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 2014

FINANCIAL HIGHLIGHTS

- Revenue remained stable at HK$1,345 million, comparable to the corresponding period in 2013
- A loss attributable to owners of the Company of HK$52 million was recorded, largely due to fluctuations in Renminbi exchange rate mostly with no cash-flow impact
- Balance sheet remains strong with net cash of HK$343 million, almost at the same level as the corresponding period last year
- Interim dividend of HK 1 cent per ordinary share

The directors of Hung Hing Printing Group Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Note	**HK$'000**	HK$'000
Revenue	2	**1,345,372**	1,345,219
Cost of sales		**(1,189,654)**	(1,158,912)
Gross profit		**155,718**	186,307
Other income and gains		**13,229**	19,063
Distribution costs		**(34,106)**	(36,003)
Administrative and selling expenses		**(139,678)**	(141,977)
Other expenses		**(40,997)**	(3,502)
Operating (loss)/profit		**(45,834)**	23,888
Finance costs	3	**(4,422)**	(3,051)
(Loss)/profit before income tax	4	**(50,256)**	20,837
Income tax expense	5	**(2,078)**	(4,097)
(Loss)/profit for the period		**(52,334)**	16,740

	Note		
Attributable to:			
Owners of the Company		**(52,463)**	15,785
Non-controlling interests		**129**	955
		(52,334)	16,740
		HK cents	HK cents
(Loss)/earnings per share attributable to owners of the Company	6		
Basic		**(5.8)**	1.7
Diluted		**(5.8)**	1.7
		HK$'000	HK$'000
Dividend	7	**9,079**	15,434

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(Loss)/profit for the period	**(52,334)**	16,740
Other comprehensive (loss)/income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(26,677)**	16,320
Change in value of intangible assets	**-**	(450)
Change in value of available-for-sale financial assets	**35**	(174)
Other comprehensive (loss)/income for the period, net of tax	**(26,642)**	15,696
Total comprehensive (loss)/income for the period	**(78,976)**	32,436
Attributable to:		
Owners of the Company	**(74,562)**	28,763
Non-controlling interests	**(4,414)**	3,673
Total comprehensive (loss)/income for the period	**(78,976)**	32,436

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2014 (Unaudited) HK$'000**	31 December 2013 (Audited) HK$'000
Assets			
Non-current assets			
Property, plant and equipment		**1,261,511**	1,307,708
Land use rights		**102,457**	105,069
Intangible assets		**8,453**	8,501
Available-for-sale financial assets		**42,365**	42,929
Properties under construction		**3,212**	10,084
Trade receivables	8	**-**	1,797
Deferred income tax assets		**11,129**	14,090
Deposits for acquisition of property, plant and equipment		**10,348**	8,744
Total non-current assets		**1,439,475**	1,498,922
Current assets			
Inventories		**664,895**	549,664
Trade and bills receivables	8	**837,456**	832,721
Prepayments, deposits and other receivables		**44,534**	60,538
Derivative financial instruments		**48**	2,561
Income tax recoverable		**2,046**	3,237
Pledged time deposits		**62,422**	47,808
Time deposits with original maturity over three months		**337,927**	213,685
Cash and cash equivalents		**511,780**	608,906
Total current assets		**2,461,108**	2,319,120
Total assets		**3,900,583**	3,818,042
Equity			
Equity attributable to owners of the Company			
Share capital	9	**1,652,854**	90,787
Reserves		**969,379**	2,614,904
Proposed dividend		**9,079**	48,117
		2,631,312	2,753,808
Non-controlling interests		**157,175**	161,589
Total equity		**2,788,487**	2,915,397
Liabilities			
Non-current liabilities			
Borrowings		**241,333**	195,000
Deferred income tax liabilities		**49,949**	54,412
Total non-current liabilities		**291,282**	249,412

