



# 中期報告 INTERIM REPORT 2018



鴻興印刷集團有限公司  
HUNG HING PRINTING GROUP LIMITED

STOCK CODE 股份代號 : 0450

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## Corporate Information

### EXECUTIVE DIRECTORS

Yum Chak Ming, Matthew, Executive Chairman  
Sung Chee Keung

### NON-EXECUTIVE DIRECTORS

Sadatoshi Inoue  
Hirofumi Hori  
Yoshihisa Suzuki  
Yam Hon Ming, Tommy

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Lo Chi Hong  
Luk Koon Hoo  
Yap, Alfred Donald

### COMPANY SECRETARY

Shek Kwok Man

### REGISTERED OFFICE

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17–19 Dai Hei Street  
Tai Po Industrial Estate  
New Territories, Hong Kong  
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### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Hang Seng Bank Limited  
MUFG Bank, Ltd.  
BNP Paribas

### AUDITOR

KPMG

### SHARE REGISTRAR

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### LEGAL ADVISOR

Shearman & Sterling

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 2018 as follows:

## Consolidated Income Statement

		<b>For the six months ended</b>	
		<b>30 June</b>	
		<b>2018</b>	2017
	Note	<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>	5	<b>1,463,628</b>	1,394,739
Cost of sales	7	<b>(1,324,457)</b>	(1,193,140)
<b>Gross profit</b>		<b>139,171</b>	201,599
Other revenue	5	<b>27,664</b>	10,804
Other net (loss)/income	5	<b>(3,877)</b>	9,525
Distribution costs		<b>(33,041)</b>	(30,250)
Administrative and selling expenses	7	<b>(167,434)</b>	(164,259)
<b>Operating (loss)/profit</b>		<b>(37,517)</b>	27,419
Finance costs	6	<b>(2,345)</b>	(3,037)
<b>(Loss)/profit before income tax</b>		<b>(39,862)</b>	24,382
Income tax	8	<b>6,861</b>	(7,382)
<b>(Loss)/profit for the period</b>		<b>(33,001)</b>	17,000
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(34,881)</b>	14,403
Non-controlling interests		<b>1,880</b>	2,597
<b>(Loss)/profit for the period</b>		<b>(33,001)</b>	17,000
		<b>HK cents</b>	HK cents
<b>(Loss)/earnings per share attributable to equity shareholders of the Company</b>	9		
Basic		<b>(3.9)</b>	1.6
Diluted		<b>(3.9)</b>	1.6
		<b>HK\$'000</b>	HK\$'000
Dividend	10	<b>27,236</b>	18,157

The notes on pages 9 to 32 form part of this interim financial report.

## Consolidated Statement of Comprehensive Income

	For the six months ended	
	30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>(Loss)/profit for the period</b>	<b>(33,001)</b>	17,000
<b>Other comprehensive income for the period (net of tax):</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	<b>208</b>	–
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	<b>(12,445)</b>	26,412
Change in fair value of intangible assets	<b>1,000</b>	200
Available-for-sale securities: net movement in fair value reserve (recycling)	–	579
	<b>(11,445)</b>	27,191
<b>Total comprehensive income for the period</b>	<b>(44,238)</b>	44,191
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(44,404)</b>	37,142
Non-controlling interests	<b>166</b>	7,049
	<b>(44,238)</b>	44,191

The notes on pages 9 to 32 form part of this interim financial report.

## Consolidated Statement of Financial Position

	Note	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	1,125,942	1,094,232
Land use rights	12	71,689	63,251
Properties under construction		18,591	5,699
Intangible assets		13,032	11,357
Deposits for acquisition of non-current assets		78,515	55,765
Financial investments	13	49,174	49,200
Deferred tax assets		19,854	10,521
		<u>1,376,797</u>	<u>1,290,025</u>
<b>Current assets</b>			
Inventories		658,194	497,815
Trade and bills receivables	14	823,117	838,042
Prepayments, deposits and other receivables		119,995	486,493
Derivative financial instruments		2,626	–
Financial assets at fair value through profit or loss	15	104,182	–
Pledged time deposits	16	100,592	125,938
Time deposits with original maturity over three months	16	21,965	6,075
Cash and cash equivalents	16	1,061,659	1,299,409
Income tax recoverable		15	15
		<u>2,892,345</u>	<u>3,253,787</u>
<b>Current liabilities</b>			
Trade and bills payables	18	310,324	224,685
Other payables and accrued liabilities		208,552	220,467
Derivative financial instruments		30,827	–
Bank borrowings	19	48,088	76,752
Income tax payable		4,655	19,087
		<u>602,446</u>	<u>540,991</u>
<b>Net current assets</b>		<u>2,289,899</u>	<u>2,712,796</u>
<b>Total assets less current liabilities</b>		<u>3,666,696</u>	<u>4,002,821</u>

**Consolidated Statement of Financial Position (Continued)**

	Note	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Bank borrowings	19	119,000	131,000
Deferred tax liabilities		53,019	56,799
		<u>172,019</u>	<u>187,799</u>
<b>NET ASSETS</b>			
		<u>3,494,677</u>	<u>3,815,022</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	20	1,652,854	1,652,854
Reserves		1,656,112	1,731,499
Proposed dividends		27,236	272,360
		<u>3,336,202</u>	<u>3,656,713</u>
<b>Total equity attributable to equity shareholders of the Company</b>			
		<u>3,336,202</u>	<u>3,656,713</u>
<b>Non-controlling interests</b>			
		<u>158,475</u>	<u>158,309</u>
<b>TOTAL EQUITY</b>			
		<u>3,494,677</u>	<u>3,815,022</u>

The notes on pages 9 to 32 form part of this interim financial report.

## Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 (Unaudited)

	Attributable to equity shareholders of the Company											Total equity HK\$'000	
	Note	Share capital HK\$'000	Other capital reserves HK\$'000	Intangible assets revaluation reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Legal reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Equity compensation reserve HK\$'000	Retained earnings HK\$'000	Proposed dividend HK\$'000	Sub-total HK\$'000		Non-controlling interests HK\$'000
<b>Balance at 1 January 2017</b>		1,652,854	(4,831)	5,400	26,128	138,231	52,506	-	715,332	27,236	2,612,856	145,391	2,758,247
<b>Changes in equity for the period</b>													
Profit for the period		-	-	-	-	-	-	-	14,403	-	14,403	2,597	17,000
Other comprehensive income, net of tax		-	-	200	579	-	21,960	-	-	-	22,739	4,452	27,191
<b>Total comprehensive income</b>		-	-	200	579	-	21,960	-	14,403	-	37,142	7,049	44,191
Dividend approved in respect of previous year		-	-	-	-	-	-	-	-	(27,236)	(27,236)	-	(27,236)
Equity compensation expenses	25	-	-	-	-	-	-	2,169	-	-	2,169	-	2,169
Interim dividend	10	-	-	-	-	-	-	-	(18,157)	18,157	-	-	-
Purchase of shares for share award scheme		-	(11,659)	-	-	-	-	-	-	-	(11,659)	-	(11,659)
<b>Total transactions with equity shareholders, recognised directly in equity</b>		-	(11,659)	-	-	-	-	2,169	(18,157)	(9,079)	(36,726)	-	(36,726)
<b>Balance at 30 June 2017 (Note)</b>		1,652,854	(16,490)	5,600	26,707	138,231	74,466	2,169	711,578	18,157	2,613,272	152,440	2,765,712

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 9 to 32 form part of this interim financial report.



## Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2018 (Unaudited)

		Attributable to equity shareholders of the Company												
		Share capital	Other capital reserves	Intangible assets revaluation reserve	Financial assets at FVOCI* reserve (recycling)	Financial assets at FVOCI* reserve (non-recycling)	Legal reserve	Exchange fluctuation reserve	Equity compensation reserves	Retained earnings	Proposed dividend	Sub-total	Non-controlling interests	Total
Note		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<b>Balance at 1 January 2018</b>	1,652,854	(24,293)	6,100	28,148	-	136,588	101,507	6,508	1,476,941	272,360	3,656,713	158,309	3,815,022
	Impact of initial application of HKFRS 9	-	-	-	(28,148)	27,910	-	-	-	(1,933)	-	(2,171)	-	(2,171)
	<b>Adjusted balance at 1 January 2018</b>	1,652,854	(24,293)	6,100	-	27,910	136,588	101,507	6,508	1,475,008	272,360	3,654,542	158,309	3,812,851
<b>Changes in equity for the period</b>														
	Loss for the period	-	-	-	-	-	-	-	-	(34,881)	-	(34,881)	1,880	(33,001)
	Other comprehensive income, net of tax	-	-	1,000	-	208	-	(10,731)	-	-	-	(9,523)	(1,714)	(11,237)
	<b>Total comprehensive income</b>	-	-	1,000	-	208	-	(10,731)	-	(34,881)	-	(44,404)	166	(44,238)
	Dividends approved in respect of previous year	-	-	-	-	-	-	-	-	-	(272,360)	(272,360)	-	(272,360)
	Interim dividend	-	-	-	-	-	-	-	-	(27,236)	27,236	-	-	-
	Equity compensation expenses	-	-	-	-	-	-	-	4,764	-	-	4,764	-	4,764
	Shares vested under share award scheme	-	5,108	-	-	-	-	-	(5,108)	-	-	-	-	-
	Purchase of shares for share award scheme	-	(6,340)	-	-	-	-	-	-	-	-	(6,340)	-	(6,340)
	<b>Total transactions with equity shareholders, recognised directly in equity</b>	-	(1,232)	-	-	-	-	-	(344)	(27,236)	(245,124)	(273,936)	-	(273,936)
	<b>Balance at 30 June 2018</b>	1,652,854	(25,525)	7,100	-	28,118	136,588	90,776	6,164	1,412,891	27,236	3,336,202	158,475	3,494,677

\* FVOCI stands for fair value through other comprehensive income and the balance at 31 December 2017 represents the available-for-sale investment reserve under HKAS 39 basis.

The notes on pages 9 to 32 form part of this interim financial report.

## Condensed Consolidated Statement of Cash Flows

	For the six months ended	
	30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Operating activities</b>		
Cash (used in)/generated from operations	(57,619)	44,684
Income tax paid	(19,827)	(22,849)
Net cash (used in)/generated from operating activities	<u>(77,446)</u>	<u>21,835</u>
<b>Investing activities</b>		
Interest received	17,732	5,771
Settlement of derivative financial instruments	13,340	1,612
Purchases of property, plant and equipment	(48,439)	(12,028)
Deposits for acquisition of property, plant and equipment	(38,924)	(41,968)
Additions to properties under construction	(13,742)	(2,895)
Settlement of other receivables in relation to the disposal of a subsidiary company in prior year	390,339	–
Consideration for acquisition of a subsidiary company	(61,468)	–
Increase in time deposits with original maturity over three months	(15,957)	(27,783)
Decrease in pledged time deposits	25,346	38,200
Increase in financial assets at fair value through profit or loss	(102,823)	–
Other cash flows arising from investing activities	1,275	585
Net cash generated from/(used in) investing activities	<u>166,679</u>	<u>(38,506)</u>
<b>Financing activities</b>		
Payment for purchase of shares for share award scheme	(6,340)	(11,659)
Dividends paid to equity shareholders of the Company	(272,359)	(27,236)
Proceeds from bank borrowings	24,088	70,093
Repayments of bank borrowings	(64,752)	(58,255)
Other cash flows arising from financing activities	(2,374)	(3,081)
Net cash used in financing activities	<u>(321,737)</u>	<u>(30,138)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(232,504)</b>	<b>(46,809)</b>
Cash and cash equivalents at 1 January	1,299,409	684,831
Effect of foreign exchange rate changes	(5,246)	8,417
Cash and cash equivalents at 30 June	<u>1,061,659</u>	<u>646,439</u>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	238,105	365,672
Time deposits with original maturity less than three months	823,554	280,767
	<u>1,061,659</u>	<u>646,439</u>

The notes on pages 9 to 32 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 28 August 2018.

### 2. Basis of Preparation

This interim financial report for the six months ended 30 June 2018 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 2017.

The financial information relating to the financial year ended 31 December 2017 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 2017 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 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of the changes in accounting policies are described in notes 3(a) to (b) below.

#### Amendments to HKFRSs

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK (IFRIC) *Interpretation 22, Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as HKFRS 9.

#### (a) Adoption of HKFRS 9, Financial Instruments

HKFRS 9 replaces HKAS 39, *Financial Instruments: Recognition and Measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

## Notes to the Unaudited Interim Financial Report (Continued)

### 3. Accounting Policies (Continued)

#### (a) Adoption of HKFRS 9, Financial Instruments (Continued)

The following table summarises the impact of transition on HKFRS 9 on retained earnings and the related tax impact at 1 January 2018.

