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 2024

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 2024 as follows:

### CONSOLIDATED INCOME STATEMENT

| | | **For the six months ended 30 June** | |
|---|---|---|---|
| | | **2024** | 2023 |
| | | **(Unaudited)** | (Unaudited) |
| | Note | **HK$'000** | HK$'000 |
| **Revenue** | 2 | **1,095,702** | 1,192,964 |
| Cost of sales | | **(942,638)** | (986,529) |
| **Gross profit** | | **153,064** | 206,435 |
| Other revenue | | **21,108** | 29,406 |
| Other net gain | | **6,591** | 75,328 |
| Distribution costs | | **(26,855)** | (23,917) |
| Administrative and selling expenses | | **(162,408)** | (172,187) |
| **Operating (loss)/profit** | | **(8,500)** | 115,065 |
| Finance costs | 3 | **(2,520)** | (2,926) |
| Share of profits/(losses) of associates | | **138** | (521) |
| **(Loss)/profit before income tax** | 4 | **(10,882)** | 111,618 |
| Income tax | 5 | **3,260** | (31,646) |
| **(Loss)/profit for the period** | | **(7,622)** | 79,972 |
| | | | |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **(4,472)** | 82,377 |
| Non-controlling interests | | **(3,150)** | (2,405) |
| **(Loss)/profit for the period** | | **(7,622)** | 79,972 |

| | Note | HK cents | HK cents |
|---|---|---|---|
| **(Loss)/earnings per share attributable to equity shareholders of the Company** | 6 | | |
| Basic | | **(0.5)** | 9.1 |
| Diluted | | **(0.5)** | 9.1 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| **(Loss)/profit for the period** | **(7,622)** | 79,972 |
| **Other comprehensive income for the period (net of tax):** | | |
| *Item that will not be reclassified to profit or loss* | | |
| Change in fair value of equity investments at fair value through other comprehensive income ("FVOCI") (non-recycling) | **(695)** | (2,873) |
| *Items that may be reclassified subsequently to profit or loss* | | |
| Exchange differences on translation of financial statements of subsidiaries and an associate outside Hong Kong | **(47,650)** | (39,193) |
| Change in fair value of intangible assets | **(350)** | (200) |
| **Other comprehensive income for the period** | **(48,695)** | (42,266) |
| **Total comprehensive income for the period** | **(56,317)** | 37,706 |
| **Attributable to:** | | |
| Equity shareholders of the Company | **(49,028)** | 44,075 |
| Non-controlling interests | **(7,289)** | (6,369) |
| **Total comprehensive income for the period** | **(56,317)** | 37,706 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | **30 June 2024 (Unaudited) HK$'000** | 31 December 2023 (Audited) HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **1,440,452** | 1,482,133 |
| Intangible assets | | **12,638** | 13,274 |
| Prepayments for acquisition of non-current assets | | **44,882** | 63,368 |
| Interest in associates | | **15,449** | 15,310 |
| Financial investments | | **53,800** | 55,427 |
| Deferred tax assets | | **38,382** | 32,396 |
| | | **1,605,603** | 1,661,908 |
| **Current assets** | | | |
| Inventories | | **412,786** | 401,028 |
| Trade and other receivables | 8 | **710,092** | 626,242 |
| Income tax recoverable | | **8,954** | 315 |
| Structured bank deposits | | **245,135** | 311,025 |
| Cash at bank and on hand | 9 | **598,146** | 810,695 |
| | | **1,975,113** | 2,149,305 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | **355,260** | 343,343 |
| Bank borrowings | | **93,135** | 126,004 |
| Lease liabilities | | **14,712** | 16,406 |
| Income tax payable | | **2,380** | 72,365 |
| | | **465,487** | 558,118 |
| **Net current assets** | | **1,509,626** | 1,591,187 |
| **Total assets less current liabilities** | | **3,115,229** | 3,253,095 |
| **Non-current liabilities** | | | |
| Lease liabilities | | **19,538** | 22,652 |
| Deferred income | | **16,918** | 15,847 |
| Deferred tax liabilities | | **41,086** | 39,441 |
| | | **77,542** | 77,940 |
| **Net assets** | | **3,037,687** | 3,175,155 |
| **Capital and reserves** | | | |
| Share capital | | **1,652,854** | 1,652,854 |
| Reserves | | **1,262,973** | 1,393,152 |
| **Total equity attributable to equity shareholders of the Company** | | **2,915,827** | 3,046,006 |
| **Non-controlling interests** | | **121,860** | 129,149 |
| **Total equity** | | **3,037,687** | 3,175,155 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | For the six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Net cash (outflow)/inflow from: | | |
| Operating activities | **(142,038)** | 53,419 |
| Investing activities | **58,416** | 17,850 |
| Financing activities | **(126,403)** | (122,848) |
| Net decrease in cash and cash equivalents | **(210,025)** | (51,579) |
| Cash and cash equivalents at 1 January | **799,660** | 972,841 |
| Effect of foreign exchange rate changes | **(2,502)** | (5,037) |
| Cash and cash equivalents at 30 June | **587,133** | 916,225 |

