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HUNG HING

HUNG HING PRINTING GROUP LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 450)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 2017 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	For the six months ended 30 June **2017** **(Unaudited)** **HK$'000**	 2016 (Unaudited) HK$'000
Revenue	2	**1,394,739**	1,322,665
Cost of sales		**(1,193,140)**	(1,153,999)
Gross profit		**201,599**	168,666
Other revenue		**10,804**	12,277
Other net income/(loss)		**9,525**	(7,186)
Distribution costs		**(30,250)**	(34,253)
Administrative and selling expenses		**(164,259)**	(157,061)
Operating profit/(loss)		**27,419**	(17,557)
Finance costs	3	**(3,037)**	(2,758)
Profit/(loss) before income tax	4	**24,382**	(20,315)
Income tax	5	**(7,382)**	536
Profit/(loss) for the period		**17,000**	(19,779)
Attributable to:			
Equity shareholders of the Company		**14,403**	(21,645)
Non-controlling interests		**2,597**	1,866
Profit/(loss) for the period		**17,000**	(19,779)

	Note	HK cents	HK cents
Earnings/(loss) per share attributable to equity shareholders of the Company	6		
Basic		**1.6**	(2.4)
Diluted		**1.6**	(2.4)
		HK$'000	HK$'000
Dividend	7	**18,157**	9,079

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit/(loss) for the period	**17,000**	(19,779)
Other comprehensive income for the period (net of tax):		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	**26,412**	(25,121)
Change in fair value of intangible assets	**200**	(200)
Change in fair value of available-for-sale financial assets	**579**	231
	27,191	(25,090)
Total comprehensive income for the period	**44,191**	(44,869)
Attributable to:		
Equity shareholders of the Company	**37,142**	(42,142)
Non-controlling interests	**7,049**	(2,727)
	44,191	(44,869)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2017 (Unaudited) HK$'000**	31 December 2016 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**1,076,622**	1,113,515
Land use rights		**63,249**	77,736
Properties under construction		**3,413**	517
Intangible assets		**10,674**	8,970
Deposits for acquisition of non-current assets		**75,393**	40,577
Available-for-sale financial assets		**46,979**	45,755
Deferred tax assets		**16,469**	16,065
		1,292,799	1,303,135
Current assets			
Inventories		**518,069**	523,470
Trade and bills receivables	8	**785,288**	787,196
Prepayments, deposits and other receivables		**60,052**	47,642
Pledged time deposits		**98,195**	136,395
Time deposits with original maturity over three months		**33,551**	5,590
Cash and cash equivalents		**646,439**	684,831
Income tax recoverable		**2,073**	3,511
		2,143,667	2,188,635
Assets of disposal group held for sale	10	**146,471**	-
		2,290,138	2,188,635
Current liabilities			
Trade and bills payables	9	**271,305**	201,930
Other payables and accrued liabilities		**193,712**	188,589
Bank borrowings		**134,493**	110,655
Income tax payable		**8,385**	21,915
		607,895	523,089
Liabilities of disposal group held for sale	10	**11,426**	-
		619,321	523,089
Net current assets		**1,670,817**	1,665,546
Total assets less current liabilities		**2,963,616**	2,968,681

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Non-current liabilities		
Bank borrowings	**143,000**	155,000
Deferred tax liabilities	**54,904**	55,434
	197,904	210,434
Net assets	**2,765,712**	2,758,247
Capital and reserves		
Share capital	**1,652,854**	1,652,854
Reserves	**942,261**	932,766
Proposed dividend	**18,157**	27,236
Total equity attributable to equity shareholders of the Company	**2,613,272**	2,612,856
Non-controlling interests	**152,440**	145,391
Total equity	**2,765,712**	2,758,247

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Net cash inflow/(outflow) from:		
Operating activities	**21,835**	51,123
Investing activities	**(38,506)**	114,535
Financing activities	**(30,138)**	268
Net (decrease)/increase in cash and cash equivalents	**(46,809)**	165,926
Cash and cash equivalents at 1 January	**684,831**	546,391
Effect of foreign exchange rate changes	**8,417**	(10,005)
Cash and cash equivalents at 30 June	**646,439**	702,312
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**365,672**	311,604
Time deposits with original maturity less than three months	**280,767**	390,708
	646,439	702,312

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 2017 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 2016. Disposal group held for sale is stated at the lower of carrying amount and fair value less cost to sell.

