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

(Incorporated in Bermuda with limited liability)

(Stock Code: 00057)

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

FINANCIAL HIGHLIGHTS			
	2018	2017	Change
RESULTS HIGHLIGHTS ***(HK$'000)***			
Revenue	**1,667,879**	1,450,877	15%
Profit before tax	**129,143**	78,759	64%
Profit attributable to equity holders of the Company	**101,877**	51,485	98%
Total assets	**3,695,700**	3,315,085	11%
Shareholders' funds	**2,867,827**	2,589,923	11%
Issued share capital	**63,053**	63,053	0%
Net current assets	**1,675,542**	1,518,680	10%
PER SHARE DATA			
Basic earnings per share *(HK cents)*	**16.2**	8.2	98%
Cash dividends per share *(HK cents)*	**8.0**	7.2	11%
Net assets per share *(HK$)*	**4.6**	4.1	12%
KEY FINANCIAL RATIOS			
Return on average shareholders' funds *(%)*	**3.7**	2.0	85%
Return on average total assets *(%)*	**2.9**	1.6	81%

SUMMARY OF RESULTS

The board of directors (the "Board") of Chen Hsong Holdings Limited (the "Company") announces that the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2018, together with comparative figures for the previous year, are as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2018

	Notes	**2018**	2017
		HK$'000	*HK$'000*
REVENUE	*3*	**1,667,879**	1,450,877
Cost of sales		**(1,244,913)**	(1,071,246)
Gross profit		**422,966**	379,631
Other income and gains, net		**65,203**	53,798
Selling and distribution expenses		**(183,798)**	(162,696)
Administrative expenses		**(127,129)**	(112,790)
Other operating expenses, net		**(50,217)**	(80,906)
Finance costs		**(1,248)**	(1,385)
Share of profits less losses of associates		**3,366**	3,107
PROFIT BEFORE TAX	*4*	**129,143**	78,759
Income tax expense	*5*	**(26,312)**	(27,406)
PROFIT FOR THE YEAR		**102,831**	51,353
ATTRIBUTABLE TO:			
Equity holders of the Company		**101,877**	51,485
Non-controlling interests		**954**	(132)
		102,831	51,353
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*7*		
Basic *(HK cents)*		**16.2**	8.2
Diluted *(HK cents)*		**16.2**	8.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2018

	2018	2017
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**102,831**	51,353
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	**229,570**	(90,676)
Share of other comprehensive income/(expenses) of associates	**3,339**	(2,830)
Net other comprehensive income/(expenses) to be reclassified to the income statement in subsequent periods	**232,909**	(93,506)
Other comprehensive income/(expenses) not to be reclassified to the income statement in subsequent periods:		
Actuarial gains/(losses) on defined benefit obligations	**203**	(1,807)
OTHER COMPREHENSIVE INCOME/ (EXPENSES) FOR THE YEAR, NET OF TAX	**233,112**	(95,313)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE YEAR	**335,943**	(43,960)
ATTRIBUTABLE TO:		
Equity holders of the Company	**333,391**	(42,940)
Non-controlling interests	**2,552**	(1,020)
	335,943	(43,960)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	**2018**	2017
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**703,147**	640,256
Investment properties		**320,736**	281,600
Prepaid land lease payments		**37,330**	36,011
Goodwill		**94,923**	94,923
Investments in associates		**32,627**	25,922
Deferred tax assets		**38,170**	34,947
Deposits for purchases of items of property, plant and equipment		**7,846**	2,050
Trade receivables	*8*	**22,588**	10,346
Finance lease receivables	*9*	**2,591**	9,575
Pledged bank deposits		**1,242**	1,693
Total non-current assets		**1,261,200**	1,137,323
CURRENT ASSETS			
Inventories		**802,495**	457,941
Trade and bills receivables	*8*	**844,181**	736,473
Deposits, prepayments and other receivables		**96,862**	38,605
Finance lease receivables	*9*	**33,643**	36,693
Pledged bank deposits		**45,755**	55,525
Cash and bank balances		**611,564**	852,525
Total current assets		**2,434,500**	2,177,762
CURRENT LIABILITIES			
Trade and bills payables	*10*	**475,857**	356,967
Other payables and accruals		**224,331**	191,625
Interest-bearing bank borrowings		**24,770**	73,422
Tax payable		**34,000**	37,068
Total current liabilities		**758,958**	659,082
NET CURRENT ASSETS		**1,675,542**	1,518,680
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,936,742**	2,656,003
NON-CURRENT LIABILITIES			
Other payables and accruals		**2,258**	3,041
Defined benefit obligations		**12,251**	20,769
Deferred tax liabilities		**39,253**	29,669
Total non-current liabilities		**53,762**	53,479
NET ASSETS		**2,882,980**	2,602,524

