CHEN HSONG HOLDINGS LIMITED
震 雄 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00057)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

FINANCIAL HIGHLIGHTS			
	For the six months ended 30 September		
	2017	2016	Change
	(Unaudited)	(Unaudited)	
RESULTS HIGHLIGHTS *(HK$'000)*			
Revenue	**870,492**	712,946	22%
Profit before tax	**83,764**	36,437	130%
Profit attributable to equity holders of the Company	**65,962**	21,305	210%
Total assets	**3,522,143**	3,262,968	8%
Shareholders' equity	**2,709,068**	2,622,970	3%
Issued share capital	**63,053**	63,053	0%
Net current assets	**1,594,634**	1,498,291	6%
PER SHARE DATA			
Basic earnings per share *(HK cents)*	**10.5**	3.4	209%
Cash dividends per share (*HK cents*)	**3.0**	1.4	114%
Net assets per share *(HK dollars)*	**4.3**	4.2	2%
KEY FINANCIAL RATIOS			
Return on average shareholders' equity *(%)*	**2.5**	0.8	213%
Return on average total assets *(%)*	**1.9**	0.6	217%

INTERIM RESULTS

The board of directors (the "Board") of Chen Hsong Holdings Limited (the "Company") announces that the unaudited consolidated profit attributable to equity holders of the Company for the six months ended 30 September 2017 amounted to HK$65,962,000, as compared with the profit attributable to equity holders of HK$21,305,000 for the corresponding period of last year. Basic earnings per share for the six months ended 30 September 2017 was HK10.5 cents, as compared with the basic earnings per share of HK3.4 cents for the corresponding period of last year. These unaudited interim results have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2017

		Six months ended 30 September	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*2*	**870,492**	712,946
Cost of sales		**(637,608)**	(514,255)
Gross profit		**232,884**	198,691
Other income and gains, net		**28,155**	23,169
Selling and distribution expenses		**(93,873)**	(72,607)
Administrative expenses		**(61,333)**	(55,812)
Other operating expenses, net		**(23,270)**	(58,095)
Finance costs		**(456)**	(644)
Share of profits less losses of associates		**1,657**	1,735
PROFIT BEFORE TAX	*3*	**83,764**	36,437
Income tax expense	*4*	**(17,725)**	(15,290)
PROFIT FOR THE PERIOD		**66,039**	21,147
ATTRIBUTABLE TO:			
Equity holders of the Company		**65,962**	21,305
Non-controlling interests		**77**	(158)
		66,039	21,147
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*6*		
Basic *(HK cents)*		**10.5**	3.4
Diluted *(HK cents)*		**10.5**	3.4

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**66,039**	21,147
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Other comprehensive income/(expenses) to be reclassified to the income statement in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**89,987**	(38,745)
Share of other comprehensive income/(expenses) of associates	**1,336**	(1,285)
Net other comprehensive income/(expenses) to be reclassified to the income statement in subsequent periods	**91,323**	(40,030)
Other comprehensive expenses not to be reclassified to the income statement in subsequent periods:		
Actuarial losses on defined benefit obligations	**(933)**	(447)
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD, NET OF TAX	**90,390**	(40,477)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD	**156,429**	(19,330)
ATTRIBUTABLE TO:		
Equity holders of the Company	**155,716**	(18,720)
Non-controlling interests	**713**	(610)
	156,429	(19,330)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2017

	Notes	30 September 2017 (Unaudited) HK$'000	31 March 2017 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**658,037**	640,256
Investment properties		**294,225**	281,600
Prepaid land lease payments		**36,706**	36,011
Goodwill		**94,923**	94,923
Investments in associates		**28,915**	25,922
Deferred tax assets		**34,046**	34,947
Deposits for purchases of items of property, plant and equipment		**10,814**	2,050
Trade receivables	*7*	**15,651**	10,346
Finance lease receivables	*8*	**4,552**	9,575
Pledged bank deposits		**1,974**	1,693
Total non-current assets		**1,179,843**	1,137,323
CURRENT ASSETS			
Inventories		**582,439**	457,941
Trade and bills receivables	*7*	**860,579**	736,473
Deposits, prepayments and other receivables		**61,230**	38,605
Finance lease receivables	*8*	**40,631**	36,693
Pledged bank deposits		**53,964**	55,525
Cash and bank balances		**743,457**	852,525
Total current assets		**2,342,300**	2,177,762
CURRENT LIABILITIES			
Trade and bills payables	*9*	**481,354**	356,967
Other payables and accruals		**208,956**	191,625
Interest-bearing bank borrowings		**23,422**	73,422
Tax payable		**33,934**	37,068
Total current liabilities		**747,666**	659,082
NET CURRENT ASSETS		**1,594,634**	1,518,680
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,774,477**	2,656,003
NON-CURRENT LIABILITIES			
Other payables and accruals		**2,197**	3,041
Defined benefit obligations		**15,528**	20,769
Deferred tax liabilities		**34,370**	29,669
Total non-current liabilities		**52,095**	53,479
NET ASSETS		**2,722,382**	2,602,524
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		**63,053**	63,053
Reserves		**2,646,015**	2,526,870
		2,709,068	2,589,923
Non-controlling interests		**13,314**	12,601
TOTAL EQUITY		**2,722,382**	2,602,524