The financial information relating to the financial year ended 31 December 2016 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 2016 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 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements and disposal group held for sale. Details of the changes in accounting policies are described below.

(i) Amendments to HKFRSs

The HKICPA has issued a number of 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:

Amendments to HKAS 7	Statement of cash flows: Disclosure initiative
Amendments to HKAS 12	Income taxes: Recognition of deferred tax assets for unrealised losses

The adoption of these revised standards and 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.

(ii) Disposal group held for sale

A disposal group is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the disposal group is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of all individual assets and liabilities in a disposal group is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the disposal groups are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out in the 2016 annual financial statements.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

2. Segment Information

The management committee (being the chief operating decision-maker) has determined the operating segments based on the reports reviewed by the management committee. The management committee, comprising the executive chairman 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-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.

	For the six months ended 30 June 2017			
	Segment Revenue			**Segment Results**
	Sales to external customers (Unaudited) HK'$000	**Inter-segment sales (Unaudited) HK'$000**	**Total (Unaudited) HK'$000**	**(Unaudited) HK'$000**
Book and Package Printing	**784,387**	**265**	**784,652**	**2,708**
Consumer Product Packaging	**297,264**	**778**	**298,042**	**14,375**
Corrugated Box	**79,786**	**70,195**	**149,981**	**17,166**
Paper Trading	**233,302**	**233,671**	**466,973**	**11,103**
Eliminations	**-**	**(304,909)**	**(304,909)**	**(238)**
	1,394,739	**-**	**1,394,739**	**45,114**
Interest income and other income				**5,446**
Corporate and unallocated expenses				**(23,141)**
Operating profit				**27,419**
Finance costs				**(3,037)**
Profit before income tax				**24,382**
Income tax				**(7,382)**
Profit for the period				**17,000**

	For the six months ended 30 June 2016			
	Segment Revenue			Segment Results
	Sales to external customers	Inter-segment sales	Total	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'$000	HK'$000	HK'$000	HK'$000
Book and Package Printing	760,483	332	760,815	(12,089)
Consumer Product Packaging	278,155	446	278,601	(5,980)
Corrugated Box	66,230	44,351	110,581	(142)
Paper Trading	217,797	214,846	432,643	8,429
Eliminations	-	(259,975)	(259,975)	(402)
	1,322,665	-	1,322,665	(10,184)
Interest income and other income				7,809
Corporate and unallocated expenses				(15,182)
Operating loss				(17,557)
Finance costs				(2,758)
Loss before income tax				(20,315)
Income tax				536
Loss for the period				(19,779)

3. Finance Costs

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank borrowings	**3,037**	2,758

4. Profit/Loss Before Income Tax

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
After charging -		
Depreciation	**47,603**	50,083
Amortisation of land use rights	**1,362**	1,386
Amortisation of intangible assets	**569**	448
Loss on disposal of property, plant and equipment	**198**	2,087
Employee benefits expense (including directors' emoluments)	**376,322**	378,311
Provision for impairment loss of trade receivables, net	**547**	1,013
Fair value loss on derivative financial instruments not qualified as hedges	**-**	1,045
Foreign exchange loss	**-**	4,054
After crediting -		
Bank interest income	**5,446**	7,809
Dividend income from available-for-sale financial assets	**266**	196
Reversal of provision for impairment loss of inventories, net	**201**	1,618
Fair value gain on derivative financial instruments not qualified as hedges	**1,612**	-
Foreign exchange gain	**8,111**	-

5. Income Tax

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax		
- Hong Kong profits tax	**1,438**	-
- PRC corporate income tax and withholding tax	**9,319**	1,274
Total current tax	**10,757**	1,274
Deferred income tax	**(3,375)**	(1,810)
Income tax	**7,382**	(536)

The provision for Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the period ended 30 June 2017. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

No provision for Hong Kong profits tax was made for the period ended 30 June 2016 as the subsidiaries of the Group incurred taxable loss.

6. Earnings/(Loss) Per Share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of HK$14,403,000 (2016: loss of HK$21,645,000) and the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company.