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 March 2018

	Notes	**2018**	2017
		HK$'000	*HK$'000*
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		**63,053**	63,053
Reserves		**2,804,774**	2,526,870
		2,867,827	2,589,923
Non-controlling interests		**15,153**	12,601
TOTAL EQUITY		**2,882,980**	2,602,524

NOTES:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. Defined benefit obligations are measured using the projected unit credit actuarial valuation method.

The adoption of the revised HKFRSs, that are effective for annual periods beginning on or after 1 April 2017, has had no significant financial effect on the Group’s consolidated financial statements.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on the geographical locations of customers. The following tables present revenue, results, certain assets, liabilities and expenditure information for the Group's operating segments for the years ended 31 March 2018 and 2017.

	Segment revenue from external customers		Segment results	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China and Hong Kong	**1,121,158**	1,016,325	**125,810**	80,874
Taiwan	**125,583**	101,161	**4,849**	4,440
Other overseas countries	**421,138**	333,391	**17,922**	11,414
	1,667,879	1,450,877	**148,581**	96,728

Reconciliation of results of operating segments to profit before tax is as follows:		
Operating segment results	**148,581**	96,728
Unallocated income and gains	**12,445**	12,406
Corporate and unallocated expenses	**(34,001)**	(32,097)
Finance costs	**(1,248)**	(1,385)
Share of profits less losses of associates	**3,366**	3,107
Profit before tax	**129,143**	78,759

2. OPERATING SEGMENT INFORMATION *(continued)*

	Segment assets		Segment liabilities	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China and Hong Kong	**2,543,604**	2,032,133	**573,938**	469,278
Taiwan	**142,869**	118,533	**34,877**	35,038
Other overseas countries	**326,866**	251,025	**105,882**	68,086
	3,013,339	2,401,691	**714,697**	572,402
Investments in associates	**32,627**	25,922	**-**	-
Unallocated assets	**649,734**	887,472	**-**	-
Unallocated liabilities	**-**	-	**98,023**	140,159
	3,695,700	3,315,085	**812,720**	712,561

Other segment information

	Depreciation and amortization		Other non-cash expenses/(income)		Impairment losses charged/(written-back) in the income statement, net		Capital expenditure	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China and Hong Kong	**50,018**	50,877	**(6,579)**	(5,889)	**(5,923)**	9,198	**52,599**	9,030
Taiwan	**1,266**	1,246	**-**	35	**(790)**	(592)	**2,431**	749
Other overseas countries	**4,050**	1,980	**(12)**	(54)	**(169)**	(388)	**4,706**	692
	55,334	54,103	**(6,591)**	(5,908)	**(6,882)**	8,218	**59,736**	10,471

2. OPERATING SEGMENT INFORMATION *(continued)*

	Non-current assets	
	2018	2017
	HK$'000	*HK$'000*
Mainland China and Hong Kong	**1,102,049**	989,472
Taiwan	**94,259**	90,933
Other overseas countries	**301**	357
	1,196,609	1,080,762

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets and financial instruments.

