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 2019

FINANCIAL HIGHLIGHTS			
	2019	2018	Change
RESULTS HIGHLIGHTS ***(HK$'000)***			
Revenue	**1,635,938**	1,667,879	-2%
Profit before tax	**124,007**	129,143	-4%
Profit attributable to equity holders of the Company	**90,279**	101,877	-11%
Total assets	**3,451,745**	3,695,700	-7%
Shareholders' funds	**2,751,932**	2,867,827	-4%
Issued share capital	**63,053**	63,053	0%
Net current assets	**1,612,556**	1,675,542	-4%
PER SHARE DATA			
Basic earnings per share *(HK cents)*	**14.3**	16.2	-12%
Cash dividends per share *(HK cents)*	**7.0**	8.0	-13%
Net assets per share *(HK$)*	**4.4**	4.6	-4%
KEY FINANCIAL RATIOS			
Return on average shareholders' funds *(%)*	**3.2**	3.7	-14%
Return on average total assets *(%)*	**2.5**	2.9	-14%

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 2019, together with comparative figures for the previous year, are as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
REVENUE	*3*	**1,635,938**	1,667,879
Cost of sales		**(1,282,334)**	(1,244,913)
Gross profit		**353,604**	422,966
Other income and gains, net		**140,019**	65,203
Selling and distribution expenses		**(178,032)**	(183,798)
Administrative expenses		**(122,738)**	(127,129)
Other operating expenses, net		**(67,935)**	(50,217)
Finance costs		**(1,954)**	(1,248)
Share of profits less losses of associates		**1,043**	3,366
PROFIT BEFORE TAX	*4*	**124,007**	129,143
Income tax expense	*5*	**(34,778)**	(26,312)
PROFIT FOR THE YEAR		**89,229**	102,831
ATTRIBUTABLE TO:			
Equity holders of the Company		**90,279**	101,877
Non-controlling interests		**(1,050)**	954
		89,229	102,831
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*7*		
Basic *(HK cents)*		**14.3**	16.2
Diluted *(HK cents)*		**14.3**	16.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**89,229**	102,831
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Other comprehensive income/(expenses) that may be reclassified to the income statement in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(158,374)**	229,570
Share of other comprehensive income/(expenses) of associates	**(2,459)**	3,339
Net other comprehensive income/(expenses) that may be reclassified to the income statement in subsequent periods	**(160,833)**	232,909
Other comprehensive income that will not be reclassified to the income statement in subsequent periods:		
Actuarial gains on defined benefit obligations	**1,701**	203
Gain on property revaluation	**3,409**	-
Income tax effect	**(852)**	-
	2,557	-
Net other comprehensive income that will not be reclassified to the income statement in subsequent periods	**4,258**	203
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR, NET OF TAX	**(156,575)**	233,112
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	**(67,346)**	335,943
ATTRIBUTABLE TO:		
Equity holders of the Company	**(65,452)**	333,391
Non-controlling interests	**(1,894)**	2,552
	(67,346)	335,943

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**614,628**	703,147
Investment properties		**372,007**	320,736
Prepaid land lease payments		**34,206**	37,330
Goodwill		**94,923**	94,923
Investments in associates		**31,211**	32,627
Deferred tax assets		**38,549**	38,170
Deposits for purchases of items of property, plant and equipment		**8,135**	7,846
Trade receivables	*8*	**30,779**	22,588
Finance lease receivables	*9*	**4,215**	2,591
Pledged bank deposits		**21**	1,242
Total non-current assets		**1,228,674**	1,261,200
CURRENT ASSETS			
Inventories		**552,996**	802,495
Trade and bills receivables	*8*	**884,319**	844,181
Deposits, prepayments and other receivables		**60,060**	96,862
Finance lease receivables	*9*	**37,816**	33,643
Pledged bank deposits		**20,063**	45,755
Cash and bank balances		**667,817**	611,564
Total current assets		**2,223,071**	2,434,500
CURRENT LIABILITIES			
Trade and bills payables	*10*	**299,340**	475,857
Other payables, accruals and contract liabilities		**202,480**	224,331
Interest-bearing bank borrowings		**73,893**	24,770
Tax payable		**34,802**	34,000
Total current liabilities		**610,515**	758,958
NET CURRENT ASSETS		**1,612,556**	1,675,542
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,841,230**	2,936,742
NON-CURRENT LIABILITIES			
Other payables and accruals		**11,114**	2,258
Defined benefit obligations		**8,173**	12,251
Deferred tax liabilities		**55,867**	39,253
Total non-current liabilities		**75,154**	53,762
NET ASSETS		**2,766,076**	2,882,980