	<b>HK\$'000</b>
<b>Retained earnings</b>	
Transferred from fair value reserve (recycling) relating to financial assets now measured at FVPL	238
Recognition of additional expected credit losses on financial assets measured at amortised cost:	
– Trade and bills receivables	(2,600)
Related tax	<u>429</u>
Net decrease in retained earnings at 1 January 2018	<u><u>(1,933)</u></u>
<b>Financial assets at FVOCI reserve (recycling)</b>	
Transferred to retained earnings relating to financial assets now measured at FVPL	(238)
Transferred to financial assets at FVOCI reserve (non-recycling) relating to equity securities now measured at FVOCI	<u>(27,910)</u>
Net decrease in financial assets at FVOCI reserve (recycling) at 1 January 2018	<u><u>(28,148)</u></u>
<b>Financial assets at FVOCI reserve (non-recycling)</b>	
Transferred from financial assets at FVOCI reserve (recycling) relating to equity securities now measured at FVOCI and increase in financial assets at FVOCI reserve (non-recycling) at 1 January 2018	<u><u>27,910</u></u>

## Notes to the Unaudited Interim Financial Report (Continued)

### 3. Accounting Policies (Continued)

#### (a) Adoption of HKFRS 9, Financial Instruments (Continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

##### (i) *Classification of Financial Assets and Financial Liabilities*

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's four classification categories: held-to-maturity investments, loans and receivables, available-for-sale and financial assets measured at FVPL.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest.
- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale.
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the financial assets at FVOCI reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the financial assets at FVOCI reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. The adoption of HKFRS 9 does not affect the measurement basis, and hence the carrying amounts, of the Group's financial assets as at 1 January 2018.

## Notes to the Unaudited Interim Financial Report (Continued)

### 3. Accounting Policies (continued)

#### (a) Adoption of HKFRS 9, Financial Instruments (continued)

##### (i) Classification of Financial Assets and Financial Liabilities (continued)

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 HK\$'000	Reclassification HK\$'000	Remeasurement HK\$'000	HKFRS 9 carrying amount at 1 January 2018 HK\$'000
<b>Financial assets measured at FVOCI (non-recyclable)</b>				
Unlisted equity investments	-	33,474	-	33,474
Hong Kong listed equity investments	-	14,938	-	14,938
	<u>-</u>	<u>48,412</u>	<u>-</u>	<u>48,412</u>
<b>Financial assets carried at FVPL</b>				
Club debentures	-	788	-	788
	<u>-</u>	<u>788</u>	<u>-</u>	<u>788</u>
<b>Financial assets carried at amortised cost</b>				
Trade and bills receivables	838,042	-	(2,600)	835,442
Prepayments, deposits and other receivables	486,493	-	-	486,493
Pledged time deposits	125,938	-	-	125,938
Time deposits with original maturity over three months	6,075	-	-	6,075
Cash and cash equivalents	1,299,409	-	-	1,299,409
	<u>2,755,957</u>	<u>-</u>	<u>(2,600)</u>	<u>2,753,357</u>
<b>Financial assets classified as available-for-sale under HKAS 39</b>				
	<u>49,200</u>	<u>(49,200)</u>	<u>-</u>	<u>-</u>

HKFRS 9 largely retains the existing requirements in HKAS 39 for the classification and measurement of financial liabilities. Hence, the adoption of HKFRS 9 does not affect the carrying amounts of the Group's financial liabilities as at 1 January 2018.

## Notes to the Unaudited Interim Financial Report (Continued)

### 3. Accounting Policies (continued)

#### (a) Adoption of HKFRS 9, Financial Instruments (continued)

##### (ii) Credit Losses

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the expected credit loss (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than the “incurred loss” accounting model in HKAS 39. The ECL model applies to the Group’s financial assets measured at amortised cost, but not to the Group’s financial assets measured at fair value.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For the Group’s trade and other receivables, the loss allowance is measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For the Group’s other financial assets measured at amortised cost, the loss allowance is measured at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to HK\$2,600,000, which decreased retained earnings by HK\$2,171,000 and decreased deferred tax liabilities by HK\$429,000 at 1 January 2018.



## Notes to the Unaudited Interim Financial Report (Continued)

### 3. Accounting Policies (continued)

#### (a) Adoption of HKFRS 9, Financial Instruments (continued)

##### (ii) Credit Losses (continued)

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	<b>HK\$'000</b>
Loss allowance at 31 December 2017 under HKAS 39	8,140
Additional credit loss recognised at 1 January 2018 on trade receivables	<u>2,600</u>
Loss allowance at 1 January 2018 under HKFRS 9	<u><u>10,740</u></u>

#### (b) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services.

Previously under HKAS 18, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had been passed to the customers, whereas revenue arising from provision of services recognised over time.

Under HKFRS 15, revenue is recognised when a performance obligation is satisfied. This is when the customer obtains control of the promised goods or services in the contract, which may be at a single point in time or over time.

HKFRS 15 identifies certain situations in which control of the promised goods or services is regarded as being transferred over time. If the contract terms and the entity's activities do not fall into any of those situations, then the entity recognises revenue for the sale at a single point in time, being when control has been passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 did not have any significant impact on the Group.

## Notes to the Unaudited Interim Financial Report (Continued)

### 4. Revenue and 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 and other senior management, that are used to make strategic decisions and assess performance.

Management committee 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-marker.

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

- (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 2018					
	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
<b>Segment revenue*</b>						
Sales to external customers	803,574	348,827	101,608	209,619	-	1,463,628
Inter-segment sales	139	496	74,864	227,953	(303,452)	-
<b>Total</b>	<b>803,713</b>	<b>349,323</b>	<b>176,472</b>	<b>437,572</b>	<b>(303,452)</b>	<b>1,463,628</b>
<b>Segment results</b>	<b>(58,392)</b>	<b>8,115</b>	<b>10,792</b>	<b>11,486</b>	<b>(960)</b>	<b>(28,959)</b>
Interest income and other income						16,486
Corporate and unallocated expenses						(25,044)
Operating loss						(37,517)
Finance costs						(2,345)
Loss before income tax						(39,862)
Income tax						6,861
Loss for the period						(33,001)

\* All the revenue for the current period was recognised at a point of time.

