HUNG HING

HUNG HING PRINTING GROUP LIMITED

(incorporated in Hong Kong with limited liability)

(Stock code: 0450)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

FINANCIAL HIGHLIGHT

- Group revenue rose 1% to HK$1,573 million
- Operating profit decreased by 69% to HK$56 million
- Profit attributable to shareholders declined 76% to HK$31 million
- Balance sheet remains strong with net cash of HK$128 million
- Interim dividend of HK 2 cents per 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 September 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
Revenue	2	**1,573,062**	1,559,548
Cost of sales		**(1,364,340)**	(1,223,958)
Gross profit		**208,722**	335,590
Other income and gains		**21,109**	18,257
Distribution costs		**(38,925)**	(41,370)
Administrative and selling expenses		**(134,764)**	(131,458)
Other expenses		**(352)**	(2,298)
Operating profit		**55,790**	178,721
Finance costs	3	**(4,670)**	(5,666)
Share of losses of associates		**(6,291)**	(8,386)
Profit before income tax	4	**44,829**	164,669
Income tax expense	5	**(12,391)**	(33,068)
Profit for the period		**32,438**	131,601
Profit attributable to:			
Equity holders of the Company		**30,986**	129,221
Non-controlling interests		**1,452**	2,380
		32,438	131,601

	Notes		
Earnings per share for profit attributable to equity holders of the company	6		
		HK cents	HK cents
Basic		**3.4**	14.3
Diluted		**3.4**	14.2
		HK$'000	HK$'000
Dividend	7	**18,157**	199,730

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit for the period	**32,438**	131,601
Other comprehensive income:		
Cash flow hedges, net of tax	**(326)**	4,822
Currency translation differences	**22,707**	22,248
Fair value gain/(loss) on intangible assets	**1,400**	(100)
Fair value loss on available-for-sale financial assets	**(503)**	(231)
Other comprehensive income for the period, net of tax	**23,278**	26,739
Total comprehensive income for the period	**55,716**	158,340
Total comprehensive income for the period attributable to:		
Equity holders of the Company	**50,814**	152,759
Non-controlling interests	**4,902**	5,581
Total comprehensive income for the period	**55,716**	158,340

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September	31 March
		2011	2011
		(Unaudited)	(Audited)
	Notes	**HK$'000**	HK$'000
Non-current assets			
Property, plant and equipment		**1,357,608**	1,330,903
Land use rights		**110,320**	110,951
Intangible assets		**10,960**	9,405
Available-for-sale financial assets		**8,150**	8,653
Properties under construction		**36,087**	35,255
Interests in associates		**50,692**	54,018
Deferred income tax assets		**12,083**	10,926
Deposits paid for acquisition of property, plant and equipment		**4,399**	8,492
Total non-current assets		**1,590,299**	1,568,603

Current assets			
Inventories		**692,897**	682,574
Trade and bills receivables	8	**845,678**	558,893
Prepayments, deposits and other receivables		**50,167**	34,869
Derivative financial instruments		**-**	1,844
Amounts due from associates		**4,257**	4,524
Tax recoverable		**3,555**	6,099
Pledged time deposits		**122,786**	94,573
Cash and cash equivalents		**626,569**	692,940
Total current assets		**2,345,909**	2,076,316
Total assets		**3,936,208**	3,644,919
Equity			
Equity attributable to equity holders of the Company			
Share capital		**90,787**	90,787
Reserves		**2,563,843**	2,537,564
Proposed dividend		**18,157**	45,393
		2,672,787	2,673,744
Non-controlling interests		**140,420**	138,427
Total equity		**2,813,207**	2,812,171
Non-current liabilities			
Borrowings		**320,903**	10,714
Deferred income tax liabilities		**48,568**	46,117
Total non-current liabilities		**369,471**	56,831
Current liabilities			
Trade and bills payables	9	**272,895**	204,467
Current income tax liabilities		**23,034**	23,986
Other payables and accrued liabilities		**146,862**	142,154
Derivative financial instruments		**1,285**	823
Amounts due to associates		**9,024**	4,489
Borrowings		**300,430**	399,998
Total current liabilities		**753,530**	775,917
Total liabilities		**1,123,001**	832,748
Total equity and liabilities		**3,936,208**	3,644,919
Net current assets		**1,592,379**	1,300,399
Total assets less current liabilities		**3,182,678**	2,869,002