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. Basis of Preparation and Accounting Policies

This interim financial report for the six months ended 30 June 2024 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 2023.

The financial information relating to the financial year ended 31 December 2023 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 2023 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 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*
- Amendments to HKAS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statements of cash flows* and HKFRS 7, *Financial Instruments: Disclosures: Supplier finance arrangements*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2. Revenue and Segment Information

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

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

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

Revenue from external customers are after elimination of intersegment revenue. Inter-segment revenue is charged in accordance with terms determined and agreed mutually by relevant parties.

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 gain that are allocated to each segment. Other information provided is measured in a manner consistent with that in the financial statements.

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

Segment results do not include corporate finance costs, other corporate income and expenses and share of result of associates.

The following tables present revenue, results and certain information for the Group ' s business segments for the six months ended 30 June 2024 and 2023.

| | **For the six months ended 30 June 2024** | | | |
|---|---|---|---|---|
| | **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 | **761,703** | **3,065** | **764,768** | **26,429** |
| Consumer Product Packaging | **150,740** | **478** | **151,218** | **(24,253)** |
| Corrugated Box | **86,413** | **30,358** | **116,771** | **(8,421)** |
| Paper Trading | **96,846** | **141,537** | **238,383** | **532** |
| Eliminations | **-** | **(175,438)** | **(175,438)** | **(705)** |
| | **1,095,702** | **-** | **1,095,702** | **(6,418)** |
| Corporate and unallocated expenses | | | | **(2,082)** |
| Operating loss | | | | **(8,500)** |
| Finance costs | | | | **(2,520)** |
| Share of profits of associates | | | | **138** |
| Loss before income tax | | | | **(10,882)** |
| Income tax | | | | **3,260** |
| Loss for the period | | | | **(7,622)** |

| | For the six months ended 30 June 2023 | | | |
|---|---|---|---|---|
| | 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 | 865,219 | 1,558 | 866,777 | 77,186 |
| Consumer Product Packaging | 150,124 | 602 | 150,726 | (27,877) |
| Corrugated Box | 88,222 | 36,584 | 124,806 | (5,169) |
| Paper Trading | 89,399 | 161,134 | 250,533 | (1,337) |
| Eliminations | - | (199,878) | (199,878) | 1,273 |
| | 1,192,964 | - | 1,192,964 | 44,076 |
| Corporate and unallocated expenses | | | | (18,583) |
| Gain on disposal of property, plant and equipment | | | | 89,572 |
| Operating profit | | | | 115,065 |
| Finance costs | | | | (2,926) |
| Share of losses of associates | | | | (521) |
| Profit before income tax | | | | 111,618 |
| Income tax | | | | (31,646) |
| Profit for the period | | | | 79,972 |

## 3. Finance Costs

| | For the six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Interest on bank borrowings | **1,621** | 2,089 |
| Interest on lease liabilities | **899** | 837 |
| | **2,520** | 2,926 |