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	**63,053**	63,053
Reserves	**2,688,879**	2,804,774
	2,751,932	2,867,827
Non-controlling interests	**14,144**	15,153
TOTAL EQUITY	**2,766,076**	2,882,980

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 Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment and hedge accounting.

The Group has chosen to recognize any transition adjustments against opening balances in equity at 1 April 2018. Therefore, the comparative information was not stated and continues to be reported under HKAS 39. The Group has performed an assessment of the impact of adoption of HKFRS 9. The impacts related to the classification and measurement and the impairment requirements are summarized as follows:

Classification and measurement

The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the Group's financial liabilities. Management has assessed which business models apply to the financial assets held by the Group and has classified the financial assets as debt instruments at amortised cost under HKFRS 9, which were previously classified as loans and receivables under HKAS 39. The carrying amounts of all financial assets and financial liabilities as at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortized cost that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss ("ECL") model either on a twelve-month basis or a lifetime basis. The Group has applied the simplified approach and recorded lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables and finance lease receivables. Furthermore, the Group has applied the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other financial assets within the next twelve months. The Group concluded that HKFRS 9 has had no significant impact on the impairment assessment of its financial assets and no transition adjustment against the opening balance in equity at 1 April 2018 was made.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018. The cumulative effect of the initial application of HKFRS 15 was recognized as an adjustment to the opening balance of retained profits as at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 18 and related interpretations. The Group concluded that other than more presentation and disclosure requirements such as the disclosure of disaggregated revenue information and the reclassification of contract liabilities from other payables, there is no change in the timing of revenue recognition, i.e. the Group continues to recognize revenue at a point in time when the goods are delivered. As such, no adjustment was required to the Group's retained profits as at 1 April 2018.

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration from the customer in advance. In this regard, cash or bank acceptance notes collected from certain customers before product delivery which were recognized as receipt in advance before 1 April 2018, is recognized as contract liabilities since 1 April 2018. Therefore, upon adoption of HKFRS 15, the Group reclassified HK$71,590,000 from other payables to contract liabilities as at 1 April 2018 in relation to the consideration received from customers in advance as at 1 April 2018.

1. **BASIS OF PREPARATION AND ACCOUNTING POLICIES** *(continued)*

(b) *(continued)*

Generally, the Group's trading terms with its customers are either cash on delivery, bank bills or on credit. For contracts with certain customers, the Group allows the customers to settle the trade receivables by installments with credit periods of 12 months to 24 months in general ("Installment Contracts"). Those trade receivables are interest-bearing. The Group recognizes the entire contract amount as revenue when significant risks and rewards and control of the plastic injection moulding machines and related products are transferred to customers, generally upon delivery of the goods. Upon the adoption of HKFRS 15, the Group has to determine whether there is a significant financing component in contracts with customers. For Installment Contracts, the Group concluded that they contain a financing component because of the length of time between when the customers pay for the goods and when the Group transfers goods to the customers, as well as the prevailing interest rates in the market. The transaction price for those contracts is determined by discounting the amount of promised consideration using the appropriate discount rate. The Group has concluded that the adoption of HKFRS 15 has had no significant impact on the financial performance of the Group.

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 2019 and 2018.

