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**HUNG HING PRINTING GROUP LIMITED**  
(incorporated in Hong Kong with limited liability)  
(Stock code: 450)

**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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 2020 as follows:

**CONSOLIDATED INCOME STATEMENT**

		<b>For the six months ended</b>	
		<b>30 June</b>	
		<b>2020</b>	2019
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
	Note		
<b>Revenue</b>	2	<b>1,098,705</b>	1,436,295
Cost of sales		<b>(926,664)</b>	(1,226,106)
<b>Gross profit</b>		<b>172,041</b>	210,189
Other revenue		<b>33,863</b>	24,241
Other net income/(loss)		<b>45,346</b>	(7,629)
Distribution costs		<b>(26,265)</b>	(34,301)
Administrative and selling expenses		<b>(219,267)</b>	(187,454)
<b>Operating profit</b>		<b>5,718</b>	5,046
Finance costs	3	<b>(1,968)</b>	(2,422)
Share of profits and losses of associates		<b>18</b>	(329)
<b>Profit before income tax</b>	4	<b>3,768</b>	2,295
Income tax	5	<b>(1,349)</b>	(152)
<b>Profit for the period</b>		<b>2,419</b>	2,143
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>4,858</b>	4,912
Non-controlling interests		<b>(2,439)</b>	(2,769)
<b>Profit for the period</b>		<b>2,419</b>	2,143

		HK cents	HK cents
<b>Earnings per share attributable to equity shareholders of the Company</b>	6		
Basic		<u>0.5</u>	<u>0.5</u>
Diluted		<u>0.5</u>	<u>0.5</u>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Dividend</b>	7	<u>27,236</u>	<u>27,236</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the period</b>	<u>2,419</u>	2,143
<b>Other comprehensive income for the period (net of tax):</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Change in fair value of equity investments at fair value through other comprehensive income ("FVOCI") (non-recycling)	(21,320)	(695)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements of subsidiaries and an associate outside Hong Kong	(17,557)	(2,744)
	<u>(38,877)</u>	<u>(3,439)</u>
<b>Total comprehensive income for the period</b>	<u>(36,458)</u>	<u>(1,296)</u>
<b>Attributable to:</b>		
Equity shareholders of the Company	(31,379)	1,855
Non-controlling interests	(5,079)	(3,151)
<b>Total comprehensive income for the period</b>	<u>(36,458)</u>	<u>(1,296)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>30 June</b>	31 December
		<b>2020</b>	2019
		<b>(Unaudited)</b>	(Audited)
	Note	<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,258,680</b>	1,286,188
Intangible assets		<b>12,335</b>	12,189
Deposits for acquisition of non-current assets		<b>59,962</b>	72,631
Interest in associates		<b>12,539</b>	10,982
Financial investments		<b>47,019</b>	68,674
Deferred tax assets		<b>26,952</b>	19,101
		<u><b>1,417,487</b></u>	<u>1,469,765</u>
<b>Current assets</b>			
Inventories		<b>481,862</b>	473,534
Trade and other receivables	8	<b>713,508</b>	879,898
Pledged time deposits		<b>84,562</b>	86,186
Cash and cash equivalents	9	<b>1,040,846</b>	1,012,293
Structured bank deposits		<b>129,816</b>	-
Income tax recoverable		<b>1,164</b>	-
		<u><b>2,451,758</b></u>	<u>2,451,911</u>
<b>Current liabilities</b>			
Trade and other payables	10	<b>330,728</b>	379,797
Bank borrowings		<b>104,845</b>	87,901
Lease liabilities		<b>11,271</b>	7,815
Income tax payable		<b>4,141</b>	18,729
		<u><b>450,985</b></u>	<u>494,242</u>
<b>Net current assets</b>		<u><b>2,000,773</b></u>	<u>1,957,669</u>
<b>Total assets less current liabilities</b>		<u><b>3,418,260</b></u>	<u>3,427,434</u>
<b>Non-current liabilities</b>			
Bank borrowings		<b>21,500</b>	46,000
Lease liabilities		<b>4,034</b>	4,872
Receipt in advance	11	<b>108,366</b>	-
Deferred tax liabilities		<b>55,150</b>	48,881
		<u><b>189,050</b></u>	<u>99,753</u>
<b>Net assets</b>		<u><b>3,229,210</b></u>	<u>3,327,681</u>