Current liabilities			
Trade and bills payables	10	**303,972**	230,946
Income tax liabilities		**3,200**	34,193
Other payables and accrued liabilities		**169,918**	183,884
Derivative financial instruments		**16,165**	-
Borrowings		**327,559**	204,210
Total current liabilities		**820,814**	653,233
Total liabilities		**1,112,096**	902,645
Total equity and liabilities		**3,900,583**	3,818,042
Net current assets		**1,640,294**	1,665,887
Total assets less current liabilities		**3,079,769**	3,164,809

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Basis of Preparation and Accounting Policies

These condensed consolidated interim financial statements for the six months ended 30 June 2014 have not been audited and have been prepared in accordance with the applicable disclosure requirements as set out in Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated interim financial statements have been prepared under the historical 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 2013.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

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

(a) New and amended standards adopted by the Group

The following amendments to standards and interpretations are mandatory for the Group's accounting year beginning on 1 January 2014:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment entities
HKAS 32 (Amendment)	Financial instruments: Presentation - Offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets
HKAS 39 (Amendment)	Novation of derivatives and continuation of hedge accounting

HKFRS 2 (Amendment)	Share-based payment
HK (IFRIC) - Int 21	Levies

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

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

HKFRS 7 and HKFRS 9 (Amendment)	Financial instruments: Disclosures - Mandatory effective date of HKFRS 9 and transition disclosures
HKFRS 9	Financial instruments
Additions to HKFRS 9	Financial instruments - financial liabilities
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts
HKFRS 15	Revenue from contracts with customers
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 19 (2011) (Amendment)	Defined benefit plans: Employee contributions
HKFRSs (Amendment)	Annual improvements to HKFRSs 2010-2012 cycle
HKFRSs (Amendment)	Annual improvements to HKFRSs 2011-2013 cycle

The impact of adoption of these new standards and amendments to standards in future periods is not currently known or cannot be reasonably estimated.

2. Segment Information

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

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

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

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

Management assesses the performance of the operating segments based on a measure of gross profit less distribution costs, administrative and selling expenses, and other expenses that are allocated to each segment. Other information provided is measured in a manner consistent with that in the financial statements.

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

	For the six months ended 30 June 2014			
	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	**727,958**	**412**	**728,370**	**(6,756)**
Consumer Product Packaging	**338,729**	**1,368**	**340,097**	**(4,429)**
Corrugated Box	**88,948**	**43,999**	**132,947**	**(3,141)**
Paper Trading	**189,737**	**280,904**	**470,641**	**11,119**
Eliminations	**-**	**(326,683)**	**(326,683)**	**(4,299)**
	1,345,372	**-**	**1,345,372**	**(7,506)**
Interest, dividend income and other gains				**9,489**
Corporate and unallocated expenses				**(47,817)**
Operating loss				**(45,834)**
Finance costs				**(4,422)**
Loss before income tax				**(50,256)**
Income tax expense				**(2,078)**
Loss for the period				**(52,334)**

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

3. Finance Costs

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank borrowings wholly repayable within five years	**4,422**	3,051

4. Loss/Profit Before Income Tax

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
After charging -		
Depreciation	**53,688**	55,752
Amortisation of land use rights	**1,607**	1,603
Amortisation of intangible assets	**260**	553
Loss on disposals of property, plant and equipment	**2,976**	531
Employee benefit expense (including directors' emoluments)	**382,144**	379,249
Provision for impairment of trade receivables	**888**	3,040
Provision for impairment of inventories, net	**2,141**	2,361
Fair value loss on derivative financial instruments not qualified as hedges, net	**24,073**	-
Interest income from derivative financial instruments	**(1,510)**	-
Net loss on derivative financial instruments	**22,563**	-
Foreign exchange loss, net	**15,044**	-
After crediting -		
Bank interest income	**9,349**	5,258
Dividend income from available-for-sale financial assets	**140**	139
Fair value gain on derivative financial instruments not qualified as hedges, net	**-**	4,393
Interest income from derivative financial instruments	**-**	1,279
Net gain on derivative financial instruments	-	5,672
Foreign exchange gain, net	**-**	3,787

5. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profit has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current income tax		
- Hong Kong profits tax	**1,253**	1,678
- PRC corporate income tax	**2,040**	3,600
Total current tax	**3,293**	5,278
Deferred income tax	**(1,215)**	(1,181)
Income tax expense	**2,078**	4,097

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 owners of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company.