## 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 2017					Total HK\$'000
	Book and Package Printing HK\$'000	Consumer Product Packaging HK\$'000	Corrugated Box HK\$'000	Paper Trading HK\$'000	Eliminations HK\$'000	
<b>Segment revenue</b>						
Sales to external customers	784,387	297,264	79,786	233,302	–	1,394,739
Inter-segment sales	265	778	70,195	233,671	(304,909)	–
<b>Total</b>	<u>784,652</u>	<u>298,042</u>	<u>149,981</u>	<u>466,973</u>	<u>(304,909)</u>	<u>1,394,739</u>
<b>Segment results</b>	<u>2,708</u>	<u>14,375</u>	<u>17,166</u>	<u>11,103</u>	<u>(238)</u>	45,114
Interest income and other income						5,446
Corporate and unallocated expenses						<u>(23,141)</u>
Operating profit						27,419
Finance costs						<u>(3,037)</u>
Profit before income tax						24,382
Income tax						<u>(7,382)</u>
Profit for the period						<u>17,000</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	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong	422,024	470,754
The PRC	475,907	382,172
Europe	228,044	232,499
United States of America	281,179	263,383
Other countries	56,474	45,931
	<u>1,463,628</u>	<u>1,394,739</u>

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

## Notes to the Unaudited Interim Financial Report (Continued)

### 5. Revenue, Other Revenue and Other Net (Loss)/Income

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Sale of goods	<b><u>1,463,628</u></b>	<u>1,394,739</u>
<b>Other revenue</b>		
Dividend income from financial investments	<b>300</b>	266
Bank interest income	<b>16,486</b>	5,446
Sales of scrap materials	<b>2,157</b>	2,260
Government grants	<b>3,110</b>	2,347
Sundry income	<b><u>5,611</u></b>	<u>485</u>
	<b><u>27,664</u></b>	<u>10,804</u>
<b>Other net (loss)/income</b>		
Foreign exchange gain	<b>9,366</b>	8,111
Fair value (loss)/gain on derivative financial instruments not qualified as hedges	<b>(14,861)</b>	1,612
Fair value gain on financial assets at fair value through profit or loss	<b>1,360</b>	–
Gain/(loss) on disposal of property, plant and equipment	<b><u>258</u></b>	<u>(198)</u>
	<b><u>(3,877)</u></b>	<u>9,525</u>

### 6. Finance Costs

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Interest on bank borrowings	<b><u>2,345</u></b>	<u>3,037</u>

## Notes to the Unaudited Interim Financial Report (Continued)

### 7. Expenses by Nature

Expenses included in cost of sales, administrative and selling expenses are analysed as follows:

	For the six months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
Depreciation	48,681	47,603
Amortisation of land use rights	1,231	1,362
Amortisation of intangible assets	647	569
Employee benefit expense (including directors' emoluments)	397,704	376,322
Reversal of provision for impairment loss of inventories, net	(1,959)	(201)
(Reversal of provision)/provision for impairment loss of trade receivables, net	(415)	547

### 8. Income Tax

	For the six months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
Current tax		
– Hong Kong Profits Tax	1,810	1,438
– People's Republic of China ("PRC") Income Tax	3,586	9,319
Total current tax	5,396	10,757
Deferred tax	(12,257)	(3,375)
Income tax	(6,861)	7,382

The provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the period. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

PRC Income Tax represents PRC Corporate Income Tax calculated at 25% (2017: 25%) and PRC withholding income tax at the applicable rates. Pursuant to the income tax rules and regulations, a withholding tax of 5% is levied on the Hong Kong companies in respect of the dividend distributions arising from profits of foreign investment enterprises in the PRC.

## Notes to the Unaudited Interim Financial Report (Continued)

### 9. (Loss)/Earnings per Share

#### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of HK\$34,881,000 (2017: earnings of HK\$14,403,000) and the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company.

	<b>For the six months ended</b>	
	<b>2018</b>	2017
(Loss)/profit attributable to equity shareholders of the Company (HK\$'000)	<u><b>(34,881)</b></u>	<u>14,403</u>
Weighted average number of ordinary shares in issue ('000)	<b>907,865</b>	907,865
Weighted average number of own held shares for share award scheme ('000)	<u><b>(14,319)</b></u>	<u>(3,994)</u>
Weighted average number of ordinary shares in issue for calculation of basic (loss)/earnings per share ('000)	<u><b>893,546</b></u>	<u>903,871</u>
Basic (loss)/earnings per share (HK cents per share)	<u><b>(3.9)</b></u>	<u>1.6</u>

#### (b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the adjusted 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 2018, the diluted and basic loss per share were the same as the ordinary shares repurchased for the share award scheme are anti-dilutive to the loss per share.

	For the six months ended 30 June 2017
Profit attributable to equity shareholders of the Company (HK\$'000)	<u>14,403</u>
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	903,871
Effect of dilutive potential ordinary shares in respect of own held shares for share award scheme ('000)	<u>3,850</u>
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share ('000)	<u>907,721</u>
Diluted earnings per share (HK cents per share)	<u>1.6</u>

## Notes to the Unaudited Interim Financial Report (Continued)

### 10. Dividend

	For the six months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
Interim dividend of HK 3 cents (2017: HK 2 cents) per ordinary share	<b>27,236</b>	18,157

### 11. Property, Plant and Equipment

	30 June	31 December
	2018	2017
	HK\$'000	HK\$'000
Opening net book amount at 1 January 2018/2017	<b>1,094,232</b>	1,113,515
Additions	<b>48,439</b>	62,176
Acquisition of a subsidiary	<b>22,196</b>	–
Transfer from properties under construction	<b>871</b>	–
Transfer from deposits for acquisition of non-current assets	<b>16,244</b>	26,347
Disposals/write-off	<b>(1,483)</b>	(21,701)
Depreciation	<b>(48,681)</b>	(96,996)
Disposal of a subsidiary	–	(20,059)
Exchange differences	<b>(5,876)</b>	30,950
Closing net book amount at 30 June 2018/31 December 2017	<b>1,125,942</b>	1,094,232

### 12. Land Use Rights

	30 June	31 December
	2018	2017
	HK\$'000	HK\$'000
Opening net book amount at 1 January 2018/2017	<b>63,251</b>	77,736
Acquisition of a subsidiary	<b>10,355</b>	–
Amortisation	<b>(1,231)</b>	(2,538)
Disposal of a subsidiary	–	(14,115)
Exchange differences	<b>(686)</b>	2,168
Closing net book amount at 30 June 2018/31 December 2017	<b>71,689</b>	63,251



## Notes to the Unaudited Interim Financial Report (Continued)

### 13. Financial Investments

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
<b>Financial investments measured at fair value through other comprehensive income</b>		
Unlisted equity investments	<b>33,240</b>	n/a
Hong Kong listed equity investments	<b>15,146</b>	n/a
	<b>48,386</b>	n/a
<b>Financial investments measured at fair value through profit of loss</b>		
Club debentures	<b>788</b>	n/a
<b>Available-for-sale financial assets</b>		
Unlisted equity investments, at fair value	<b>n/a</b>	33,394
Unlisted equity investments, at cost	<b>n/a</b>	80
Club debentures, at fair value	<b>n/a</b>	788
Hong Kong listed equity investments, at fair value	<b>n/a</b>	14,938
	<b>n/a</b>	49,200
	<b>49,174</b>	49,200

During the period, a fair value gain of the Group's financial investments of HK\$208,000 (2017: HK\$579,000) was recognised directly in the other comprehensive income.