NOTES:

1. ACCOUNTING POLICIES

The unaudited condensed interim financial statements of the Company and its subsidiaries (the "Group") have 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 Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation adopted in the preparation of these condensed interim financial statements are consistent with those set out in the Group's audited financial statements for the year ended 31 March 2017, except that the Group has adopted, for the first time for the current period's financial statements, the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as the "New HKFRSs") issued by the HKICPA that are effective for the accounting period commencing on 1 April 2017. The adoption of the New HKFRSs has had no significant financial effect on these condensed interim financial statements and there have been no significant changes to the accounting policies applied in these condensed interim financial statements.

The HKICPA has also issued a number of new and revised HKFRSs which are not yet effective for the current reporting period. The Group has not early adopted those new and revised HKFRSs in these condensed interim financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, but is not yet in a position to state whether these new and revised HKFRSs would have significant impact on the Group's financial performance and financial position.

2. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue represents the net invoiced value of goods sold during the period, after allowances for returns and trade discounts, excluding intra-group transactions.

The Group is principally involved in the manufacture and sale of plastic injection moulding machines and related products. For management purposes, the Group is organized into business units based on the geographical location of customers and has three reportable operating segments as follows:

(i) Mainland China and Hong Kong;
(ii) Taiwan; and
(iii) Other overseas countries.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, unallocated income and gains, finance costs, share of profits less losses of associates, and corporate and unallocated expenses are excluded from such measurement.

There are no significant sales between the reportable operating segments.

2. REVENUE AND OPERATING SEGMENT INFORMATION *(continued)*

The following tables present revenue and results information for the Group's operating segments for the periods ended 30 September 2017 and 2016.

	Segment revenue from external customers Six months ended 30 September		Segment results Six months ended 30 September	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China and Hong Kong	**601,754**	474,176	**80,669**	31,632
Taiwan	**72,999**	60,714	**2,592**	3,185
Other overseas countries	**195,739**	178,056	**10,287**	9,514
	870,492	712,946	**93,548**	44,331

Reconciliation of results of operating segments to profit before tax is as follows:

Operating segment results	**93,548**	44,331
Unallocated income and gains	**5,723**	5,899
Corporate and unallocated expenses	**(16,708)**	(14,884)
Finance costs	**(456)**	(644)
Share of profits less losses of associates	**1,657**	1,735
Profit before tax	**83,764**	36,437

3. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold	**637,608**	514,255
Depreciation	**25,107**	27,411
Amortization of prepaid land lease payments	**676**	692
Loss/(gain) on disposal of items of property, plant and equipment	**123**	(24)
Write off of items of property, plant and equipment	**869**	133
Impairment/(write-back of impairment) of trade and bills receivables, net	**2,175**	(2,605)
Write-back of provision for inventories, net	**(9,352)**	(5,457)
Impairment of other receivables, net	**555**	440
Foreign exchange differences, net	**(3,831)**	35,366
Interest income	**(4,261)**	(5,266)
Finance lease interest income	**(1,462)**	(633)

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Current:		
Charge for the period		
Hong Kong	**-**	11
Elsewhere	**11,917**	12,273
Underprovision/(overprovision) in prior periods	**67**	(69)
Deferred	**5,741**	3,075
Tax charge for the period	**17,725**	15,290

5. DIVIDENDS

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Dividends paid during the period:		
Final in respect of the financial year ended 31 March 2017		
- HK$0.026 per ordinary share (2016: HK$0.006)	**16,394**	3,783
Special final in respect of the financial year ended 31 March 2017		
- HK$0.032 per ordinary share (2016: HK$0.032)	**20,177**	20,177
	36,571	23,960

The Board has declared the payment of an interim dividend of HK$0.03 (2016: HK$0.014) per ordinary share for the six months ended 30 September 2017 totalling HK$18,916,000 (2016: HK$8,827,000). These condensed interim financial statements do not reflect the interim dividend payable.

6. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share is based on the Group's profit attributable to equity holders of the Company for the period of HK$65,962,000 (2016: HK$21,305,000) and on the weighted average number of ordinary shares of 630,531,600 (2016: 630,531,600) in issue during the period.

No adjustment has been made to the basic earnings per share presented for the periods ended 30 September 2017 and 2016 as the Group had no potentially dilutive ordinary shares in issue during these periods.

7. TRADE AND BILLS RECEIVABLES

	Notes	30 September 2017 HK$'000	31 March 2017 HK$'000
Trade receivables		**658,574**	596,767
Impairment		**(93,147)**	(89,390)
Trade receivables, net	*(a)*	**565,427**	507,377
Bills receivable	*(b)*	**310,803**	239,442
Total trade and bills receivables		**876,230**	746,819
Portion classified as non-current portion		**(15,651)**	(10,346)
Current portion		**860,579**	736,473

Trading terms with customers are either cash on delivery, bank bills or on credit. The Group grants credit to customers based on their respective business strength and creditability, with credit periods of 30 days to 180 days in general. The Group adopts strict control policies over credit terms and receivables that serve to minimize credit risk.

In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Except for the trade receivables of HK$58,120,000 as at 30 September 2017 (31 March 2017: HK$49,264,000) which are interest-bearing at an average interest rate of 6.0% (31 March 2017: 6.2%) per annum and with credit periods of 12 months to 24 months in general, the remaining trade and bills receivables are non-interest-bearing.

(a) The aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	30 September 2017 HK$'000	31 March 2017 HK$'000
Within 90 days	**268,677**	227,792
91 to 180 days	**130,151**	112,937
181 to 365 days	**107,127**	119,921
Over 1 year	**59,472**	46,727
	565,427	507,377

7. TRADE AND BILLS RECEIVABLES *(continued)*

(a) The aged analysis of the trade receivables as at the end of the reporting period, based on the payment due date, that are not considered to be impaired is as follows:

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
Current (neither past due nor impaired)	**315,085**	276,521
Less than 90 days past due	**142,282**	128,905
91 to 180 days past due	**68,367**	47,101
Over 180 days past due	**33,179**	50,043
	558,913	502,570

(b) The maturity dates of the bills receivable as at the end of the reporting period are analyzed as follows:

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
Within 90 days	**157,270**	124,416
91 to 180 days	**114,876**	77,771
181 to 365 days	**38,657**	37,255
	310,803	239,442

8. FINANCE LEASE RECEIVABLES

The Group leases certain of its injection moulding machines to its customers. These leases are classified as finance leases and have remaining lease terms ranging from 9 months to 3 years (31 March 2017: 9 months to 3 years). The customers shall purchase or have an option to purchase the leased injection moulding machines at the end of lease terms of the finance leases.

	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*
Finance lease receivables	**45,812**	46,870
Impairment	**(629)**	(602)
Finance lease receivables, net	**45,183**	46,268
Portion classified as non-current portion	**(4,552)**	(9,575)
Current portion	**40,631**	36,693

As at 30 September 2017, the total future minimum lease receivables under finance leases and their present values were as follows:

	Minimum lease receivables		**Present value of minimum lease receivables**	
	30 September 2017 *HK$'000*	31 March 2017 *HK$'000*	**30 September 2017** *HK$'000*	31 March 2017 *HK$'000*
Accounts receivable:				
Within one year	**42,190**	38,516	**40,631**	36,693
In the second year	**4,742**	10,092	**4,552**	9,575
Total minimum finance lease receivables	**46,932**	48,608	**45,183**	46,268
Unearned finance income	**(1,749)**	(2,340)		
Total net finance lease receivables	**45,183**	46,268		
Portion classified as current assets	**(40,631)**	(36,693)		
Non-current portion	**4,552**	9,575		

No contingent income was recognized during the period ended 30 September 2017 (2016: Nil).