	Segment revenue from external customers		**Segment results**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China and Hong Kong	**1,061,796**	1,121,158	**112,726**	125,810
Taiwan	**125,133**	125,583	**4,401**	4,849
Other overseas countries	**449,009**	421,138	**26,750**	17,922
	1,635,938	1,667,879	**143,877**	148,581

	2019	2018
Reconciliation of results of operating segments to profit before tax is as follows:		
Operating segment results	**143,877**	148,581
Unallocated income and gains	**10,869**	12,445
Corporate and unallocated expenses	**(29,828)**	(34,001)
Finance costs	**(1,954)**	(1,248)
Share of profits less losses of associates	**1,043**	3,366
Profit before tax	**124,007**	129,143

2. OPERATING SEGMENT INFORMATION *(continued)*

	Segment assets		Segment liabilities	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China and Hong Kong	**2,197,534**	2,543,604	**428,621**	573,938
Taiwan	**154,090**	142,869	**29,832**	34,877
Other overseas countries	**362,544**	326,866	**62,654**	105,882
	2,714,168	3,013,339	**521,107**	714,697
Investments in associates	**31,211**	32,627	**-**	-
Unallocated assets	**706,366**	649,734	**-**	-
Unallocated liabilities	**-**	-	**164,562**	98,023
	3,451,745	3,695,700	**685,669**	812,720

Other segment information

	Depreciation and amortization		Other non-cash income		Impairment losses charged/(written-back) in the income statement, net		Capital expenditure	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China and Hong Kong	**53,978**	50,018	**(69,242)**	(6,579)	**4,582**	(5,923)	**15,385**	52,599
Taiwan	**1,583**	1,266	**(635)**	-	**112**	(790)	**899**	2,431
Other overseas countries	**2,859**	4,050	**(2,311)**	(12)	**616**	(169)	**1,740**	4,706
	58,420	55,334	**(72,188)**	(6,591)	**5,310**	(6,882)	**18,024**	59,736

2. OPERATING SEGMENT INFORMATION *(continued)*

	Non-current assets	
	2019	2018
	HK$'000	*HK$'000*
Mainland China and Hong Kong	**1,066,466**	1,102,049
Taiwan	**87,782**	94,259
Other overseas countries	**862**	301
	1,155,110	1,196,609

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 2019 and 2018, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

3. REVENUE

The Group's revenue from contracts with customers is related to sales of goods, and all the revenue is recognized at a point in time when control of goods is transferred to customers generally on delivery of the goods.

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers	**1,635,938**	-
Sale of goods	**-**	1,667,879
	1,635,938	1,667,879

Disaggregated revenue information
For the year ended 31 March 2019

	HK$'000
Revenue from contracts with customers	
- sale of goods	
Geographical markets	
Mainland China and Hong Kong	**1,061,796**
Taiwan	**125,133**
Other overseas countries	**449,009**
Total revenue from contracts with customers	**1,635,938**

3. REVENUE *(continued)*

The following table shows the amounts of revenue recognized in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019
	HK$'000
Revenue recognized that was included in contract liabilities at the beginning of the reporting period	
Sale of goods	**57,029**

Performance obligations

Information about the Group's performance obligations is summarized below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due between 30 and 180 days from delivery.

4. PROFIT BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold	**1,282,334**	1,244,913
Depreciation	**57,033**	53,951
Amortization of prepaid land lease payments	**1,387**	1,383
Loss/(gain) on disposal of items of property, plant and equipment	**(513)**	27
Write-off of items of property, plant and equipment	**770**	2,248
Impairment/(write-back of impairment) of trade receivables, net	**4,720**	(1,583)
Impairment/(write-back of impairment) of finance lease receivables, net	**(715)**	1,050
Provision/(write-back of provision) for inventories, net	**976**	(4,415)
Impairment/(write-back of impairment) of other receivables, net	**329**	(1,934)
Foreign exchange differences, net	**15,986**	3,594
Fair value gains on investment properties	**(64,119)**	(8,512)
Interest income	**(8,865)**	(9,996)
Finance lease interest income	**(2,004)**	(2,449)
Write-off of aged liabilities	**(8,326)**	(354)

5. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2018: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2019	2018
	HK$'000	*HK$'000*
Current:		
Charge for the year		
Hong Kong	**-**	-
Elsewhere	**18,383**	18,560
Underprovision in prior years	**695**	718
Deferred	**15,700**	7,034
Tax charge for the year	**34,778**	26,312

6. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Dividends paid during the year:		
Final in respect of the financial year ended 31 March 2018 - HK$0.05 (year ended 31 March 2017: HK$0.026) per ordinary share	**31,527**	16,394
Special final in respect of the financial year ended 31 March 2018 – Nil (year ended 31 March 2017: HK$0.032) per ordinary share	**-**	20,177
Interim - HK$0.03 (2018: HK$0.03) per ordinary share	**18,916**	18,916
	50,443	55,487

	2019	2018
Proposed final dividends:		
Final - HK$0.04 (2018: HK$0.05) per ordinary share	**25,221**	31,527

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$90,279,000 (2018: HK$101,877,000) and on the weighted average number of ordinary shares of 630,531,600 (2018: 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 2019 and 2018 as the Group had no potentially dilutive ordinary shares in issue during these years.

8. TRADE AND BILLS RECEIVABLES

		2019	2018
	Notes	***HK$'000***	*HK$'000*
Trade receivables		**713,646**	682,881
Impairment		**(81,062)**	(87,801)
Trade receivables, net	*(a)*	**632,584**	595,080
Bills receivable	*(b)*	**282,514**	271,689
Total trade and bills receivables		**915,098**	866,769
Portion classified as non-current portion		**(30,779)**	(22,588)
Current portion		**884,319**	844,181

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$79,663,000 (2018: HK$85,815,000) which are interest-bearing at an average interest rate of 6.1% (2018: 6.1%) per annum and with credit periods of 12 months to 24 months in general, the remaining trade and bills receivables are non-interest-bearing.

8. TRADE AND BILLS RECEIVABLES *(continued)*

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

	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**275,450**	258,879
91 to 180 days	**92,680**	118,578
181 to 365 days	**163,745**	155,670
Over 1 year	**100,709**	61,953
	632,584	595,080

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

	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**114,772**	121,423
91 to 180 days	**104,782**	106,575
181 to 365 days	**62,960**	43,691
	282,514	271,689

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 (2018: 1 month to 2 years). The customers shall purchase the leased injection moulding machines at the end of lease terms of the finance leases.

	2019	2018
	HK$'000	*HK$'000*
Finance lease receivables	**42,968**	37,951
Impairment	**(937)**	(1,717)
Finance lease receivables, net	**42,031**	36,234
Portion classified as non-current portion	**(4,215)**	(2,591)
Current portion	**37,816**	33,643

At 31 March 2019, 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**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts receivable:				
Within one year	**39,249**	34,571	**37,816**	33,643
In the second year	**4,329**	2,639	**4,215**	2,591
Total minimum finance lease receivables	**43,578**	37,210	**42,031**	36,234
Unearned finance income	**(1,547)**	(976)		
Total net finance lease receivables	**42,031**	36,234		
Portion classified as current assets	**(37,816)**	(33,643)		
Non-current portion	**4,215**	2,591		

No contingent income was recognized during the year ended 31 March 2019 (2018: Nil).

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:

	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**211,302**	326,244
91 to 180 days	**39,576**	65,552
181 to 365 days	**38,224**	67,759
Over 1 year	**10,238**	16,302
	299,340	475,857

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 HK4.0 cents (2018: HK5.0 cents) per ordinary share for the year ended 31 March 2019, subject to shareholders' approval at the forthcoming annual general meeting of the Company (the "AGM") to be held on Thursday, 22 August 2019. Together with the interim dividend of HK3.0 cents (2018: HK3.0 cents) per ordinary share, the total dividend for the year ended 31 March 2019 will be HK7.0 cents (2018: HK8.0 cents) per ordinary share.

The final dividend will be paid on or about Friday, 13 September 2019 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 30 August 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Thursday, 22 August 2019, the Register of Members of the Company will be closed from Monday, 19 August 2019 to Thursday, 22 August 2019, 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 Thursday, 22 August 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 16 August 2019.