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company (HK$'000)	**(52,463)**	15,785
Weighted average number of ordinary shares in issue excluding own held shares for calculation of basic (loss)/earnings per share (thousands)	**905,592**	903,992
Basic (loss)/earnings per share (HK cents per share)	**(5.8)**	1.7

(b) Diluted (loss)/earnings per share

For the six months ended 30 June 2014, diluted loss per share is the same as the basic loss per share as there was no dilutive potential ordinary shares in existence during the period.

Diluted earnings per share for the six months ended 30 June 2013 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had only one category of dilutive potential ordinary shares: shares repurchased for the purpose of share award scheme. A calculation was made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the outstanding shares to be granted.

	For the six months ended 30 June 2013 (Unaudited)
Profit attributable to owners of the Company (HK$'000)	15,785
Weighted average number of ordinary shares in issue excluding own held shares for calculation of diluted earnings per share (thousands)	904,409
Diluted earnings per share (HK cents per share)	1.7

7. Dividend

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim dividend of HK 1 cent (2013: HK 1.7 cents) per ordinary share	**9,079**	15,434

8. Trade and Bills Receivables

	30 June 2014	31 December 2013
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Trade receivables	**857,332**	850,054
Less: provision for impairment of trade receivables	**(24,642)**	(24,256)
	832,690	825,798
Trade receivables due from related parties	**-**	386
Total trade receivables, net	**832,690**	826,184
Bills receivables	**4,766**	8,334
	837,456	834,518
Less: Non-current trade receivables	**-**	(1,797)
	837,456	832,721

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 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
1 - 30 days	**341,927**	323,352
31 - 60 days	**184,145**	186,427
61 - 90 days	**158,776**	103,366
Over 90 days	**147,842**	213,039
	832,690	826,184

9. Share Capital

As at 31 December 2013, 1,200 million ordinary shares, with par value of HK$0.10 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Chapter 622), which came into effect on 3 March 2014, the concept of "authorised share capital" and "par value" no longer exists. The amount standing to the credit of the share premium and capital redemption reserve amounted to HK$1,559,461,000 and HK$2,606,000 respectively as at 3 March 2014 has become part of the Company's share capital, under the transitional provisions set out on section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Chapter 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the owners of the Company.

10. Trade and Bills Payables

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Trade payables	**237,240**	196,844
Trade payables due to related parties	**-**	2,463
Total trade payables	**237,240**	199,307
Bills payables	**66,732**	31,639
	303,972	230,946

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

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
1 - 30 days	**166,999**	132,764
31 - 60 days	**43,415**	49,180
61 - 90 days	**9,531**	13,803
Over 90 days	**17,295**	3,560
	237,240	199,307

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's aggregate revenues for the six months ended 30 June 2014 were HK$1,345 million, comparable to the corresponding period in 2013, in the context of a slowdown in domestic and export activities in the first half of 2014.

The Group's profitability performance was affected by a change in its sales mix as well as fluctuations in the exchange rate. As a result, a loss attributable to owners of the Company of HK$52 million was recorded for the six month period ended 30 June 2014. An advance profit warning was issued on 24 July 2014 to shareholders and potential investors.

While the change in the Group's sales mix had an adverse impact on profitability amounting to HK$14 million, the decrease in earnings in the first half of 2014 is primarily attributable to the fluctuations in the exchange rate of Renminbi amounting to HK$38 million which can be broken down as net fair value losses of HK$23 million on forward contracts hedging against the Group's Renminbi exposure; and exchange losses of HK$15 million on Renminbi monetary assets supporting the Group's core operations in China. HK$31 million of the HK$38 million were unrealized losses related to fair value booking and exchange losses with no cash-flow impact.

