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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 2021

FINANCIAL HIGHLIGHTS			
	2021	2020	Change
RESULTS HIGHLIGHTS (HK\$'000)			
Revenue	2,360,553	1,513,363	56%
Profit before tax	270,802	149,010	82%
Profit attributable to equity holders of the Company	203,021	93,651	117%
Total assets	4,378,438	3,442,573	27%
Shareholders' funds	2,996,532	2,664,751	12%
Issued share capital	63,053	63,053	0%
Net current assets	2,024,300	1,765,510	15%
PER SHARE DATA			
Basic earnings per share (HK cents)	32.2	14.9	116%
Cash dividends per share (HK cents)	16.0	9.0	78%
Net assets per share (HK\$)	4.8	4.2	14%
KEY FINANCIAL RATIOS			
Return on average shareholders' funds (%)	7.2	3.5	106%
Return on average total assets (%)	5.2	2.7	93%

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 2021, together with comparative figures for the previous year, are as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	3	2,360,553	1,513,363
Cost of sales		(1,727,543)	(1,174,483)
Gross profit		633,010	338,880
Other income and gains, net		91,296	228,500
Selling and distribution expenses		(241,910)	(174,757)
Administrative expenses		(143,141)	(125,463)
Other operating expenses, net		(69,242)	(116,305)
Finance costs		(1,948)	(2,583)
Share of profits less losses of associates		2,737	738
PROFIT BEFORE TAX	4	270,802	149,010
Income tax expense	5	(65,977)	(55,962)
PROFIT FOR THE YEAR		204,825	93,048
ATTRIBUTABLE TO:			
Equity holders of the Company		203,021	93,651
Non-controlling interests		1,804	(603)
		204,825	93,048
EARNINGS PER SHARE			
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7		
Basic (HK cents)		32.2	14.9
Diluted (HK cents)		32.2	14.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 March 2021*

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR	204,825	93,048
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
<i>Other comprehensive income/(expenses) that may be reclassified to the income statement in subsequent periods:</i>		
Exchange differences:		
Exchange differences on translation of foreign operations	193,514	(135,032)
Share of other comprehensive income/(expenses) of associates	2,111	(1,817)
Release of exchange differences upon deregistration of a subsidiary	(3,134)	-
Net other comprehensive income/(expenses) that may be reclassified to the income statement in subsequent periods	192,491	(136,849)
<i>Other comprehensive income that will not be reclassified to the income statement in subsequent periods:</i>		
Actuarial gains on defined benefit obligations	28	2,476
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	192,519	(134,373)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	397,344	(41,325)
ATTRIBUTABLE TO:		
Equity holders of the Company	394,389	(39,891)
Non-controlling interests	2,955	(1,434)
	397,344	(41,325)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		534,029	471,015
Investment properties		331,533	355,931
Right-of-use assets		35,075	35,439
Goodwill		51,905	51,905
Investments in associates		26,458	21,610
Deferred tax assets		38,073	34,261
Deposits for purchases of items of property, plant and equipment		22,879	8,663
Trade receivables	8	57,832	30,587
Finance lease receivables	9	632	1,435
Pledged bank deposits		-	277
Total non-current assets		1,098,416	1,011,123
CURRENT ASSETS			
Inventories		728,614	494,268
Trade and bills receivables	8	1,251,711	834,598
Deposits, prepayments and other receivables		95,225	66,185
Finance lease receivables	9	6,532	18,617
Pledged bank deposits		51,752	20,699
Cash and bank balances		1,146,188	997,083
Total current assets		3,280,022	2,431,450
CURRENT LIABILITIES			
Trade and bills payables	10	762,796	336,345
Other payables, accruals and contract liabilities		382,927	198,120
Lease liabilities		1,341	1,432
Interest-bearing bank borrowings		68,759	99,197
Tax payable		39,899	30,846
Total current liabilities		1,255,722	665,940
NET CURRENT ASSETS		2,024,300	1,765,510
TOTAL ASSETS LESS CURRENT LIABILITIES		3,122,716	2,776,633