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 Thursday, 22 August 2019. The record date for entitlement to the proposed final dividend is Friday, 30 August 2019. For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed from Wednesday, 28 August 2019 to Friday, 30 August 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 27 August 2019.

MANAGEMENT'S DISCUSSION & ANALYSIS

BUSINESS PERFORMANCE

For the financial year ended 31 March 2019, the Group registered essentially flat (dropped by 2%) total turnover to HK$1,636 million (2018: HK$1,668 million). Profit attributable to equity holders was HK$90 million (2018: HK$102 million). Basic earnings per share was HK14.3 cents (2018: HK16.2 cents). Profit attributable to equity holders already included an extra HK$12 million in net foreign exchange losses and HK$42 million in additional investment properties revaluation gains as compared with last year. The Board recommended the payment of a final dividend of HK4.0 cents (2018: HK5.0 cents) per share for this financial year.

This financial year marked the 10th anniversary of the last global financial crisis which started from collapse of the USA sub-mortgage market and ended with global economic devastation. Now in 2018, ten whole years later, global economic recovery remained lacklustre with new sources of instability rearing their ugly heads across the globe, such as unilateralism and protectionism. During the first half of the financial year, economic growth in major countries around the world appeared to have reached a plateau, while some developing countries were plagued by monetary and political turmoil. The Purchasing Managers' Index "PMI" figures of major industrial economies (including China but *excluding* USA) all fell off a cliff, which indicated an alarming contraction of the global manufacturing sector. The USA, in the meantime, proactively seek disputes with many other countries on trade issues, including starting an epic "trade war" with China. These protectionist actions triggered the widespread rise of populism and nationalism worldwide, causing geopolitical disputes while disrupting business sentiments everywhere.

Unilateralistic policies from the US Government, as the prime leading example, wiped out long-established trade arrangements practically overnight, encouraged arguments where there were none, and increasingly built up tariff barriers on a global scale. As USA protectionist actions remained unchecked and unchallenged, many countries in the world also started in-fighting among themselves – e.g. sanctions on Russia and Iran, Brexit, and Qatar leaving the OPEC – resulting in rising social instabilities – e.g. Italian budget deadlock, and French "yellow-vests" movements – and greatly increasing to the uncertainties surrounding global economic prospects.

PMI in most industrial countries in the world crashed through the 50 line and dropped to multi-year lows during the second half of the financial year, an indication that global manufacturing was in a state of acute decline – a state that would eventually persist until the first quarter of 2019. USA was the only bright spot among all western countries while Europe remained unhealthily weak. Among regions of developing countries, growth in Asia remained relatively healthy while others slowed down significantly; some countries (Argentina, Russia and Turkey in particular, India lesser so) encountered such catastrophic events as large-scale currency devaluation, exodus of foreign investments, stock market crash and sovereign debt crisis, causing red lights galore to flash on global market watcher screens.

The Group's turnover was sound entering into the first quarter of this financial year, but as the Sino-American trade war officially commenced in July, China PMI's crashed through the 50 line and the Renminbi exchange rate challenged the threshold level of 7, everything started going south simultaneously, and the Group ended the first half-year with only minor growth in turnover. Global economic sentiments further deteriorated through the second half of the financial year, reaching bottom in the final quarter. Still, the Group managed only a slight decline in full-year turnover, but as competition became cut-throat during the economic downtime and many customers putting investments on hold, heavy pressure was levied on the Group's average selling price. This, together with rising raw material prices in China (especially iron and steel) which placed further pressure on costs, were the main causes behind the drop in profits.

MARKET ANALYSIS

Breakdown of turnover, based on the location of customers, for the year ended 31 March 2019 is as follows:

Customer Location	**2019** ***(HK$ million)***	2018 *(HK$ million)*	Change
Mainland China and Hong Kong	**1,062**	1,121	-5%
Taiwan	**125**	126	-1%
Other overseas countries	**449**	421	+7%
	1,636	1,668	-2%

China's Gross Domestic Product "GDP" growth in 2018 official ended up to be 6.6% – a 28-year new low – largely due to the Sino-American trade war which resulted in tariff barriers erected on both sides. Right after the opening shots of the trade war, China manufacturing PMI rapidly crashed through the 50 line to a new 10-year low and stayed depressed until the first quarter of 2019. Import/export figures also showed a shocking shrinkage in December 2018, while factory activity indices deteriorated rapidly in January 2019. The China economy appeared to be weakening more quickly than expected.

