HUNG HING

HUNG HING PRINTING GROUP LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 0450)

INTERIM RESULTS
FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2005

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 September 2005 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 September	
		2005	2004
		(Unaudited)	(Unaudited)
			(Restated)
	Notes	***HK$'000***	*HK$'000*
TURNOVER		**1,731,635**	1,207,326
Cost of sales		**(1,341,549)**	(897,591)
Gross profit		**390,086**	309,735
Other revenue and gains		**16,306**	23,124
Distribution costs		**(41,944)**	(36,781)
Administrative and selling expenses		**(118,245)**	(96,961)
Other operating expenses		**(5,846)**	(406)
PROFIT FROM OPERATING ACTIVITIES	4	**240,357**	198,711
Finance costs	5	**(15,185)**	(3,479)
Share of profits of associates		**—**	3,206
PROFIT BEFORE TAX		**225,172**	198,438
Tax	6	**(38,777)**	(32,655)
PROFIT FOR THE PERIOD		**186,395**	165,783

	Notes	For the six months ended 30 September 2005 (Unaudited)	2004 (Unaudited)
ATTRIBUTABLE TO:			
Equity holders of the parent		**171,720**	156,784
Minority interests		**14,675**	8,999
		186,395	165,783
INTERIM DIVIDEND	7	**56,266**	54,341
EARNINGS PER SHARE			
Basic	8	**29.7 cents**	27.4 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	30 September 2005 (Unaudited) *HK$'000*	31 March 2005 (Audited) (Restated) *HK$'000*
NON-CURRENT ASSETS		
Fixed assets	**1,282,098**	1,289,684
Prepaid land premiums/land lease payments	**146,867**	149,682
Goodwill	**3,100**	3,041
Available-for-sales financial assets	**9,930**	10,438
Properties under construction	**88,614**	57,382
Deferred tax assets	**5,719**	6,060
	1,536,328	1,516,287
CURRENT ASSETS		
Inventories	**471,012**	553,611
Accounts and bills receivable	**910,333**	644,509
Prepayments, deposits and other receivables	**52,427**	71,561
Foreign currency contracts	**2,276**	—
Cash and cash equivalents	**393,671**	334,416
	1,829,719	1,604,097

	30 September 2005 (Unaudited)	31 March 2005 (Audited) (Restated)
	HK$'000	*HK$'000*
CURRENT LIABILITIES		
Accounts payable	**134,302**	124,016
Tax payable	**46,339**	28,947
Other payables and accrued liabilities	**160,229**	153,069
Interest-bearing bank loans	**446,661**	328,513
Foreign currency contracts	**1,463**	—
	788,994	634,545
NET CURRENT ASSETS	**1,040,725**	969,552
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,577,053**	2,485,839
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	**285,000**	325,000
Deferred tax liabilities	**19,254**	19,325
	304,254	344,325
	2,272,799	2,141,514
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**59,227**	57,779
Reserves	**1,858,108**	1,669,322
Proposed dividend	**56,266**	115,559
	1,973,601	1,842,660
Minority interests	**299,198**	298,854
	2,272,799	2,141,514

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

These interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure requirements as set out in Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the annual financial statements for the year ended 31 March 2005, except in relation to the new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) which are effective for accounting periods beginning on or after 1 January 2005 and are adopted for the first time for the current period's financial statements.

The adoption of the new and revised HKFRSs (HKASs 1, 2, 7, 8, 10, 12, 16, 18, 19, 23, 24, 27, 28, 33, 37, 38 and Interpretation 4) has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements, except for the followings:

(a) HKAS 17 — Leases

(b) HKAS 21 — The Effects of Changes in Foreign Exchange Rates

(c) HKAS 32 and HKAS 39 — Financial Instruments

(d) HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets

The effects of the above changes are summarised in note 2.

2. Summary of the Impact of Changes on Accounting Policies

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted accordingly. The details of the opening adjustments are summarised as follows:

(a) *Effect on opening balance of total equity at 1 April 2005*

Effect of new policies (Increase/(decrease))	**Capital reserve (Unaudited)** *HK$'000*	**Retained earnings (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
Opening adjustments:			
HKAS 39			
— Fair value hedges	—	655	655
HKFRS 3			
— Derecognition of negative goodwill	(105,103)	105,103	—
Total effect at 1 April 2005	(105,103)	105,758	655

The following tables summarise the impact on profit after tax, income or expenses recognised directly in equity and capital transactions with equity holders for the six-month periods ended 30 September 2005 and 2004 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of HKAS 39 and HKFRS 3, the amounts shown for the six months period ended 30 September 2004 may not be comparable to the amounts shown for the current interim period.