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)**As at 31 March 2021*

	2021	2020
	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES		
Other payables and accruals	9,952	12,210
Lease liabilities	627	1,381
Defined benefit obligations	1,792	3,921
Deferred tax liabilities	97,299	80,811
	<hr/>	<hr/>
Total non-current liabilities	109,670	98,323
	<hr/>	<hr/>
NET ASSETS	3,013,046	2,678,310
	<hr/>	<hr/>
EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	63,053	63,053
Reserves	2,933,479	2,601,698
	<hr/>	<hr/>
	2,996,532	2,664,751
Non-controlling interests	16,514	13,559
	<hr/>	<hr/>
TOTAL EQUITY	3,013,046	2,678,310
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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 (“HKASs”) 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 *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of the Conceptual Framework and the above revised HKFRSs has had no significant financial impact on the financial position and performance of the Group.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on the 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 2021 and 2020.

	Segment revenue		Segment results	
	from external customers			
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China and Hong Kong	1,891,139	1,038,861	282,670	35,440
Taiwan	97,988	97,823	(140)	143,184
Other overseas countries	371,426	376,679	19,001	(10,012)
	<u>2,360,553</u>	<u>1,513,363</u>	<u>301,531</u>	<u>168,612</u>

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

Operating segment results	301,531	168,612
Unallocated income and gains	20,491	17,452
Corporate and unallocated expenses	(52,214)	(35,449)
Finance costs (other than interest on lease liabilities)	(1,743)	(2,343)
Share of profits less losses of associates	2,737	738
Profit before tax	<u>270,802</u>	<u>149,010</u>

2. OPERATING SEGMENT INFORMATION (continued)

	Segment assets		Segment liabilities	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China and Hong Kong	2,798,286	2,040,593	1,057,138	472,206
Taiwan	106,381	91,804	37,978	31,320
Other overseas countries	263,052	257,222	64,319	49,883
	3,167,719	2,389,619	1,159,435	553,409
Investments in associates	26,458	21,610	-	-
Unallocated assets	1,184,261	1,031,344	-	-
Unallocated liabilities	-	-	205,957	210,854
	4,378,438	3,442,573	1,365,392	764,263

	Other segment information							
	Depreciation and amortization		Other non-cash income		Impairment losses/provisions charged/(written back) in the income statement, net		Capital expenditure	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China								
and Hong Kong	51,454	52,069	(1,354)	(3,206)	9,093	50,900	25,625	15,393
Taiwan	1,603	1,687	-	-	(491)	162	1,275	906
Other overseas countries	851	1,794	-	-	6,741	5,004	598	1,000
	53,908	55,550	(1,354)	(3,206)	15,343	56,066	27,498	17,299

2. OPERATING SEGMENT INFORMATION *(continued)*

	Non-current assets	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mainland China and Hong Kong	986,643	930,058
Taiwan	14,721	13,874
Other overseas countries	515	631
	<u>1,001,879</u>	<u>944,563</u>

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 2021 and 2020, 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 the sale of plastic injection moulding machines and related products, 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.

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers	<u>2,360,553</u>	<u>1,513,363</u>

Disaggregated revenue information

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
- sale of plastic injection moulding machines and related products		
<i>Geographical markets</i>		
Mainland China and Hong Kong	1,891,139	1,038,861
Taiwan	97,988	97,823
Other overseas countries	371,426	376,679
Total revenue from contracts with customers	<u>2,360,553</u>	<u>1,513,363</u>

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:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue recognized that was included in contract liabilities at the beginning of the reporting period:		
Sale of plastic injection moulding machines and related products	37,930	40,726

Performance obligations

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

Sale of plastic injection moulding machines and related products

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):

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	1,727,543	1,174,483
Depreciation of property, plant and equipment	51,024	52,438
Depreciation of right-of-use assets	2,884	3,112
Gain on disposal of items of property, plant and equipment	(326)	(145,744)
Write-off of items of property, plant and equipment	1,780	3,470
Impairment of goodwill	-	43,018
Impairment of trade receivables, net	2,895	8,374
Provision for inventories, net	8,386	594
Impairment of finance lease receivables, net	4,287	2,255
Impairment/(write-back of impairment) of other receivables, net	(225)	1,825
Foreign exchange differences, net	(1,399)	15,814
Fair value gains on investment properties	-	(6,676)
Interest income	(19,630)	(15,379)
Finance lease interest income	(861)	(2,073)

