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HUNG HING PRINTING GROUP LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 0450)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

- Revenue declined slightly by 2% to HK\$1,345 million
- Profit attributable to shareholders rose 30% to HK\$16 million
- Balance sheet remains strong with net cash of HK\$345 million
- Interim dividend of HK 1.7 cents per ordinary share

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 2013 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

| | | For the six months ended | |
|-------------------------------------|-------------|---------------------------------|--------------------|
| | | 30 June | |
| | | 2013 | 2012 |
| | | (Unaudited) | (Unaudited) |
| | Note | HK\$'000 | HK\$'000 |
| Revenue | 2 | 1,345,219 | 1,378,974 |
| Cost of sales | | (1,158,912) | (1,176,862) |
| Gross profit | | 186,307 | 202,112 |
| Other income and gains | | 19,063 | 13,758 |
| Distribution costs | | (36,003) | (33,988) |
| Administrative and selling expenses | | (141,977) | (139,734) |
| Other expenses | | (3,502) | (9,932) |
| Operating profit | | 23,888 | 32,216 |
| Finance costs | 3 | (3,051) | (5,894) |
| Share of losses of associates | | - | (8,257) |
| Profit before income tax | 4 | 20,837 | 18,065 |
| Income tax expense | 5 | (4,097) | (4,866) |
| Profit for the period | | 16,740 | 13,199 |

Attributable to:

| | | |
|---------------------------|---------------|---------------|
| Owners of the Company | 15,785 | 12,105 |
| Non-controlling interests | 955 | 1,094 |
| | <u>16,740</u> | <u>13,199</u> |

HK cents

HK cents

Earnings per share attributable to owners of the Company

6

| | | |
|---------|------------|------------|
| Basic | <u>1.7</u> | <u>1.3</u> |
| Diluted | <u>1.7</u> | <u>1.3</u> |

HK\$'000

HK\$'000

Dividend

7

| | |
|---------------|----------|
| <u>15,434</u> | <u>-</u> |
|---------------|----------|

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the six months ended
30 June**

| | |
|-------------|-------------|
| 2013 | 2012 |
| (Unaudited) | (Unaudited) |
| HK\$'000 | HK\$'000 |

Profit for the period

| | |
|---------------|---------------|
| <u>16,740</u> | <u>13,199</u> |
|---------------|---------------|

Other comprehensive income/(loss):*Items that may be reclassified subsequently to profit or loss*

| | | |
|--|--------|----------|
| Cash flow hedges | - | 817 |
| Currency translation differences | 16,320 | (11,823) |
| Change in value of intangible assets | (450) | 600 |
| Change in value of available-for-sale financial assets | (174) | (116) |

Other comprehensive income/(loss) for the period, net of tax

| | |
|---------------|-----------------|
| <u>15,696</u> | <u>(10,522)</u> |
|---------------|-----------------|

Total comprehensive income for the period

| | |
|---------------|--------------|
| <u>32,436</u> | <u>2,677</u> |
|---------------|--------------|

Attributable to:

| | | |
|--|---------------|--------------|
| Owners of the Company | 28,763 | 3,090 |
| Non-controlling interests | 3,673 | (413) |
| Total comprehensive income for the period | <u>32,436</u> | <u>2,677</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 30 June 2013 (Unaudited) HK\$'000 | 31 December 2012 (Audited) HK\$'000 |
|--|------|--|--|
| | Note | | |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 1,329,956 | 1,352,430 |
| Land use rights | | 106,199 | 107,162 |
| Intangible assets | | 8,118 | 8,940 |
| Available-for-sale financial assets | | 22,448 | 22,463 |
| Properties under construction | | 7,483 | 12,262 |
| Trade receivables | 8 | 4,450 | 7,006 |
| Deferred income tax assets | | 11,003 | 9,664 |
| Deposits paid for acquisition of property, plant and equipment | | 1,486 | - |
| Total non-current assets | | 1,491,143 | 1,519,927 |
| Current assets | | | |
| Inventories | | 671,059 | 613,469 |
| Trade and bills receivables | 8 | 790,713 | 823,837 |
| Prepayments, deposits and other receivables | | 39,442 | 43,622 |
| Derivative financial instruments | | 2,246 | 1,117 |
| Tax recoverable | | 5,320 | 4,205 |
| Pledged time deposits | | 48,235 | 46,114 |
| Time deposits with original maturity over three months | | 91,200 | 43,587 |
| Cash and cash equivalents | | 562,487 | 533,345 |
| Total current assets | | 2,210,702 | 2,109,296 |
| Total assets | | 3,701,845 | 3,629,223 |
| Equity | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 90,787 | 90,787 |
| Reserves | | 2,569,716 | 2,555,591 |
| Proposed dividend | | 15,434 | 18,157 |
| | | 2,675,937 | 2,664,535 |
| Non-controlling interests | | 152,863 | 149,190 |
| Total equity | | 2,828,800 | 2,813,725 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowings | | 158,597 | 228,937 |
| Deferred income tax liabilities | | 48,142 | 47,749 |
| Total non-current liabilities | | 206,739 | 276,686 |