(b) *Effect on profit after tax for the six months ended 30 September 2005 and 2004*

	For the six months ended 30 September					
	2005			2004		
Effect of new policies (Increase/(decrease))	**Equity holders of the parent (Unaudited)** ***HK$'000***	**Minority interests (Unaudited)** ***HK$'000***	**Total (Unaudited)** ***HK$'000***	Equity holders of the parent (Unaudited) *HK$'000*	Minority interests (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Effect on profit after tax:						
HKFRS 3						
— Discontinuation of amortisation of goodwill	**76**	**—**	**76**	—	—	—
Total effect for the period	**76**	**—**	**76**	—	—	—

(c) *Effect on income or expenses recognised directly in equity and capital transactions with equity holders for the six months ended 30 September 2005 and 2004*

	For the six months ended 30 September					
	2005			2004		
Effect of new policies (Increase/(decrease))	**Equity holders of the parent (Unaudited)** ***HK$'000***	**Minority interests (Unaudited)** ***HK$'000***	**Total (Unaudited)** ***HK$'000***	Equity holders of the parent (Unaudited) *HK$'000*	Minority interests (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
HKAS 39						
— Available-for-sale financial assets	**(837)**	**—**	**(837)**	—	—	—
— Cash flow hedges	**(2,057)**	**—**	**(2,057)**	—	—	—
Total effect for the period	**(2,894)**	**—**	**(2,894)**	—	—	—

3. Segment Information

Business Segments

The principal activities of the Group consisted of the printing and manufacturing of paper and carton boxes, the trading of paper, the manufacturing of corrugated cartons and the manufacturing of paper.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

An analysis by business segments is as follows:

	For the six months ended 30 September 2005			
	SEGMENT REVENUE			SEGMENT RESULTS
	Sales to external customers	Inter-segment sales	Total sales	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'$000	*HK'$000*	*HK'$000*	*HK'$000*
Paper and carton box printing and manufacturing	**935,129**	**20,908**	**956,037**	**179,722**
Paper trading	**184,169**	**194,461**	**378,630**	**17,634**
Corrugated carton manufacturing	**266,224**	**68,088**	**334,312**	**23,808**
Paper manufacturing	**346,113**	**101,940**	**448,053**	**23,927**
Eliminations	**—**	**(385,397)**	**(385,397)**	**(806)**
	1,731,635	**—**	**1,731,635**	**244,285**
Interest, dividend income and other gains				**7,445**
Corporate and unallocated expenses				**(11,373)**
Profit from operating activities				**240,357**

	For the six months ended 30 September 2004			
	SEGMENT REVENUE			SEGMENT RESULTS
	Sales to external customers	Inter-segment sales	Total sales	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK' $000	*HK' $000*	*HK' $000*	*HK' $000*
Paper and carton box printing and manufacturing	806,692	2,168	808,860	157,116
Paper trading	122,487	309,385	431,872	15,034
Corrugated carton manufacturing	278,147	65,489	343,636	23,146
Paper manufacturing	—	—	—	—
Eliminations	—	(377,042)	(377,042)	1,435
	1,207,326	—	1,207,326	196,731
Interest, dividend income and other gains				11,376
Corporate and unallocated expenses				(9,396)
Profit from operating activities				198,711

Geographical Segments

In determining the Group's geographical segments, revenue are attributed to the segments based on the location of the customers.

An analysis of segment revenue by geographical segments is as follows:

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK'$000	*HK' $000*
Sales to external customers:		
Hong Kong	**814,011**	572,115
Mainland China	**509,063**	285,912
United States of America	**172,443**	171,769
Others	**236,118**	177,530
	1,731,635	1,207,326

4. Profit from Operating Activities

The Group's profit from operating activities is arrived at after charging or crediting the following items:

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$' 000*
After charging —		
Depreciation	**54,847**	38,613
Amortisation of prepaid land premium/land lease payments	**1,777**	1,098
Staff costs (including directors' remuneration)	**219,351**	171,853
Write-down of inventories	**129**	—
Unrealised losses on listed available-for-sale financial assets	**—**	193
After crediting —		
Interest income	**5,269**	4,814

5. Finance Costs

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**15,185**	3,479

6. Tax

Provision for Hong Kong profits tax has been made at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$'000*
Current — Hong Kong	**14,791**	11,429
— Mainland China	**23,733**	19,919
Deferred tax	**253**	1,307
	38,777	32,655

Share of tax attributable to associates in the prior period amounting to HK$504,000 is included in "Share of profits of associates" on the face of the condensed consolidated profit and loss account.