## Notes to the Unaudited Interim Financial Report (Continued)

### 14. Trade and Bills Receivables

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Trade receivables	<b>826,332</b>	840,557
Less: Loss allowance of trade receivables	<b>(11,999)</b>	(8,140)
	<b>814,333</b>	832,417
Trade receivables due from related parties	<b>67</b>	1,020
	<b>814,400</b>	833,437
Bills receivables	<b>8,717</b>	4,605
	<b>823,117</b>	838,042

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

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
1–30 days	<b>403,367</b>	305,826
31–60 days	<b>161,494</b>	204,956
61–90 days	<b>134,384</b>	94,420
Over 90 days	<b>115,155</b>	228,235
	<b>814,400</b>	833,437

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

### 15. Financial Assets at Fair Value through Profit or Loss

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Structured deposits	<b>104,182</b>	–

During the period, a fair value gain of the Group's structure deposits of HK\$1,360,000 (2017: nil) was recognised directly in the income statement.

## Notes to the Unaudited Interim Financial Report (Continued)

### 16. Cash and Cash Equivalents and Time Deposits

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Cash at banks and on hand	<b>238,105</b>	314,657
Time deposits with original maturity less than three months	<b>823,554</b>	984,752
Cash and cash equivalents	<b>1,061,659</b>	1,299,409
Time deposits with original maturity over three months	<b>21,965</b>	6,075
Pledged time deposits	<b>100,592</b>	125,938
	<b>1,184,216</b>	1,431,422

At of 30 June 2018, time deposits of HK\$100,592,000 (31 December 2017: HK\$125,938,000) were pledged as collaterals for the issuance of bills payables.

### 17. Acquisition of a Subsidiary

On 20 March 2018, the Group entered into an agreement to acquire the 100% equity interest in Guangdong Rengo Packaging Co., Ltd., a limited liability company incorporated under the laws of the PRC (the "Acquisition") for a consideration of RMB60,000,000 (equivalent to HK\$74,627,000). The principal activity of the acquired company is production of corrugated cartons and packaging and decorative printing products. The Acquisition was completed in May 2018.

The assets and liabilities recognised as a result of the Acquisition are as follows:

	<b>HK\$'000</b>
Property, plant and equipment	22,196
Intangible assets	535
Land use right	10,355
Inventories	22,439
Trade and bills receivables	28,709
Prepayments, deposits and other receivables	1,521
Cash and cash equivalents	13,159
Trade and bills payables	(11,275)
Other payables and accrued liabilities	(12,793)
Net identifiable assets acquired	74,846
Less: Gain on bargain purchase	(219)
	<u>74,627</u>
Net cash outflow arising from the Acquisition:	
Cash consideration paid	74,627
Bank balances and cash acquired	(13,159)
	<u>61,468</u>

## Notes to the Unaudited Interim Financial Report (Continued)

### 17. Acquisition of a Subsidiary (Continued)

(a) Acquisition-related costs

Acquisition-related costs of HK\$1,085,000 was included in administrative expenses in profit or loss.

(b) Revenue and profit contribution

The acquired company contributed revenues of HK\$12,095,000 and net profit of HK\$37,000 to the Group for the period from 1 June 2018 to 30 June 2018. If the acquisition had occurred on 1 January 2018, consolidated revenue and consolidated loss after tax for the half-year ended 30 June 2018 would have been HK\$1,534,055,000 and HK\$28,836,000 respectively.

(c) Transaction with a substantial shareholder

The seller was Rengo Co., Ltd., which was a substantial shareholder of the Company and the Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### 18. Trade and Bills Payables

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Trade payables	<b>266,935</b>	183,830
Trade payables due to related parties	<b>146</b>	–
	<hr/>	<hr/>
Total trade payables	<b>267,081</b>	183,830
Bills payables	<b>43,243</b>	40,855
	<hr/>	<hr/>
	<b>310,324</b>	224,685
	<hr/> <hr/>	<hr/> <hr/>

At of 30 June 2018, the bills payables of HK\$36,113,000 (31 December 2017: HK\$36,011,000) are secured by the pledged time deposits of HK\$100,592,000 (31 December 2017: HK\$125,938,000) (Note 16).

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

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
1–30 days	<b>199,615</b>	143,410
31–60 days	<b>46,645</b>	27,874
61–90 days	<b>5,648</b>	6,301
Over 90 days	<b>15,173</b>	6,245
	<hr/>	<hr/>
	<b>267,081</b>	183,830
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Unaudited Interim Financial Report (Continued)

### 19. Bank Borrowings

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Current		
Bank loans – guaranteed	<b>48,088</b>	76,752
Non-current		
Bank loans – guaranteed	<b>119,000</b>	131,000
	<b><u>167,088</u></b>	<u>207,752</u>

All of the above bank loans are secured by the corporate guarantees issued by the Company.

### 20. Share Capital

	<b>30 June 2018</b>		31 December 2017	
	<b>Number of shares</b>	<b>Share capital HK\$'000</b>	Number of shares	Share capital HK\$'000
Ordinary shares, issued and fully paid	<b><u>907,864,974</u></b>	<b><u>1,652,854</u></b>	<u>907,864,974</u>	<u>1,652,854</u>

During the period ended 30 June 2018, 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 3,510,000 shares of the Company (note 25).