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to equity shareholders of the Company (HK$'000)	**14,403**	(21,645)
Weighted average number of ordinary shares in issue ('000)	**907,865**	907,865
Weighted average number of own held shares for share award scheme ('000)	**(3,994)**	(1,633)
Weighted average number of ordinary shares in issue for calculation of basic earnings/(loss) per share ('000)	**903,871**	906,232
Basic earnings/(loss) per share (HK cents per share)	**1.6**	(2.4)

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) 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 2017 (Unaudited)
Profit attributable to equity shareholders of the Company (HK$'000)	**14,403**
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)	**3,850**
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share ('000)	**907,721**
Diluted earnings per share (HK cents per share)	**1.6**

For the six months ended 30 June 2016, diluted loss per share was the same as the basic loss per share as there was no dilutive potential ordinary shares.

7. Dividend

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim dividend of HK2 cents (2016: HK1 cent) per ordinary share	**18,157**	9,079

8. Trade and Bills Receivables

	30 June 2017	31 December 2016
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Trade receivables	**788,708**	782,034
Less: Provision for impairment loss of trade receivables	**(7,968)**	(7,314)
	780,740	774,720
Trade receivables due from related parties	**83**	5,988
Total trade receivables, net	**780,823**	780,708
Bills receivable	**4,465**	6,488
	785,288	787,196

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

	30 June 2017	31 December 2016
	(Unaudited)	(Audited)
	HK$'000	HK$'000
1 - 30 days	**373,952**	287,219
31 - 60 days	**174,659**	173,693
61 - 90 days	**111,853**	108,902
Over 90 days	**120,359**	210,894
	780,823	780,708

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

9. Trade and Bills Payables

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Trade payables	**238,680**	175,132
Bills payable	**32,625**	26,798
	271,305	201,930

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

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
1 - 30 days	**187,315**	128,603
31 - 60 days	**32,971**	32,736
61 - 90 days	**5,968**	4,876
Over 90 days	**12,426**	8,917
	238,680	175,132

10. Disposal Group Held for Sale

On 24 April 2017, the Board announced a proposed disposal of the entire equity interests in Sun Hing Paper (Shenzhen) Company Limited, a wholly-owned subsidiary of the Company. The approval of shareholders for the disposal was obtained on 12 May 2017 and accordingly the assets and liabilities of the disposal group was classified as held for sale. The transaction is expected to be completed within the second half of 2017. As the disposal group is part of paper trading segment but not a major line of business, the disposal group is not a discontinued operation.

The disposal group is measured at its carrying amount as at 30 June 2017 which is lower than its fair value less cost to sell.

The assets and liabilities of the disposal group are as follows:

	30 June 2017 (Unaudited) HK$'000
Property, plant and equipment	**20,227**
Land use rights	**14,115**
Inventories	**52,583**
Trade receivables	**35,324**
Prepayments, deposits and other receivables	**168**
Amounts due from group entities	**47,480**
Cash and cash equivalents	**22,687**
Other assets	**1,367**
Total assets of the disposal group	**193,951**
Less: Amounts due from group entities	**(47,480)**
Assets of the disposal group classified as held for sale	**146,471**
Amount dues to group entities	**147,500**
Other payables and accrued liabilities	**11,426**
Total liabilities of the disposal group	**158,926**
Less: Amounts due to group entities	**(147,500)**
Liabilities of the disposal group classified as held for sale	**11,426**
Total net assets of the disposal group classified as held for sale	**135,045**

For presentation in the consolidated statement of financial position as at 30 June 2017, the amounts due from and due to group entities amounting to HK$47,480,000 and HK$147,500,000 respectively have been excluded from the assets and liabilities of disposal group held for sale.

MANAGEMENT DISCUSSION AND ANALYSIS

The period under review was characterized by economic stabilization and improved customer confidence in key markets on the demand side and continuing consolidation on the supply side. These factors, combined with the Hung Hing Printing Group's continuous efforts to enhance agility and innovation, enabled us to deliver satisfactory growth in both revenue and profitability during the first half of 2017.

Results and dividends

The Group's revenue grew 5.4% to HK$1,395 million compared to the same period last year. Paper price movements and planned rationalization of our product lines and order portfolio to focus on higher-margin business drove a significant increase in profit from operating activities to HK$27.4 million, compared to a net loss of HK$17.6 million in 2016.