	<b>30 June 2020 (Unaudited) HK\$'000</b>	31 December 2019 (Audited) HK\$'000
<b>Capital and reserves</b>		
Share capital	1,652,854	1,652,854
Reserves	<u>1,431,535</u>	<u>1,524,927</u>
<b>Total equity attributable to equity shareholders of the Company</b>	<b>3,084,389</b>	<b>3,177,781</b>
<b>Non-controlling interests</b>	<u>144,821</u>	<u>149,900</u>
<b>Total equity</b>	<b><u><u>3,229,210</u></u></b>	<b><u><u>3,327,681</u></u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>For the six months ended 30 June</b>	
	<b>2020 (Unaudited) HK\$'000</b>	2019 (Unaudited) HK\$'000
Net cash inflow/(outflow) from:		
Operating activities	<b>87,508</b>	(42,742)
Investing activities	<b>10,596</b>	(74,295)
Financing activities	<b>(80,457)</b>	41,860
Net increase/(decrease) in cash and cash equivalents	<u>17,647</u>	<u>(75,177)</u>
Cash and cash equivalents at 1 January	<b>990,818</b>	983,957
Effect of foreign exchange rate changes	<b>(1,921)</b>	(656)
Cash and cash equivalents at 30 June	<b><u><u>1,006,544</u></u></b>	<b><u><u>908,124</u></u></b>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<b>325,814</b>	222,876
Time deposits with original maturity less than three months	<b>680,730</b>	685,248
	<b><u><u>1,006,544</u></u></b>	<b><u><u>908,124</u></u></b>

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. Basis of Preparation and Accounting Policies

This interim financial report for the six months ended 30 June 2020 has not been audited and has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements as set out in Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention except that certain financial assets are stated at fair value and which should be read in conjunction with the annual financial statements for the year ended 31 December 2019.

The financial information relating to the financial year ended 31 December 2019 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 2019 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of the changes in accounting policies are described below.

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

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*

The adoption of these amendments to existing standards do not result in any substantial changes to the Group's accounting policy nor any impact on these interim financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2. Revenue and Segment Information

The management committee (being the chief operating decision-maker) has determined the operating segments based on the reports reviewed to make strategic decisions and assess performance. The management committee, comprising the executive chairman and other senior management, has determined the operating segments based on these reports. The Group is organised into four business segments:

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

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

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

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

<b>For the six months ended 30 June 2020</b>				
	<b>Segment Revenue</b>			<b>Segment Results</b>
	<b>Sales to external customers</b>	<b>Inter-segment sales</b>	<b>Total</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK'\$000</b>	<b>HK'\$000</b>	<b>HK'\$000</b>	<b>HK'\$000</b>
Book and Package Printing	653,964	731	654,695	(29,380)
Consumer Product Packaging	201,087	333	201,420	(5,282)
Corrugated Box	99,939	42,089	142,028	703
Paper Trading	143,715	114,042	257,757	(4,905)
Eliminations	-	(157,195)	(157,195)	655
	<u>1,098,705</u>	<u>-</u>	<u>1,098,705</u>	<u>(38,209)</u>
Interest income and other income				10,227
Corporate and unallocated expenses				(24,356)
Gain on disposal of property, plant and equipment (Note 4)				58,056
Operating profit				5,718
Finance costs				(1,968)
Share of profits and losses of associates				18
Profit before income tax				3,768
Income tax				(1,349)
Profit for the period				<u>2,419</u>