| | | | |
|--|---|------------------|------------------|
| Current liabilities | | | |
| Trade and bills payables | 9 | 261,185 | 181,887 |
| Current income tax liabilities | | 22,221 | 21,363 |
| Other payables and accrued liabilities | | 184,541 | 182,244 |
| Derivative financial instruments | | 105 | - |
| Borrowings | | 198,254 | 153,318 |
| Total current liabilities | | 666,306 | 538,812 |
| Total liabilities | | 873,045 | 815,498 |
| Total equity and liabilities | | 3,701,845 | 3,629,223 |
| Net current assets | | 1,544,396 | 1,570,484 |
| Total assets less current liabilities | | 3,035,539 | 3,090,411 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Basis of Preparation and Accounting Policies

These condensed consolidated interim financial statements for the six months ended 30 June 2013 have not been audited 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated interim financial statements have been prepared under the historical costs 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 period from 1 April to 31 December 2012.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the period from 1 April to 31 December 2012, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following amendments to standards and interpretations are mandatory for accounting year beginning on 1 January 2013:

- HKAS 1 (Revised) (Amendment) Presentation of financial statements - Presentation of items of other comprehensive income
- HKAS 19 (Amendment) Employee benefits
- HKAS 27 (2011) Separate financial statements
- HKAS 28 (2011) Investments in associates and joint ventures

- | | |
|-----------------------|--|
| • HKFRS 7 (Amendment) | Financial instruments: Disclosures - Offsetting financial assets and financial liabilities |
| • HKFRS 10 | Consolidated financial statements |
| • HKFRS 11 | Joint arrangements |
| • HKFRS 12 | Disclosures of interests in other entities |
| • HKFRS 13 | Fair value measurement |
| • HK (IFRIC) - Int 20 | Stripping costs in the production phase of a surface mine |

The adoption of these new/revised standards, amendments and interpretations to existing standards does not have implications to the Group's accounting policy applied in these interim financial statements except for below:

HKFRS 13 "Fair Value Measurements" defines fair value and provides an single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements do not extend the use of fair value accounting. The Group has applied the new fair value measurement and disclosure requirements prospectively in accordance with the standard. The Group has included the disclosures required by HKAS 34 paragraph 16A(j) in the interim financial statements.

(b) The following amendments to standards and interpretations are not yet effective and have not been early adopted by the Group:

- | | |
|---|---|
| • HKAS 32 (Amendment) | Financial instruments: Presentation - Offsetting financial assets and financial liabilities |
| • HKAS 36 (Amendment) | Recoverable amount disclosures for non-financial assets |
| • HKFRS 7 and HKFRS 9 (Amendment) | Financial instruments: Disclosures - Mandatory effective date of HKFRS 9 and transition disclosures |
| • HKFRS 9 | Financial instruments |
| • HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011) (Amendment) | Investment entities |
| • HK (IFRIC) - Int 21 | Levies |

Management is in the process of making an assessment of the impact of these new standards and amendments to standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

Pursuant to the resolution of the board of Directors of the Company dated 16 April 2012, the Company's financial year end date has been changed from 31 March to 31 December.

The change is to align with the financial year end date of the Company with that of its subsidiaries established in the People's Republic of China (the "PRC"), the financial results of which are consolidated into its consolidated financial statements each year, and their financial statements are statutorily required to use 31 December as the financial year end.