8. FINANCE LEASE RECEIVABLES *(continued)*

The aged analysis of the finance lease receivables as at the end of the reporting period, based on the payment due date, that are not considered to be impaired is as follows:

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
Current (neither past due nor impaired)	**31,639**	37,169
Less than 90 days past due	**5,402**	4,587
91 to 180 days past due	**2,352**	2,372
Over 180 days past due	**4,537**	1,227
	43,930	45,355

9. TRADE AND BILLS PAYABLES

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

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
Within 90 days	**329,682**	221,133
91 to 180 days	**68,552**	61,638
181 to 365 days	**64,654**	55,812
Over 1 year	**18,466**	18,384
	481,354	356,967

The trade and bills payables are non-interest-bearing and are normally settled on terms of 3 to 6 months (31 March 2017: 3 to 6 months). Included in the trade and bills payables are trade payables of HK$5,843,000 (31 March 2017: HK$6,871,000) due to associates which are repayable within 30 days.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3.0 cents (2016: HK1.4 cents) per ordinary share for the six months ended 30 September 2017 to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 19 December 2017. The interim dividend will be paid on or about Thursday, 11 January 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 18 December 2017 to Tuesday, 19 December 2017, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 December 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS PERFORMANCE

For the six months ended 30 September 2017, the Group registered total turnover of HK$870 million (2016: HK$713 million), an increase of 22% over the corresponding period of last year. Profit attributable to equity holders was HK$66 million (2016: HK$21 million), while basic earnings per share was HK10.5 cents (2016: HK3.4 cents). The Board has resolved to declare an interim dividend of HK3.0 cents (2016: HK1.4 cents) per share.

During the first half of this financial year, the Group achieved healthy development in most operating aspects, including turnover, profits or sales of product. The main underlying driver was wide popularity of the Group's new products lines – such as the new "Sixth Generation" MK6 series as well as two-platen large-tonnage injection moulding machines. Another important driver was a surprisingly-robust China economy, which continued to maintain its steady growth spree, and general improvements in worldwide economic conditions, especially for some developing countries. These are all important factors in boosting the Group's performance in the first half of the year.

China in 2017 provided a pleasant surprise by putting in a remarkable turnaround from last year's lackluster economic performance: GDP growth gradually rebounded since late last year after six consecutive quarters of decline; similar for PMI (Purchasing Manager's Index) which had been stuck below 50 for a long time. The official score now is GDP growth of 6.9% in the first half of 2017 – a figure significantly outperforming predictions (the more remarkable was the fact that, merely months ago, most economists predicted China's GDP to grow at a maximum of 6.5% in 2017 and to further drop to 6% in 2018). Owing to this unexpected turnout, the International Monetary Fund has already raised projections of China's rate of economic growth for the current and next year *four* times during this year alone. A side benefit to the Group was the Renminbi exchange rate which, though still fluctuating, remained relatively stable during the first half of the year – meaning that the Group's results for the first half of this financial year were no longer impacted by large swings in foreign exchanges.

World economic conditions continued to improve at a steady pace during the first half of this financial year, with most developed economies being stable and regions such as the U.S.A., Europe and Japan in gradual recovery. Europe, in particular, side-stepped a big deflation risk, with above-expectations growth registered in countries such as France, Germany, Italy and Spain, causing the Euro to strengthen markedly. Developing countries also fared better, with India leading the growth chart, as well as Russia and Brazil officially leaving recession-dom. All these positive trends helped propel the Group's performance to this set of satisfactory results.

MARKET ANALYSIS

Breakdown of turnover, based on the location of customers, for the six months ended 30 September 2017 is as follows:

Customer Location	**2017** ***(HK$ million)***	2016 *(HK$ million)*	Change
Mainland China and Hong Kong	**602**	474	27%
Taiwan	**73**	61	20%
Other overseas countries	**195**	178	10%
	870	713	22%

In China's market, as mentioned above, just last year, China's economic conditions were stuck in a downward spiral of persistent PMI below 50 and declining GDP growth rate, prompting many economists worldwide to make a conservative prediction of the Chinese economy for this year. China in 2017, however, brought a surprising economic performance. GDP growth turned upwards to 6.8-6.9%, a higher level than any predictions; many other indices (such as PMI) followed. Many industries, the automotive sector in particular, witnessed a strong boom, boosting demands for injection moulding machines. As a result, sales of the Group's products grew strongly during this period, especially the two-platen large-tonnage injection moulding machines, which saw sales nearly doubled over the corresponding period of last year.

Nevertheless, some deep-rooted problems in China remained unsolved, among them were gross over-capacity and the real estate bubble. China, evidently, is undergoing a violent structural metamorphosis – from manufacturing to services. As large portions of China's GDP continued to shift from exports and investment-driven activities to domestic consumption, declining GDP growth under such circumstances is unavoidable.