For the six months ended 30 June 2019

	Segment Revenue			Segment
	Sales to	Inter-	Total	Results
	external	segment		(Unaudited)
	customers	sales	(Unaudited)	(Unaudited)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'\$000	HK'\$000	HK'\$000	HK'\$000
Book and Package Printing	852,608	181	852,789	22,613
Consumer Product Packaging	291,362	631	291,993	(11,622)
Corrugated Box	123,368	68,717	192,085	7,106
Paper Trading	168,957	230,188	399,145	3,107
Eliminations	-	(299,717)	(299,717)	(1,555)
	<u>1,436,295</u>	<u>-</u>	<u>1,436,295</u>	<u>19,649</u>
Interest income and other income				13,487
Corporate and unallocated expenses				<u>(28,090)</u>
Operating profit				5,046
Finance costs				(2,422)
Share of losses of an associate				(329)
Profit before income tax				2,295
Income tax				<u>(152)</u>
Profit for the period				<u><u>2,143</u></u>

**3. Finance Costs**

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	1,766	2,043
Interest on lease liabilities	202	379
	<u>1,968</u>	<u>2,422</u>

#### 4. Profit Before Income Tax

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
After charging -		
Depreciation		
- Owned property, plant and equipment	<b>51,674</b>	52,164
- Other properties leased for own use	<b>6,672</b>	6,361
- Land use rights	<b>1,540</b>	1,476
Amortisation of intangible assets	<b>638</b>	521
Loss on disposal of property, plant and equipment	-	1,742
Employee benefits expense (including directors' emoluments)	<b>294,439</b>	380,687
Write-down of inventories, net	<b>2,979</b>	791
Loss allowance of trade and other receivables, net	<b>56,420</b>	914
Fair value loss on derivative financial instruments not qualified as hedges	<b>230</b>	-
Net foreign exchange loss	<b>12,507</b>	6,682
	<b>—————</b>	<b>—————</b>
After crediting -		
Interest income	<b>9,825</b>	12,872
Dividend income from financial investments	<b>277</b>	254
Gain on disposal of property, plant and equipment, net*	<b>57,083</b>	-
Fair value gain on financial assets at fair value through profit or loss	<b>-</b>	178
	<b>—————</b>	<b>—————</b>

- \* On 3 April 2020, the Group entered into certain land resumption agreements with Wangzhuang Residential District Office ("Wuxi Local Administration") of Wuxi City in Xinwu District of the People's Republic of China. For details of the transaction please refer to the circular of the Company dated 25 May 2020 and the announcements of the Company dated 6 April 2020, 17 April 2020, 29 April 2020 and 28 July 2020.

During the period ended 30 Jun 2020, the Group surrendered and vacated from part of its land and properties at Wuxi upon the site inspection carried out by Wuxi Local Administration, accordingly the Group realised a gain of HK\$58,056,000.

## 5. Income Tax

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax		
- Hong Kong Profits Tax	-	1,049
- People's Republic of China ("PRC") Income Tax	<b>2,654</b>	3,516
Total current tax	<b>2,654</b>	4,565
Deferred tax	<b>(1,305)</b>	(4,413)
Income tax	<b>1,349</b>	152

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries in Hong Kong have either sustained losses for tax purpose or their unused tax losses were sufficient to cover their estimated assessable profits for the period ended 30 June 2020. The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% of the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

PRC Income Tax represents PRC Corporate Income Tax calculated at 25% (2019: 25%) and PRC withholding tax at the applicable rates. Pursuant to the income tax rules and regulations, provision for PRC withholding tax on dividend income is calculated based on 5% (2019: 5%) of the dividend income from subsidiaries in the PRC.

## 6. Earnings Per Share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$4,858,000 (2019: HK\$4,912,000) and the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company under the Share Award Scheme.

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to equity shareholders of the Company (HK\$'000)	<b>4,858</b>	4,912
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)	<b>(7,414)</b>	(13,064)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	<b>900,451</b>	894,801
Basic earnings per share (HK cents per share)	<b>0.5</b>	0.5

(b) Diluted earnings per share

The calculation of diluted 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.