To enhance comparability, the comparative figures in these unaudited condensed consolidated interim financial statements, except the condensed consolidated statement of financial position and its associated disclosure notes, cover the six months period from 1 January 2012 to 30 June 2012. These comparative figures have been prepared in accordance with the HKFRS.

2. Segment Information

The management committee (being the chief operating decision-maker) has determined the operating segments based on the reports reviewed by the management committee. The management committee, comprising the executive chairman, the chief executive officer and other senior management, that are used to make strategic decisions and assess performance.

Management has determined the operating segments based on these reports. The Group is organised into four business segments:

- (a) Book and Package Printing segment;
- (b) Consumer Product Packaging segment;
- (c) Corrugated Box segment; and
- (d) Paper Trading segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Management assesses the performance of the operating segments based on a measure of gross profit less distribution costs, administrative and selling expenses, and other expenses 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.

| For the six months ended 30 June 2013 | | | | Segment |
|--|---|----------------------------------|-------------------------|---------|
| Segment Revenue | | | Results | |
| Sales to external customers (Unaudited) HK'\$000 | Inter- segment sales (Unaudited) HK'\$000 | Total (Unaudited) HK'\$000 | (Unaudited) HK'\$000 | |
| Book and Package Printing | 762,778 | 742 | 763,520 | 15,999 |
| Consumer Product Packaging | 357,684 | 1,104 | 358,788 | 2,021 |
| Corrugated Box | 101,473 | 47,207 | 148,680 | 4,478 |
| Paper Trading | 123,284 | 227,334 | 350,618 | 5,395 |
| Eliminations | - | (276,387) | (276,387) | (3,431) |
| 1,345,219 | - | 1,345,219 | 24,462 | |
| Interest, dividend income and other gains | | | 13,827 | |
| Corporate and unallocated expenses | | | (14,401) | |
| Operating profit | | | 23,888 | |
| Finance costs | | | (3,051) | |
| Profit before income tax | | | 20,837 | |
| Income tax expense | | | (4,097) | |
| Profit for the period | | | 16,740 | |

For the six months ended 30 June 2012

| | 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 | 752,901 | 571 | 753,472 | 21,858 |
| Consumer Product Packaging | 345,169 | 4,103 | 349,272 | 5,540 |
| Corrugated Box | 115,717 | 42,412 | 158,129 | 5,663 |
| Paper Trading | 165,187 | 232,305 | 397,492 | 5,846 |
| Eliminations | - | (279,391) | (279,391) | (1,696) |
| | <u>1,378,974</u> | <u>-</u> | <u>1,378,974</u> | <u>37,211</u> |
| Interest, dividend income and other gains | | | | 7,945 |
| Corporate and unallocated expenses | | | | <u>(12,940)</u> |
| Operating profit | | | | 32,216 |
| Finance costs | | | | (5,894) |
| Share of losses of associates | | | | <u>(8,257)</u> |
| Profit before income tax | | | | 18,065 |
| Income tax expense | | | | <u>(4,866)</u> |
| Profit for the period | | | | <u>13,199</u> |

3. Finance Costs

| | For the six months ended 30 June | |
|--|----------------------------------|--------------|
| | 2013 | 2012 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Interest on bank borrowings wholly repayable within five years | <u>3,051</u> | <u>5,894</u> |

4. Profit Before Income Tax

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

| | For the six months ended | |
|--|---------------------------------|-------------|
| | 30 June | |
| | 2013 | 2012 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| After charging - | | |
| Depreciation | 55,752 | 56,531 |
| Amortisation of land use rights | 1,603 | 1,594 |
| Amortisation of intangible assets | 553 | 476 |
| Loss on disposals of property, plant and equipment | 531 | 3,195 |
| Foreign exchange loss, net | - | 4,270 |
| Employee benefit expense (including directors' emoluments) | 379,249 | 344,866 |
| Provision for impairment of trade receivables | 3,040 | 2,373 |
| Provision for impairment of inventories, net | 2,361 | 3,977 |
| After crediting - | | |
| Bank interest income | 5,258 | 7,457 |
| Dividend income from available-for-sale financial assets | 139 | 140 |
| Fair value gain on derivative financial instruments not qualified as hedges, net | 5,672 | 767 |
| Foreign exchange gain, net | 3,787 | - |

5. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2012: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profit has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

| | For the six months ended | |
|----------------------------|---------------------------------|-------------|
| | 30 June | |
| | 2013 | 2012 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Current income tax | | |
| - Hong Kong profits tax | 1,678 | (789) |
| - PRC corporate income tax | 3,600 | 6,961 |
| Total current tax | 5,278 | 6,172 |
| Deferred income tax | (1,181) | (1,306) |
| Income tax expense | 4,097 | 4,866 |

6. Earnings Per Share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company.

| | For the six months ended 30 June | |
|--|---|--------------------|
| | 2013 | 2012 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Profit attributable to owners of the Company | 15,785 | 12,105 |
| Weighted average number of ordinary shares in issue excluding own held shares (thousands) | 903,992 | 902,025 |
| Basic earnings per share (HK cents per share) | 1.7 | 1.3 |

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: shares repurchased for the purpose of share award scheme. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the outstanding shares to be granted.

| | For the six months ended 30 June | |
|--|---|--------------------|
| | 2013 | 2012 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Profit attributable to owners of the Company | 15,785 | 12,105 |
| Weighted average number of ordinary shares in issue excluding own held shares (thousands) | 904,409 | 903,946 |
| Diluted earnings per share (HK cents per share) | 1.7 | 1.3 |

7. Dividend

| | For the six months ended 30 June | |
|--|---|--------------------|
| | 2013 | 2012 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Interim dividend of HK 1.7 cents (30 June 2012: Nil) per ordinary share | 15,434 | - |

8. Trade and Bills Receivables

| | 30 June 2013 (Unaudited) HK\$'000 | 31 December 2012 (Audited) HK\$'000 |
|---|--|--|
| Trade receivables | 797,935 | 844,022 |
| Less: provision for impairment of trade receivables | (28,882) | (26,650) |
| | 769,053 | 817,372 |
| Trade receivables due from related parties | 4,325 | 4,689 |
| Total trade receivables, net | 773,378 | 822,061 |
| Bills receivables | 21,785 | 8,782 |
| | 795,163 | 830,843 |
| Less: Non-current trade receivables | (4,450) | (7,006) |
| | 790,713 | 823,837 |

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 and 90 days from date of issuance. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk.

Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a number of diversified customers, there is no significant concentration of credit risk.

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

| | 30 June 2013 (Unaudited) HK\$'000 | 31 December 2012 (Audited) HK\$'000 |
|--------------|--|--|
| 1 - 30 days | 371,711 | 311,860 |
| 31 - 60 days | 165,336 | 185,256 |
| 61 - 90 days | 120,687 | 118,927 |
| Over 90 days | 115,644 | 206,018 |
| | 773,378 | 822,061 |

9. Trade and Bills Payables

| | 30 June 2013 (Unaudited) HK\$'000 | 31 December 2012 (Audited) HK\$'000 |
|---------------------------------------|--|--|
| Trade payables | 235,072 | 151,882 |
| Trade payables due to related parties | 10,990 | 16,546 |
| Total trade payables | 246,062 | 168,428 |
| Bills payables | 15,123 | 13,459 |
| | 261,185 | 181,887 |

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

| | 30 June 2013 (Unaudited) HK\$'000 | 31 December 2012 (Audited) HK\$'000 |
|--------------|--|--|
| 1 - 30 days | 148,576 | 120,230 |
| 31 - 60 days | 70,381 | 36,538 |
| 61 - 90 days | 16,879 | 6,236 |
| Over 90 days | 10,226 | 5,424 |
| | 246,062 | 168,428 |

10. Subsequent Event

On 31 July 2013, the Company, among others, entered into equity transfer agreements with an independent third party, pursuant to which the Company agreed to dispose of 7.5% of its equity interests in each of Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited and Zhongshan Ren Hing Paper Manufacturing Company Limited (collectively the "Paper Mills") to the third party at an aggregate consideration of RMB18,179,000.

Further details of the event are set out in the announcements of the Company dated 31 July 2013 and 9 August 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Hung Hing Printing Group introduced 31 December as its new financial year end date in 2012. This is the first time that the Group has reported its interim results for the new six-month period from 1 January to 30 June. To facilitate meaningful comparison, and eliminate the effect of seasonality due to different cut-off dates for the results, data for the comparable previous period (January to June 2012) is used in our discussion below.