Sporadic interventions with respect to the Renminbi are expected during the course of deepening economic reform in mainland China. The Group has been monitoring the situation and has observed widespread expectations that the depreciation of the Renminbi will be short-lived.

Short-term fluctuations prolong overall global recovery

During the first half of 2014, the extreme cold weather in North America led to disruptions in daily business activities of our overseas customers. This affected the Group directly in terms of delays in order placement as well as indirectly due to slower retail activity.

As a result, sales and capacity utilization of our business units including Book and Package Printing (BPP), Consumer Product Packaging (CPP) and Corrugated Boxes (CB) were impacted, and reported losses of HK$14 million in total for the first half of 2014. There was a shift in the sales mix with a significant increase in revenues for the Paper Trading (PT) business, which reported a 34% year-on-year growth in sales. This increase kept the Group's overall revenue on par with the comparable period of 2013 at HK$1,345 million.

The Group has already witnessed an upturn in revenues during the second quarter and sales are expected to improve further in the second half particularly during the summer peak season, as evidenced by the strong first-half performance of the upstream Paper Trading business unit, which achieved strong growth both in external and internal sales of 54% and 24% respectively. The Group is well prepared with appropriate inventory levels in anticipation of increases in orders but with more smaller order quantities and shorter lead times for the rest of this year.

Strong liquidity position maintained

During the period under review the Group continued to maintain strong net cash on hand (total cash net of bank borrowings) of HK$343 million, the same level compared to 2013. With a robust liquidity position, higher returns from short-term deposits were attained with interest income HK$4 million higher than the same period last year.

Based on confidence in improvement of business performance during the rest of the year and backed by the Group's strong cash and financial position, the Board of Directors has declared an interim dividend of HK 1 cent per share.

Leading industry innovation - "Apps Plus"

The BelugaBloo kids e-bookstore, introduced by the Group in 2011, continued to innovate and help strengthen our core printing business by deepening our relationships with international publishers. The Group believes that "Apps Plus", a concept that merges physical printed products with digital apps, is the way the industry will evolve in the future.

Currently the Group has two such technologies, branded 'Bridging Book' and 'TouchCode'. It is our goal to develop applications along with print products that will enrich the reading experience and make the content come alive. By utilizing digital apps we will go beyond what conventional book and traditional packaging can offer.

Our Little Musician series, for instance, uses TouchCode technology and secured a Certificate of Merit at the Hong Kong ICT awards – Best Lifestyle (Learning and Living) category. Bridging Book, launched at the 2013 Frankfurt Book Fair, is a patent-pending technology where flipping a book page will refresh the screen on the app simultaneously, allowing a seamless flow of content and artwork between book and screen. The first few Bridging Book titles are expected to be launched in the second half of 2014.

Business Unit Reports

Book and Packaging Printing (BPP)

Book and Packaging Printing (BPP) remains the Group's largest business unit and accounts for approximately 54% of total sales (First half of 2013: 57%). Hung Hing is one of the world's leading producers of folding cartons and packaging for toys, cosmetics and other consumer products. We are also one of the world's largest manufacturers of conventional and children's novelty books.

Production of folding cartons, packaging, conventional books and children's books is carried out at the Group's ISO 9001, ISO 14001 and ICTI-COBP certified plants in Shenzhen and Heshan in China's Guangdong province, and at a plant in Hong Kong. The three plants have a combined production space of 300,000 square meters and employed around 9,500 workers at the end of 30 June 2014. The business unit's client base includes many of the world's most recognized toy, cosmetics, and consumer goods producers, as well as leading international publishers.

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

- Revenues of HK$728 million, down 5% from HK$763 million the previous year
- Loss of HK$7 million, vs. profit contribution of HK$16 million last year

Review of Operations

The BPP business unit was directly affected by the delays in customers' activities due to the extreme cold weather in North America. The Group's workforce was realigned to effectively address ongoing work and the Group achieved a reduction of approximately 9% in headcount compared to the same period last year. As a result of these measures, efficiency improvements and other cost saving initiatives, overall labor costs have been kept under control despite an increase in wage levels in early 2014. Capacity utilization was unavoidably disadvantaged due to lower sales during the period.