NOTES TO THE CONDENSED FINANCIAL INFORMATION

1. Basis of Preparation and Accounting Policies

These condensed consolidated interim financial statements for the six months ended 30 September 2011 are unaudited 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 Rule") 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 information should be read in conjuction with the annual financial statements for the year ended 31 March 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRSs") issued by the HKICPA.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2011, 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) The following amendments and interpretations to existing standards are mandatory for the first time for the financial year beginning 1 April 2011:

• HKAS 24 (Revised)	Related party disclosures
• HKAS 32 (Amendment)	Classification of right issues
• HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement
• HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments
• Improvements to HKFRSs 2010	

The adoption of the above amendments and interpretations to existing standards had no material financial impact on the consolidated financial statements of the Group.

(b) The following new or revised standards and interpratations have been issued but not effective for the financial year beginning 1 April 2011 and have not been early adopted:

• HKAS 1 (Amendment)	Presentation of financial statements - presentation of items of other comprehensive income
• HKAS 19 (Amendment)	Employee benefits
• HKAS 27 (Amendment)	Consolidated and separate financial statements
• HKAS 28 (Amendment)	Investments in associates and joint ventures
• HKFRS 7 (Amendment)	Disclosures - Transfers of financial assets
• HKFRS 9	Financial instruments
• HKFRS 10	Consolidated financial statements
• HKFRS 11	Joint arrangements
• HKFRS 12	Disclosure of interests in other entities
• HKFRS 13	Fair value measurement

The Group will adopt the above new or revised standards and interpretations as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

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.

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.

	For the six months ended 30 September 2011			
	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	860,058	1,331	861,389	13,820
Consumer Product Packaging	389,406	5,390	394,796	10,479
Corrugated Box	147,456	55,635	203,091	20,387
Paper Trading	176,142	275,449	451,591	21,338
Eliminations	-	(337,805)	(337,805)	(893)
	1,573,062	-	1,573,062	65,131
Interest, dividend income and other gains				5,675
Corporate and unallocated expenses				(15,016)
Operating profit				55,790
Finance costs				(4,670)
Share of losses of associates				(6,291)
Profit before income tax				44,829
Income tax expense				(12,391)
Profit for the period				32,438

For the six months ended 30 September 2010				
	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	865,998	2,568	868,566	104,635
Consumer Product Packaging	340,090	4,468	344,558	10,001
Corrugated Box	170,036	62,323	232,359	35,648
Paper Trading	183,424	227,824	411,248	46,125
Eliminations	-	(297,183)	(297,183)	(3,836)
	1,559,548	-	1,559,548	192,573
Interest, dividend income and other gains				7,256
Corporate and unallocated expenses				(21,108)
Operating profit				178,721
Finance costs				(5,666)
Share of losses of associates				(8,386)
Profit before income tax				164,669
Income tax expense				(33,068)
Profit for the period				131,601

3. Finance Costs

	For the six months ended 30 September	
	2011 (Unaudited) HK$'000	2010 (Unaudited) HK$'000
Interests on bank borrowings wholly repayable within five years	**4,670**	5,666

4. Profit Before Income Tax

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

	For the six months ended 30 September	
	2011 (Unaudited) HK$'000	2010 (Unaudited) HK$'000
After charging -		
Depreciation	**54,953**	52,882
Amortisation of land use rights	**1,581**	1,549
Amortisation of intangible assets	**344**	415
Loss on disposal of property, plant and equipment	**2,336**	2,031
Employee benefit expense (including directors' remuneration)	**357,545**	305,613
Write-down/(reversal of write-down) of inventories to net realisable value	**13,836**	(546)

