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 2020

FINANCIAL HIGHLIGHTS			
	For the six months ended 30 September		
	2020	2019	Change
	(Unaudited)	(Unaudited)	
RESULTS HIGHLIGHTS *(HK$'000)*			
Revenue	**1,030,042**	781,360	32%
Profit before tax	**101,269**	50,158	102%
Profit attributable to equity holders of the Company	**73,187**	34,101	115%
Total assets	**3,866,656**	3,414,096	13%
Shareholders' equity	**2,808,113**	2,646,897	6%
Issued share capital	**63,053**	63,053	0%
Net current assets	**1,886,356**	1,585,330	19%
PER SHARE DATA			
Basic earnings per share *(HK cents)*	**11.6**	5.4	115%
Cash dividends per share (*HK cents*)	**4.5**	3.5	29%
Net assets per share *(HK dollars)*	**4.5**	4.2	7%
KEY FINANCIAL RATIOS			
Return on average shareholders' equity *(%)*	**2.7**	1.3	108%
Return on average total assets *(%)*	**2.0**	1.0	100%

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 2020 amounted to HK$73,187,000, as compared with the profit attributable to equity holders of HK$34,101,000 for the corresponding period of last year. Basic earnings per share for the six months ended 30 September 2020 was HK11.6 cents, as compared with the basic earnings per share of HK5.4 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 2020

		Six months ended 30 September	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*2*	**1,030,042**	781,360
Cost of sales		**(750,554)**	(599,411)
Gross profit		**279,488**	181,949
Other income and gains, net		**42,840**	40,534
Selling and distribution expenses		**(116,647)**	(91,435)
Administrative expenses		**(66,898)**	(64,223)
Other operating expenses, net		**(37,312)**	(15,850)
Finance costs		**(1,038)**	(1,067)
Share of profits less losses of associates		**836**	250
PROFIT BEFORE TAX	*3*	**101,269**	50,158
Income tax expense	*4*	**(27,948)**	(16,299)
PROFIT FOR THE PERIOD		**73,321**	33,859
ATTRIBUTABLE TO:			
Equity holders of the Company		**73,187**	34,101
Non-controlling interests		**134**	(242)
		73,321	33,859
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*6*		
Basic *(HK cents)*		**11.6**	5.4
Diluted *(HK cents)*		**11.6**	5.4

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**73,321**	33,859
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	**103,312**	(113,818)
Share of other comprehensive income/(expenses) of associates	**1,020**	(1,591)
Net other comprehensive income/(expenses) that may be reclassified to the income statement in subsequent periods	**104,332**	(115,409)
Other comprehensive income that will not be reclassified to the income statement in subsequent periods:		
Actuarial gains on defined benefit obligations	**1,063**	830
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD, NET OF TAX	**105,395**	(114,579)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD	**178,716**	(80,720)
ATTRIBUTABLE TO:		
Equity holders of the Company	**178,041**	(79,814)
Non-controlling interests	**675**	(906)
	178,716	(80,720)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	**30 September 2020 (Unaudited)** *HK$'000*	31 March 2020 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**474,414**	471,015
Investment properties		**370,078**	355,931
Right-of-use assets		**35,042**	35,439
Goodwill		**51,905**	51,905
Investments in associates		**23,466**	21,610
Deferred tax assets		**36,453**	34,261
Deposits for purchases of items of property, plant and equipment		**5,758**	8,663
Trade receivables	*7*	**36,877**	30,587
Finance lease receivables	*8*	**384**	1,435
Pledged bank deposits		**-**	277
Total non-current assets		**1,034,377**	1,011,123
CURRENT ASSETS			
Inventories		**591,271**	494,268
Trade and bills receivables	*7*	**998,614**	834,598
Deposits, prepayments and other receivables		**63,644**	66,185
Finance lease receivables	*8*	**14,748**	18,617
Pledged bank deposits		**27,510**	20,699
Cash and bank balances		**1,136,492**	997,083
Total current assets		**2,832,279**	2,431,450
CURRENT LIABILITIES			
Trade and bills payables	*9*	**523,863**	336,345
Other payables, accruals and contract liabilities		**274,147**	198,120
Lease liabilities		**1,304**	1,432
Interest-bearing bank borrowings		**99,702**	99,197
Tax payable		**46,907**	30,846
Total current liabilities		**945,923**	665,940
NET CURRENT ASSETS		**1,886,356**	1,765,510
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,920,733**	2,776,633
NON-CURRENT LIABILITIES			
Other payables and accruals		**11,315**	12,210
Lease liabilities		**873**	1,381
Defined benefit obligations		**2,081**	3,921
Deferred tax liabilities		**84,117**	80,811
Total non-current liabilities		**98,386**	98,323
NET ASSETS		**2,822,347**	2,678,310