Information about major customers

For the years ended 31 March 2018 and 2017, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

3. REVENUE

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

4. PROFIT BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**1,244,913**	1,071,246
Depreciation	**53,951**	52,708
Amortization of prepaid land lease payments	**1,383**	1,395
Loss on disposal of items of property, plant and equipment	**27**	1,128
Write-off of items of property, plant and equipment	**2,248**	251
Write-back of impairment of trade and bills receivables, net	**(1,583)**	(6,865)
Impairment of finance lease receivables	**1,050**	602
Provision/(write-back of provision) for inventories, net	**(4,415)**	13,967
Impairment/(write-back of impairment) of other receivables, net	**(1,934)**	514
Foreign exchange differences, net	**3,594**	42,809
Fair value gains on investment properties	**(8,512)**	(7,086)
Interest income	**(9,996)**	(10,677)
Finance lease interest income	**(2,449)**	(1,729)
Write-off of aged liabilities	**(354)**	(201)

5. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong or has available tax losses brought forward from prior years to offset the assessable profits generated during the year. For the year ended 31 March 2017, Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2018	2017
	HK$'000	*HK$'000*
Current:		
Charge for the year		
Hong Kong	**-**	1
Elsewhere	**18,560**	25,200
Underprovision/(overprovision) in prior years	**718**	(63)
Deferred	**7,034**	2,268
Tax charge for the year	**26,312**	27,406

6. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends paid during the year:		
Final in respect of the financial year ended 31 March 2017 - HK$0.026 (year ended 31 March 2016: HK$0.006) per ordinary share	**16,394**	3,783
Special final in respect of the financial year ended 31 March 2017 - HK$0.032 (year ended 31 March 2016: HK$0.032) per ordinary share	**20,177**	20,177
Interim - HK$0.03 (2017: HK$0.014) per ordinary share	**18,916**	8,827
	55,487	32,787

6. DIVIDENDS *(continued)*

	2018 HK$'000	2017 HK$'000
Proposed final and special final dividends:		
Final - HK$0.05 (2017: HK$0.026) per ordinary share	**31,527**	16,394
Special final - Nil (2017: HK$0.032 per ordinary share)	**-**	20,177
	31,527	36,571

7. 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 year of HK$101,877,000 (2017: HK$51,485,000) and on the weighted average number of ordinary shares of 630,531,600 (2017: 630,531,600) in issue during the year.

No adjustment has been made to the basic earnings per share presented for the years ended 31 March 2018 and 2017 as the Group had no potentially dilutive ordinary shares in issue during these years.

8. TRADE AND BILLS RECEIVABLES

	Notes	2018 *HK$'000*	2017 *HK$'000*
Trade receivables		**682,881**	596,767
Impairment		**(87,801)**	(89,390)
Trade receivables, net	*(a)*	**595,080**	507,377
Bills receivable	*(b)*	**271,689**	239,442
Total trade and bills receivables		**866,769**	746,819
Portion classified as non-current portion		**(22,588)**	(10,346)
Current portion		**844,181**	736,473

8. **TRADE AND BILLS RECEIVABLES** *(continued)*

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$85,815,000 (2017: HK$49,264,000) which are interest-bearing at an average interest rate of 6.1% (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 ageing 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:

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**258,879**	227,792
91 to 180 days	**118,578**	112,937
181 to 365 days	**155,670**	119,921
Over 1 year	**61,953**	46,727
	595,080	507,377

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

	2018	2017
	HK$'000	*HK$'000*
Current (neither past due nor impaired)	**353,660**	276,521
Less than 90 days past due	**123,292**	128,905
91 to 180 days past due	**50,078**	47,101
Over 180 days past due	**64,360**	50,043
	591,390	502,570

8. TRADE AND BILLS RECEIVABLES *(continued)*

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

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**121,423**	124,416
91 to 180 days	**106,575**	77,771
181 to 365 days	**43,691**	37,255
	271,689	239,442

9. 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 1 month to 2 years (2017: 9 months to 3 years). The customers shall purchase the leased injection moulding machines at the end of lease terms of the finance leases.