After crediting -		
Dividend income from available-for-sale financial assets	**278**	278
Bank interest income	**4,395**	3,739
Gain on disposal of intangible assets	**-**	897
Fair value gain on derivative financial instruments not qualified as hedges, net	**283**	2,450
Reversal of impairment/(impairment) of trade receivables	**1,984**	(267)
Foreign exchange gain, net	**10,808**	7,370

5. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits 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 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current income tax		
- Hong Kong profits tax	**4,223**	14,029
- PRC corporate income tax	**6,292**	16,655
Total current tax	**10,515**	30,684
Deferred tax	**1,876**	2,384
Income tax expense	**12,391**	33,068

6. Earnings Per Share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders 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 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	**30,986**	129,221
Weighted average number of ordinary shares in issue excluding own held shares (thousands)	**903,633**	906,591
Basic earnings per share (HK cents per share)	**3.4**	14.3

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the 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 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	**30,986**	129,221
Weighted average number of ordinary shares in issue excluding own held shares (thousands)	**906,472**	912,058
Diluted earnings per share (HK cents per share)	**3.4**	14.2

7. Dividend

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim dividend of HK 2 cents (2010: HK5 cents) per ordinary share	**18,157**	45,393
Special dividend of HK nil cent (2010: HK17 cents) per ordinary share	**-**	154,337
	18,157	199,730

8. Trade and Bills Receivables

	30 September	31 March
	2011	2011
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Trade receivables	**856,860**	579,720
Less: provision for impairment of receivables	**(20,993)**	(24,591)
Trade receivables, net	**835,867**	555,129
Bills receivables	**9,811**	3,764
	845,678	558,893

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. Trade and bills receivables are non-interest-bearing.

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

	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
1 - 30 days	**308,377**	248,782
31 - 60 days	**210,855**	107,027
61 - 90 days	**149,245**	97,105
Over 90 days	**167,390**	102,215
	835,867	555,129

9. Trade and Bills Payables

	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
Trade payables	**188,016**	204,331
Bills payables	**84,879**	136
	272,895	204,467

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

	30 September 2011 (Unaudited) HK$'000	31 March 2011 (Audited) HK$'000
1 - 30 days	**113,707**	162,963
31 - 60 days	**48,539**	28,579
61 - 90 days	**10,874**	9,886
Over 90 days	**14,896**	2,903
	188,016	204,331

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 September 2011, soft economic recovery in key global markets as well as rising production costs in China has led to a challenging time for manufacturers. Hung Hing was also impacted by these macro-economic conditions; the Group recorded a slight growth in revenue of 1% to HK$1,573 million, and a decline in operating profit compared to the same period last year.

In our overseas markets, consumer confidence and willingness to spend are impacted by the economic uncertainty fuelled by the European debt crisis and the high unemployment rates in the United States and Europe. As a result, publishers and manufacturers in general have become more prudent in developing new titles / products, and in managing their purchasing activities and inventory levels. Although there has been a decrease in volume sold to the U.S. and Europe, this is partially offset by growth from emerging markets including China and Russia.

Production costs continue to rise in mainland China. Commodity prices, mainly paper cost, remain high. Worker wages in the Pearl River Delta also rose by a further 20% in 2011 following an increase of 20% in 2010. This has significantly impacted our labor-intensive children's book business. The continuing appreciation of Renminbi (RMB) further heightens the impact of the wage rate increase on manufacturing costs. With weaker demand and intense price competition, the rising costs have not been fully passed on to the Group's overseas customers.

Collectively, the above factors have posed challenges to the Group's export business. While the Group has maintained its market share and leadership position, its profit margin was significantly impacted. As a result, operating profit declined to HK$56 million, down 69% from the same period last year. Profit attributable to shareholders for the period was HK$31 million, down by 76% compared to the corresponding period in 2010. Basic earnings per share decreased 76% to HK 3.4 cents per share.

Despite the challenging economic conditions, the Group is on track to further develop its domestic consumer product packaging business, which reported a 15% growth in sales revenue and an addition of several multinational companies to its client base.

