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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 2016

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 2016 as follows:

CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Note	**HK$'000**	HK$'000
			(Restated)
Revenue	2	**1,322,665**	1,409,940
Cost of sales		**(1,153,999)**	(1,207,426)
Gross profit		**168,666**	202,514
Other revenue		**12,277**	16,727
Other net loss		**(7,186)**	(4,538)
Distribution costs		**(34,253)**	(34,214)
Administrative and selling expenses		**(157,061)**	(155,895)
Operating (loss)/profit		**(17,557)**	24,594
Finance costs	3	**(2,758)**	(3,396)
(Loss)/profit before income tax	4	**(20,315)**	21,198
Income tax	5	**536**	(9,172)
(Loss)/profit for the period		**(19,779)**	12,026
Attributable to:			
Equity shareholders of the Company		**(21,645)**	10,927
Non-controlling interests		**1,866**	1,099
(Loss)/profit for the period		**(19,779)**	12,026

	Note	2016	2015
		HK cents	HK cents
(Loss)/earnings per share attributable to equity shareholders of the Company	6		
Basic		**(2.4)**	1.2
Diluted		**(2.4)**	1.2
		HK$'000	HK$'000
Dividend	7	**9,079**	13,618

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(Loss)/profit for the period	**(19,779)**	12,026
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	**(25,121)**	(291)
Change in fair value of intangible assets	**(200)**	300
Change in fair value of available-for-sale financial assets	**231**	3,046
	(25,090)	3,055
Total comprehensive income for the period	**(44,869)**	15,081
Attributable to:		
Equity shareholders of the Company	**(42,142)**	14,012
Non-controlling interests	**(2,727)**	1,069
	(44,869)	15,081

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2016 (Unaudited) HK$'000**	31 December 2015 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**1,152,234**	1,183,805
Land use rights		**80,412**	82,641
Properties under construction		**3,986**	1,219
Intangible assets		**9,342**	9,735
Deposits for acquisition of non-current assets		**36,675**	23,364
Available-for-sale financial assets		**45,927**	46,231
Deferred tax assets		**12,272**	8,675
		1,340,848	1,355,670
Current assets			
Inventories		**601,735**	522,328
Trade and bills receivables	8	**762,611**	786,864
Prepayments, deposits and other receivables		**43,714**	51,598
Derivative financial instruments		**590**	-
Pledged time deposits		**83,825**	85,403
Time deposits with original maturity over three months		**28,033**	180,958
Cash and cash equivalents		**702,312**	546,391
Income tax recoverable		**4,762**	3,821
		2,227,582	2,177,363
Current liabilities			
Trade and bills payables	9	**278,249**	196,315
Other payables and accrued liabilities		**183,588**	180,722
Derivative financial instruments		**1,635**	-
Bank borrowings		**177,856**	188,698
Income tax payable		**1,942**	11,951
		643,270	577,686
Net current assets		**1,584,312**	1,599,677
Total assets less current liabilities		**2,925,160**	2,955,347
Non-current liabilities			
Bank borrowings		**121,500**	85,000
Deferred tax liabilities		**59,351**	58,472
		180,851	143,472
Net assets		**2,744,309**	2,811,875

Capital and reserves		
Share capital	**1,652,854**	1,652,854
Reserves	**929,919**	981,140
Proposed dividend	**9,079**	22,697
Total equity attributable to equity shareholders of the Company	**2,591,852**	2,656,691
Non-controlling interests	**152,457**	155,184
Total equity	**2,744,309**	2,811,875

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash inflow/(outflow) from:		
Operating activities	**51,123**	49,528
Investing activities	**114,535**	(205,368)
Financing activities	**268**	(121,699)
Net increase/(decrease) in cash and cash equivalents	**165,926**	(277,539)
Cash and cash equivalents at 1 January	**546,391**	917,658
Effect of foreign exchange rate changes	**(10,005)**	(206)
Cash and cash equivalents at 30 June	**702,312**	639,913
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**311,604**	312,350
Time deposits with original maturity less than three months	**390,708**	327,563
	702,312	639,913

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Basis of Preparation and Accounting Policies

The interim financial report for the six months ended 30 June 2016 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 2015.

The financial information relating to the financial year ended 31 December 2015 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 2015 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 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of the changes in accounting policies are described below.

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:

HKFRSs (Amendment)	Annual improvements to HKFRSs 2012-2014 cycle
HKAS 1 (Amendment)	Disclosure initiative

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.