	2018	2017
	HK$'000	*HK$'000*
Finance lease receivables	**37,951**	46,870
Impairment	**(1,717)**	(602)
Finance lease receivables, net	**36,234**	46,268
Portion classified as non-current portion	**(2,591)**	(9,575)
Current portion	**33,643**	36,693

9. FINANCE LEASE RECEIVABLES *(continued)*

At 31 March 2018, 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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts receivable:				
Within one year	**34,571**	38,516	**33,643**	36,693
In the second year	**2,639**	10,092	**2,591**	9,575
Total minimum finance lease receivables	**37,210**	48,608	**36,234**	46,268
Unearned finance income	**(976)**	(2,340)		
Total net finance lease receivables	**36,234**	46,268		
Portion classified as current assets	**(33,643)**	(36,693)		
Non-current portion	**2,591**	9,575		

No contingent income was recognized during the year ended 31 March 2018 (2017: Nil).

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

	2018	2017
	HK$'000	*HK$'000*
Current (neither past due nor impaired)	**21,708**	37,169
Less than 90 days past due	**4,825**	4,587
91 to 180 days past due	**2,242**	2,372
Over 180 days past due	**6,804**	1,227
	35,579	45,355

10. TRADE AND BILLS PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**326,244**	221,133
91 to 180 days	**65,552**	61,638
181 to 365 days	**67,759**	55,812
Over 1 year	**16,302**	18,384
	475,857	356,967

The trade and bills payables are non-interest-bearing and are normally settled on terms of 3 to 6 months.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK5.0 cents (2017: a final dividend of HK2.6 cents and a special final dividend of HK3.2 cents) per ordinary share for the year ended 31 March 2018, subject to shareholders' approval at the forthcoming annual general meeting of the Company (the "AGM") to be held on Wednesday, 22 August 2018. Together with the interim dividend of HK3.0 cents (2017: HK1.4 cents) per ordinary share, the total dividend for the year ended 31 March 2018 will be HK8.0 cents (2017: HK7.2 cents) per ordinary share.

The final dividend will be paid on or about Friday, 14 September 2018 to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 30 August 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Wednesday, 22 August 2018, the Register of Members of the Company will be closed from Friday, 17 August 2018 to Wednesday, 22 August 2018, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM to be held on Wednesday, 22 August 2018, 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 Thursday, 16 August 2018.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders of the Company at the AGM to be held on Wednesday, 22 August 2018. The record date for entitlement to the proposed final dividend is Thursday, 30 August 2018. For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed from Tuesday, 28 August 2018 to Thursday, 30 August 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final 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 Monday, 27 August 2018.

MANAGEMENT’S DISCUSSION & ANALYSIS

BUSINESS PERFORMANCE

For the financial year ended 31 March 2018, the Group registered total turnover growth of 15% to HK$1,668 million (2017: HK$1,451 million). Profit attributable to equity holders rose to HK$102 million (2017: HK$51 million). Basic earnings per share was HK16.2 cents (2017: HK8.2 cents). The Board recommended the payment of a final dividend of HK5.0 cents (2017: HK2.6 cents) per share for this financial year.

During the course of this financial year, there were drastic changes in China as well as in many countries globally, resulting in great differences between the two halves of the financial year. During the first half of this financial year, China’s Gross Domestic Product “GDP” growth rate and Purchasing Managers’ Index “PMI” successfully engineered a wonderful turnaround after six consecutive years of decline in GDP growth rate and PMI was under 50 for a long period of time. GDP growth reached an astounding 6.9%, way in excess of consensus expectations, which prompted the International Monetary Fund to adjust upwards its China economic forecasts four times during the year. Entering the second half of the financial year, however, a number of events acted in concert to drag this speeding locomotive into a grudging slow-down: rampant uncertainties surrounding major policy, constitutional and leadership changes in the 19th National Congress of the Communist Party in October 2017, as well as a sudden wave of “environmental and safety” inspections throughout the country, the strictness and strong-handedness unseen in recent history. These events and uncertainties had put a damper on new capital investments.