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 during the year. For the year ended 31 March 2020, no provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong or had available tax losses brought forward from prior years to offset the assessable profits generated 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current:		
Charge for the year		
Hong Kong	-	-
Elsewhere	57,236	25,290
Overprovision in prior years	(689)	(205)
Deferred	9,430	30,877
	<u>65,977</u>	<u>55,962</u>
Tax charge for the year	<u>65,977</u>	<u>55,962</u>

6. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends paid during the year:		
Final in respect of the financial year ended 31 March 2020 - HK\$0.038 (year ended 31 March 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 (year ended 31 March 2019: Nil) per ordinary share	10,719	-
Interim - HK\$0.045 (2020: HK\$0.035) per ordinary share	28,374	22,069
	<u>63,053</u>	<u>47,290</u>
Proposed final and special final dividends:		
Final - HK\$0.115 (2020: HK\$0.038) per ordinary share	72,511	23,960
Special final - Nil (2020: HK\$0.017 per ordinary share)	-	10,719
	<u>72,511</u>	<u>34,679</u>

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\$203,021,000 (2020: HK\$93,651,000) and on the weighted average number of ordinary shares of 630,531,600 (2020: 630,531,600) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 March 2021 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented. For the year ended 31 March 2020, no adjustment has been made to the basic earnings per share amount presented as the Group had no potentially dilutive ordinary shares in issue during that year.

8. TRADE AND BILLS RECEIVABLES

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Trade receivables		888,626	712,142
Impairment		(92,035)	(85,963)
Trade receivables, net	<i>(a)</i>	796,591	626,179
Bills receivable	<i>(b)</i>	512,952	239,006
Total trade and bills receivables		1,309,543	865,185
Portion classified as non-current portion		(57,832)	(30,587)
Current portion		1,251,711	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\$136,339,000 (2020: HK\$114,018,000) which are interest-bearing at an average interest rate of 6.2% (2020: 6.2%) per annum and with credit periods of 12 months to 36 months (2020: 12 months to 36 months) in general, the remaining trade and bills receivables are non-interest-bearing.

As at 31 March 2021, the Group has pledged bills receivable of HK\$16,280,000 (2020: Nil) to secure the issuance of bank acceptance notes, included in the trade and bills payables, to suppliers.

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:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	401,401	279,216
91 to 180 days	146,159	112,992
181 to 365 days	138,209	153,149
Over 1 year	110,822	80,822
	<u>796,591</u>	<u>626,179</u>

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	188,025	101,225
91 to 180 days	227,063	85,417
181 to 365 days	97,864	52,364
	<u>512,952</u>	<u>239,006</u>

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance lease receivables	14,663	23,155
Impairment	(7,499)	(3,103)
Finance lease receivables, net	7,164	20,052
Portion classified as non-current portion	(632)	(1,435)
Current portion	6,532	18,617

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		Present value	
	lease receivables		of minimum	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts receivable:				
Within one year	6,773	19,166	6,532	18,617
In the second year	646	1,484	632	1,435
Total minimum finance lease receivables	7,419	20,650	7,164	20,052
Unearned finance income	(255)	(598)		
Total net finance lease receivables	7,164	20,052		
Portion classified as current assets	(6,532)	(18,617)		
Non-current portion	632	1,435		

No contingent income was recognized during the year ended 31 March 2021 (2020: 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:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	464,360	219,582
91 to 180 days	190,516	65,374
181 to 365 days	95,287	40,418
Over 1 year	12,633	10,971
	<u>762,796</u>	<u>336,345</u>

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 HK11.5 cents (2020: a final dividend of HK3.8 cents and a special final dividend of HK1.7 cents) per ordinary share for the year ended 31 March 2021, subject to shareholders' approval at the forthcoming annual general meeting of the Company (the "AGM") to be held on Wednesday, 25 August 2021. Together with the interim dividend of HK4.5 cents (2020: HK3.5 cents) per ordinary share, the total dividend for the year ended 31 March 2021 will be HK16.0 cents (2020: HK9.0 cents) per ordinary share.