Prior period adjustment:

Sales commission paid/payable to third party agents is now recognised as administrative and selling expenses rather than presented as deduction from revenue in the consolidated income statements for prior periods. Accordingly comparative figure in the amount of HK$14,520,000 in the consolidated income statement for the period ended 30 June 2015 have been adjusted.

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 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 arm's length basis.

	For the six months ended 30 June 2016			
	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	**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 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)**

	For the six months ended 30 June 2015			
	Segment Revenue			Segment Results
	Sales to external customers (Unaudited) HK'$000 (Restated)	Inter-segment sales (Unaudited) HK'$000	Total (Unaudited) HK'$000 (Restated)	(Unaudited) HK'$000
Book and Package Printing	775,176	339	775,515	24,536
Consumer Product Packaging	329,576	104	329,680	(4,321)
Corrugated Box	84,401	45,114	129,515	3,322
Paper Trading	220,787	203,631	424,418	9,196
Eliminations	-	(249,188)	(249,188)	(1,087)
	1,409,940	-	1,409,940	31,646
Interest, dividend income and other income				12,250
Corporate and unallocated expenses				(19,302)
Operating profit				24,594
Finance costs				(3,396)
Profit before income tax				21,198
Income tax				(9,172)
Profit for the period				12,026

3. Finance Costs

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank borrowings	**2,758**	3,396

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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
After charging -		
Depreciation	**50,083**	51,836
Amortisation of land use rights	**1,386**	1,551
Amortisation of intangible assets	**448**	418
Loss on disposals of property, plant and equipment	**2,087**	1,203
Employee benefit expense (including directors' emoluments)	**378,311**	383,537
Provision for impairment loss of trade receivables, net	**1,013**	-
Provision for impairment loss of inventories, net	**-**	167
Fair value changes on derivative financial instruments not qualified as hedges	**1,045**	679
Foreign exchange loss	**4,054**	2,656
After crediting -		
Bank interest income	**7,809**	12,077
Dividend income from available-for-sale financial assets	**196**	173
Reversal of provision for impairment loss of trade receivables, net	**-**	667
Reversal of provision for impairment loss of inventories, net	**1,618**	-

5. Income Tax

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the period ended 30 June 2015. Taxation on overseas profit has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current income tax		
- Hong Kong profits tax	**-**	990
- PRC corporate income tax	**1,274**	8,239
Total current tax	**1,274**	9,229
Deferred income tax	**(1,810)**	(57)
Income tax	**(536)**	9,172

6. (Loss)/Earnings Per Share

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company.

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to equity shareholders of the Company (HK$'000)	**(21,645)**	**10,927**
Weighted average number of ordinary shares in issue (thousands)	**907,865**	**907,865**
Weighted average number of own held shares for share award scheme (thousands)	**(1,633)**	**(1,633)**
Weighted average number of ordinary shares in issue for calculation of basic (loss)/earnings per share (thousands)	**906,232**	**906,232**
Basic (loss)/earnings per share (HK cents per share)	**(2.4)**	**1.2**

(b) Diluted (loss)/earnings per share

For the six months ended 30 June 2016 and 2015, diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as there was no dilutive potential ordinary shares.

7. Dividend

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim dividend of HK1 cent (2015: HK1.5 cents) per ordinary share	**9,079**	13,618

8. Trade and Bills Receivables

	30 June 2016	31 December 2015
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Trade receivables	**753,558**	788,941
Less: provision for impairment loss of trade receivables	**(13,370)**	(12,481)
	740,188	776,460
Trade receivables due from related parties	**399**	819
Total trade receivables, net	**740,587**	777,279
Bills receivables	**22,024**	9,585
	762,611	786,864

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

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

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

	30 June 2016	31 December 2015
	(Unaudited)	(Audited)
	HK$'000	HK$'000
1 - 30 days	**337,977**	311,193
31 - 60 days	**167,234**	172,666
61 - 90 days	**119,508**	102,273
Over 90 days	**115,868**	191,147
	740,587	777,279

9. Trade and Bills Payables

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Trade payables	**227,803**	158,081
Bills payables	**50,446**	38,234
	278,249	196,315

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

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
1 - 30 days	**179,102**	122,213
31 - 60 days	**33,261**	28,216
61 - 90 days	**9,311**	2,480
Over 90 days	**6,129**	5,172
	227,803	158,081

MANAGEMENT DISCUSSIONS AND ANALYSIS

The manufacturing sector as a whole witnessed change in customer sentiment during the first half of 2016 on geopolitical and economic flux in Europe combined with soft demand in the China market. Owing to business uncertainty, customers in major export markets were cautious and conservative in the timing and size of order placements. These factors resulted in a decline of 6.2% in the Group’s revenues to HK$1,323 million from the corresponding period in 2015. A net loss of HK$22 million attributable to equity shareholders of the company was recorded due to reduced sales, unfavourable sales mix of less special projects and related unfavorable impact on capacity utilisation and efficiency.