## Notes to the Unaudited Interim Financial Report (Continued)

### 21. 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	
	2018	2017
	HK\$'000	HK\$'000
Sales of raw materials or finished goods to:		
– A substantial shareholder	868	1,577
– Parties under control of a substantial shareholder	7,673	129
	<u>7,673</u>	<u>129</u>
Purchases of raw materials from:		
– A substantial shareholder	149	–
	<u>149</u>	<u>–</u>

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

#### (b) Compensation of key management personnel of the Group

	For the six months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
Short-term employment benefits (excluding discretionary bonus)	11,200	11,102
Discretionary bonus	420	4,903
Share-based payments	4,764	2,169
Post-employment benefits	329	315
	<u>16,713</u>	<u>18,489</u>

## Notes to the Unaudited Interim Financial Report (Continued)

### 22. Operating Lease Commitments

The Group leases certain of its office properties, warehouse, staff quarters and directors' quarters under non-cancellable operating lease arrangements.

At the end of the reporting period, the Group had total future aggregate minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Not later than one year	<b>20,655</b>	9,378
Later than one year and not later than five years	<b>28,585</b>	19,614
Later than five years	<b>47,763</b>	52,122
	<b>97,003</b>	81,114

### 23. Capital Commitments

In addition to the operating lease commitments disclosed in Note 22 above, the Group had the following capital commitments outstanding at the end of the reporting period:

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Contracted for, but not provided for	<b>57,097</b>	61,505

### 24. Contingent Liabilities

As at 30 June 2018, the Group has provided corporate guarantees to the extent of HK\$27,219,000 (31 December 2017: HK\$27,515,000) to secure the banking facilities of a former related company of the Company governed by Shareholders' agreement. The amount drawn against the banking facilities was HK\$27,219,000 (31 December 2017: HK\$27,515,000).

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)

### 25. 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 expired on 30 June 2018 and has been extended to 30 June 2021.

Eligible participants of the Scheme are senior management and directors of the Group.

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 financial 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. A total of 3,033,990 shares (six months ended 30 June 2017: nil) at an average fair value of HK\$5,108,000 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\$4,764,000 has been recognised in the consolidated income statement as employee benefit expense during the six months ended 30 June 2018 (six months ended 30 June 2017: HK\$2,169,000).

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

	For the six months ended 30 June			
	2018		2017	
	Average fair value per share	Number of share awards	Average fair value per share	Number of share awards
Beginning balance		<b>9,101,970</b>		–
Granted	<b>1.80</b>	<b>8,316,060</b>	1.56	9,101,970
Vested	<b>1.68</b>	<b>(3,033,990)</b>	–	–
Ending balance		<b><u>14,384,040</u></b>		<u>9,101,970</u>

Shares held by Law Debenture Trust (Asia) Limited as Trustee for the purpose of the Scheme are listed below:

	Number of shares	
	2018	2017
Beginning balance at 1 January 2018/2017	<b>13,932,944</b>	1,632,944
Purchase of shares	<b>3,510,000</b>	12,300,000
Vesting of shares	<b>(3,033,990)</b>	–
Ending balance at 30 June 2018/31 December 2017	<b><u>14,408,954</u></b>	<u>13,932,944</u>



## Notes to the Unaudited Interim Financial Report (Continued)

### 26. 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).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2018:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Financial investments:				
– Club debentures	–	–	788	788
– Unlisted equity investments	–	–	33,240	33,240
– Listed equity investments	15,146	–	–	15,146
Financial assets at fair value through				
profit or loss – Structured deposits	–	–	104,182	104,182
Derivative financial instruments	–	–	2,626	2,626
	<u>15,146</u>	<u>–</u>	<u>140,836</u>	<u>155,982</u>
<b>Liabilities</b>				
Derivative financial instruments	–	–	30,827	30,827

The fair value of club debentures is determined with reference to quoted market prices at the end of the reporting period without any deduction for transaction costs.

The fair values of unlisted equity instruments, financial assets and derivative financial 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.

## Notes to the Unaudited Interim Financial Report (Continued)

### 26. Fair Value Estimation (Continued)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2018:

	Financial investment			Financial assets at fair value through profit or loss	
	Club debentures HK\$'000	Unlisted equity investments HK\$'000	Derivative financial instruments HK\$'000	Structured deposits HK\$'000	Total HK\$'000
At 1 January	788	33,474	-	-	34,262
Purchase of financial assets	-	-	-	728,240	728,240
Recognised to consolidated income statement	-	-	(14,861)	1,360	(13,501)
Settlement on maturity	-	-	(13,340)	(625,977)	(639,317)
Exchange differences	-	(234)	-	559	325
At 30 June	<u>788</u>	<u>33,240</u>	<u>(28,201)</u>	<u>104,182</u>	<u>110,009</u>
Total loss for the period included in profit or loss for assets/(liabilities) held at the end of the reporting period	<u>-</u>	<u>-</u>	<u>(14,861)</u>	<u>1,360</u>	<u>(13,501)</u>

### 27. Events after the Reporting Period

The Group had the following material events after the reporting period:

- In August 2018, the Company entered into an agreement with Dream International Limited, a major toy manufacturer listed on the Stock Exchange of Hong Kong, to develop a printing and packaging manufacturing facility in Hanoi, Vietnam. The Group will hold a 90.5% stake in the investment, which has an initial registered capital of US\$10 million.
- In July and August 2018, the Group has made strategic investments in three companies in the United States, Australia and the PRC, acquiring equity interests of ranging from 10% to 20% in each of them at a total consideration of approximately ranging from HK\$70 million to HK\$80 million. These companies engage in businesses including the global sales of high-end stationery and gift products, management of a wide network of mobile printing and sharing platform in the PRC and the research and development of an Internet of Things platform that supports children's brain and language development. These transactions will enable the Group to enter into new market segments, broaden our offerings to cover all significant segments of the value chain and yield manufacturing synergies. The investments are or will be accounted for by the Group as financial assets at fair value through other comprehensive income.

### 28. Comparative Figures

Certain comparative figures in the condensed consolidated financial statements have been reclassified to conform with current period's presentation.

## Management Discussion and Analysis

### *Results and dividends*

During the first half of 2018, the Group took advantage of its strong financial position and integrated product offering to strengthen its relationships with key customers, and gain market share on the back of continued consolidation in the printing sector. These strategies drove an increase of 4.9% in overall revenues to HK\$1,464 million. The Consumer Product Packaging (CPP) and Corrugated Box (CB) business units recorded double-digit revenue growth, while the Group's largest business unit, Book and Package Printing (BPP), achieved a slight increase in sales.