Almost a complete mirror opposite of China, global markets started off the financial year lacklustre, albeit steadily improving, during the first half of the financial year, with many western economies (such as the USA, Europe) and Japan continuing their slow recovery tracks which did not only lag behind China, but were also constantly plagued by rising protectionist sentiments in the USA. Entering the second half of the financial year, however, worldwide economic conditions appeared to go from strength to strength, improving even further than expected, with growth rates climbing and even certain developing countries that were hampered by regional political instabilities starting to find their ways out from difficulties.

Despite major changes in this financial year’s operating environment, the Group still racked up solid results from new product lines, in particular the MK6 “Sixth Generation” series of high-performance injection moulding machines as well as advanced two-platen large-tonnage machines. Especially encouraging had been the MK6 series – design led by Japanese experts, the MK6 completed its first full year of large-scale deployment and its remarkable price-performance ratio and superb stability made it an instant hit and most talked-about product in the entire market, with a high repeat order rate. The MK6 series already accounted for almost half of all sales of major small-to-medium-tonnage machines by the Group, and this ratio is expected to increase in the future.

MARKET ANALYSIS

Breakdown of turnover, based on the location of customers, for the year ended 31 March 2018 is as follows:

Customer Location	**2018** *(HK$ million)*	2017 *(HK$ million)*	Change
Mainland China and Hong Kong	**1,121**	1,017	+10%
Taiwan	**126**	101	+25%
Other overseas countries	**421**	333	+26%
	1,668	1,451	+15%

China GDP first exceeded RMB80 trillion in 2017 – a growth of 6.9% over 2016 and the first sustained increase in growth rate since 2011. All major indicators (including PMI) for China reported positive during the first half of the financial year, and the Group also benefited from widespread market acceptance, and significant increase in sales, of its new MK6 “Sixth Generation” product line. In addition, sales of advanced two-platen large-tonnage machines also doubled that of the previous year. As a result, the Group’s turnover in China registered a high 27% growth during the first half of this financial year comparing with the same period of last year.

Nevertheless, a robust market helped highlight unresolved, deep structural issues, such as rampant over-capacity and the real estate bubble. As the official report from the 19th National Congress of the Communist Party, held in October 2017, put clearly: The year 2017 is pivotal for achieving the goals set out in the 13th Five-Year Plan; it is the critical year for structural supply-side reforms. The report further stated that the Chinese economy, having graduated from its growth-dominant infant stage to becoming a “Modern Economic System,” the next stage would be quality developments, in particular shifting emphasis towards the quality and efficiency aspects – “better instead of more.” A natural consequence of this wind change was a gradual transformation of the economy from being largely investments-driven and export to consumption-driven. To mitigate this transformation, as well as to defuse a looming stagflation and state-owned-enterprises (SOE) debt crisis, the Central Government launched “The Toughest Real-Estate Central Policy in History” during late 2017. A record-breaking 52 new real-estate-related policies were released in 45 different cities throughout the country in the month of September alone – and these policies no longer left second- to third-tier cities (where real estate prices still on the rise) alone. These drastic actions unavoidably affected general investment sentiments during the second half of this financial year.

Starting from August/September 2017, just before the 19th National Congress of the Communist Party, the Central Government also launched a new, extremely strong-handed wave of environmental and safety inspections throughout the country, "Replacing gold and silver mountains with green hills and clear waters" being the national outcry. All levels of regional and local government agencies started shutting down and sealing off non-conforming factories and product lines in a high-speed bid to stop polluting processes and improve environmental conditions. Due to the sudden, and no forewarning, nature of the movements, as well as the unprecedented hardness of enforcement, a large number of small-to-medium manufacturing enterprises were caught off-guard (and red-handed), many of them in a state of being shut down during most of the second half of this financial year. This policy wave affected customers of the Group in a particularly major degree, as the injection moulding processes itself has clear and unavoidable environmental concerns. Consequently, the Group's turnover in China during the second half of this financial year ended up dropped slightly comparing with that of last year. The average turnover growth in China Market was 10% for the entire financial year, with turnover of HK$1,121 million (2017: HK$1,017 million).