## 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 | |
|---|---|---|
| | **2024** | 2023 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| After charging - | | |
| Depreciation | | |
| - Owned property, plant and equipment | **52,675** | 51,389 |
| - Other assets leased for own use | **8,966** | 5,076 |
| - Land use rights | **1,793** | 1,881 |
| Amortisation of intangible assets | **627** | 917 |
| Loss on disposal of property, plant and equipment | **921** | - |
| Loss on disposal of intangible assets | **71** | - |
| Loss allowance of trade receivables, net | **256** | 5,203 |
| Employee benefits expense (including directors' emoluments) | **295,739** | 326,057 |
| Write-down of inventories, net | **-** | 3,263 |
| Fair value loss on derivative financial instruments not qualified as hedges | **-** | 1,542 |
| Net foreign exchange loss | **1,170** | 12,047 |
| | | |
| After crediting - | | |
| Interest income | **8,342** | 13,284 |
| Dividend income from financial investments | **346** | 277 |
| Government grants | **6,640** | 8,752 |
| Reversal of write-down of inventories, net | **584** | - |
| Net gain on disposal of property, plant and equipment * | **-** | 88,640 |
| Fair value gain on structured bank deposits | **8,753** | 277 |

* During the year ended 30 June 2023, the Group surrendered and vacated from all of its land and properties in Wuxi under the Land Resumption Agreements and recognised a gain of $89,572,000.

## 5. Income Tax

| | For the six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Current tax | | |
| - Hong Kong Profits Tax | **904** | 64 |
| - People's Republic of China ("PRC") Income Tax | **(639)** | 24,282 |
| - Vietnam Income Tax | **899** | - |
| Total current tax | **1,164** | 24,346 |
| Deferred tax | **(4,424)** | 7,300 |
| Income tax | **(3,260)** | 31,646 |

The provision for Hong Kong Profits Tax is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the period.

Hung Hing Printing (China) Company Limited ("HHCN"), an indirect wholly owned subsidiary of the Company, was certified as a High-New Technology Enterprise in 2023. The effective PRC Coporate Income Tax ("CIT") for 2023 and 2024 was subject to a reduced tax rate of 15%. For PRC entities other than HHCN, PRC Income Tax represents CIT calculated at 25% (2023: 25%) and PRC withholding tax at the applicable rates. Pursuant to the income tax rules and regulations, provision for PRC withholding tax on dividend income is calculated based on 5% (2023: 5%) of the dividend income from subsidiaries in the PRC.

The provision for CIT in Vietnam is calculated at 20% of the estimated taxable profits for the period. HH Dream Printing Company Limited and HHD (Thai Ha) Company Limited, subsidiaries of the Company incorporated in Vietnam, are entitled to a preferential tax treatment of CIT exemption for the first two years starting from which profit is generated and 50% income tax reduction for the next four years.

Pursuant to the income tax rules and regulations, provision for Vietnam withholding tax on interest income is calculated based on 5% (2023: 5%) of the interest income from subsidiary in Vietnam.

## 6. (Loss)/Earnings Per Share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of HK$4,472,000 (2023: profit of HK$82,377,000) and the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company under the Share Award Scheme.

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2024** | 2023 |
| | **(Unaudited)** | (Unaudited) |
| (Loss)/profit attributable to equity shareholders of the Company (HK$'000) | **(4,472)** | 82,377 |
| Weighted average number of ordinary shares in issue ('000) | **907,865** | 907,865 |
| Weighted average number of own held shares for Share Award Scheme ('000) | **(3,274)** | (7,011) |
| Weighted average number of ordinary shares in issue for calculation of basic (loss)/earnings per share ('000) | **904,591** | 900,854 |
| Basic (loss)/earnings per share (HK cents per share) | **(0.5)** | 9.1 |

(b) Diluted (loss)/earnings per share

For the period ended 30 June 2024, the diluted and basic loss per share were the same as the ordinary shares repurchased for the Share Award Scheme are anti-diluted to the loss per share.

For the period ended 30 June 2023, the calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$82,377,000 and the weighted average number of ordinary shares of 905,619,000 shares.

| | For the six months ended 30 June 2023 (Unaudited) |
|---|---|
| Profit attributable to equity shareholders of the Company (HK$'000) | 82,377 |
| Weighted average number of ordinary shares in issue ('000) | 900,854 |
| Effect of deemed issue of shares under the Company's Share Award Scheme ('000) | 4,765 |
| Weighted average number of ordinary shares (diluted) at 30 June ('000) | 905,619 |
| Diluted earnings per share (HK cents per share) | 9.1 |

## 7. Dividend

| | For the six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Interim dividend of HK4 cents (2023: HK4 cents) per ordinary share | **36,315** | 36,315 |