Book and Package Printing (BPP) and Paper Trading (PT) maintained stability in revenues on the back of increased children’s book printing and paper exports to markets in Southeast Asia, partly offsetting the decline in revenues of Consumer Product Packaging (CPP) and Corrugated Box (CB).

Towards the end of the second quarter, the Group began to see resurging orders for delivery in the second half of the year. The encouraging trend in new orders continues.

In times of unprecedented changes in lifestyle, business and attitude, uncertainty and transformation are challenges as well as opportunities for Hung Hing. We believe that we will continue to thrive if we remain agile, responsive and innovative. We have adopted a two-pronged approach.

Adopting and adapting strategy for agility

During the period under review the Group undertook initiatives to improve business agility and responsiveness. They included applying unconventional printing techniques and equipment, and encouraging innovation and workflow efficiencies. Our services were extended to logistics and sourcing on behalf of our customers, apart from assisting overseas publishers to market copyrights and penetrate into Mainland China. Through a range of planned tactics, we are increasing our participation in the fast-evolving book printing sector in the Mainland together with the manufacturing of creative point-of-sale merchandise.

Augment competitive position

The Group has also taken steps to strengthen our competitive position in anticipation of intensified activity in the coming months.

Leveraging on our strong liquidity, we have continued to upgrade equipment, realign machinery and acquire new capabilities. Marketing activities have been stepping up in the Mainland to improve sales as the market continues to expand, while business processes are being streamlined to improve efficiency in fulfilling customer orders of multiple variants and sizes of very demanding lead times.

New designs and ideas were launched in the Beluga "print + digital" range of interactive publications, which were well received by global customers looking for novel products, offerings and technologies. We have collaborated with business partners to bring innovative ideas to the market. They include new Bridging Book titles launched at the 2016 Hong Kong Book Fair in partnership with children's education centres, and creative packaging and merchandising solutions tailor-made for internationally renowned brands and customers.

Business Unit Overview

The Hung Hing Printing Group is comprised of four key business units.

Book and Package Printing (BPP)	Consumer Product Packaging (CPP)
57% of total Group sales.	21% of total Group sales.
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.	High quality packaging solutions for customers worldwide, with a particular focus on mainland China's fast-growing consumer market.
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.	Facilities in Zhongshan in southern China and Wuxi near Shanghai with a combined production space of 180,000 sq.m.
circa 7,700 workers.	circa 1,700 workers.

Corrugated Box (CB)	Paper Trading (PT)
5% of total external Group sales, plus HK$44 million in inter-business unit sales.	17% of total external Group sales, plus almost same amount in inter-business unit sales.
Corrugated cartons for packaging for a wide range of companies, including toy, food and beverage, electronics and household product manufacturers. Exports out of mainland China comprise 60% of the revenues of this business unit.	One of the largest paper trading operators in Asia (ex-Japan), supplying a large variety of paper types and quantities with short lead times at competitive prices. The business unit is a key strategic paper supply partner to the Group's other business units.
A manufacturing facility in Shenzhen and a distribution center in Hong Kong.	Paper storage facilities for over 70,000-tons in Shenzhen and Hong Kong.

Business Unit Reports

During the period, Book and Package Printing, the Group's largest business unit, as well as the Paper Trading unit, were able to maintain stable revenues despite a widespread cautious attitude among customers in response to adverse developments and economic uncertainties in Europe. Revenues for the Consumer Product Packaging and Corrugated Box business units were not immune to the subdued conditions in export markets combined with a slowdown in domestic demand in China compared to the first six months of last year.

Besides a generally lackluster economic sentiment in the first half, a reduced mix of high-margin special projects and unfavorable exchange movements affected the margins of all the Group's business units. Paper Trading reported a slight decline in profit contribution while the other three business units recorded a loss.