The Central Government's environmental enforcement appeared to have obtained expected results, with environmental quality of the "Capital Circle" (i.e. Beijing, Tianjin and Hebei) markedly improving – PM2.5 dropped significantly for the first time at the end of 2017, a clear reversal of normal trends. It is, therefore, quite certain that such environment policies will persist into the near future, and so it will likely continue to affect China market sentiments. Nevertheless, the Group believes that, with the new MK6 series reaching a high repeat order rate and advanced two-platen machines still having unmet needs, the widespread reception of these new product lines can compensate for any adverse impacts of policy on market, and that the Group's China turnover growth will return to better numbers.

International markets were the mirror opposite of China conditions, with a number of developing countries (especially in the Middle East) plagued by regional political instabilities and the U.S. protectionist sentiments. Growth rate of turnover during the first half of this financial year was only a mild 10% comparing with the same period of last year. Entering the second half of this financial year, however, all problems seemed to resolve themselves, with many negative sentiments disappearing, such as the U.S. protectionist policies. As a result, the Group's sales turnover in many countries rose significantly during the second half of this financial year, which was especially so for the troubled Middle East region. Other regions, such as South East Asia, North and South Americas, continued to growth strongly. Although the U.S. Dollar also appreciated substantially during the second half of this financial year, sowing the seed of future currency problems, the Group still registered high turnover growth of 26% in international markets during this financial year to HK$421 million (2017: HK$333 million).

Taiwan customers, being reliant primarily on developed European and USA markets, benefited greatly from the international recovery. Therefore, Taiwan was the most steady performing region during this financial year, with turnover rising 25% to HK$126 million (2017: HK$101 million).

DEVELOPMENT OF NEW TECHNOLOGIES AND NEW PRODUCTS

Leveraging on the success of the new MK6 "Sixth Generation" series, the Group has gradually accumulated significant expertise on the very difficult technical issue of maintaining high stability and control during high-speed production processes. Based on this understanding, the Group successfully developed and launched a new series of ultra-high-speed injection moulding machines with stability that exceeds industry expectations. "Ultra-High-Speed Machine" is generally defined to be a product line with: 1) injection speed exceeding 250-300mm/s and, 2) cycle time within 3-5 seconds. Maintaining absolute precision during ultra-high-speed motion is an universally acknowledged challenging control problem, the solution of which requires overcoming substantial technical hurdles.

The result of the Group's latest R&D effort – the all-new SPEED-PACK series packaging machines – was first displayed during the 2018 ChinaPlas international exhibition in Shanghai to a worldwide audience. Everybody who witnessed the machine in operation seemed to be singing its praises, and seemed to have come to a simple consensus: it is super stable with amazing speed. The Group is certain that the SPEED-PACK, together with other SPEED-series product lines, can help break through to new market positions not attainable before.

PRODUCTION EFFICIENCY AND CAPACITY

In order to further enhance production efficiency as well as to provide for the ever-increasing demand for precision manufacturing for new product lines, the Group has commissioned new task forces specifically tasked to optimize the current production processes, as well as to start developing intelligent controls for such processes. The ultimate purpose of this is to, through adapting intelligent manufacturing techniques, reduce the uncertainties of manual assembly, inject much-needed flexibility into current systems, and ensure quality stability in high-end product lines. The Group believes that this technical direction is necessary to revitalize the traditional, trusted manufacturing processes in anticipation of a new age of connected intelligences towards which the world is rapidly converging. Intelligent manufacturing will be a firm basis for developing and producing the future high-end products that the Group will eventually introduce.