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 30 September 2020

	30 September 2020 (Unaudited)	31 March 2020 (Audited)
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	**63,053**	63,053
Reserves	**2,745,060**	2,601,698
	2,808,113	2,664,751
Non-controlling interests	**14,234**	13,559
TOTAL EQUITY	**2,822,347**	2,678,310

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 to 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 2020, except that the Group has adopted, for the first time for the current period's condensed interim financial statements, the following revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as the "revised HKFRSs") issued by the HKICPA that are effective for the accounting period commencing on 1 April 2020:

Amendments to HKFRS 3	*Definition of Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The above revised HKFRSs have 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

The Group's revenue from contracts with customers is related to sale 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.

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 locations 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, non-lease-related 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.

Disaggregation of revenue from contracts with customers by locations of customers, as well as revenue and results information for the Group's operating segments for the periods ended 30 September 2020 and 2019 is as follows:

	Segment revenue from external customers Six months ended 30 September		**Segment results Six months ended 30 September**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China and Hong Kong	**829,192**	507,823	**109,352**	48,217
Taiwan	**39,233**	67,811	**(4,842)**	2,427
Other overseas countries	**161,617**	205,726	**9,737**	12,545
	1,030,042	781,360	**114,247**	63,189

Reconciliation of results of operating segments to profit before tax is as follows:		
Operating segment results	**114,247**	63,189
Unallocated income and gains	**8,840**	7,519
Corporate and unallocated expenses	**(21,728)**	(19,817)
Finance costs (other than interest on lease liabilities)	**(926)**	(983)
Share of profits less losses of associates	**836**	250
Profit before tax	**101,269**	50,158

3. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
Cost of inventories sold	**750,554**	599,411
Depreciation of property, plant and equipment	**24,484**	26,817
Depreciation of right-of-use assets	**1,444**	1,395
Loss/(gain) on disposal of items of property, plant and equipment	**(93)**	15
Write-off of items of property, plant and equipment	**84**	485
Impairment/(write-back of impairment) of trade receivables, net	**4,833**	(7,869)
Provision for inventories, net	**2,024**	724
Write-back of impairment of finance lease receivables, net	**(443)**	-
Write-back of impairment of other receivables, net	**(313)**	(152)
Foreign exchange differences, net	**7,942**	1,242
Interest income	**(8,324)**	(6,323)
Finance lease interest income	**(516)**	(1,196)

4. 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 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	
	2020	2019
	HK$'000	*HK$'000*
Current:		
Charge for the period		
Hong Kong	**-**	-
Elsewhere	**29,008**	16,736
Overprovision in prior periods	**(296)**	(428)
Deferred	**(764)**	(9)
Tax charge for the period	**27,948**	16,299

5. DIVIDENDS

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
Dividends paid during the period:		
Final in respect of the financial year ended 31 March 2020		
- HK$0.038 (2019: HK$0.04) per ordinary share	**23,960**	25,221
Special final in respect of the financial year ended 31 March 2020		
- HK$0.017 (2019: Nil) per ordinary share	**10,719**	-
	34,679	25,221

The Board has declared the payment of an interim dividend of HK$0.045 (2019: HK$0.035) per ordinary share for the six months ended 30 September 2020 totalling HK$28,374,000 (2019: HK$22,069,000). 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$73,187,000 (2019: HK$34,101,000) and on the weighted average number of ordinary shares of 630,531,600 (2019: 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 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during these periods.