Despite a slow start to the year, the Paper Trading business unit achieved increases in sales as the peak season started to kick in towards the latter part of the first half. Paper Trading has historically been a reliable early indicator of upcoming sales trends for the Group's other business units.

Book and Package Printing (BPP)

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

- External revenues of HK$760 million, compared to HK$775 million the previous year
- Loss of HK$12 million, vs. a profit contribution of HK$25 million last year

BPP remained the Group's largest business unit, accounting for 57% of its external sales. The book printing business continues to develop with increasing market interest in high-quality products such as novelty children's books. Initial launches of our range of original point-of-purchase print and display materials attracted positive attention in the market. BPP kept pace with changing market trends, benefiting from its long-standing expertise in innovative product design and production, as well as its investments in the latest techniques and equipment. These initiatives led to increased business activity in our core product lines such as the children's books, cards and novelty products.

A longer than expected period of subdued order intake was experienced at the beginning of the year. BPP gradually regained momentum by the end of the first half through increased agility and creativity in its go-to-market offerings and strengthened partnerships with key customers. While total sales for the first six months were affected by a reduction in one-off special projects compared to last year, revenues from core product lines were largely stable.

Consumer Product Packaging (CPP)

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

- External revenues of HK$278 million, a decline of 16% from HK$329 million the previous year
- Loss of HK$6 million, vs. a loss of HK$4.3 million last year

Revenues of the CPP business unit were slower than the previous year, reflecting a softening China domestic market in the first half. Consumer sentiment stayed at a relatively low level during the period, leading to short-term restrictions in order placement. However, the Group is confident of the long-term prospects for the domestic packaging market in China. Fresh opportunities to acquire new domestic brand customers emerged during the period. CPP will continue to build a strong customer base in the export sector while intensifying its focus on major domestic customers in the foods, beverages and healthcare categories. Investments were increased in equipment and processes to enable dynamic adjustments of CPP's product mix in response to emerging market preferences.

Corrugated Box (CB)

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

- External revenues of HK$66 million, down 22% from HK$84 million the previous year
- Breakeven, compared to a profit contribution of HK$3.3 million last year

CB was impacted by the same economic factors and general business conditions that affected the performance of the other business units during the first half of the year. Despite lower revenues, CB improved efficiencies and implemented stringent cost controls to maintain margins. To overcome the macroeconomic pressures, the business unit conducted aggressive sales and marketing campaigns to accelerate new customer acquisition. Together with various measures implemented during the period to upgrade workflow efficiencies, CB is expecting stable performance in the forthcoming half year.

Paper Trading (PT)

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

- External revenues of HK$218 million, compared to HK$221 million the previous year
- Profit contribution of HK$8.4 million, down 8% from HK$9.2 million last year

PT continued to increase the proportion of its revenues derived from exports, which contributed to its steady revenues during the period. However, profit contribution was affected by increased pricing and margin pressure against the backdrop of soft market demand.

Upon including internal sales, PT achieved an overall sales increase as peak season orders began to flow in towards the end of the first half. As an upstream business, it continued to provide a stable source of paper supply to the Group's other business units. PT expanded its geographic coverage and sales efforts to create economies of scale, enrich its portfolio of materials and broaden its services profile to fuel momentum in the second half.

Liquidity and Capital Resources

During the six months under review, the Group continued to maintain a strong financial position. As of 30 June 2016, the Group had net cash on hand (total cash net of bank borrowings) of HK$515 million. This robust cash position renders the Group well placed to capitalize on development opportunities and address future requirements.

The Group had HK$814 million total cash on hand with a reduction in total bank borrowing. Most of the Group's cash was held in Renminbi to support its core operational and development needs in mainland China. Of the Group's total cash on hand, 74% was held in Renminbi, 19% in US Dollars, 6% in HK Dollars and the remaining 1% in Pound Sterling, Euros and Japanese Yen. A more disciplined approach to Renminbi hedging was adopted to control exchange exposure in light of increased Renminbi volatility. Any Renminbi 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$8 million, approximately HK$4 million less than the same period last year due to adjusted deposit amounts and lower market interest rates.

As of 30 June 2016, the Group managed its total bank borrowings down to HK$299 million. The Group's gearing ratio, comparing total bank borrowings with total equity, stood at 11% compared with 14% in the previous year. Based on the Group's agreed loan repayment schedules with banks, HK$178 million is repayable within one year, HK$18 million within 1-2 years, and HK$103 million within 2-5 years. Leveraging its strong financial position, the Group constantly reviews and updates its funding strategy for optimization of short-term and long-term needs.