The Group reported stable aggregate revenues across business segments and a 27% increase in net profit for the six months ended 30 June 2013. Overall sales totaled HK\$1,345 million, slightly behind the comparable period in 2012 by 2% due to paper price adjustments and persistent economic uncertainties in both overseas and domestic markets which impacted customer demand and confidence in general.

The two largest business units, Book and Package Printing and Consumer Product Packaging, which combined account for over 80% of the Group's overall sales revenue, achieved moderate sales growth. The other two businesses, Corrugated Box and Paper Trading, reported sales declines as the customers of these two segments were more sensitive to export volatility and followed a more conservative inventory strategy in response to paper price fluctuations.

Orders picked up significantly in the second quarter after a quieter first quarter. The Group attained high asset utilization and growth in overall paper consumption during the six months ending 30 June 2013 vis-à-vis the preceding year. In anticipation of continued strong momentum in the third quarter, and to improve operating efficiencies, the Group committed HK\$31 million of new investment in the first six months to expand and enhance its printing, box-making and post-print capacity across all its facilities.

Profit attributable to shareholders rose by 30% to HK\$16 million. The Group benefited from favorable exchange rates, higher returns from forward contracts and productivity savings from automation initiatives. Furthermore the Group did not have to take any share of the losses of its associates onto its books. As a result, despite the negative effects caused by sales declines, order pattern changes, and operating cost increases in China due to RMB appreciation and increase of social insurance and minimum wages, profits remained strong.

Evolving export business

Changes in reading habits among consumers worldwide and a delayed economic recovery continued to challenge the printing industry as a whole. Consolidation of suppliers in the export printing industry is likely to accelerate triggered by trends such as increasing demand for assured, on-time delivery with more frequent orders but shorter lead times, and more stringent compliance requirements particularly in North America and Europe.

The Group has benefited from these trends due to its blue-chip customer base, long established track record of reliability and strong reputation for integrity, quality, and competitive scale and pricing. During the period Hung Hing continued to adhere closely to the requirements of the governments and customers, conforming to high environmental, safety and ethical standards.

The BelugaBloo kids e-bookstore, introduced by the Group in 2011, continued to expand and now features over 200 children's applications, attracting increasing downloads from markets across the world during the period. The platform has helped strengthen our printing business by deepening our relationship with international publishers.

Achieving higher operational efficiency

To be most agile and efficient in the face of macro challenges and uncertainties, the Group sharpened its focus on operations planning, constantly rebalancing work activities based on available resources and the expanded capacity to maximize asset utilization and optimize production output and schedule. The Group believes that optimal capacity utilization and cost efficiency are central to achieving profitability in the future.

Well positioned liquidity situation - strong balance sheet

During the period under review the Group leveraged its robust liquidity position to secure higher returns from its short-term deposits and to hedge against RMB appreciation. The strategy was successful and the Group achieved HK\$6 million gains from forward contracts and HK\$4 million in exchange gains during the first six-month period.

The Group's balance sheet remains strong with a net cash position of HK\$345 million at 30 June 2013, an increase of HK\$104 million from January 2013. Backed by the Group's strong cash flow and solid financial position, the Board of Directors has declared an interim dividend of HK 1.7 cents per share.

Business Unit Reports

Book and Package Printing (BPP)

Book and Package Printing (BPP), the Group's largest business unit, accounts for approximately 57% of total sales. Hung Hing is one of the world's leading producers of folding cartons and packaging for toys, cosmetics and other consumer products. We are also one of the world's largest manufacturers of conventional and children's novelty books.

Production of folding carton, packaging, conventional books and children's books is carried out at the Group's ISO 9001, ISO 14001 and ICTI-COBP certified plants in Shenzhen and Heshan in China's Guangdong province, and at a plant in Hong Kong. The three plants have a combined production space of 300,000 square meters and employed over 10,000 workers at the end of 30 June 2013. The business unit's client base includes many of the world's most recognized toy, cosmetics, and consumer goods producers, as well as leading international publishers.