7. TRADE AND BILLS RECEIVABLES

	Notes	**30 September 2020** *HK$'000*	31 March 2020 *HK$'000*
Trade receivables		**794,457**	712,142
Impairment		**(92,484)**	(85,963)
Trade receivables, net	*(a)*	**701,973**	626,179
Bills receivable	*(b)*	**333,518**	239,006
Total trade and bills receivables		**1,035,491**	865,185
Portion classified as non-current portion		**(36,877)**	(30,587)
Current portion		**998,614**	834,598

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$131,161,000 as at 30 September 2020 (31 March 2020: HK$114,018,000) which are interest-bearing at an average interest rate of 6.2% (31 March 2020: 6.2%) per annum and with credit periods of 12 months to 36 months (31 March 2020: 12 months to 36 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 loss allowance, is as follows:

	30 September 2020 *HK$'000*	31 March 2020 *HK$'000*
Within 90 days	**299,109**	279,216
91 to 180 days	**165,607**	112,992
181 to 365 days	**131,130**	153,149
Over 1 year	**106,127**	80,822
	701,973	626,179

7. **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:

	30 September 2020	31 March 2020
	HK$'000	*HK$'000*
Within 90 days	**159,890**	101,225
91 to 180 days	**96,507**	85,417
181 to 365 days	**77,121**	52,364
	333,518	239,006

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 1 month to 16 months (31 March 2020: 1 month to 2 years). The customers shall purchase the leased injection moulding machines at the end of lease terms of the finance leases.

	30 September 2020	31 March 2020
	HK$'000	*HK$'000*
Finance lease receivables	**17,900**	23,155
Impairment	**(2,768)**	(3,103)
Finance lease receivables, net	**15,132**	20,052
Portion classified as non-current portion	**(384)**	(1,435)
Current portion	**14,748**	18,617

8. FINANCE LEASE RECEIVABLES *(continued)*

The total future minimum lease receivables under finance leases and their present values as at the end of the reporting period are analyzed as follows:

	Minimum lease receivables		Present value of minimum lease receivables	
	30 September 2020	31 March 2020	**30 September 2020**	31 March 2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts receivable:				
Within one year	**15,166**	19,166	**14,748**	18,617
In the second year	**390**	1,484	**384**	1,435
Total minimum finance lease receivables	**15,556**	20,650	**15,132**	20,052
Unearned finance income	**(424)**	(598)		
Total net finance lease receivables	**15,132**	20,052		
Portion classified as current assets	**(14,748)**	(18,617)		
Non-current portion	**384**	1,435		

No contingent income was recognized during the six months ended 30 September 2020 (2019: Nil).

9. 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:

	30 September 2020	31 March 2020
	HK$'000	*HK$'000*
Within 90 days	**389,826**	219,582
91 to 180 days	**79,141**	65,374
181 to 365 days	**42,920**	40,418
Over 1 year	**11,976**	10,971
	523,863	336,345

The trade and bills payables are non-interest-bearing and are normally settled on terms of 3 to 6 months (31 March 2020: 3 to 6 months). Included in the trade and bills payables are trade payables of HK$9,652,000 (31 March 2020: HK$2,811,000) due to associates which are repayable within 30 days.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK4.5 cents (2019: HK3.5 cents) per ordinary share for the six months ended 30 September 2020 to shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 16 December 2020. The interim dividend will be paid on or about Tuesday, 12 January 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 15 December 2020 to Wednesday, 16 December 2020, 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 registrar 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 Monday, 14 December 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS PERFORMANCE

For the six months ended 30 September 2020, the Group registered an increase in total turnover of 32% to HK$1,030 million (2019: HK$781 million). Profit attributable to equity holders rose by 115% to HK$73 million (2019: HK$34 million), which would have been HK$81 million excluding the impacts of foreign exchange losses during the period. Basic earnings per share was HK11.6 cents (2019: HK5.4 cents). The Board has resolved to declare an interim dividend of HK4.5 cents per share (2019: HK3.5 cents).

