efforts are at the heart of 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 (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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2023, 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 | | | |
|-------------------------|--|--------------------|------------|--|
| | Directly beneficially owned | Share award scheme | Total | Percentage of the Company's issued share |
| Yum Chak Ming, Matthew | 55,857,062 | 1,608,192 | 57,465,254 | 6.33 |
| Yum Carson, Christopher | 7,954,716 | 188,158 | 8,142,874 | 0.90 |

Save as disclosed above, as at 30 June 2023, 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 2023, 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, Mr. Yum Carson, Christopher and other immediate family members of the founder as at 30 June 2023. 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, Mr. Yum Carson, Christopher 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 2023, 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:

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 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 2023



HUNG HING

鴻興印刷集團有限公司
Hung Hing Printing Group Limited

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