The final dividend will be paid on or about Wednesday, 15 September 2021 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 3 September 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Wednesday, 25 August 2021, the Register of Members of the Company will be closed from Friday, 20 August 2021 to Wednesday, 25 August 2021, 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, 25 August 2021, 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 Thursday, 19 August 2021.

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, 25 August 2021. The record date for entitlement to the proposed final dividend is Friday, 3 September 2021. For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed from Wednesday, 1 September 2021 to Friday, 3 September 2021, 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 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 Tuesday, 31 August 2021.

MANAGEMENT'S DISCUSSION & ANALYSIS

BUSINESS PERFORMANCE

For the financial year ended 31 March 2021, the Group registered a significant increase in total turnover of 56% to HK\$2,361 million (2020: HK\$1,513 million), while profit attributable to equity holders also increased 117% to HK\$203.0 million (2020: HK\$93.7 million). Basic earnings per share was HK32.2 cents (2020: HK14.9 cents). The Board recommended the payment of a final dividend of HK11.5 cents (2020: HK5.5 cents, including a one-off special final dividend of HK1.7 cents) per share for this financial year.

During this financial year, the world experienced a coronavirus pandemic which rapidly swept through most countries across the globe and adversely affected the global economy into a year of tough challenges. In this year, China is undoubtedly the fast growing and large country in the world in controlling the coronavirus outbreak. The Chinese Government responded to the pandemic with quick and determined actions which eventually enabled China, as the only major world economy, to bring the virus under control. As China emerged as the “World’s Factory”, rush orders flooded to China suppliers as worldwide industrial powers locked down their countries and shut down their manufacturing plants. To a large extent, this has led to China being the only major economy in the world to register a Gross Domestic Product (“GDP”) growth last year.

The Group’s China turnover benefited in part from this strong demand growth, and also in part from a pair of the Group’s newly launched, brand-new product lines – the award-winning SPARK series of all-electric injection moulding machines, and the MK6e “evolution” series of high-performance injection moulding machines – which proved to be a good match for urgently-needed pandemic-control products such as cleaning, sanitization and medical consumables. The timing was particular right for the Group to take full advantage of this up-swing in demand.

Unlike China, the rest of the world was facing the coronavirus challenge with mixed results. Most countries experienced – spiking infection rates, medical system collapses, social distancing, lockdowns, closed borders, stalling economy, and finally halting of industrial activities. As most countries could not match “China speed” in putting their domestic outbreaks under control, most of them ended up failing to curb the spread of coronavirus timely, and thus had to continue to rely on ever-tightening lockdowns which, needless to say, seriously depressed cross-border activities across the globe. This situation persisted until early 2021 when developed western countries such as the USA, UK, Germany and other European countries started vaccinating their populations, hoping for economic recovery in the near future. But despite this, most developing countries worldwide, such as Africa, Middle East, India and South America, are still plagued by vaccines shortage.

During this financial year, China’s domestic economy stood strong and vibrant when compared to international conditions. Rush orders flooding to China suppliers, plus the Central Government’s new “Internal/External Dual-Cycle” initiative to enhance both domestic consumption as well as exports, causing shortages in raw materials, especially for metals such as copper, iron and steel which prices had sky-rocketed. Market demand for industrial capacity such as ductile iron casting and metal parts machining continuously increased. These shortages and price hikes caused substantial challenges to the Group’s materials supply, and also directly propped up costs. The Group’s management team responded quickly by immediately taking emergency measures to combat the situation – locking in strategic component supplies, strengthening internal integrations, adjusting production processes, as well as aggressively investing in new manufacturing equipment to lift internal production capacity.