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to equity shareholders of the Company (HK\$'000)	<u><b>4,858</b></u>	<u>4,912</u>
Weighted average number of ordinary shares in issue ('000)	<b>900,451</b>	894,801
Effect of dilutive potential ordinary shares in respect of own held shares for Share Award Scheme ('000)	<u><b>5,934</b></u>	<u>7,271</u>
Weighted average number of ordinary shares (diluted) at 30 June ('000)	<u><b>906,385</b></u>	<u>902,072</u>
Diluted earnings per share (HK cents per share)	<u><b>0.5</b></u>	<u>0.5</u>

**7. Dividend**

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interim dividend of HK3 cents (2019: HK3 cents) per ordinary share	<u><b>27,236</b></u>	<u>27,236</u>

## 8. Trade and Other Receivables

	<b>30 June 2020 (Unaudited) HK\$'000</b>	31 December 2019 (Audited) HK\$'000
Trade receivable	<b>684,699</b>	794,951
Less: Loss allowance	<b>(41,352)</b>	(9,872)
	<b>643,347</b>	785,079
Trade receivable due from related parties	<b>171</b>	101
Total trade receivable, net	<b>643,518</b>	785,180
Bills receivable	<b>3,453</b>	11,573
Prepayment, deposits and other receivables	<b>66,537</b>	83,145
	<b>713,508</b>	879,898

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

	<b>30 June 2020 (Unaudited) HK\$'000</b>	31 December 2019 (Audited) HK\$'000
1 - 30 days	<b>254,479</b>	300,744
31 - 60 days	<b>157,515</b>	161,661
61 - 90 days	<b>103,336</b>	119,248
Over 90 days	<b>128,188</b>	203,527
	<b>643,518</b>	785,180

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

## 9. Cash and cash equivalents

	<b>30 June 2020 (Unaudited) HK\$'000</b>	31 December 2019 (Audited) HK\$'000
Cash at banks and on hand	<b>1,040,846</b>	1,012,293
Less: time deposits with original maturity over three months	<b>(34,302)</b>	(21,475)
Cash and cash equivalents in statement of cash flows	<b>1,006,544</b>	990,818

## 10. Trade and Other Payables

	<b>30 June 2020 (Unaudited) HK\$'000</b>	31 December 2019 (Audited) HK\$'000
Trade payable	139,521	159,252
Trade payable due to related parties	-	196
Total trade payable	<u>139,521</u>	<u>159,448</u>
Bills payable	15,886	11,889
Other payable and accrued liabilities	175,321	208,460
	<u><u>330,728</u></u>	<u><u>379,797</u></u>

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

	<b>30 June 2020 (Unaudited) HK\$'000</b>	31 December 2019 (Audited) HK\$'000
1 - 30 days	97,122	122,595
31 - 60 days	23,168	26,077
61 - 90 days	6,656	2,321
Over 90 days	12,575	8,455
	<u>139,521</u>	<u>159,448</u>

## 11. Receipt in advance

	<b>30 June 2020 (Unaudited) HK\$'000</b>	31 December 2019 (Audited) HK\$'000
Receipt in advance	<u>108,366</u>	<u>-</u>

As at 30 Jun 2020, the amount represents a receipt in advance of HK\$108,366,000 (31 December 2019: HK\$nil) from Wuxi Local Administration in relation to the land resumption agreements (Note 4).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results and dividends

During a year that has evolved in ways that no one could have foreseen in both domestic and export markets, Hung Hing Printing Group increased net profit for the first six months of 2020 by 13% to HK\$2.4 million. Our ongoing investments in digital transformation and automation enabled us to maintain business continuity and quickly implement necessary operational changes to control costs. Innovation and diversified capabilities helped us strengthen relationships with business partners.