The BPP business reported the following results for the first half-year:

- Revenue of HK\$763 million, up 1% from HK\$753 million the previous year
- Profit contribution of HK\$16 million, down from HK\$22 million last year
- Profit contribution margin of 2%, down from 3% the previous year

Review of Operations

Book and Package Printing continued its growth trend, albeit at a lower rate compared to prior year. Growth was affected by soft macro-economic conditions in European and United Kingdom markets, which resulted in fewer orders in Q1 amid high inventory position of customers. The Group has successfully expanded into new European territories such as Russia, France and Spain and managed to offset the weaker demand conditions in its traditional markets. Signs of increasing economic activity in the U.S. resulted in new orders for children and novelty book products.

Hung Hing continued to benefit from consolidation of the print industry in southern China. Due to ongoing new regulations on environmental, safety and social compliance requirements in export markets, large publishing companies tend to prefer working with reputable suppliers. As a result, Hung Hing has been selected as a preferred supplier to major toy manufacturers and publishers.

During the six-month period under review, BPP has established the HH Deluxe brand in the United Kingdom and Europe. This branding effectively signals the Group's entry into the high-end luxury packaging market, serving luxury and elite brand customers through its sales offices in the European Union (EU).

Exports to Japan have also grown. Through a partnership with Rengo Co., Ltd., Japan, BPP was able to supply unique point-of-sales paper displays to Japanese clientele that required superior quality and innovative product design with a touch of hand-craftsmanship.

Actions were taken to upgrade cost controls and review pricing, in particular for labor-intensive children's novelty books which demand special craftsmanship but is also a competitive strength of Hung Hing. However, a slower first quarter for special packaging projects, lower customer confidence resulting in smaller order quantities, plus delay in paper deliveries from third-party suppliers impacted BPP's profitability.

During the period under review, the Group partnered with a renowned children's choral and performing arts center in Hong Kong to launch an innovative printed musical product that can interact with the iPad to provide music-related entertainment and education to children. Combining printing and digital technologies to create other innovative new applications and offerings will yield new business opportunities for the Group in areas such as education, publishing, and brand advertising.

Consumer Product Packaging (CPP)

Hung Hing provides high quality packaging solutions for customers through its production plants at Zhongshan (southern China) and Wuxi (near Shanghai). With a combined production space of 180,000 square meters and a skilled workforce of over 2,000, CPP is well positioned to capture the growing consumer market in China.

The CPP business reported the following results for the first half of the year:

- Revenue of HK\$358 million, up 4% from HK\$345 million the previous year
- Profit contribution of HK\$2 million, down from HK\$6 million last year
- Profit contribution margin of 1%, down from 2% the previous year

Review of Operations

The China domestic consumer packaging market continues to be large but highly fragmented. Government initiatives to rein in extravagance and stabilize property prices affected the high-end luxury packaging business as a whole in the short term. Increased competition and price pressure on the mid/low-end packaging segments also affected the Group's performance. However there are indications that a gradual recovery in domestic consumption is under way, and long-term growth opportunities in the China domestic consumer packaging market remain strong.

During the period, the Group acquired a large format lamination machine and also upgraded other post-finishing equipment. The dust-free manufacturing zones in our Zhongshan and Wuxi plants render Hung Hing well positioned to meet the hygiene and quality requirements of the packaged food and personal care sectors.

Corrugated Box (CB)

Hung Hing operates a competitive corrugated box manufacturing business that supplies to a wide range of companies, including toy, food and beverage, electronics and household product manufacturers. Over 60% of the Corrugated Box business is generated from exports out of mainland China. The business operates a manufacturing facility in Shenzhen and a distribution center in Hong Kong.

The CB business reported the following results for the first half of the year:

- External revenue of HK\$101 million, down 12% from HK\$116 million the previous year
- Profit contribution of HK\$4 million, down from HK\$6 million last year
- Profit contribution margin of 3%, down from 4% the previous year

Review of Operations

The Corrugated Box business benefited from stable growth in demand in the first half of the year as a result of close operational alignment with the Group's Book and Package Printing business. Common customers provided additional opportunities and cross-selling synergies benefited both business units.

The Corrugated Box business was affected by the slowdown in export activities and softer domestic consumption in the first half of the year. Despite 11% increase in internal inter-segment sales, external revenue declined by 12% in the first half compared to last year.