## 8. Trade and Other Receivables

| | **30 June 2024** | 31 December 2023 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | **HK$'000** | HK$'000 |
| Trade receivable | **591,122** | 545,675 |
| Less: Loss allowance | **(22,985)** | (23,230) |
| | **568,137** | 522,445 |
| Trade receivable due from related parties | **15** | 293 |
| Total trade receivable, net | **568,152** | 522,738 |
| Bills receivable | **629** | 203 |
| Prepayment, deposits and other receivables | **141,311** | 103,301 |
| | **710,092** | 626,242 |

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

| | **30 June 2024** | 31 December 2023 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | **HK$'000** | HK$'000 |
| 1 - 30 days | **285,832** | 220,826 |
| 31 - 60 days | **136,575** | 153,758 |
| 61 - 90 days | **97,097** | 78,401 |
| Over 90 days | **48,648** | 69,753 |
| | **568,152** | 522,738 |

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

## 9. Cash and Cash Equivalents

| | **30 June 2024** | 31 December 2023 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | **HK$'000** | HK$'000 |
| Cash at banks and on hand | **598,146** | 810,695 |
| Less: time deposits with original maturity over three months | **(11,013)** | (11,035) |
| Cash and cash equivalents in consolidation statement of cash flows | **587,133** | 799,660 |

## 10. Trade and Other Payables

| | **30 June 2024 (Unaudited) HK$'000** | 31 December 2023 (Audited) HK$'000 |
|---|---|---|
| Trade payable | **166,407** | 112,909 |
| Bills payable | **4,095** | 10,014 |
| Other payable and accrued liabilities | **179,840** | 214,720 |
| Amount due to an associate | **4,918** | 5,700 |
| | **355,260** | 343,343 |

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

| | **30 June 2024 (Unaudited) HK$'000** | 31 December 2023 (Audited) HK$'000 |
|---|---|---|
| 1 - 30 days | **125,236** | 82,406 |
| 31 - 60 days | **29,817** | 22,801 |
| 61 - 90 days | **5,324** | 3,261 |
| Over 90 days | **6,030** | 4,441 |
| | **166,407** | 112,909 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results and dividends

During the period under review, Hung Hing Printing Group dedicated to our core printing business while taking proactive measures to grow our diversified businesses. The slower-than-expected economic recovery post-COVID has adversely affected market demand, prompting consumers to exhibit more prudence in spending beyond foreseeable needs.

The Red Sea crisis in early 2024, and conflicts in Eastern Europe and the Middle East have resulted in significantly higher freight rates and extended predicament for cargo and tankers. This has not only disrupted regular commercial shipments in export trade, but has also placed additional strain on customers' cash flow, leading them to exercise extra caution when placing orders.

For the six months period ended 30 June 2024, the Group recorded a loss attributable to equity shareholders of the Company of approximately HK$4 million, as compared to a profit of HK$82 million recorded in the same period of last year. This is mainly attributable to the fact that the Group did not have any benefit of the progressive recognition of the one-off income of HK$90 million generated from the land resumption in Wuxi, China, which benefit the Group had recorded in previous period.

The Group maintained a robust total deposit and cash position of approximately HK$843 million (including structured deposits), giving us the resources to drive future growth and pursue our ongoing policy of rewarding shareholders to the utmost. The Board of Directors has announced an interim dividend of HK4 cents (2023: HK4 cents). It is payable on 18 October 2024 to shareholders whose names appear in the Register of Members of the Company on 26 September 2024.

**Leveraging capabilities to navigate changes**

The year 2024 is being recognised as a global election year, with numerous countries and regions holding political elections of various magnitudes. This situation has created further uncertainties to the already volatile geopolitical environment.

To maintain our competitive edge, Hung Hing Printing Group has proactively managed our business by focusing on three key aspects: 1) enhancing productivity through automation and technological upgrades; 2) investing in sustainability to establish Hung Hing as a pioneer in the industry; and 3) advancing our diversified businesses to create synergies and strengthen our printing leadership position.

To enhance productivity, we have upgraded our Advanced Planning and Scheduling (APS) system in our Heshan plant for automation of all processes including materials management and production planning. It has significantly digitised data collection, consolidation and processing, while improving management information visibility and availability.