In April 2020, Hung Hing took advantage of a land resumption opportunity to relocate and transform our Wuxi plant. We entered into an agreement with the local government of Wuxi in China to surrender the existing land of the Wuxi plant in two phases, recognising in the first phase a one-off gain of HK\$58 million. This gain offset the impairment of receivables of HK\$56 million owed by a customer of the Group, kikki.K Pty Ltd (“kikki.K”).

Business momentum has been hindered by US-China geographic tension and COVID-19 related disruption, leading to a revenue decline of 23.5% to HK\$1,099 million compared to 2019. However, our financial position, inclusive of cash and deposits, further strengthened to HK\$1,255 million (up 14.3% compared to the year ended 31 December 2019). Basic profit per share was HK0.5 cents.

In line with our ongoing policy to maintain stable dividends and reward shareholders, the Board of Directors has announced an interim dividend of HK3 cents (2019: HK3 cents). This interim dividend also reflects the resilience of our business fundamentals and our strong financial position and cash flow. It is payable on 22 October 2020 to shareholders whose names appear in the Register of Members of the Company on 30 September 2020.

### **Consolidating underlying strengths for future market recovery**

Hung Hing is not immune to the challenging socio-economic conditions that prevail throughout the world at this time. During the period under review, a number of strategies were put in place to weather the COVID-19 storm and prepare for the future. Our focus was to consolidate our numerous underlying strengths so that we are in the best possible position to respond swiftly when the market recovers. These include augmenting the capabilities of our diversified production base including our Heshan plant in China and Hanoi plant in Vietnam. On the basis of a strong financial position, we made investments in innovative technology areas that have already enabled us to penetrate into new market segments such as branded product packaging and promotional premiums. Our creative hub, Beluga, has launched a new range of reinforced paper novelty products such as handbags under the Papery brand and MASKfolio holders for facemasks.

We have continued to enhance our manufacturing infrastructure and increase automation, streamlining operating and manpower costs significantly. In response to evolving customer needs during the period, we acquired new capabilities and redesigned workflows to support new product lines like paper-based promotional premiums that require innovative design, short turnaround times and exceptional engineering capabilities.

Well established working processes and rigorous governance have been extremely helpful in allowing us to uphold a culture of safety and caring. We have implemented social distancing and sanitising measures in alignment with customers’ requirements and government guidelines and I am happy to report that we were able to run uninterrupted operations with no infections recorded during the period under review.

### **Business performance**

Lockdowns due to the COVID-19 pandemic in key export markets such as the U.S., U.K. and European countries, closure of key import-export logistical infrastructure like warehouses and container terminals, and conservative order placement trends led to a business slowdown that affected most of our business units.

Book and Package Printing (BPP), our largest business unit, was also affected by political and trade uncertainty, resulting in a revenue decline of 23% to HK\$654 million during the period. Business began to see stability in the second quarter, with gradual improvements in June and July. The sophisticated design and engineering capabilities driven by the Beluga creative hub helped the business pivot into new areas such as special projects and new branded goods which show strong potential going forward. Thanks to these new revenues and stringent control of operating expenses, underlying profit contribution improved to HK\$27 million, if the impact of impairment of receivables owed by kikki.K is excluded.

We continued with our efforts to realign our manufacturing setup to optimise our efficiency and position us better for the new normal that will emerge post-pandemic. The Heshan upgrade project progressed smoothly, delivering increased versatility to take on expansion into new business segments. Installation of state-of-the-art machinery at our strategically important, new 35,000 sq.m. printing and packaging manufacturing facility in Hanoi, Vietnam, continued despite being affected by delays due to lockdowns.

On the marketing front, we continued to invest new resources into expanding our pan European businesses as well as our domestic China business. Whilst the US still remains our largest market, initiatives are being taken to move some projects to the Vietnam facility to better serve customers in the region.

The Consumer Products Packaging (CPP) business was able to stabilise revenue decline and succeeded in cutting losses by 55% compared to 2019 to HK\$5.3 million. The business unit recalibrated its operations to control costs, and also benefited from certain waivers and subsidies offered by the government to support business during this difficult period. The Group is in the process of securing a suitable piece of land to relocate its factory in Wuxi, planning ahead with a long-term relocation strategy over a 2 to 3 year timeframe to ensure uninterrupted and seamless operations.