In response to weak demand, rising labor and logistics costs, the CB business placed special focus on business development activities targeting customers with more demanding compliance requirements, which Hung Hing is well positioned to fulfill. Orders from customers were re-grouped and new fulfillment workflows were explored to improve margins. Cost saving measures were put into place such as upgraded steam conservation in boilers and corrugators to conserve energy. These measures will maximize benefits in the second half of the year as the Group addresses peak season demands related to exports and growth of domestic business.

Paper Trading (PT)

Hung Hing is one of the largest paper trading operators in Asia outside Japan. The PT business unit is centered around the Group's 60,000-ton paper storage facility in Shenzhen that can supply a large variety of paper types and quantities on short lead times at competitive prices. It also serves a strategic purpose as an integral part of the Group's supply chain, acting as a stable and economical source of paper supply to the Group's core printing and packaging businesses.

The PT business reported the following results for the first half of the year:

- External revenue of HK\$123 million, down 25% from HK\$165 million the previous year
- Profit contribution of HK\$5 million, down slightly from HK\$6 million last year
- Profit contribution margin of 2%, similar to the previous year

Review of Operations

Over 80% of the PT business' revenues come from export manufacturers in south China, with the balance coming from the China domestic market. During the half-year, internal inter-segment sales remained stable but external revenue declined by 25% compared to the first half of 2012. Paper trading in general faced the challenges of paper price declines and reduced orders from small to medium-sized customers. To minimize risk, the PT business took steps to expand customer base and tighten credit management. Profit margins during the period were kept relatively stable at 2%.

Investment in Paper Mills

As of 30 June 2013, Hung Hing still had a 17% equity interest in the Paper Mills entities located in Zhongshan, which operate three production lines that convert waste paper into corrugated medium and testliner, sold both to external customers and the Corrugated Box division within Hung Hing.

On 31 July 2013, Hung Hing Printing Group, among others, entered into Equity Transfer Agreements with Zhongshan Yong Fa, pursuant to which the Group agreed to dispose of 7.5% of its equity interests in each of the Paper Mills entities to Zhongshan Yong Fa at an aggregate consideration of RMB18,179,000.

Subject to the consideration adjustment mechanism in the Equity Transfer Agreements and in accordance with Hong Kong Financial Reporting Standards, and with reference to the carrying value of the Paper Mills entities, the Group expects to recognize in its income statement a gain of approximately RMB13.6 million from the disposals upon completion of the transaction.

Liquidity and Capital Resources

The Group continued to maintain a strong financial position. As of 30 June 2013, the Group had net cash on hand (total cash net of bank borrowings) of HK\$345 million, an increase of HK\$104 million compared to the position on 31 December 2012. The optimization of the Group's inventory level and increases in trade payable also helped increase the Group's cash position.

Most of the Group's cash is held in Renminbi as the Group's operating expenses are mainly incurred in this currency. Of the Group's total bank deposits and cash on hand totaling HK\$702 million, 81% was held in RMB, 14% in HKD, 4% in USD, and 1% in Euro and Pound Sterling.

As of 30 June 2013, the Group had total bank borrowings of HK\$357 million. The Group's gearing ratio when comparing total bank borrowings with total equity was 13% (31 December 2012: 14%). Per the loan repayment schedules in the Group's loan agreements with banks, HK\$198 million is repayable within 1 year, HK\$108 million is repayable within 1-2 years, and HK\$51 million is repayable within 2-4 years.

The Group's total bank borrowings were all in HKD. Of this, 93% was owed to banks in Hong Kong with interest rate at HIBOR or the banks' cost of fund plus certain mark-up %. The remaining 7% was owed to banks in PRC at interest rate with reference to the banks' cost of fund plus certain mark-up %. The Group's interest expense for the period amounted to HK\$3 million.

During the period under review, the Group recognized capital investment of HK\$20 million out of a commitment of HK\$31 million in supplementary printing equipment primarily to strengthen automation and enhance production efficiency.

Environmental Sustainability

The Group is committed to green manufacturing and has established systems to monitor resource usage more effectively. We have installed hundreds of water / electricity sub-meters to monitor how and in what way these resources are used, so as to be able to analyze where we can improve effectively.

Typically, lighting consumed around 11% of our total electric power use in the production area. Up to now, the Group has installed over 20,000 energy-saving lights, achieving an annual energy saving of around 1 million kwh, or 997 tons of carbon emissions.

This year, the Group has committed to convert all its boilers to those that use either natural gas or biomass to generate steam for production, a milestone in our environmental protection efforts.