During the period, we re-aligned the production setting and capacity of the manufacturing facilities under the Book and Package Printing business unit as part of the upgrade and expansion of the Heshan facility to achieve long-term gains in efficiency. This re-alignment created a one-off interruption to the operations of the business unit. While paper price inflation remained at a high level despite weak industry demand in the first half of 2018, a full recovery of these differentials from customer price adjustments was delayed to a certain extent in order to strengthen the Group's partnership with key customers for strategic benefit and goodwill in the long run. Separately, the Group offset the currency (RMB) fluctuation through forward exchange contracts. Over HK\$15 million benefit was booked up towards the end of the first half of 2018. However, abrupt weakening of RMB in June significantly reduced the benefits achieved. The hedging benefit was reversed and net loss of HK\$13 million was recorded due to a negative fair value revaluation at the end of June. These factors led to a net loss of HK\$34.9 million attributable to equity shareholders of the company being recorded. However, it is to be noted that the impact of fair value revaluation due to RMB exchange fluctuation is purely an accounting loss with no real cash-flow impact.

Basic loss per share was HK3.9 cents compared to earnings per share of HK1.6 cents for the corresponding period in 2017.

The board of directors has declared an interim dividend of HK3 cents (2017: HK2 cents) per share, with full confidence in the value that has been or will be created through our development activities, payable on 24 October 2018 to shareholders whose names appear in the Register of Members of the Company on 2 October 2018.

### *Strategic investment projects to yield long term synergistic benefits*

As part of our continuous efforts to transform, innovate and expand our capabilities to capture new opportunities in the fast-changing global economy, we entered into four strategic transactions with leading companies in related fields, in addition to our acquisition of Guangdong Rengo Packaging in March 2018.

In August 2018, we entered into a joint venture (JV) agreement with Dream International Limited, a major toy manufacturer listed on the Stock Exchange of Hong Kong, to develop a printing and packaging manufacturing facility in Hanoi, Vietnam. The facility, with a land area of 35,000 sq.m., will greatly augment our offering for both domestic and export markets and broaden the unique portfolio of our BPP business unit, when it becomes operational in mid-2019. Hung Hing will hold a 90.5% stake in the JV, which has an initial registered capital of US\$10 million. The new venture perfectly complements our existing production facilities in China, enabling higher economies of scale and operational efficiencies.

## Management Discussion and Analysis (Continued)

We have also made strategic investments in three other companies that show extremely good long-term potential in July and August 2018, acquiring equity interests ranging from 10% to 20% in each of them at a total consideration of approximately ranging from HK\$70 million to HK\$80 million.

The first is an agreement with kikki.K, a global retailer of high-end stationery and gift products of Swedish design. The investment will allow us to leverage the strong reputation, global market presence and extensive omni-channel sales network of kikki.K and expand our product portfolio to address high-end business opportunities, particularly in the individualised product segment.

The second company is engaged in the end-to-end management of a widespread network of service for a mobile printing and sharing platform in China and other overseas markets, while the third is involved in the research and development of an Internet of Things platform that stimulates children's brains and language development.

These transactions will enable the Group to enter into new market segments, broaden our offerings to cover all significant segments of the value chain and yield manufacturing synergies. With these, we will be able to better support customers' success, in turn positioning us for long-term gains.

### *Balanced growth from domestic and export markets*

During the period under review, the Group saw balanced growth in both the domestic and export markets, driven by revenue increases in the BPP, CPP and CB business units as a result of the Group's ability to renegotiate pricing and maintain stronger ties with customers in tandem with paper price increases.

Export markets remained stable despite geopolitical uncertainties in some Western economies. Key customer relationships remained strong with customers preferring to maintain long-term relationships with reliable, integrated partners with value-added solutions. The China domestic market continued to perform robustly as a result of economic growth, the emergence of an affluent middle class with increased disposable income and relaxation of the one-child policy. These trends resulted in heightened demand for children's, novelty and customised products.

Tightened environmental regulations went into effect across China, increasing supplier costs, which we were able to gradually pass on to customers. Prudent fiscal policies, production efficiencies and significant economies of scale enabled us to counter-balance to some extent challenging macro-economic factors such as labour cost increases and repeated abrupt paper price and currency fluctuations. These factors are serving to speed up industry consolidation, ultimately yielding a more robust sector.

External revenues for BPP increased 2.4% to HK\$804 million (2017: HK\$784 million) with improved uptake of children's novelty books. The business unit incurred a short-term loss of HK\$58 million due to the factors outlined earlier. The Beluga creative hub continued to provide added creative and design value to key customers. We continue to invest in Beluga and our recent investments in the consumer mobile printing and sharing platform, that will operate under the Beluga banner, will yield long-term creative and technological competitive advantages.

## Management Discussion and Analysis (Continued)

The CPP unit increased external revenues by 17.3% to HK\$349 million (2017: HK\$297 million) while profits declined by 43.5% to HK\$8 million (2017: HK\$14 million). Increased automation and production efficiencies will place us in a strong position to further tap into the mainland China market.

The CB unit improved external sales by 27.4% to HK\$102 million (2017: HK\$80 million), while profit contribution declined by 37.1% to HK\$11 million (2017: HK\$17 million). We are in the process of integrating the new Guangdong Rengo facilities into our operations and when completed this will achieve a step-change in our operating synergies.

The paper trading sector as a whole slowed down during the period. As a result, external revenues for the PT unit declined by 10.2% to HK\$210 million (2017: HK\$233 million), while prudent inventory strategies boosted profit contribution by 3.4% to HK\$11.5 million (2017: HK\$11.1 million).

### Liquidity and Capital Resources

Extreme currency (RMB) fluctuations characterised the period. The appreciation of the Renminbi during the six months ended 30 June 2018 adversely affected gross profit margins and the Group offset the RMB fluctuation through forward exchange contracts. Gains initially made in earnings from forward exchange contracts for hedging of foreign currency-denominated monetary assets and liabilities were unexpectedly reversed because of a drop in fair value triggered by an abrupt depreciation of Renminbi within a very short period of time towards the end of June 2018, which is purely an accounting loss with no real cash – flow impact.

We maintained our customary prudent cash management approach, maintaining a healthy cash position and a diversified funding base. As of 30 June 2018, the Group had net cash on hand (total cash net of bank borrowings) of HK\$1,017 million to support our working capital requirements, capital expenditure and investment needs.

On 30 June 2018, the Group had total cash on hand of HK\$1,184 million, of which 43% of cash was held in Renminbi to support our operational and capital expenditure needs in mainland China. The remainder was held primarily in US Dollars and Hong Kong Dollars. Any cash not earmarked for immediate use was placed in time deposits to match cash outflow and maximize interest income at the same time.