The direct consequence of this weakening was an exodus of foreign investments, with foreign exchange reserves and a hammered stock market both registering largest drops in recent years. Persistent devaluation of the Renminbi also helped to accelerate the net outflow of foreign funds. Domestically, the tariffs and loss of business dealt made a heavy blow on general market confidence, leading to increased closing of factories which in turn led to rising unemployment. In fact, soon after the start of the Sino-American trade war, the Central Government specifically cautioned regional government departments to watch out for signs of “structural unemployment.” In addition, this economic downturn also magnified the seriousness of the regional government debt crisis.

Despite the extremely difficult market conditions, the Group managed to keep turnover decline in China within 5% for the financial year. This was mostly due to continued market popularity of the new MK6 “Sixth Generation” series of high-performance machines and the advanced two-platen large-tonnage models. At the end, the Group registered total turnover in China of HK$1,062 million (2018: HK$1,121 million).

Internationally, global economies mostly continued their mild growth trends during the beginning of this financial year, although there were already signs of slow-down. USA, on the other hand, exceeded expectations, which was probably the reason why it felt compelled to pick fights over trade agreements with numerous worldwide trading partners. With the U.S. Federal Reserve’s rate-rise cycle in full force leading to funds outflow from many developing countries in the world, and with protectionism and unilateralism rising under its banner, these reckless USA foreign policies would seriously disturb, and irreparably break-down the long-established international trade rules.

Market-wise, for most of the year, the Eurozone still remained relatively buoyant, and a number of important developing countries all posted respectable growth prospects – e.g. in India, Russia and Brazil. As a result, the Group registered strong turnover growth in the USA, Latin America (especially Brazil) and Europe. On the other hand, the Group underperformed in Asia and India, and especially in the Middle East which was plagued by political instabilities. As a whole, the Group’s international turnover grew by 7% over the same period last year to HK$449 million (2018: HK$421 million).

Taiwan customers were highly dependent on developed European and USA markets, so as a group they were relative stable during this financial year. The Group’s Taiwan turnover remained essentially flat at HK$125 million (2018: HK$126 million).

DEVELOPMENT OF NEW TECHNOLOGIES AND NEW PRODUCTS

2018 was the 60th anniversary of Chen Hsong Group. The Group held a large “Chen Hsong Super New Products Carnival” in the Shunde production facility on 12 December 2018, invited about 700 customers and business partners to participate. Four all-new product lines were launched during the event – it was rarely seen in the industry lately.

The four new product launches were:

- The most talked-about, most demanded, “SPARK” series of high-performance all-electric injection moulding machines
- MK6e “evolution” series of affordable machines

- An extension of the MK6 “Sixth Generation” product line to 1,600 tons
- MK6 XL ultra-large shot-volume injection moulding machines

Among these new launches, the “SPARK” series of all-electric machines completely stole the limelight. This all-new product line differs from traditional China-made all-electric competition in that it is the result of years of strategic technical cooperation and guidance from Japanese technology, with an unmatched mixture of speed, reliability, performance, flexibility and adaptability. It is a product that seeks to break through the technical glass ceiling between traditional China-made all-electric machines and high-end Japanese all-electric machines. The Group is highly confident that, before long, the “SPARK” will become synonymous with high-end all-electrics in the China market.

Another all-new product line, the MK6e “evolution” series, is no less impressive. As the Group’s next star product, the MK6e will help to better serve specific market segments which require high flexibility and adaptability in production, while the higher-performing MK6 series can focus on high-end applications. The letter “e” in “MK6e” stands for “evolution,” indicating that, instead of being a complete redesign, it is a natural “next step” for the ultra-popular MK6 line. The Group has absolute confidence in the market competitiveness of this new series.