During the first half of this financial year, the world witnessed an outbreak of global pandemic of COVID-19 whilst China had led in controlling it and returning to economic vibrancy. In fact, China's domestic outbreak was practically far into the end-game right from the start of this financial year (i.e. April 2020). After that, China's domestic economy began a rebound. The rest of the world, on the other hand, fared much worse, with the COVID-19 outbreaks in many countries reaching epidemic levels. Some harder-hit ones, such as the UK, Italy, Spain and Brazil, had massively over-stressed public health-care systems on the brink of collapse; confirmed cases in the USA continued to break daily records; and major developing countries, such as India and Turkey, practically helpless in controlling the exploding outbreak. By May to June of 2020, most of western economies, and the majority of developing countries, were in strict travel and social lock-down, with dire consequences on global economic interactions.

While China continued on this dramatic reversal of fortune, the Group pushed on with its original plan to market launch the full range of the MK6e "evolution" series of high-performance injection moulding machines, as well as the all-new "SPARK" series of all-electric machines. These two brand-new product lines, once launched, started collecting unanimous positive response and successfully penetrated to many new customer groups. They served as the bright spots amidst the recovery of the China market and led the Group to a remarkable sales growth of over 60% in China.

As a side note, during the period from February to March 2020, amidst the peak of COVID-19, the Group succeeded in integrating and refining many of its production processes and procedures, which was a key enabler to the Group's rapid ramp-up of capacity starting from April 2020 to take advantage of China's market rebound.

MARKET ANALYSIS

Breakdown of turnover, based on the location of customers, for the six months ended 30 September 2020 is as follows:

Customer Location	**2020** *(HK$ million)*	2019 *(HK$ million)*	Change
Mainland China and Hong Kong	**829**	508	63%
Taiwan	**39**	68	-43%
Other overseas countries	**162**	205	-21%
	1,030	781	32%

As of this writing, China is the first and perhaps the only major economy in the world successfully controlling the COVID-19 pandemic logging a positive GDP growth in 2020. In fact, starting from the second quarter of this financial year (i.e. July 2020), China's domestic economy witnessed a strong and persistent rebound that managed to push its full-year growth, despite pandemic-related lock-downs, into positive.

Since the end of 2019, the Group has started its full market launch of the new MK6e "evolution" series, in replacement of the traditional product line. The results that came in actually surpassed all expectations. Due to its MK6 technological heritage, the MK6e series achieved a remarkable balance of wide applicability, affordability, superior performance and rock-solid reliability, which garnered praise from customers throughout the industry. Barely little more than six months after full initial launch, the MK6e already accounted for close to half of the Group's entire sales of small-to-medium tonnage injection moulding machines. Such rapid take-up was testimony of the Group's relentless focus on technological advancements and innovations.

Industry-wise, COVID-19 threw a huge wrench into the global economy, hammering some traditional industries while benefiting some others – for instance, small household appliances (people stay home to fight the pandemic), food packaging (more take-outs), sanitizing sprays and cleaning products (for sanitization and prevention) and medical consumables all enjoyed a spectacular boom, sometimes by doubles or triples. Among these, the boom in medical consumables remained especially pronounced and, while these products typically require ultra-high-precision, ultra-clean, all-electric injection moulding machines to produce, the Group's all-new "SPARK" series of all-electric machines, fresh out of launch last year, practically came at the right time. New SPARK's were practically snapped off from the production line and gaining orders from new customers and challenging markets, which will be of utmost importance for the future development of SPARK series. When faced with huge over-demands and the social responsibility to help out in combatting the pandemic, the Group delivered and managed to produce enough SPARK all-electrics in the shortest time possible. In return, the Group gained not only customers' gratitude, but also the satisfaction that it had fulfilled its part in the grand battle against the pandemic in China.

Owing to large sales increases in the MK6, MK6e and SPARK series, the Group ended the first half-year with a 63% turnover growth in Mainland China market to HK$829 million (2019: HK$508 million).

As a stark contrast to Mainland China, most countries and regions around the globe faced various levels of economic recession, with serious drops registered in areas where the pandemic got out of control. Taiwan market were similarly affected, since their major customer segments in Europe and the USA all went into lock-down during this financial year. As a result, the Group registered a significant downturn in sales in Taiwan market of 43% to HK$39 million (2019: HK$68 million).