On sustainability, the majority of Hung Hing manufacturing plants have installed solar panels (refer to the "Environmental Sustainability" section for specifics) to reduce our carbon footprint. During the six months period ended 30 June 2024, Hung Hing's sustainability initiatives were honoured with the Top Prize at the Green Dot Award, presented by a renowned printing supplier from Germany. We surpassed more than 20 global companies invited to compete in the event. Our sustainable practices such as extensive use of renewable energy and green materials, electrification of our vehicles, implementation of smart energy-saving processes, and effective waste management, were recognised as leading practices in the industry, setting us apart from many others. This achievement further demonstrates Hung Hing's dedication to decarbonisation and our confidence to achieve carbon neutrality.

In addition to our investment in sustainability, we provided value-adding services to facilitate customers accomplishing their goals in sustainability. The European Union (EU) has been at the forefront in implementing stringent environmental regulations. One recent development is the forthcoming Regulation on Deforestation Free Products (EUDR), set to take effect by the end of 2024. This regulation has raised customer apprehensions regarding product traceability and compliance requirements. Hung Hing offers value-added services by collaborating closely with paper suppliers to furnish essential product details. Additionally, we included carbon footprint data in all customer quotations to satisfy the need of informed decision-making for their orders.

STEM Plus has been actively working to enhance its presence in the education sector by hosting prominent events like the (Greater Bay Area) Hong Kong Through-train Schools Expo. During the period, this 3-day expo brought together more than 200 educational institutions, ranging from kindergartens to universities, including well-known organisations such as Po Leung Kuk, Yan Chai Hospital and Tung Wah Schools, to name a few. Drawing in more than 40,000 visitors, exceeding last year's attendance, the event received positive feedback from participating schools regarding the enthusiastic reception from visitors.

**Business performance**

Our largest business unit, Book and Packaging Printing (BPP), saw a 12% decline in revenue to HK$761.7 million in 2024 (2023: HK$865.2 million) compared to the same period last year. Inflationary pressures, rising interest rates, and geopolitical tensions all weighed heavily on the export market which led to a slowdown in order placements. Lower sales and added logistic charges led to an overall decline in profit contribution to HK$26.4 million in 2024.

BPP continues to upgrade the manufacturing footprint in the Greater Bay Area. This economically vibrant region has long been a key production hub for the Group, with four facilities currently in operation. With our decades of operation experience, we believe there are opportunities to leverage the area's world-class transportation infrastructure more effectively and optimize our operations to drive greater efficiency and competitiveness.

The Consumer Products Packaging (CPP) business continued to face challenges, with revenue remaining flat year-over-year and the segment posting a loss of HK$24.3 million. The ongoing weakness in consumer spending in the mainland China market has triggered severe price competition on this business. Nevertheless, our newly commissioned Wuxi plant has started to operate in full swing, and we expect its improved capabilities and cost competitiveness to help drive a gradual recovery in the CPP business ahead.

The Corrugated Box (CB) business experienced a 2% decline in revenue, resulting in a loss of HK$8.4 million. The overall slowdown in industry demand and price competition across the industry has affected this segment. We are focused on optimising our product mix, enhancing operational efficiency, and exploring new market opportunities to strengthen the CB business's performance.

The Paper Trading (PT) business saw a turnaround this year, with revenue increased by 8% to HK$96.8 million (2023: HK$89.4 million) and profit contribution achieved a profit of HK$0.5 million compared to a loss of HK$1.3 million in the same period last year. As a strategic partner to our other business units, the PT business has weathered the market challenges and continues to provide critical support to the Group's vertically integrated business model.

**Liquidity and Capital Resources**

We maintained our prudent cash management approach, with a diversified funding base and strong cash on hand as a buffer against uncertain business conditions. As of 30 June 2024, the Group had total cash on hand of HK$843 million if HK$245 million placed in structured deposits is included, and net cash on hand (total cash net of bank borrowings) of HK$750 million to support working capital requirements, capital expenditure and investment needs.

A portfolio of USD/RMB structured deposits were managed to provide hedging for RMB requirement and at the same time funding the Group's working capital requirement in mainland China at favourable exchange rates. The Group's RMB-link structured bank deposits in 2024 interim balance increased to HK$245 million compared to the same period last year.

About 79% of total cash including structured deposits was held in RMB. The remainder was held primarily in US dollars. Cash not earmarked for immediate use was placed in time deposits to match projected cash outflow and to maximise interest income.