The Group also continues to invest in enhancing its capabilities. "Dust-free" production zones have been added across our manufacturing plants in East and South China to cater for certain food and medical packaging requirements. This will add a competitive advantage to the Group, particularly among our target packaged food and pharmaceutical customers. These key investments and performance enhancements place the Group in a stronger position for recovery once the economic situation improves.

Further, the Group's balance sheet remains strong, with a net cash position of HK$128 million as of 30 September 2011. Backed by the Group's solid cash-flow and financial position, the Board of Directors has declared an interim dividend of HK 2 cents per share.

Business Units Report

Book and Package Printing

Hung Hing is one of the world's leading producers of folding cartons and packaging for toys, consumer products, packaged food and consumer electronics. It is also one of the world's largest manufacturers of children's novelty books. Book and Package Printing business operates three manufacturing facilities in South China – Shenzhen, Heshan and Hong Kong.

The business reported the following results for the first half-year:

- Revenue of HK$860 million, at similar level compared to the same period last year
- Profit contribution of HK$14 million, down 87%
- Profit contribution margin of 2%, compared to 12% in the same period last year

The Book and Package Printing business focuses on the export market – North America, Europe, Australia, and to a lesser extent, countries in Asia and South America. While shipments for books and toys packaging fell, the shortfall was partially offset by our growth in the rigid box packaging for luxury products over the reporting period.

While Hung Hing maintained its leading market share, particularly in children's book printing in Hong Kong and China, its profit margin decreased by 10% due to high material and labor costs, and the continuous appreciation of RMB. The 20% increase in workers' wages also had a particularly significant cost impact as children's books and some paper novelties involve labor-intensive production processes.

Consumer Product Packaging

Hung Hing provides high quality packaging solutions for customers through its production plants in Zhongshan in southern China and Wuxi near Shanghai. With a workforce of 1,990 and solid production capacity, these two plants are well-positioned to capture the growing consumer market in China.

The Consumer Product Packaging business unit reported the following results for the first half-year:

- Revenue of HK$389 million, up 15% compared to the same period last year
- Profit contribution of HK$10 million, up 5%
- Profit contribution margin of 3%, slightly below that of last year

Domestic packaging is a large yet highly fragmented market. While enjoying relatively high growth, the industry is also characterized by over-capacity and severe price competition.

The business is making solid progress along its strategic direction to become one of the leading packaging solutions providers in the domestic packaged food, healthcare, cosmetics and pharmaceutical segments. It has made good inroads into serving a number of nationwide and multinational companies, creating a solid foundation for future growth in the China market.

Corrugated Box

Hung Hing operates a competitive corrugated box manufacturing business which supplies a wide range of customers including toy, food and beverage, electrical appliances, and household product manufacturers.

Close to 60% of the corrugated box sales are generated by Hong Kong-based exporters, while the remaining 40% comes from customers in China. The business unit operates a manufacturing facility in Shenzhen and a distribution center in Hong Kong.

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

- Revenue of HK$147 million, down 13% compared to the same period last year
- Profit contribution of HK$20 million, down 43%
- Profit margin of 10%, compared to 15% in the same period last year

The business was impacted by the slowdown in export activities across the Pearl River Delta, reflecting the soft consumer demand in the U.S. and Europe. Further, its manufacturing facility in Shenzhen was faced with rising production costs including paper and labor costs which could not be fully passed on to the Group's customers due to intense competition.

During the period under review, the business unit has enhanced its sales development efforts in the domestic market, which helped to partially offset its shortfall in the export sector.

Paper Trading

Hung Hing is one of the largest paper trading operators in Asia. The business unit's well-managed warehouse facility in Shenzhen has a storage capacity of over 60,000 tons of paper, and can supply a large variety of paper to customers on short lead times at competitive prices.

The business unit serves a strategic purpose as an integral part of the Group's supply chain, providing a stable supply of paper at highly competitive prices to the Group's core printing and packaging business units.