MARKET ANALYSIS

Breakdown of turnover, based on the location of customers, for the year ended 31 March 2021 is as follows:

Customer Location	2021 <i>(HK\$ million)</i>	2020 <i>(HK\$ million)</i>	Change
Mainland China and Hong Kong	1,891	1,039	+82%
Taiwan	98	98	0%
Other overseas countries	372	376	-1%
	2,361	1,513	+56%

China registered a GDP growth of 2.3% in the year 2020, being the only major economy in the entire world to achieve positive growth. This was primarily attributed to quick responses and decisive actions by the China Government during the early days of the coronavirus outbreak. As China’s economy restarted soon after controlling the coronavirus, the Central Government launched a new “Internal/External Dual-Cycle” initiative in order to boost domestic consumption and, as a side benefit, also succeeded in capturing a flood of rush orders from all across the globe.

China’s domestic economy was already fully recovered by the start of the second half of this financial year, with domestic demand spiking very strongly. Unavoidably, the coronavirus outbreak depressed a number of traditional consumer industries, but it also helped groom up a number of strongly-growing ones, such as household appliances (lockdowns), food packaging (take-aways), cleaning and sanitizing products (protection) and medical consumables. Among them, medical consumables experienced the strongest and most remarkable growth in demand due to the pandemic, and high-precision, clean-room-ready all-electric injection moulding machines were the best equipment available. The Group’s all-new, award-winning, SPARK series of all-electric machines, freshly launched, was just the right product at the right time, as the skyrocketing demand

allowed this new product line to penetrate customers and market segments which were traditionally conservative and slow to enter. Throughout the course of the pandemic, manufacturers of medical consumables were constantly seeking help from the Group for urgent delivery of machines to manufacture anti-virus products – the Group, being good corporate citizen and steadfast partner to customers and doing our part to fight the pandemic, strived its hardest to achieve.

Coming from the Group’s flagship MK6 product line and inheriting many of its grounds-breaking and innovative technologies, the newly-launched MK6e “evolution” series – intended to replace old, out-dated product lines – boasts even wider applicability and higher cost-performance, and therefore quickly became popular among customers in various market segments. Within the short span of a single year since its launch, the new MK6e product line had already accounted for close to half of the Group’s total sales of small/medium-tonnage injection moulding machines. This remarkable achievement could only be the result of the Group’s relentless persistence and unwavering focus on technological innovations.

With product lines MK6, MK6e “evolution” and SPARK series strongly driving demand growth, as well as benefiting from robust market sentiments, the Group’s turnover in China reported a significant jump of 82% to HK\$1,891 million (2020: HK\$1,039 million).

Taiwan customers in general were having a difficult time due to their reliance on exports to western markets, such as Europe and USA, which were basically under stand-still in most of this financial year. As Taiwan itself fared much better in its pandemic-control measures in this financial year, the domestic economy in Taiwan remained relatively stable amid the pandemic. Therefore, the Group managed to actively improve its presence within the domestic market and managed to keep turnover flat at HK\$98 million (2020: HK\$98 million).

Internationally, for most part of this financial year, most countries in the world were plagued with the spread of the coronavirus, thus imposed wide-spread and extended lockdowns in a bid to stem the spread of the coronavirus. Nevertheless, with the exception of a few countries, most countries were still unable to control the pandemic.

During this time, the economic activities were impacted severely. International commerce came to a stand-still, industrial production stalled, and global freight constantly disrupted due to closing of ports. Even though this resulted in a flood of rush orders to China suppliers, demand for injection moulding machines outside of China dried up, mostly due to the factories being closed under lockdowns. As a result, the Group’s international turnover remained essentially flat with the previous year, declining slightly by 1% to HK\$372 million (2020: HK\$376 million).

DEVELOPMENT OF NEW TECHNOLOGIES AND NEW PRODUCTS

The two major new product lines – the MK6e “evolution” and the award-winning SPARK all-electric – have already been discussed in details above. In addition to these two new hot-selling models, the Group was also working diligently on specialized products and solutions for application-specific customers, including:

- The “TP ii” second-generation large-tonnage two-platen machine – ideal for producing logistic and environmental products;
- The “SPEED-PACK II” second-generation packaging line has even higher performance than the previous generation, with enhanced speed and stability, fit for producing thin-walled take-away food containers whose demand exploded during the pandemic; and
- Specialized product lines for application-specific industries – for examples, JM-PET for wide-mouthed PET jars, JM-PVC for large PVC pipe fittings.