Of the Group's total bank borrowings, 36% comprised trade loans in US Dollars and 4% in Japanese Yen. 13% was owed to banks in Hong Kong in HK Dollars at HIBOR or the banks' cost of funds plus some mark-up. The remaining 47% 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 reduced by 19% compared to the same period last year to HK$2.8 million.

During the period under review, the Group recorded over HK$38 million in capital expenditure, which was mostly deployed for automation and equipment upgrades. In addition, HK$52 million in capital commitment was in place as at the end of the first half of 2016 for investment in new printing technology, process automation and efficiency enhancement. Key investment items included new offset printing presses, digital hot-stamping machines, varnish machines and digital die-cutters.

Contingent Liabilities and Pledge of Assets

As at 30 June 2016, the Group has provided corporate guarantees to the extent of HK$17 million to secure the banking facilities of a former related company.

Certain buildings, land use rights and time deposits of the Group with a total carrying value of HK$161 million as at 30 June 2016 have been pledged to secure banking facilities granted to the Group.

Environmental Sustainability

The group is committed to sustainable and responsible manufacturing practices. The Group's Shenzhen plant has outperformed mandatory emissions targets every year since the government's emission index was in place in 2013. Throughout 2015, the plant achieved a quota surplus of 7,302 tons (2014: 9,166 tons) despite the increasingly tightening of the emissions targets (5% reduction per year).

In the first six months of 2016, the Group consumed 26,950 MwH of electricity, compared to 29,000 MwH consumed during the same period last year. Water consumption was 461,000 m^3 (1H 2015: 438,000 m^3). Over 98% of our solid waste was recycled, comprising 23,780 tons of waste paper (1H 2015: 24,200 tons), 243 tons of plastic (1H 2015: 261 tons) and 59 tons of metal (1H 2015: 42 tons).

Over 90% 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 30,300 tons (1H 2015: 29,500 tons) of FSC paper, 4,600 tons (1H 2015: 4,700) of PEFC and 47,000 tons (1H 2015: 52,000) of paper with high recycled content.

Our People

Besides offering competitive remuneration packages and fair career opportunities to improve staff loyalty, the Group has further enhanced its training provision to improve employees' skill levels, health and safety awareness, and career development paths. A total of over 196,070 hours of training (1H 2015: 168,000 hours) was provided to 58,100 attendees (1H 2015: 51,000) during the period under review.

Weekly inspections were conducted at all the Group's facilities to monitor health and safety performance and highlight its importance. Consequently, the Group's total incident rate[1] improved from 0.25 in 1H 2015 to 0.10 for the same period this year. The Group had an average of 10,000 employees over the six-month period. With ad-hoc recruitment at the end of the second quarter to handle the surge in orders, the Group's employee count stood at 11,900 on 30 June 2016 (end June 2015: 11,800).

Prospects

Exports orders have picked up robustly towards the end of the second quarter as we enter the peak season. The US, one of our major markets, has been showing positive momentum. We will devise specific programs to address the opportunities presented in this market in the coming months. Despite the recent socio-political disruptions, business sentiments in Europe are showing signs of stabilizing and catching up on activities postponed from the first half.

The domestic China market is evolving to become more sophisticated. Chinese consumers are becoming more discerning and affluent. More customers are looking for professional and reliable printing partners with a track record of value addition, versatile capabilities and reputed ethical and governance standards. The Group will place strong emphasis on developing this growth market, offering a broader range of solutions to meet the increasing demand.

Our long history of operations excellence, prudent financial management and ability to embrace innovation have rendered the Group cautiously optimistic about the outlook for the second half of the year as well as consistent growth over the long term.

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

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK1 cent (2015 : HK1.5 cents) per share. The interim dividend will be paid on 26 October 2016 to shareholders whose names appear on the Register of Members of the Company on 30 September 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 27 September 2016 to 30 September 2016, 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 26 September 2016.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

1. Code Provision A 2.1 provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. 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 2016 and the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters. The audit committee comprises three independent non-executive directors and a non-executive director of the Company.

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

Hong Kong, 23 August 2016

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. Katsuaki Tanaka and Mr. Yam Hon Ming, Tommy as non-executive directors; Mr. Yap, Alfred Donald, Mr. Luk Koon Hoo and Mr. Lo Chi Hong as independent non-executive directors.