The business reported the following results for the first half-year:

- Revenue of HK$176 million, down 4% compared to the same period last year
- Profit contribution of HK$21 million, down 54%
- Profit contribution margin of 5%, compared to 11% in the same period last year

The business was impacted by the slowdown in export activity across the Pearl River Delta. Volatility of paper price and tightened bank financing also prompted the Group's customers – printers and manufacturers – to reduce their paper stock levels. Our tightened credit risk management also impacted our trading volume during the reporting period.

Associated Companies

Hung Hing has equity interests in two businesses: 17% stake in Rengo Hung Hing Paper Manufacturing located in Zhongshan, Guangdong Province, and 40% stake in Graphic Hung Hing Packaging (Shanghai) Co. Ltd. The Group's share of the losses from the two businesses in the six-month period amounted to HK$6.3 million.

The paper manufacturing business operates three production lines at the Zhongshan plant, converting waste paper into corrugated medium and testliner. The paper is sold to outside converters as well as to Hung Hing's corrugated box operators.

Graphic Hung Hing Packaging (Shanghai) Co. Ltd. is a joint venture ("JV") with Graphic Packaging International, a leading provider of packaging solutions in the beverage industry. Based in Shanghai, the JV sells multi-pack beverage packaging cartons to customers throughout China.

Liquidity and Capital Resources

The Group remains in a sound financial position. As of 30 September 2011, the Group had a net cash on hand (total cash net of bank borrowings) of HK$128 million.

Trade working capital of HK$1,266 million, which comprises trade and bills receivable and inventories minus trade payable, was at a similar level as last year. We continued to further strengthen our effort to collect receivables on time and to maintain our inventory at an optimal level.

As part of our continuing commitment to improve efficiency and product quality, we invested and installed a large format six-color printing press which is geared to mass production in our Zhongshan plant. Two new presses, geared to quick set-up and short-order production, are being installed in our Shenzhen and Heshan plants and will be fully operational by the second half of 2011. Another printing press is scheduled to arrive at our Wuxi plant in the latter half of the financial year. Our total capital expenditure for the first half-year amounted to HK$67 million.

During the period under review, we arranged new term loan facilities with durations of between 18 months to 5 years, and drew down a total loan amount of HK$349 million. Part of the loan proceeds was used to repay scheduled payments of old loan facilities totaling HK$139 million.

As of 30 September 2011, the Group's total bank borrowings amounted to HK$621 million. In accordance with the repayment schedule in the loan agreements with banks, HK$282 million was repayable within a year, HK$86 million was repayable within one to two years, and HK$253 million was repayable within two to five years.

Of our total borrowings, 85% was borrowed in Hong Kong dollars, 12% in U.S. dollars and 3% in Renminbi. With the tightening of liquidity in China, bank interest rates have increased. This has also impacted the interest rates in Hong Kong. As of 30 September 2011, 88% of our borrowings was owed to banks in Hong Kong, with interest rates mostly at HIBOR plus 0.75% to 1.75%, while the remaining 12% was owed to banks in China with interest rates either at 115% of the People's Bank of China (PBOC) base rate, or at the banks' costs of fund plus 1.5% to 2.0%. The Group's gearing ratio, comparing bank borrowings to total equity, was 22%.

As of 30 September 2011, the Group's total cash on hand, including pledged time deposits, was HK$749 million. Of the total cash on hand, 87% was held in Renminbi, 6% in U.S. dollars, 5% in Hong Kong dollars, and 2% in Euros and Pounds Sterling. As most of our operating expenses are denominated in RMB, holding RMB has helped us mitigate the impact of RMB appreciation.

Business Sustainability

The Group adopted a policy to purchase paper from sustainable sources as a priority whenever possible. Today, majority of the paper mills from which we make direct purchases are either Program for the Endorsement of Forest Certification (PEFC) or Forest Stewardship Council (FSC) certified paper manufacturers, or recycled paper manufacturers. This policy ensures the materials they use to produce paper do not come from illegal sources.

Our Shenzhen plant has been participating in the "Pengcheng Waste Reduction" program for two years, and this year we were awarded the "Pengcheng Waste Reduction Advanced Enterprise" (鵬城減廢先進企業) recognition for our efforts in waste reduction. During the period under review, we reduced chemical liquid waste by 10.3 tons, plastic waste by 2.3 tons and volatile organic compound (VOC) emissions by 16 tons.