7. Interim Dividend

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend of HK9.5 cents (2004: HK9.5 cents) per ordinary share	**56,266**	54,341

8. Earnings per Share

The calculation of basic earnings per share is based on the net profit attributable to equity holders of the parent for the period of HK$171,720,000 (2004: HK$156,784,000) and the weighted average of 577,875,157 (2004: 572,006,798) shares in issue during the period.

Diluted earnings per share amounts for the periods ended 30 September 2005 and 2004 have not been presented as there were no dilutive potential ordinary shares in existence during these periods.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, Hung Hing was able to take advantage of an overall improvement in the market environment and an increase in demand for quality paper products to achieve an overall increase of 43 per cent in turnover to HK$1,732 million. Long-term strategies such as expansion to new geographic markets and an increase in new products, as well as increased orders from existing customers, also contributed to the increase in business.

Hung Hing continued to benefit from the ongoing trend of outsourcing production to China-based manufacturers in markets like the US and Europe. The paper and carton box printing and manufacturing division and paper trading division performed particularly strongly in this regard, recording 16 per cent and 50 per cent growth respectively in external sales. The two paper manufacturing companies in Zhongshan contributed significantly to the Group's turnover in China following the Group's increase in stake in them from 35 per cent to 59 per cent, while the Wuxi plant achieved steady growth in business volume, moving a step closer to its target of breaking even.

With the consolidation of the results of the two Zhongshan paper manufacturing companies, the Group incurred a correspondingly increased share of their cost of sales, and administrative and selling expenses. As a result, the Group's overall cost of sales increased by 49 per cent during the period under review. Overall administrative and selling expenses also increased by 22 per cent respectively for the same reason.

The period under review saw continued adjustments in oil prices, which impacted the Group's material and transportation costs. There was an improvement in the power supply situation in China, although the situation was not completely rectified. These factors, as well as keen competition from mainland China manufacturers, and ongoing increases in labour costs continued to have an impact on margins.

Despite these challenges, the Group leveraged its vertically integrated operations, economies of scale and quick response to market needs to achieve a 21 per cent increase in profit from operating activities. Net profit attributable to equity holders of the parent increased 10 per cent to HK$172 million. Earnings per share increased 8 per cent to HK29.7 cents.

Paper and Carton Box Printing and Manufacturing

The Group's largest business division contributed 54 per cent and 75 per cent of the Group's turnover and profit from operating activities respectively for the period under review.

The growth was primarily due to an increase in direct exports and the success of marketing efforts in key geographic markets in Europe such as the UK and Germany, and new markets such as South America. The Group's strategy of diversification of product portfolio as well as a broadening of its customer base also helped improve the division's turnover.

Due to the Group's vertically integrated operations and cost controls, this division continued to benefit from the trend for outsourcing. The Group's investment strategy in its Wuxi plant has been successful with the plant entering its third year of operations. The plant increased its turnover in paper and carton box printing by 57 per cent following improved demand from mainland China.

Paper Trading

The Group's paper trading division improved its external sales performance by 50 per cent. The division benefited from the six-month operations of the Shenzhen logistic warehouse, as well as improved demand for a variety of paper types.

Despite the strong growth in external sales, the increase in the division's contribution to the Group's profit from operating activities was 17 per cent. This was mainly due to pricing pressure as a result of competition, as well as a drop in inter-segment sales.

The Group remains committed to the overall success of this division, which is a core part of its vertically integrated approach. The division will focus on expanding the range of papers it sells and introduce new types of paper to the market.

Corrugated Carton Manufacturing

This key division recorded a slight drop in turnover of 4 per cent, largely due to keen competition and price pressure, which affected margins. Business volume dropped slightly by 2 per cent. Despite these factors, the division benefited from increased business and improved operational efficiency at the Wuxi plant to record a modest increase in profit from operating activities of 3 per cent.

The new corrugator in Zhongshan is now operational. It has enhanced the competitiveness of this division which is an important component of the Group's long-term vertically integrated strategy.

Paper Manufacturing

Following the Group's increase in stake from 35 per cent to 59 per cent, the two paper manufacturing companies in Zhongshan improved their management and operational efficiency. Their faster response to changing market conditions, and an improvement in product quality led to an increase in business. This division contributed 20 per cent and 10 per cent to the Group's turnover and profit from operating activities respectively.