Looking forward, consolidation of the print industry is expected to continue. Through ongoing new business and project development activity, and building an in-depth knowledge of clients' needs, the BPP business has successfully strengthened its relationships with a growing number of key customers, and stands to benefit from the consolidation. Furthermore, the Group's partnership with our shareholder Rengo Japan is expanding to cover more well-known brands with point-of-purchase print and display accessories, for both the export and domestic China market.

Consumer Product Packaging (CPP)

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

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

- Revenue of HK$339 million, down 5% from HK$358 million the previous year
- Loss of HK$4 million, vs. profit contribution of HK$2 million last year

Review of Operations
The China domestic consumer packaging market continues to be large but highly fragmented. Consumer sentiment has been slow to pick up with slackened economic growth against the backdrop of economic reform measures such as reining in extravagance and stabilizing property prices. HSBC/Markit reported sluggish China manufactory activity in the first half, but activity is picking up according to the latest indications from PMI published in July as government stimulus measures kick in.

Some customers took a more cautious stocking and ordering approach during the first half of 2014, but with plans for special promotions during major festivals later in the year. Major revamps in product packaging design led to temporary adjustments of certain order sizes, which also impacted sales. All these factors led to the sales and earnings performance of the CPP unit being adversely distorted in the first six months of the year.

Corrugated Box (CB)

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

The CB business reported the following results for the first half of the year:
- External revenues of HK$89 million, down 12% from HK$101 million the previous year
- Loss of HK$3 million, down from profit contribution of HK$4 million last year

Review of Operations
The CB business faced the same challenges as BPP and CPP with a slowdown in exports and China domestic demand in the first half of 2014. Relocation of customers' facilities imposed additional strain on sales and logistics costs.

In response, the CB business focused on growing existing key customers and developing new customers by leveraging the corrugated capability of Hung Hing in different manufacturing locations to provide extended customer coverage and cost synergy. Improvement is expected in orders driven by new product development efforts and cost control initiatives in the second half.

Paper Trading (PT)

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

The PT business reported the following results for the first half of the year:
- External revenues of HK$190 million, up 54% from HK$123 million the previous year
- Profit contribution of HK$11 million, up 106% from HK$5 million last year

Review of Operations
Around 80% of the PT business comes from export manufacturers in south China, with the balance coming from the China domestic market. During the first six months of 2014, the PT business reported strong shipment growth of 54% for external customers and 24% for internal customers within the Group itself. Overall the business unit's sales increased by HK$120 million to HK$471 million in the first half, representing 34% growth compared to the same period last year.

Part of the sales growth in paper trading resulted from the development of direct export channels to Southeast Asian countries, and strengthening of value-added partnerships with existing customers. More importantly, the PT business has placed the Group in a sensible inventory position to address growing customer demand, shorter runs and quicker deliveries for the rest of 2014.

Liquidity and Capital Resources

The Group continued to maintain a strong financial position. As of 30 June 2014 the Group had net cash on hand (total cash net of bank borrowings) of HK$343 million, which is at the same level as the first half of 2013. This strong cash position renders the Group well placed to address future requirements.

The Group's total cash on hand was HK$912 million. Most of the Group's cash is held in Renminbi to support the Group's core operational and development needs in mainland China. Of the Group's total cash on hand, 90% was held in Renminbi, 7% in USD and 3% in HKD. Any Renminbi cash not in immediate use was placed in short term time deposits to earn higher interest income. For the period under review, total interest income was HK$9 million, 78% higher than the same period last year.

During the period, additional new loans were drawn partly to repay old loans scheduled for repayment and partly to capture the opportunity of interest rate differential with time deposit, in particular the Group made more use of its trade loan facilities which offered cheaper interest rate at LIBOR plus a lower spread.