The Group is conscious of the need to protect the environment, and has implemented measures across its operations to reduce the impact on the environment. Aside from reducing waste in our operations, we also scrutinize the raw materials we use and have replaced some of them to more environmental friendly substitutes. The efforts at our Heshan and Shenzhen plants were rewarded with the China Environmental Labeling certificate, which recognized that our raw materials and products comply with the requirements set by the authorities.

With the completion of our natural gas boiler project in Shenzhen, all of the Group's steam boilers now use either natural gas or biomass fuel to generate steam, which is mainly used for producing corrugated paper. The use of these types of fuel has helped us significantly reduce air pollution.

Contingent Liabilities and Pledge of Assets

As at 30 September 2011, guarantees amounting to HK$2,200 million were given to banks by the Company for banking and trading facilities granted to the Group's subsidiaries and associates.

Certain buildings, land use right and time deposits of the Group with a total carrying value of HK$220 million as at 30 September 2011 have been pledged to secure banking facilities granted to the Group.

Employees

With the increasing employment cost in China, the Group is managing its workforce cautiously to ensure optimal headcount and utilization in a fairly seasonal and volatile business environment. As of 30 September 2011, the Group employed a total of 11,508 staff – of whom 360 were based in Hong Kong and 11,148 were based in China, representing a reduction of 14% compared to the same period last year.

We offer competitive wages and remuneration and equal opportunities to our employees. In addition to complying with the International Council of Toy Industries – Code of Business Practices (ICTI-COBP), we conduct internal reviews of business practices and employee treatment twice a year in all our factories. The findings are submitted to senior management for review. We also publish an internal monthly newsletter to inform our employees of the Group's activities, and to promote the importance of occupational health and safety and fire prevention knowledge.

Workplace health and safety has always been our top concern. All plants in our group have established a Health and Safety Committee, with members selected from all levels of employees. With the participation of front-line workers, it raises the awareness of workplace safety and helps to prevent unsafe work conditions or habits.

Prospects

Our export business will continue to face challenges particularly in the second half of the year, which is traditionally a low season. However, we anticipate positive developments in the near term. Hung Hing continues to be viewed as one of the most trustworthy and reliable printing partners by publishers and manufacturers, positioning it well for an eventual recovery in the export market. We also anticipate costs to be passed on to our customers as competition opens up in the Pearl River Delta, a region renowned for quality and the most cost efficient printing services.

For our domestic consumer packaging business, we expect the growth momentum to continue, particularly in food, personal care, cosmetics and pharmaceutical packaging segments in which we have invested to better serve customers.

Cost and manufacturing efficiency continues to be a key strategic focus. We have an ongoing program to replace and upgrade printing presses with modern ones. These and other efforts will help position Hung Hing as a leader in quality and cost efficiency in the highly competitive printing and packaging industry.

Finally, the Group is in a sound financial position, which we believe will strengthen our business partners' confidence at a volatile time and give us ample resources to capture growth opportunities in the domestic and export markets. Our long term partner, Rengo, a leading Japanese paper and packaging group is now our shareholder. We look forward to closer business relationship through synergy and technological cooperation.

INTERIM DIVIDEND

The directors have resolved to pay an interim dividend of HK 2 cents (2010 : an interim dividend of HK5 cents and a special dividend of HK17 cents) per share. The interim dividend will be paid on 12 January 2012 to shareholders whose names appear on the Register of Members of the Company on 30 December 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 28 December 2011 to 30 December 2011, 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 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 23 December 2011.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 21 December 2009, the Company adopted a Restricted Share Award Scheme. During the period ended 30 September 2011, the Trustee of the Restricted Share Award Scheme purchased 3,874,754 shares at a total consideration of approximately HK$9,737,000 on the Stock Exchange pursuant to the Scheme Rules and Trust Deed.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's securities during the six months ended 30 September 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices (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 under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the Company's articles of association.

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 September 2011 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 November 2011

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