Total interest income during the period was HK\$16.5 million, approximately 3 times that achieved during the same period last year, as a result of higher deposit balances and increased interest rates.

Our strong financial reputation has proved advantageous in presenting us with numerous options for debt finance. As of 30 June 2018, the Group managed its total bank borrowings down to HK\$167 million. Our gearing ratio, comparing total bank borrowings with total equity, remained low and healthy at 4.8%. Based on agreed loan repayment schedules with banks, HK\$48 million is repayable within one year, HK\$24 million within 1-2 years, and HK\$95 million within 2-5 years.

## Management Discussion and Analysis (Continued)

Of the Group's total bank borrowings, 14% comprised trade loans in US Dollars and the remaining 86% in HK Dollars consisted of term loans with banks at fixed interest rates. During the period, the Group secured trade loan facilities under competitive terms and advantageous interest rate at LIBOR plus a lower spread to address both immediate and longer-term operating needs. Total interest costs reduced by 23% compared to the same period last year to HK\$2.3 million.

During the period under review, the Group recorded over HK\$102 million in capital expenditure and committed an additional HK\$57 million for acquiring new printing technology and machinery, automation, efficiency enhancement projects and equipment and the construction/upgrade of plants and facilities.

### Contingent Liabilities and Pledge of Assets

As at 30 June 2018, the Group has provided corporate guarantees to the extent of HK\$27 million to secure the banking facilities of a former related company of the Company governed by shareholders' agreement.

Certain time deposits of the Group with a total carrying value of HK\$101 million as at 30 June 2018 have been pledged to secure banking facilities granted to the Group.

### Environmental Sustainability

With respect to the environment, Hung Hing's goal is to integrate a philosophy of sustainable development into our activities and follow sound environmental practices in our operations.

In 2017, the audited carbon emissions level of our Shenzhen factory was 22,940 tons CO<sub>2</sub>e (carbon dioxide equivalent), 3,525 tons less than the government quota of 26,465 tons.

In the first six months of 2018, increased automation, upgrades to some work floors for premium products' production and other enhancement work led to an increase in consumption of electricity by 16% to 30,202 MWh (1H 2017: 25,952 MWh) and consumption of water by 9% to 567,557 m<sup>3</sup> (1H 2017: 519,449 m<sup>3</sup>). Over 97% of our solid waste was recycled, comprising 21,868 tons of waste paper (1H 2017: 22,725 tons), 110 tons of plastic (1H 2017: 333 tons) and 108 tons of metal (1H 2017: 144 tons).

Over 92% of the paper used in production was either recycled or from well-managed and sustainable forests. Paper used during the period under review included over 25,004 tons (1H 2017: 31,393 tons) of FSCTM paper, 2,815 tons (1H 2017: 4,600) of PEFC and 55,892 tons (1H 2017: 48,077 tons) of paper with high recycled content.

## Management Discussion and Analysis (Continued)

### Our People

Our people are fundamental to our success in this fast-changing environment and we continue to strive to be an employer of choice with attractive remuneration, exposure to learning and training on the job, and career development over the long term. To stimulate creativity and personal endeavour we offer an empowering and collaborative work environment.

Training is essential to keep us competitive and enable our employees to progress and grow in their careers. Over 112,573 hours of training (1H 2017: 120,388 hours) was provided to 16,391 attendees (1H 2017: 18,080) in the six months.

Employee safety is our top priority and we strive to be accident-free with a schedule of training and inspections. The Group's total incident rate was slightly increased to 0.25 (1H 2017: 0.14) during the six months.

### Outlook

We have entered the second half of the year with cautious optimism and a robust order pipeline. Sales momentum has further increased as we enter our peak season. The outlook for the second half is promising, particularly as we begin to include the contribution from Guangdong Rengo, and deploy the new automation and customisation capabilities made possible by the new state-of-the-art 25,000 sq. ft. Heshan facility, which will come onstream in Q4, and the latest digital printing equipment being installed at both the Zhongshan and Wuxi factories.

Strengthened ties with key customers as a preferred partner as well as the recent strategic investments will play a significant role in our long-term growth. It is now our priority to ensure that these investments are integrated into the Group's operations to enhance our end-to-end proposition and bring a more compelling range of solutions to market. We will expedite the completion of the Vietnam facility, which will help us better meet the needs of the export market for more customised and innovative products.

Order conservatism and commodity price fluctuations are the new normal but our vertically integrated operations, diversified portfolio and strong financials place us in an advantageous position to capitalise on market consolidation. We have been successful in proactively responding to market factors beyond our control and positioning ourselves for long-term success. We will further enhance our capacity and capabilities with technology and business process upgrades, and invest continuously and timely in sales and marketing.

I would like to thank our dedicated and loyal employees whose efforts lie at the heart of everything we do, as well as our supportive shareholders whose confidence underpins our sustained growth.

## Information Provided in Accordance with the Listing Rules

### INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK3 cents (2017: HK2 cents) per share. The interim dividend will be paid on 24 October 2018 to shareholders whose names appear on the Register of Members of the Company on 2 October 2018.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26 September 2018 to 2 October 2018, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 24 September 2018.

### 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 year, 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 3,510,000 shares of the Company at a total consideration of HK\$6,340,000.

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2018, 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				Total	Percentage of the Company's issued share
	Directly beneficially owned	Through spouse or minor children	Share award scheme			
Yum Chak Ming, Matthew	37,351,330	–	3,497,010		40,848,340	4.50
Sung Chee Keung	1,715,084	60,000	1,361,670		3,136,754	0.35
Yap, Alfred Donald	27,504	–	–		27,504	–

Save as disclosed above, as at 30 June 2018, 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 25 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 2018, 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 and other immediate family members of the founder as at 30 June 2018. 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 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 2018, 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:

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

### MODEL CODE FOR SECURITIES TRANSACTIONS

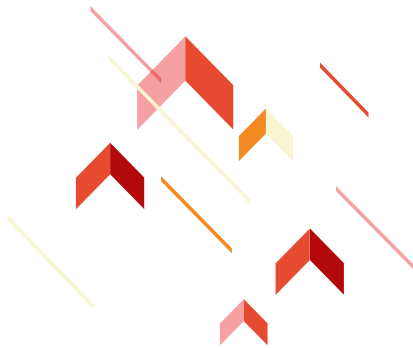
The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the interim results.

### AUDIT COMMITTEE

The audit committee of the Company has reviewed the interim results for the six months ended 30 June 2018 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, 28 August 2018



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