Furthermore, all eyes were on the 19th National Congress of the Communist Party of China "19th Congress", held during October. Analysts in China and worldwide focused on every word and every personnel movement to come out of the 19th Congress in order to catch a glimpse of the policies, directions and strategies in future. Before the meeting, however – in August and September to be precise – departments of the Central Government strictly enforced environmental protection policies and went around closing non-compliant factories and production lines, shutting down polluting processes, and stopping emissions. As a result, many small-to-medium customers of the Group faced months of non-production, fervently trying to modify their manufacturing lines for compliance. Although this had affected the Group's results for the second quarter of this financial year, the Group still managed to achieve total turnover in China of HK$602 million (2016: HK$474 million) – an increase of 27% over the corresponding period of last year.

As Taiwan customers primarily rely on exports to developed countries such as Europe and the U.S.A., they continued to benefit, year by year, from steady recovery in those regions, with turnover for the first half of this year rising to HK$73 million (2016: HK$61 million).

In international markets, this year was also volatile, but generally good news outweighed bad news by a large margin. Firstly, developed economies such as Europe and the U.S.A. continued to grow steadily, leading to healthy sales growth for the Group in most regions. Secondly, major developing countries were climbing out of their recession holes, such as Brazil and Russia, and India also grew at a significant pace, both of which benefited the Group's international turnover. Some individual developing countries, such as the Middle East, were however plagued by geopolitical instabilities and fluctuating economic conditions, which stopped investments and weighted down on the Group's positive results in other regions. In the end, the Group's total turnover growth in international markets was lower than overall growth, with turnover rising to HK$195 million (2016: HK$178 million).

DEVELOPMENT OF NEW TECHNOLOGIES AND NEW PRODUCTS

The "Sixth Generation" MK6 series of high-speed injection moulding machines – developed over a period of several years by the Group employing advanced Japanese hydraulic and mechanical technologies – had finally completed its launch of the entire product line with all models available to the market. It gained tremendous popularity from almost all manufacturing industries from the first day of launch, when customers witnessed the series' revolutionary high precision, high speed and high energy savings. The MK6 series has become the fastest growth product line ever launched by the Group, and has increased the Group's repeat-order ratio (i.e. an existing customer coming back to purchase the same products), thus showing overwhelming customer satisfaction. The Group believes that the MK6 series will soon become one of the all-time best sellers, and should continue to bring the Group to new heights in the future.

PRODUCTION EFFICIENCY AND CAPACITY

In an effort to realign the production system for new product lines (in particular, the full series of the "Sixth Generation" MK6 and two-platen large-tonnage series), the Group has speeded up the process of replacement of old equipment and invested in new equipment and production capacity for large-tonnage machine during this year. The Group expects that the production capacity will record a double-digit growth in the current and next years. Furthermore, the Group will continue to invest in factory automation and assembly line production process.

LIQUIDITY AND FINANCIAL CONDITIONS

As at 30 September 2017, the Group had net current assets of HK$1,595 million (2016: HK$1,498 million), which represented a 6% increase over last year. Cash and bank balances (including pledged deposits) amounted to HK$799 million (2016: HK$867 million), representing a decrease of HK$68 million over last year. The bank borrowings were HK$23 million (2016: HK$72 million), decreased by HK$49 million, which were short term loans with floating interest rates for general working capital purposes. The Group recorded a net cash position of HK$776 million (2016: HK$795 million), representing a decrease of HK$19 million.

The gearing ratio of the Group is measured as total borrowings net of cash and bank balances divided by total assets. The Group had a net cash position as at 30 September 2017, and as a result, no gearing ratio was presented.

It is the policy of the Group to adopt a consistently prudent financial management strategy, and sufficient liquidity is maintained with appropriate levels of borrowings to meet the funding requirements of the Group's investments and operations.

CHARGE ON ASSETS

As at 30 September 2017, bank deposits of certain subsidiaries of the Group in the amount of HK$56 million (2016: HK$45 million) were pledged, including HK$24 million (2016: HK$32 million) for securing bank loans granted by banks in Mainland China to customers to purchase the Group’s products, HK$29 million (2016: HK$10 million) for securing the issuance of bank acceptance notes, included in the trade and bills payables, to suppliers, and HK$3 million (2016: HK$3 million) to guarantee payments of construction work for industrial buildings.

CAPITAL COMMITMENTS

As at 30 September 2017, the Group had capital commitments of HK$9 million (2016: HK$1 million), mainly in respect of the construction work for industrial buildings and the purchases of production equipment in Mainland China and Hong Kong, which are to be funded by internal resources of the Group.