Similar situations replayed themselves throughout the western world, with Europe and the USA relieving lock-down during summer starting from July 2020 when the outbreak seemed to be levelling off. Injection moulding machine sales worldwide took on a brief rebound, but then weakened once again due to a resurgent of COVID-19 cases starting from the end of September. The result was renewed lock-downs re-imposed in many countries, leading to predictable consequences to the Group's other overseas countries' turnover: decline of 21% to HK$162 million (2019: HK$205 million) during the period.

DEVELOPMENT OF NEW TECHNOLOGIES AND NEW PRODUCTS

This financial year marked the first market foray of the Group's latest technological breakthrough – the SPARK series of all-electric machines. As discussed, the new product has garnered significant market acceptance as well as sales growth and, in the near future, the Group will gradually expand the product line to ultra-high injection speeds (500mm/s) and medium tonnage ranges.

To be well prepared for the future, the Group also strives to expending significant R&D efforts on new materials and applications, especially in the area of environmental, safety and sustainability – new projects such as ceramic and metal powder injection moulding targeted for 5G and high-end electronic applications.

PRODUCTION AND COST CONTROL

During the first half of this financial year, the Group encountered disruptions in production manpower and supply chain due to the COVID-19 pandemic. First of all, after the first wave of COVID-19, different industries were allowed to resume operations at different time periods. In particular, certain major imported components were in short supply due to the pandemic and worldwide lock-down. The Group, however, managed to secure alternative sources and materials, and to a large extent avoided serious disruptions to production due to a lack of imported components. From a positive angle, the Group actually emerged stronger from this crisis due to strengthened relationships and connections with many suppliers which should very well be beneficial to future expansion and growth.

As market forces and shortages drove up raw material prices, the Group, in the past one year, managed to alleviate the worst of these impacts through restructuring the manufacturing organisation together with aggressive measures aimed at reducing wastage and improving resource utilisation and strengthening the relationships with suppliers. The positive result from these actions was an increase in production value of over 40% in the first half of this financial year as compared to last corresponding period.

LIQUIDITY AND FINANCIAL CONDITIONS

As at 30 September 2020, the Group had net current assets of HK$1,886 million (2019: HK$1,585 million), which represented a 19% increase over last year. Cash and bank balances (including pledged deposits) amounted to HK$1,164 million (2019: HK$782 million), representing an increase of HK$382 million over last year. The bank borrowings were HK$100 million (2019: HK$74 million), increased by HK$26 million, which were short term loans with floating interest rates for general working capital purposes. The Group recorded a net cash position of HK$1,064 million (2019: HK$708 million), representing an increase of HK$356 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 2020. 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 2020, bank deposits of certain subsidiaries of the Group in the amount of HK$28 million (2019: HK$28 million) were pledged, including HK$11 million (2019: HK$10 million) for securing bank loans granted by banks in Mainland China to customers to purchase the Group's products, and HK$17 million (2019: HK$18 million) for securing the issuance of bank acceptance notes, included in the trade and bills payables, to suppliers.

CAPITAL COMMITMENTS

As at 30 September 2020, the Group had capital commitments of HK$4 million (2019: HK$5 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, 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 2020, the Group had borrowings in Japanese Yen equivalent to HK$25 million (2019: HK$24 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 exchange differences have no direct impact on the Group's actual operations and cash flows.

CONTINGENT LIABILITIES

As at 30 September 2020, the Group provided guarantees to banks amounted to HK$5 million (2019: HK$15 million) for bank loans granted to customers to purchase the Group's products.

HUMAN RESOURCES

As at 30 September 2020, the Group had approximately 2,200 (2019: 2,200) 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 programs, 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

COVID-19 is expected to last well into the second half of this financial year. Although China's economic growth is expected to continue to flourish under the heavy Central Government push for domestic consumption, worldwide markets should remain depressed for the foreseeable future. Nevertheless, the pandemic may yet cause some orders to flow back to China factories, benefiting the export segment.

As the world stands at the brink of a second wave outbreak of COVID-19, and with Sino-USA trade tensions worsening as well as uncertainties led by the USA presidential election, the Group shall remain cautious and actively seek to continue capturing more market share through enhanced competitiveness.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 September 2020, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to 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 the 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 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 to 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 six months ended 30 September 2020.

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 2020.

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 2020 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, 25 November 2020

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