Progress in development of new Heshan facility

Construction work on the Group's new printing facility at Heshan has been proceeding as planned. Phase One will become operational towards the beginning of the second quarter of 2006. The new facility will allow the Group to increase its capacity while diversifying its production base and leveraging the lower costs prevailing in Heshan.

Liquidity and Capital Resources

Capital expenditure during the period amounted to HK$70 million, of which HK$30 million was spent on land and buildings and HK$40 million on machinery and equipment.

As at 30 September 2005, total bank borrowings stood at HK$732 million, of which HK$447 million was short term borrowings repayable within one year and HK$285 million, long-term borrowings repayable within two to five years. Of the Group's total bank borrowings, 78 per cent was in Hong Kong dollars, 21 per cent in Renminbi and 1 per cent in U.S. dollars.

With a higher level of borrowings and the inclusion of loan interest of HK$5.9 million following the consolidation of the two Zhongshan paper manufacturing companies, the Group's interest expenses increased by 336 per cent to HK$15.2 million.

As at 30 September 2005, the Group had cash on hand of HK$394 million, an increase of 18 per cent compared to 31 March 2005. Bank borrowings net of cash stood at HK$338 million. Net debt to equity ratio (bank borrowings net of cash over shareholders' equity) was 17 per cent, similar to 31 March 2005.

The Group has sufficient cash and available banking facilities to meet its working capital requirements and to support its capital investment plan.

Contingent Liabilities and Pledge of Assets

As at 30 September 2005, guarantees amounting to HK$912 million were given to banks by the Company for banking and trading facilities granted to the Group's subsidiaries.

Certain leasehold land and buildings and plant and machinery of the Group with a total net book value of HK$327 million as at 30 September 2005 have been pledged to banks to secure short term banking facilities granted to the Group.

Employees

As at 30 September 2005, the Group employed a total of 18,018 people in Hong Kong and China. Of the total, 309 were employed in Hong Kong and 17,709 in China. There is an increase over the previous year — particularly in China, where our operations have grown by approximately 971 employees.

The Group continues to provide its employees with competitive salaries. We also offer bonuses based on the working performance of the employee and business performance of the companies within the Group. The Group values its employees and is committed to the provision of regular training to enhance their operational efficiency and facilitate further career development.

Prospects

The Group is cautiously confident of continued steady growth with the expectation of a stable macro-economic environment in the coming months. Indications are that the trend for outsourcing will continue across the globe. We will continue to aim for steady performance by leveraging economies of scale to offset pressure on margins.

We believe that the Group's vertically integrated, synergistic operations, as well as its commitment to quality and high business standards have earned it a long-term and stable customer base. This strong reputation will serve to help the Group attract and retain quality customers in the months ahead.

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK9.5 cents (2004 : HK9.5 cents) per share. The interim dividend will be payable in cash with a scrip alternative at shareholders' option. A circular containing the scrip dividend scheme together with the form of election will be sent to shareholders in due course. The scrip dividend scheme is conditional upon the grant of listing of and permission to deal in the new shares to be issued pursuant thereto by the Listing Committee of the Stock Exchange.

The interim dividend will be paid on 15 February 2006 to shareholders whose names appear on the Register of Members of the Company on 30 December 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 28 December 2005 to 30 December 2005, 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, Tengis Limited of G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on 23 December 2005.

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 listed securities during the period.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices (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 of the following deviation:

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the Company's articles of association.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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 Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors of the Company.

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the unaudited financial consolidated accounts of the Company for the period ended 30 September 2005.

REMUNERATION COMMITTEE

To comply with the CG Code, a remuneration committee was established on 29 August 2005 with specific written terms of reference which deal clearly with its authority and duties. The members of the remuneration committee comprises three independent non-executive directors of the Company, Mr. Yap, Alfred Donald, Mr. Yip Yu Bun and Mr. Wong Siu Ping.

By Order of the Board
Yam Cheong Hung
Chairman

Hong Kong, 9 December 2005

As at the date of this announcement, the Board comprises Mr. Yam Cheong Hung, Mr. Yum Chak Ming, Matthew, Mr. Yam Ho Ming, Michael and Mr. Yam Hon Ming, Tommy as executive directors; Dr. Chu Shu Ho, David and Miss Yum Pui Ming, Anna as non-executive directors; Mr. Yip Yu Bun, Mr. Wong Siu Ping and Mr. Yap, Alfred Donald as independent non-executive directors.

Please also refer to the published version of this announcement in ***The Standard.***