Revenues and profitability of the Corrugated Box (CB) business were affected by the decline in demand caused by the pandemic. Paper prices were soft, reflecting the challenges faced by the entire sector in tandem with the economic downturn. The CB business focussed on maintaining cost controls during the period while successfully completing the integration of Guangdong Lianhe Packaging Co., Ltd. into the Group's operations.

The Paper Trading (PT) unit plays a strategic role in supplying paper to the other business units of the Group. PT was able to take advantage of industry consolidation triggered by weak demand and soft paper prices during the period. In tandem with diminished sales experienced by the Group's other units, PT recorded a drop of 50% in inter-segment sales, while external sales decreased by 15%. The asset-light operating model adopted in previous years stood the business in good stead in facing the current market challenges. The focus was on prudent inventory management and using available paper inventory to control costs.

## **Liquidity and Capital Resources**

During the period under review we maintained our customary prudent cash management approach, with a healthy cash position to address uncertainty in the business environment, and a diversified funding base. As of 30 June 2020, the Group had net cash on hand (total cash net of bank borrowings) of HK\$999 million to support our working capital requirements, capital expenditure and investment needs.

On 30 June 2020, the Group had total cash on hand of HK\$1,125 million (excluding HK\$130 million structured deposits), of which 59% 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. 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\$9.8 million, approximately HK\$3 million less than the same period last year due to adjusted deposit yield and terms of deposits.

Our strong financial reputation has enabled us to have a number of options available with respect to debt finance. As of 30 June 2020, the Group had total bank borrowings of HK\$126 million. Our gearing ratio, comparing total bank borrowings with total equity, remained low and healthy at 3.9%. Based on agreed loan repayment schedules with banks, HK\$105 million is repayable within one year and HK\$21 million within 1-2 years.

Of the Group's total bank borrowings, 75% is in HK Dollars, consisting of term loans with banks at fixed interest rates, and the remaining 25% comprises trade loans in US Dollars. During the period, the Group secured trade loan facilities at competitive terms and advantageous interest rate at LIBOR plus a relatively low spread, to address both immediate and longer-term operating needs. Total interest costs were at similar levels to last year at HK\$2 million.

During the period under review, the Group recorded over HK\$36 million in capital expenditure and committed an additional HK\$10 million to acquire new printing technology and machinery, implement automation and efficiency enhancement projects, and to construct / upgrade plants and facilities.

### **Contingent Liabilities and Pledge of Assets**

As at 30 June 2020, the Group has provided corporate guarantees to the extent of HK\$25 million to secure the banking facilities of a former related company of the Company governed by shareholders' agreement.

Certain time deposits of the Group with a total carrying value of HK\$85 million as at 30 June 2020 have been pledged to secure banking facilities granted to the Group.

### **Environmental Sustainability**

We aim to follow sustainable methods to minimise waste and reduce our environmental impact in product design, process design and manufacturing. Our operating practices are designed to maximise resource efficiency and we are constantly seeking ways to protect the environment through everything that we can do.

In the first half of 2020, the 200 kWp solar panels installed at our Hong Kong headquarters generated 112,000 kWh of electricity, exceeding projected output by 15%. We also completed the installation of an additional 326 kWp of photovoltaic panels, bringing total solar energy capacity to 526 kWp. The power generated by these panels will enable us to offset 282 tons of carbon emissions each year, while also yielding some economic benefits. We are presently awaiting approval to connect the additional capacity to the power grid.

In the first six months of 2020, the Group's electricity consumption across Hong Kong, China and Vietnam reduced to 25,868 MWh (1H 2019: 31,882 MWh). Water consumption reduced to 522,781 m<sup>3</sup> (1H 2019: 547,661 m<sup>3</sup>). Over 94% of our solid waste was recycled, comprising 16,835 tons of waste paper (1H 2019: 21,296 tons), 179 tons of plastic (1H 2019: 291 tons) and 59 tons of metal (1H 2019: 152 tons). All kitchen waste in our China facilities are collected and recycled for use as biodiesel, biogas or animal feed.