Following from revenue growth and a 1.7% point increase in gross profit margin, net profit improved to HK$17 million, of which HK$14.4 million was profit attributable to equity shareholders of the Company. This was a significant improvement over a net loss of HK$21.6 million recorded in 2016.

Book and Package Printing (BPP), the Group's largest business unit, achieved a 3.1% increase in revenue and moved back to profitability with improved capacity utilization, a more balanced business portfolio and the introduction of innovative products with integrated technology. The Consumer Product Packaging (CPP) unit maintained its focus on strengthening partnerships with key accounts and offering turnkey printing solutions for the domestic China market to produce improved earnings. Both the Corrugated Box (CB) and Paper Trading (PT) units were able to benefit from favourable inventory turnover by leveraging paper price trends to achieve higher profitability.

Basic earnings per share was HK1.6 cents, compared to a loss per share of HK2.4 cents for the corresponding period in 2016.

The board of directors has declared an interim dividend of HK2 cents (2016: HK1 cent) per share, payable on 25 October 2017 to shareholders whose names appear in the Register of Members of the Company on 29 September 2017.

Sharpening our focus in the paper trading business

During the period, the Group announced an agreement to dispose of Sun Hing Paper (Shenzhen) Company Limited, one of the warehousing facilities belonging to the Paper Trading business, in order to streamline operations and enhance our competitive position. This strategic transaction will optimize our operating model and help achieve higher efficiencies. It will also facilitate the strategic investments needed to upgrade the capabilities of our facilities, and implement automation and workflow improvements, positioning us well for growth and improved shareholder returns over the long term. The transaction is expected to be completed in the second half of 2017.

Establishing a culture of innovation and agility

The advent of technology and automation are reshaping the printing and manufacturing sectors. Over the past six months we have continued to transform our manufacturing and business processes to create an agile organization with innovation at its core.

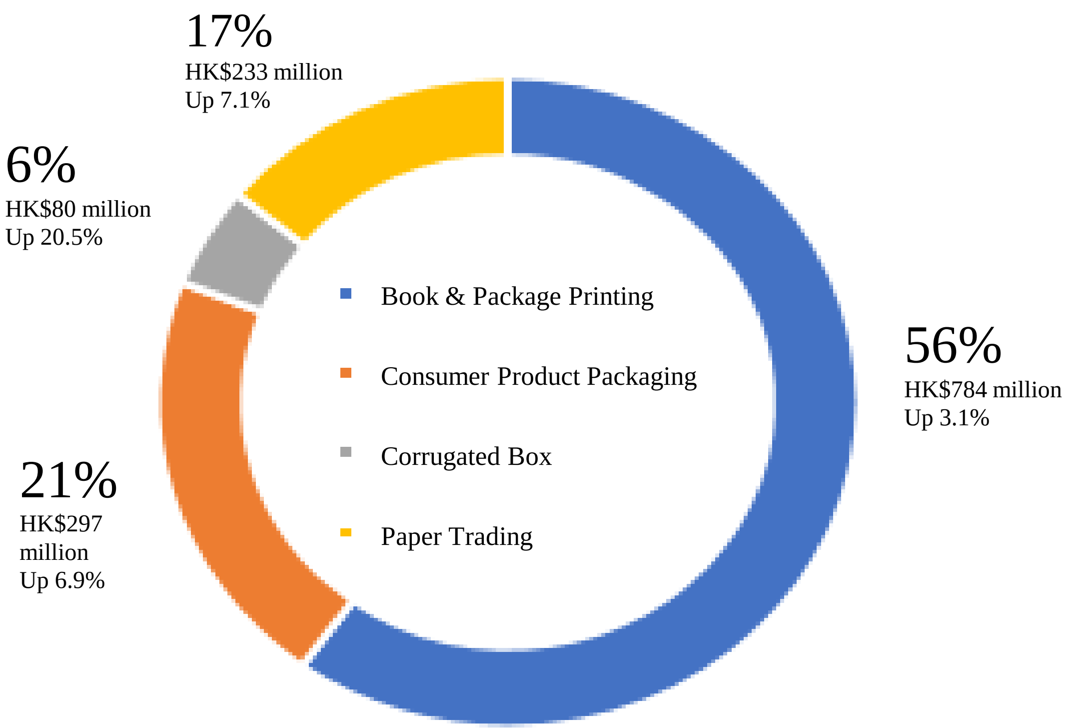
Major initiatives included the construction of a modern new facility in Heshan with advanced, high-productivity equipment incorporating the latest technologies such as RFID and artificial intelligence to support production planning. We also invested in automation, drove innovation through internal research and development, and partnered with cutting-edge companies to enhance our capabilities and scope of offerings.