FINANCIAL REVIEW

Liquidity and Financial Conditions

As at 31 March 2018, the Group had net current assets of HK$1,676 million (2017: HK$1,519 million), which represented a 10% increase over last year. Cash and bank balances (including pledged deposits) amounted to HK$659 million (2017: HK$910 million), representing a decrease of HK$251 million as compared to last year. The bank borrowing was HK$25 million (2017: HK$73 million), decreased by HK$48 million, which was short term loan with floating interest rates for general working capital purposes. The Group recorded a net cash position of HK$634 million (2017: HK$837 million), representing a decrease of HK$203 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 31 March 2018. As a result, no gearing ratio was presented.

It is the policy of the Group to adopt a consistently prudent financial management strategy, 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 31 March 2018, bank deposits of certain subsidiaries of the Group in the amount of HK$47 million (2017: HK$57 million) were pledged, including HK$20 million (2017: HK$30 million) for securing bank loans granted by banks in Mainland China to customers to purchase the Group's products, HK$27 million (2017: HK$24 million) for securing the issuance of bank acceptance notes, recorded in the trade and bills payables, to suppliers. As at 31 March 2017, bank deposits of HK$3 million were pledged as a guarantee for payments of construction costs of industrial buildings.

Capital Commitments

As at 31 March 2018, the Group had capital commitments of HK$8 million (2017: HK$10 million), mainly in respect of the construction of industrial buildings and the purchases of production equipment in Mainland China 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, are primarily denominated in the 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 31 March 2018, the Group had a borrowing in Japanese yen equivalent to HK$25 million (2017: HK$23 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.

During the year, net foreign exchange losses decreased substantially as compared with last year because of the lack of foreign exchange losses on the sizable depreciation of the Renminbi experienced in last year. The Group has substantial investments in Mainland China and is aware that any fluctuation of the Renminbi would have an impact on the net profits of the Group. However, since most of the transactions of the Group are conducted with the Renminbi, the direct impact from the exchange losses on the Group's operations and cash flows is slight.

Contingent Liabilities

As at 31 March 2018, the Group provided (i) guarantees to banks amounted to HK$38 million (2017: HK$30 million) for bank loans granted to customers to purchase the Group's products; and (ii) performance guarantees to a bank amounted to HK$3 million (2017: HK$1 million) provided to customers.

HUMAN RESOURCES

As at 31 March 2018, the Group had approximately 2,500 (2017: 2,300) 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 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 COMING YEAR

Although the so-called "Environmental Storm" is still raging in parts of China, most manufacturing enterprises have returned to normal operations. It is projected that market conditions in China in the coming year will be a gradual improvement, but unlikely to be as red-hot as the first half of this financial year. There are also dark clouds over the horizon in international markets, with a strong U.S. Dollar driving currency devaluations all over the globe (but not the Renminbi), the U.S. Federal Reserve's interest rate rising to material levels, and wavering trade policies (including trade arguments with China).

2018 is the Group's 60th Year Anniversary. Having sailed through a solid 60 years of endeavours since 1958, the steady, reliable and trustworthy Chen Hsong Group will undergo a metamorphosis into a new Chen Hsong, tailored made to be successful in the next 60 years, with all the original strengths, but also with high new spirits, revolutionary new products and technologies, as well as a more energetic and dynamic look. Please stay tuned for more remarkable changes to come.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 March 2018, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 then Chairman of the Board and now the Honorary Chairman of the Company, 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.

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 throughout the year ended 31 March 2018.

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 year ended 31 March 2018.

SCOPE OF WORK OF INDEPENDENT AUDITOR ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2018 have been agreed by the Company's auditor to the figures set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and, consequently, no assurance has been expressed by the Company's auditor on the preliminary announcement.

AUDIT COMMITTEE REVIEW

The Audit Committee of the Company has reviewed with the Management the consolidated financial statements for the year ended 31 March 2018 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
Lai Yuen CHIANG
Chairman

Hong Kong, 27 June 2018

As at the date of this announcement, the executive directors of the Company are 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.