The total interest income during the period of HK$8.3 million, together with the fair value gain on structured deposits of HK$8.8 million offered a net increase of benefit HK$3.5 million compared with same period last year.

Our strong financial reputation continued to provide us with advantageous options with respect to debt finance. As of 30 June 2024, the Group managed a total bank borrowing of HK$93 million at reduced gearing ratio of 3.1% (2023: 5.1%) in light of high interest rate environment. Total interest costs decreased by 22% to HK$1.6 million compared with HK$2.1 million within the same period last year. Of the Group's total bank borrowings, 85% is in US dollars, consisting of term loans with banks at fixed interest rates. The remaining 15% represents a term loan with a bank at floating rate in HK dollars. Based on agreed loan repayment schedules with banks, HK$48 million is repayable within one year, HK$32 million within 1-2 years and HK$13 million within 2-5 years.

During the period under review, the Group spent over HK$28 million on capital projects and committed an additional HK$24 million to expand and upgrade existing capacities, construct new plants; and acquire new equipment and technology to support the different stages of development of the Heshan, Vietnam and Wuxi facilities.

**Environmental Sustainability**

Our ongoing commitment to enhancing sustainability spans various fronts. We are dedicated to advancing green energy, implementing designs and production processes that minimize waste, and fostering a culture of recycling. It is our belief that we bear the responsibility of guiding our stakeholders, including employees and suppliers, towards adopting sustainable practices, offering necessary training and support as needed.

We have extended our solar power infrastructure to five locations – Hong Kong, Shenzhen, Zhongshan, Heshan, and Shunde, increasing our total installed capacity to 6,504kWp. During the first half of 2024, these plants collectively generated 2,556,069 units of electricity (1 kWh each), slightly lower than the previous year due to increased rainfall in southern China. This green energy aided in offsetting around 959 tons of carbon emissions which is a solid start and demonstrates our commitment to sustainability goals by minimising environmental impact. Our plans include further expansion of solar installations, with upcoming projects at our Heshan plant phase II and Vietnam plant phase I expected to boost our green energy capacity to 8,809kWp.

Despite a notable 11% rise in electricity consumption of the Group to 28.25 million units, attributed to the Wuxi plant resuming full production, our water usage decreased to 307,352 m3. We successfully recycled 97% of all production waste, including 14,351 tons of wastepaper, 164 tons of plastic, and 130 tons of metal, while non-recyclable waste totalled 439 tons.

Our paper consumption reflects a strong commitment to sustainability, with over 95% of paper used being highly recycled or Forest Stewardship Council (FSC™) certified. Notable quantities 32,698 tons (1H 2023: 31,727 tons) of FSC™, 138 tons (1H 2023: 294 tons) PEFC, and 33,703 tons (1H 2023: 31,688 tons) of paper with high recycled content were utilized, showcasing our dedication to environmentally friendly sourcing practices.

**Our People**

As of June 30, 2024, our workforce comprised around 5,600 employees across Hong Kong, mainland China, and Vietnam. We aim to be an employer of choice by providing competitive packages and fostering a diverse, equitable, and inclusive work environment that empowers every employee to excel. Training is integral to employee development, encompassing environmental, ethical, and job-specific skills as well as management, innovation, and diversity, equity, and inclusion (DE&I) training. Over the past six months, we have delivered more than 94,252 training hours, averaging 2.37 hours per employee, demonstrating our commitment to continuous learning and growth.

To prioritise employee well-being, our Hong Kong headquarters has established a dedicated team to promote wellness initiatives, organize engaging activities, and disseminate these practices across all our facilities.

**Outlook**

The global economy continues to grapple with the lingering effects of high interest rates. Geopolitical uncertainties are presenting challenges for China's export manufacturers in order books. The lacklustre consumer confidence in China has yet to be alleviated. These macroeconomic headwinds are negatively impacting our business performance.

Yet, Hung Hing remains optimistic about China's long-term economic growth prospects. As the world's second-largest economy, China has developed its infrastructure and supply chain networks to support sustained economic expansion. Over the years, the country has also built comprehensive expertise in the printing industry, which continues to be a competitive advantage over other markets. As Beijing's "dual circulation strategy" begins to take shape, aimed at boosting both domestic consumption and export trade, we are observing encouraging signs of economic recovery. Infrastructure projects such as the recent commencement of service of the Shenzhen-Zhongshan Bridge are bringing economic benefits to the Guangdong province, home to most of our Hung Hing manufacturing facilities.