While state-of-the-art infrastructure, tools and technology are important, it is people and ideas that are at the heart of successful innovation. To establish the right environment and values for ideas to thrive, we are using a concerted approach incorporating recruitment, training, empowerment and rewards to stimulate creativity at all levels of the Group.

Business Unit Overview

The Hung Hing Printing Group comprises four key business units.

Revenue contribution in the first half of 2017



	Key product offerings	Key facilities
Book and Package Printing (BPP)	One of the world's leading producers of folding cartons and packaging for toys, cosmetics and other consumer products, as well as conventional and children's novelty books, with a significant global footprint.	Three plants with a combined production space of 300,000 sq.m., including a plant in Hong Kong and one each in Shenzhen and Heshan in China's Guangdong province.
Consumer Product Packaging (CPP)	One of China's top five producers of high quality packaging solutions for personal care products, packaged food and consumer electronics, focusing on the domestic market.	Facilities in Zhongshan in southern China and Wuxi near Shanghai with a combined production space of 180,000 sq.m..
Corrugated Box (CB)	A major manufacturer of corrugated cartons for packaging addressing a wide range of sectors, including toy, food and beverage, electronics and household products, selling to Chinese as well as export markets.	A manufacturing facility in Shenzhen and a distribution centre in Hong Kong.
Paper Trading (PT)	One of Asia's largest paper trading operators (ex-Japan) supplying high quality paper from Europe, Americas, Asia and China. A strategic paper supply partner to the Group's other business units as well as external customers.	Paper processing and logistics handling facilities in Shenzhen and Hong Kong.

Business Unit Reports

The period under review saw all of the Group's business units reap the benefits of portfolio rationalization and take advantage of resurgent economies in the US and China to improve margins. Successful focus on innovation helped the BPP and CPP business units outperform their targets while the CB and PT business units capitalized on paper price fluctuations to increase inventory turnover with better profit contribution.

In China, environmental guidelines continued to tighten, exerting pressure on smaller suppliers in particular. Exchange rate volatility impacted the sector as a whole, but the Group was able to manage the impact by executing prudent fiscal strategies. The on-going trend of market and order consolidation is favourable for well-established players like Hung Hing that have a reputation for quality, economies of scale and strong financial position.

Book and Package Printing (BPP)

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

- External revenue of HK$784 million, up 3.1% from HK$760 million the previous year
- Profit contribution of HK$2.7 million vs. a loss of HK$12 million last year

The US was once again the division's largest market with positive consumer sentiments yielding improvements in order placement. In mainland China, the stabilising economy led to a healthy influx of orders for luxury packaging with value-added and differentiating features.

Sales momentum picked up significantly from the second quarter of 2017 as the business unit entered its peak season, and the outlook for the second half of the year is positive. Increased automation and efficiencies, combined with strong customer relationships in key export markets, helped drive growth in core product lines including novelty products, children's books and greeting cards.

BPP's investments in new skills and technology paid off as novelty packaging incorporating special effects and digital features gained traction. Thanks to the expertise offered by Beluga, the Group's innovation hub, BPP was able to introduce cutting-edge designs with integrated technological elements that helped boost the business unit's profit contribution.

Consumer Product Packaging (CPP)

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

- External revenue of HK$297 million, up 6.9% from HK$278 million the previous year
- Profit contribution of HK$14 million vs. a loss of HK$6 million last year

The CPP business unit continued to strengthen its customer base in the domestic China market, raising its profile through effective marketing efforts in Shenzhen and Beijing. CPP was also able to drive stronger sales by capitalizing on the opportunities presented by the resurgent mainland Chinese economy and the sustained growth of the market's affluent middle class. Meanwhile, the business unit made capital investments in advanced machinery at its manufacturing bases in Zhongshan and Wuxi to augment its offerings with top-of-the-line products.