TREASURY AND FOREIGN EXCHANGE RISK MANAGEMENT

The Group adopts a prudent approach in managing its funding. Funds, which are primarily denominated in Hong Kong Dollar, the Renminbi, the New Taiwanese Dollar, the U.S. Dollar and the Euro, are generally placed with banks in short or medium term deposits for working capital of the Group.

As at 30 September 2017, the Group had borrowings in Japanese yen equivalent to HK$23 million (2016: HK$26 million) for payments to suppliers in Japanese yen. The Group, from time to time, assesses the risk exposure on certain volatile foreign currencies and manages it in appropriate manner to minimize the risk.

The Group has substantial investments in Mainland China and is aware that any fluctuation of the Renminbi exchange rate would have an impact on the net profits of the Group. However, since most of the transactions of the Group are conducted in the Renminbi, the direct impact from the exchange losses on the Group’s operations and cash flows is slight.

CONTINGENT LIABILITIES

As at 30 September 2017, the Group provided guarantees to banks amounted to HK$37 million (2016: HK$38 million) for bank loans granted to customers to purchase the Group’s products; and a guarantee to a bank for guarantee provided to a customer amounted to HK$1.0 million (2016: HK$0.9 million).

HUMAN RESOURCES

As at 30 September 2017, the Group had approximately 2,400 (2016: 2,100) full-time employees. The Group offers good remuneration and welfare packages to its employees and maintains market-competitive pay levels. Employees are rewarded based on individual performance as well as the results performance of the Group.

The Group conducted regular programmes, including comprehensive educational and professional training, and social counselling activities, to its employees to enhance staff quality, standards of professional knowledge and teamwork spirit.

OUTLOOK FOR THE SECOND HALF

The second half of this financial year will mainly focus on the implementation of the new policies after China's "19th Congress". If China's economic growth can maintain the trend of the first half of this year and the implementation of environmental protection regulations is moderate, the economic growth is expected to continue. On the other hand, as the U.S. economy is unlikely to surprise in the second half of this year, the Federal Reserve is likely to continue its roadmap on ending quantitative easing. No new disturbances has so far occurred in Europe to materially affect their economies. Therefore, in a nutshell, the Group projects that the markets in the second half of this year should remain relatively steady.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 September 2017, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, except for the following deviations:

Code provision A.4.2 provides that every director should be subject to retirement by rotation at least once every three years. The directors of the Company (except the Chairman of the Company) are subject to retirement by rotation at least once every three years as the Chen Hsong Holdings Limited Company Act, 1991 of Bermuda provides that the chairman and managing director of the Company are not required to retire by rotation.

Code provision E.1.2 requires that the chairman of the board should attend the annual general meeting. Dr. Chen CHIANG, the Chairman of the Board, was absent from the annual general meeting of the Company held on 12 September 2017. The chief executive officer (also an executive director) and other directors of the Company, together with the chairmen/members of the audit, nomination, remuneration and corporate governance committees, were available to answer any shareholders' questions regarding the activities of the Company and various Board committees.

Code provision A.6.7 requires that independent non-executive directors and other non-executive directors should attend general meetings. Mr. Michael Tze Hau LEE, the independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 12 September 2017 due to being sick that day.

COMPLIANCE WITH THE MODEL CODE AND THE CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted a Code of Conduct regarding Securities Transactions by the Directors (the "Code of Conduct") on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. The Company, after having made specific enquiry of all directors, confirms that all directors have complied with the required standard set out in the Code of Conduct and the Model Code for the six months ended 30 September 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2017.

REVIEW OF ACCOUNTS

The Audit Committee of the Company has reviewed with the Management the unaudited interim results for the six months ended 30 September 2017 and discussed internal controls and financial reporting matters, including the review of accounting principles and practices adopted by the Group.

On behalf of the Board
CHEN HSONG HOLDINGS LIMITED
Chen CHIANG
Chairman

Hong Kong, 27 November 2017

As at the date of this announcement, the executive directors of the Company are Dr. Chen CHIANG, Ms. Lai Yuen CHIANG, Mr. Chi Kin CHIANG, Mr. Stephen Hau Leung CHUNG and Mr. Sam Hon Wah NG, and the independent non-executive directors of the Company are Mr. Johnson Chin Kwang TAN, Mr. Anish LALVANI, Mr. Bernard Charnwut CHAN and Mr. Michael Tze Hau LEE.