Despite the prevailing macroeconomic headwinds, Hung Hing has proactively navigated these challenges by exploring and diversifying our business portfolio, while continuing to upgrade productivity in our core operations. On the operational front, our Wuxi plant has been running smoothly at its new site and is making concerted efforts to expand its domestic market footprint. We have also completed the construction of a new food packaging production line at our Zhongshan facility. Once the necessary certifications are obtained, this line will be capable of manufacturing primary food packaging, opening up fresh business opportunities for the Group. We are also planning the construction of a second manufacturing facility in Vietnam, which is expected to commence operations by the end of 2025. With companies increasingly diversifying their investments across Southeast Asian countries, the region's sustained economic growth is creating promising market demand that our second plant in Vietnam aims to serve.

In our education business, STEM Plus will continue to leverage the extensive school network they have built over the past few years to organise more successful events, replicating the model of the recent GBA Through-train Schools Expo and the annual Formula Edge Inter-school competition.

Additionally, Active Minds Ltd (AML), a subsidiary of STEM Plus, has just completed the renovation and expansion of its Book Castle bookstore located at the prominent Ocean Terminal in Tsim Sha Tsui. Strategically positioned in this popular tourist destination, the upgraded Book Castle store not only caters to the local market, but is also poised to attract visitors, many of whom hail from mainland China. This is part of the efforts to rebrand and reposition book retail chains under AML.

Innovation remains a critical success factor for Hung Hing. We continually review our business structure to ensure we incorporate the latest technologies across our operations. The past few years have seen a significant industry transformation, with more printing companies adopting digital printing capabilities. While Hung Hing has long adopted digital printing, we have been diligently exploring advanced digital post-press options to address growing market demands for shorter production runs and greater customisation. We believe there are substantial opportunities for our company to stay ahead of the curve by offering enhanced "speed-to-market" through an integrated print and binding workflow, leveraging digital technology and our well-trained workforce.

Another facet of our innovative mindset can be seen in our evolving product offerings. Yum Me Print, our one-stop photo printing booth, recently debuted an upgraded model capable of printing documents as well. The machine received very positive user feedback during its introduction at the recent GBA school expo. Designs from our in-house design arm, Beluga Ltd, were recognised by several prestigious institutions in the first half of 2024. FUJIFILM Business Innovation and the Hong Kong Smart Design Awards both honoured products from PAPERY™, Beluga's brand focused on sustainable lifestyle offerings, for their creativity and business effectiveness. These multiple accolades not only showcase the excellence of our design team, but also affirm our position as a global leader in innovative print solutions.

Amidst the uncertainties in the remainder of 2024 due to a volatile geopolitical and economic environment, we continue to drive change and innovation, building on the strengths and expertise we have cultivated over decades. As a trusted business partner to our customers, we will explore opportunities to collaborate with them on an even greater scale.

Advancements in artificial intelligence (AI) have opened up new possibilities in the printing industry, impacting both operational excellence and product design. We have proactively embraced AI applications in various ways and provided training to our workforce to keep pace with these technological developments. We foresee that the continued adaptation of AI within our workflows will further enhance our productivity and business performance.

In closing, I would like to express my heartfelt thanks to our dedicated team whose contributions have been instrumental in our achievements.

**INTERIM DIVIDEND**

The directors have resolved to pay an interim dividend of HK4 cents (2023 : HK4 cents) per share. The interim dividend will be paid on 18 October 2024 to shareholders whose names appear on the Register of Members of the Company on 26 September 2024.

**CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 23 September 2024 to 26 September 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 20 September 2024.

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

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

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## 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 C1 of the Listing Rules throughout the accounting period covered by the interim results, with the exception that:

Code Provision C 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.

## 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 C3 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 2024 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, 27 August 2024

As at the date of this announcement, the Board comprises Mr. Yum Chak Ming, Matthew and Mr. Yum Christopher Carson as executive directors; Mr. Hirofumi Hori, Hitoshi Shibasaki, Ms. Aki Tsuge and Mr. Yam Hon Ming, Tommy as non-executive directors; Mr. Luk Koon Hoo, Mr. Lo Chi Hong and Mr. Tan Chuen Yan, Paul as independent non-executive directors.