Paper supply restrictions imposed by stringent environmental controls and increasing minimum wage levels affected operating costs. CPP was able to alleviate the impact of paper price fluctuations and deliver uninterrupted service due to the Group's vertically integrated offering and diversified supplier base. In addition, the business unit realigned its product and customer portfolios to successfully secure new value-added and higher margin business opportunities. It also made further investments in infrastructure to maintain its position as a preferred solution supplier with high environmental and social responsibility standards.

Corrugated Box (CB)

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

- External revenue of HK$80 million, up 20.5% from HK$66 million the previous year
- Profit contribution of HK$17 million compared to breakeven last year

The CB business unit was able to grow revenues through effective inventory management that helped it cope with abrupt demand surges resulting from unpredictable paper supply conditions. The Group's economies of scale and enhanced capacity utilization allowed the business unit to offer competitive solutions to business partners without interruptions in supply, driving increases in margins and profitability.

Going forward the CB business unit will develop more opportunities to strengthen its domestic and overseas partner networks while achieving increased cost efficiency by fine-tuning its go-to-market strategy.

Paper Trading (PT)

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

- External revenue of HK$233 million, up 7.1% from HK$218 million the previous year
- Profit contribution of HK$11 million, up 32% from HK$8.4 million last year

During the period under review, the PT business unit posted improvements in both revenue and profit, taking advantage of industry-wide paper price adjustments by revisiting its stocking portfolio strategy and shifting the focus to high-turnover product categories.

The sale of Sun Hing Paper (Shenzhen) Company Limited has enabled us to manoeuvre the warehousing facilities of our paper trading operations, helping the business unit enhance efficiency, agility and logistical proximity to customers and partners.

Liquidity and Capital Resources

The Group takes a proactive management approach to maintain a healthy cash position and a diversified base of funding sources. As of 30 June 2017, the Group had net cash on hand (total cash net of bank borrowings) of HK$501 million to support our working capital requirements, capital expenditure and investment needs both today and in future. In addition, given the progress made with respect to the Sun Hing Paper (Shenzhen) Company Limited transaction, our cash position is anticipated to rise significantly in the second half of 2017.

On 30 June 2017, the Group had HK$778 million total cash on hand, of which slightly over half was held in Renminbi and the remaining are primarily US Dollars and HK Dollars. The Group's cash in Renminbi was held to support its core operational and development needs in mainland China. A more disciplined approach was adopted to control exchange exposure in light of the latest currency market conditions. Any cash not earmarked for immediate use was placed in time deposits to match cash outflow and maximize interest income at the same time.

During the period under review, total interest income was HK$5.4 million, approximately HK$2.4 million less than the same period last year due to revised amounts and terms of deposits and an adjusted currency holding portfolio to reduce exchange risk.

Our track record enables us to have access to a wide range of debt finance options. As of 30 June 2017, the Group managed its total bank borrowings down to HK$277 million. Our gearing ratio, comparing total bank borrowings with total equity, stood at 10% roughly on par with the December 2016 level. Based on the Group's agreed loan repayment schedules with banks, HK$134 million is repayable within one year, HK$24 million within 1-2 years, and HK$119 million within 2-5 years.

Of the Group's total bank borrowings, 20% comprised trade loans in US Dollars and 5% in Japanese Yen. 15% was revolving loans owed to banks in Hong Kong in HK Dollars at HIBOR or the banks' cost of funds plus some mark-up. The remaining 60% also in HK Dollars was term loans with banks at fixed interest rates. During the period, the Group considered both short-term and longer-term financing needs, and made effective use of trade loan facilities under competitive terms and advantageous interest rate at LIBOR plus a lower spread. Total interest costs were at similar levels to last year at HK$3 million.

During the period under review, the Group recorded over HK$58 million in capital expenditure, which was mostly deployed for automation and equipment upgrades. In addition, HK$51 million in capital commitment was in place as at the end of the first half of 2017 for investment in new printing technology, process automation, efficiency enhancement and building plants and facilities.

Environmental Sustainability

Hung Hing's goal is to achieve business success in an environmentally responsible manner, and we aim to improve our performance in this regard every year.

In 2016, the audited carbon emissions level of our Shenzhen factory was 22,960 tons CO2e (carbon dioxide equivalent), 1,976 tons less than the government quota of 24,936 tons.