As of 30 June 2014, the Group increased its total bank borrowings to HK$569 million. The Group's gearing ratio when comparing total bank borrowings with total equity was 20%. Per the loan repayment schedules in the Group's loan agreements with banks, HK$310 million is repayable within one year, HK$104 million is repayable within 1-2 years, and HK$155 million is repayable within 2-4 years.

Of the Group's total bank borrowings, 15% comprised trade loans in US dollars. 81% was owed to banks in Hong Kong in HK dollars at HIBOR or the banks' cost of funds plus some mark-up. The remaining 4% in Hong Kong dollars was owed to banks in mainland China at the banks' cost of funds plus some mark-up. As the Group benefited from higher interest income from additional short-term time deposit, net interest income more than doubled to HK$5 million in the interim.

During the period under review, the Group invested HK$21 million plus another capital commitment of HK$34 million for supplementary printing equipment primarily to strengthen automation and enhance production efficiency. A new high speed large-format offset printing press arrived at our Shenzhen plant in July 2014.

Environmental Sustainability

The group is committed to green manufacturing and has established systems to monitor resource usage. During the period under review the Group monitored its usage of electricity, natural gas, diesel and water across its production facilities, dormitory, canteen and company vehicles, in order to achieve efficiencies in resource usage going forward.

The Group ' s Shenzhen plant participated in a government organized carbon trade program, and performed better than its carbon emission target by 18% with a quota surplus of over 6,000 tons of carbon emissions.

During the period, we have recycled over 353 tons of plastic waste, 71 tons of metal and 24,600 tons of paper. In support of well-managed and sustainable forestry, the Group has consumed 19,000 tons of FSC paper and 5,300 tons of PEFC paper.

Our People

It is our people that have placed us at the forefront of the printing, paper and packaging business. To attract and retain the best employees the Group offers competitive remuneration and equal opportunities to all employees, together with a comprehensive training program.

At the end of June 2014, the Group had 12,246 employees (First half of 2013: 13,163). With an ongoing emphasis on occupational health and safety we continue to improve on our own standards with total incident rates coming down to 0.11 in the six months under review (First half of 2013: 0.17).

Over 86,000 training hours were offered to 34,100 attendees during the period under review.

Health and Safety Month and Quality Month campaigns were held to raise employee awareness of these important matters.

Contingent Liabilities and Pledge of Assets

As at 30 June 2014, the Group has provided corporate guarantees to the extent of HK$19 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$152 million as at 30 June 2014 have been pledged to banks to secure banking facilities granted to the Group.

Prospects

A steady if slow recovery is under way at a macroeconomic level, however uncertainty still persists in the short term. The Group remains optimistic about the prospects of the mainland China domestic market and will aim to grow there. The increase in labor costs which was observed during the past two years will stabilize as inflation slows.

The Group is cautiously confident about demand levels for the second half of 2014. A number of initiatives have been undertaken to improve efficiency and offer more value to customers, including the strengthening of in-house design capabilities with more creative and design staff; increased investment in research and development; and the early adoption of new technologies. These capabilities will allow the Group to work more collaboratively with customers at the product development and production stages.

The Group will also focus on growing business from existing customers by offering more value-added services. Geographic diversification of the Paper Trading business, which is now exporting to Southeast Asian countries, will enable us to adapt to the economic cycles of specific markets.

These strategies of innovation, partnership and diversification position us effectively to benefit as market conditions in Western European and North American markets improve.

The Group's cash position remains strong, allowing it the flexibility to move quickly to capture opportunities presented by evolving market conditions.

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK 1 cent (2013 : HK 1.7 cents) per share. The interim dividend will be paid on 28 October 2014 to shareholders whose names appear on the Register of Members of the Company on 3 October 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 29 September 2014 to 3 October 2014, 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 2014.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

1. Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Currently the roles of chairman and chief executive officer have been undertaken by Mr. Yum Chak Ming, Matthew. The Board is of the opinion that it is appropriate and in the best interests of the Company that Mr. Yum should hold these offices. The Board believes that it is 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 2014 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, 28 August 2014

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