In supporting well-managed and sustainable forestry, the Group continued to increase its use of paper from certified paper sources (FSC or PEFC) which increase from 8,600 tons in 2010 to 25,376 tons in the first half of 2013, an almost 200% increase in two and a half years.

Our People

The Group offers competitive remuneration and equal opportunities to all employees, with emphasis on workplace safety and training.

At the end of June 2013, the Group had 13,163 employees at similar level to last year's count of 13,255. Our occupational health and safety track record continues to improve with total incident rates coming down to 0.17 in the six months under review (from 0.29 in the first half of 2012).

In the reporting period, we provided over 70,691 training hours to 19,283 attendants.

Health and Safety Month and Quality Month campaigns were held to raise employee awareness of these important issues, which benefited both the Group and the employees.

Contingent Liabilities and Pledge of Assets

As at 30 June 2013, guarantees amounting to HK\$2,049 million were given to banks by the Company for banking and trading facilities granted to subsidiaries and former associates.

Certain buildings, land use rights and time deposits of the Group with a total carrying value of HK\$143 million as at 30 June 2013 have been pledged to secure banking and trading facilities granted to the Group.

Prospects

The Group's business has been holding up well in the face of the persistent economic volatility during recent years. Our strategy to differentiate ourselves through a partnership approach to offer both innovation and value has proved correct and we will continue our ongoing focus on quality, innovation and reliability to position ourselves for the recovery.

While there is still some uncertainty about the short-term economic environment overall prospects for the medium term appear encouraging. We expect the European economies to stabilize and slow but stable growth in the U.S. In mainland China the government has also started to introduce measures to gently stimulate economic growth such as a reduction of costs for exporters.

A reduced shareholding in the paper mills will allow a stronger focus more closely on consolidating and growing the core businesses. Automation, optimal capacity utilization and cost efficiency will play a key role in enhancing cost efficiencies and profitability in the coming months and years.

The Group's cash position remains strong, putting it in an advantageous position to capture market opportunities promptly as and when they arise.

As always, I take this opportunity to acknowledge and thank our employees for their diligent efforts on the Group's behalf. Their work is central to our continued growth.

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK 1.7 cents (For the six months ended 30 September 2012 : HK 3 cents) per share. The interim dividend will be paid on 16 October 2013 to shareholders whose names appear on the Register of Members of the Company on 27 September 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 25 September 2013 to 27 September 2013, 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 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 24 September 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities 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:

1. Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Currently the roles of chairman and chief executive officer have been undertaken by Mr. Yum Chak Ming, Matthew. 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 able effectively to monitor and assess management in a manner that properly protects the interests of shareholders.
2. Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company are not appointed for a specific term. However under the Articles of Association of the Company, one-third of the directors who have served longest on the Board shall retire from office by rotation every year at the annual general meeting. All directors of the Company retire by rotation at least once every three years and hence the terms of appointment of the non-executive directors are limited accordingly.

3. In respect of Code Provision D.1.4, the Company did not have formal letters of appointment for three of its Directors, namely Mr. Yoshitaka Ozawa, Mr. Katsuaki Tanaka and Mr. Hiroyuki Kimura (resigned on 1 April 2013) to setting out the key terms and conditions of their appointment for the period from 1 January to 31 March 2013. However, all Directors shall be subject to retirement in accordance with the Articles of Association of the Company. The Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. Formal letters of appointment for Mr. Yoshitaka Ozawa and Mr. Katsuaki Tanaka have been issued and accepted by them with effect from 1 April 2013. Hence, the Company has complied Code Provision D.1.4 commencing from 1 April 2013.

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 2013 and the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters. The audit committee comprises three independent non-executive directors and a non-executive director of the Company.

By Order of the Board
Hung Hing Printing Group Limited
Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 23 August 2013

As at the date of this announcement, the Board comprises Mr. Yum Chak Ming, Matthew and Mr. Sung Chee Keung as executive directors; Mr. Shigechika Ishida, Mr. Yoshitaka Ozawa, Mr. Katsuaki Tanaka and Mr. Yam Hon Ming, Tommy as non-executive directors; Mr. Yap, Alfred Donald, Mr. Luk Koon Hoo and Mr. Lo Chi Hong as independent non-executive directors.