In the first six months of 2017, the Group consumed 25,952 MwH of electricity, compared to 26,950 MwH consumed during the same period last year. Water consumption was 519,449 m^3 (1H 2016: 461,000 m^3). Over 98% of our solid waste was recycled, comprising 22,725 tons of waste paper (1H 2016: 23,780 tons), 333 tons of plastic (1H 2016: 243 tons) and 144 tons of metal (1H 2016: 59 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 31,393 tons (1H 2016: 30,300 tons) of FSC paper, 4,600 tons (1H 2016: 4,600 tons) of PEFC and 48,077 tons (1H 2016: 47,000 tons) of paper with high recycled content.

Our People

People are our greatest asset during this era of fast-paced business. The emergence of a new generation of talented, ambitious workers in China presents us with both opportunities and challenges in terms of recruitment and retention. In this context Hung Hing’s strategy is to attract the best talent by becoming an employer of choice.

We have expanded our channels of recruitment and are exploring flexible methods of staffing up especially to address demand spikes during the peak season. To develop the intellectual capital that is critical to providing innovative solutions we aim to offer rewarding careers and a professional, motivating work environment.

We continue to offer attractive compensation packages, a clearly defined and transparent career path and training and development opportunities to motivate our staff and empower them with the tools they need. Over 120,388 hours of training (1H 2016: 196,070 hours) was provided to 18,080 attendees (1H 2016: 58,100) in the six months.

The safety and well-being of our employees is of paramount importance to us. We continued to work towards an accident-free workplace and maintained our policy of regular training and inspection to minimize accident rates. The Group’s total incident rate[1] was maintained at a low level of 0.14 (1H 2016: 0.10) during the six months.

Contingent Liabilities and Pledge of Assets

As at 30 June 2017, 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$98 million as at 30 June 2017 have been pledged to secure banking facilities granted to the Group.

Outlook

We have entered the second half of the year with cautious optimism thanks to the strong progress made in the first six months. We have created a more compelling range of solutions, improving our value proposition whilst achieving profitability. This has paid off with solid sales and margin growth across all parts of the Group.

[1] http://www.nmmcc.com/wp-content/uploads/FORMULAS_for_CALCULATING_RATES1.pdf

We are confident that the transaction related to the disposal of Sun Hing Paper (Shenzhen) Company Limited will be completed and booked on schedule in the second half of 2017 as indicated in our earlier circular. The pre-tax gain from the transaction of HK$900 million will be revised upward to approximately HK$960 – 1,000 million due to favourable exchange rates and savings achieved from smooth implementation of the disposal. Furthermore, the board of directors will recommend to pay out a special dividend in cash or scrip which will be distributed in May or June 2018, together with the final dividend associated with the 2017 full-year results.

Another immediate strategic priority is the construction of the new Heshan facility, which is expected to come into operation by the first quarter of 2018.

Over the coming months, uncertainties in paper prices, paper supply and exchange rates will persist. While on-going changes in governmental and environmental regulations might become the new normal, we believe they are positive forces that will trigger the evolution towards a healthier industry over the long term. The prospects for the Chinese market are encouraging, particularly given the Chinese government's Greater Bay Area development plan that will help drive demand in our core geographies of Hong Kong and southern China.

Whilst the market may still be uncertain in the immediate term, the Group's business has always been stable and well positioned for enduring success. Our strong financial position and commitment to quality serve to differentiate us from the competition. With a clear strategy and continued investments in infrastructure, technology, processes and people, we are confident in our ability to deliver long-term growth in shareholder value.

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK2 cents (2016 : HK1 cent) per share. The interim dividend will be paid on 25 October 2017 to shareholders whose names appear on the Register of Members of the Company on 29 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26 September 2017 to 29 September 2017, 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 25 September 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 21 December 2009, the Company adopted a Restricted Share Award Scheme. The Trustee of the Restricted Share Award Scheme purchased 7,500,000 shares at a total consideration of approximately HK$11,659,000 on the Stock Exchange pursuant to the Scheme Rules and Trust Deed during the period.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the period.

CORPORATE GOVERNANCE

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

1. Code Provision A 2.1 provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. 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 2017 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, 29 August 2017

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