PRODUCTION EFFICIENCY AND CAPACITY

During this financial year, the Group has been increasingly focusing on production cost control (including labour costs) as a means towards improving margins. Continuous improvement programs had broad participation from all ranks of the manufacturing system, including production, logistics, planning and operations management. They worked diligently together to ensure the all-rounded increase of operation efficiency, quality, as well as capacity for new product lines and application-specific solutions.

A major focus in all of the Group’s manufacturing facilities was “7S” production management as well as a TPM project, both of which strived to enhance the state of production equipment and working environment, ultimately improving efficiency. At the Shunde facility, the Group invested in a new, pilot, fully-automated production line for hydraulic cylinder parts. Production went on-line in due time and the project was a full success. This gave the Group much strong confidence to expand the use of automation solutions in the future.

Finally, the Group held tightly to calls by the Central Government for sustainable manufacturing, environmental protection and occupational safety. The Group consistently monitored its power usage and emissions and seek to reduce both as much as possible.

FINANCIAL REVIEW

Liquidity and Financial Conditions

As at 31 March 2019, the Group had net current assets of HK$1,613 million (2018: HK$1,676 million), which represented a 4% decrease over last year. Cash and bank balances (including pledged deposits) amounted to HK$688 million (2018: HK$659 million), representing an increase of HK$29 million as compared to last year. The bank borrowing was HK$74 million (2018: HK$25 million), increased by HK$49 million, which was short term loan with floating interest rates for general working capital purposes. The Group recorded a net cash position of HK$614 million (2018: HK$634 million), representing a decrease of HK$20 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 2019. 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 2019, bank deposits of certain subsidiaries of the Group in the amount of HK$20 million (2018: HK$47 million) were pledged, including HK$11 million (2018: HK$20 million) for securing bank loans granted by banks in Mainland China to customers to purchase the Group's products, HK$9 million (2018: HK$27 million) for securing the issuance of bank acceptance notes, recorded in the trade and bills payables, to suppliers.

Capital Commitments

As at 31 March 2019, the Group had capital commitments of HK$7 million (2018: HK$8 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 2019, the Group had a borrowing in Japanese yen equivalent to HK$24 million (2018: HK$25 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 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 2019, the Group provided (i) guarantees to banks amounted to HK$11 million (2018: HK$38 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 (2018: HK$3 million) provided to customers.

HUMAN RESOURCES

As at 31 March 2019, the Group had approximately 2,300 (2018: 2,500) 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

Economic conditions for the coming year will be highly dependent on Sino-American trade relations. As the USA imposed a new round of tariffs, all hopes of a cease-fire became distant, and protectionism replaced trust in global trade. China itself is plagued by numerous domestic issues, such as a slowing economy, blocked trade venues, devaluating currency, escalating real estate bubble, runaway regional government debt and outflow of foreign reserves. It is unlikely that any effective measures to combat the current situation without causing more internal problems would be easy for Central Government to formulate.

The Group believes that the market conditions in China will continue to be lacklustre in the near future over uncertainties over the trade war with USA. International markets will also feel the dark pressure of USA unilateralism, making any predictions unreliable. The only thing that is certain is that the Group will continue to do its best in launching new products and breaking into customers of different application industries in order to maximize market share and protect growth.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 March 2019, 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 A.2.1 provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Ms. Lai Yuen CHIANG is the Chairman of the Board (with effect from 23 April 2018) and Chief Executive Officer of the Company. Given the skills and experience of Ms. CHIANG and her long term of service with the Group, this structure can be considered appropriate to the Group and can provide the Group with strong and consistent leadership for effective and efficient business planning and decisions, as well as execution of long term business strategies.

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 2019.

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 2019.

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 2019 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 2019 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 and Chief Executive Officer

Hong Kong, 27 June 2019

As at the date of this announcement, the executive directors of the Company are Ms. Lai Yuen CHIANG, Mr. Chi Kin CHIANG and Mr. Stephen Hau Leung CHUNG; 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.