Over 94% 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 20,349 tons (1H 2019: 26,124 tons) of FSCTM paper, 929 tons (1H 2019: 2,304 tons) of PEFC and 38,120 tons (1H 2019: 53,982 tons) of paper with high recycled content.

## **Our People**

As at 30 June 2020, Hung Hing has a workforce of 6,720 employees (30 June 2019: 9,417 employees) at our Hong Kong headquarters, facilities in five locations in China and a plant in Vietnam. In adherence to the Group's overall values and mission, we believe in respect, teamwork, and equal opportunities for all when it comes to our workforce. Through competitive remuneration, skills development through training, and investment in employee well-being, we aim to offer a supportive environment and become the employer of choice in our area of operation.

In tandem with the realignment of our production processes and the installation of new equipment and process flow, we provided comprehensive training to employees. Over 33,000 hours of training (1H 2019: 123,769 hours) were provided to 11,000 attendees (1H 2019: 43,895 attendees) in the six months.

Workplace health and safety in particular was a major focus for us during the six months under review. We run a regular training, inspection and safety campaign to attain our accident-free goal. The Group's total incident rate remained low at 0.34 (1H 2019: 0.25) during the six months, with our Vietnam facility reporting zero incidents.

Sanitizing and social distancing measures to combat the COVID-19 pandemic in alignment with all government requirements were our top priority. Everyone entering our premises in China, Hong Kong and Vietnam underwent a body temperature check and had to wear a face mask. We provided masks to employees in all our facilities in mainland China: masks were worn on all shop floors. Canteen tables were partitioned to enable social distancing when people were eating. Hand sanitizers were provided throughout our facilities to ensure ease of access. Thanks to these measures, no COVID-19 cases were reported across all the Group's facilities during the period under review.

## **Outlook**

Today, the ongoing debate is over the shape of the recovery post-pandemic. There is limited visibility or certainty on the speed or extent of economic recovery in global markets. We are cautiously confident but not complacent for a post-COVID world: progressing on the premise that short-term pains will persist and 2020 will be about increased industry consolidation and an emphasis on achieving cost efficiencies.

Beyond the pandemic, the printing and manufacturing sector's transformation will continue – and those that succeed will need to be agile, innovative and able to pivot to address changing client requirements to overcome short-term market impacts. As we celebrate our 70th anniversary in this new reality, our core strengths such as economies of scale, service quality excellence, enduring customer support, world-leading capabilities, and strong financial position place us in an advantageous position to grow over the long term.

Our strategy is to uphold financial discipline and integrity even as we build on our strengths and enhance our capabilities so that we can react swiftly when the market recovers. Our top priorities in this regard will be completing the land resumption at Wuxi and finalising a suitable new location for the plant in the second half. We will also continue to upgrade the Heshan plant and scale up the production capabilities of the Vietnam facility.

My heartfelt thanks to our management and dedicated staff whose efforts even in these challenging times underpin all our efforts.

## **INTERIM DIVIDEND**

The directors have resolved to pay an interim dividend of HK3 cents (2019 : HK3 cents) per share. The interim dividend will be paid on 22 October 2020 to shareholders whose names appear on the Register of Members of the Company on 30 September 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 25 September 2020 to 30 September 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 24 September 2020.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the period.

## **CORPORATE GOVERNANCE**

In the opinion of the directors, the Company has complied with the code provisions listed in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim results, with the exception that:

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.

- 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 2020 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, 25 August 2020

As at the date of this announcement, the Board comprises Mr. Yum Chak Ming, Matthew and Mr. Sung Chee Keung as executive directors; Mr. Hirofumi Hori, Mr. Masashi Nakashima, Mr. Yoshihisa Suzuki 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.