With “Advanced Technology” being a cornerstone of the Group’s Vision and Values, the Group shall never cease to invest into developing new products and innovative, specialized application technologies to enhance customer value by advanced technology.

PRODUCTION CAPACITY AND COST CONTROL

During this financial year, especially during the second half, the “Internal/External Dual-Cycle” initiative launched by the Central Government succeeded in triggering a strong up-swing in consumption as well as industrial production, leading to wide-spread shortages in the supply of industrial raw materials of all sorts. The most important materials limiting the Group’s production capacity included copper, iron, steel and ductile iron castings, which exhibited significant price increases and intermittent supply disruptions throughout the year. Since the beginning of the pandemic, the Group had first suffered from supply-chain disruption due to the piecemeal resumption of industrial activities, limitations placed on personnel movements, and tightness of imported components. Although all these impacts were gradually improved in the second half-year, the Group however experienced such high growth in orders and overwhelmed the improvements, resulting in a very tight supply-chain situation that persisted through most of the financial year.

The Group managed to react quickly and flexibly in enacting measures such as expanding supply channels, developing new vendors, tightening relationships and connections with strategic suppliers, as well as assisting them in their own production capacity ramp-ups. In addition, the Group also aggressively adjusted its production processes and restructured the production system in order to further enhance operating efficiencies.

The Group's production capacity has already returned to its maximal levels, over 50% higher than the previous year. The Group is also undergoing a new round of expansions, adding large numbers of new manufacturing equipment such as automatic machining centres, in order to lift internal capacity for key components and optimize the flow of materials across its several production sites. These capacity expansions are targeted to increase the Group's production capacity by another 50% on top of existing facilities in the short-to-medium term and shall provide a firm support for future business growth. The Group is also beginning to explore the feasibility of building new factory for future development purposes.

FINANCIAL REVIEW

Liquidity and Financial Conditions

As at 31 March 2021, the Group had net current assets of HK\$2,024 million (2020: HK\$1,766 million), which represented a 15% increase over last year. Cash and bank balances (including pledged deposits) amounted to HK\$1,198 million (2020: HK\$1,018 million), representing an increase of HK\$180 million as compared to last year. The bank borrowings were HK\$69 million (2020: HK\$99 million), decreased by HK\$30 million, which were short term loans with floating interest rates for general working capital purposes. The Group recorded a net cash position of HK\$1,129 million (2020: HK\$919 million), representing an increase of HK\$210 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 2021. 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 to meet the funding requirements of the Group's capital investments and operations.

Charge on Assets

As at 31 March 2021, bank deposits of certain subsidiaries of the Group in the amount of HK\$52 million (2020: HK\$21 million) were pledged, including HK\$11 million (2020: HK\$10 million) for securing bank loans granted by banks in Mainland China to customers to purchase the Group's products, and HK\$41 million (2020: HK\$11 million) for securing the issuance of bank acceptance notes, recorded in the trade and bills payables, to suppliers. In addition, bills receivable of a subsidiary of the Group in the amount of HK\$16 million (2020: Nil) was pledged for securing the issuance of bank acceptance notes, included in the trade and bills payables, to suppliers.

Capital Commitments

As at 31 March 2021, the Group had capital commitments of HK\$41 million (2020: HK\$3 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 2021, the Group had borrowings in Japanese yen equivalent to HK\$24 million (2020: 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 31 March 2021, the Group provided (i) guarantees to banks amounted to HK\$1 million (2020: HK\$9 million) for bank loans granted to customers to purchase the Group's products; and (ii) no performance guarantee to a bank (2020: HK\$2 million) provided to a customer.

HUMAN RESOURCES

As at 31 March 2021, the Group had approximately 2,300 (2020: 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 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.

PROSPECTS FOR THE COMING YEAR

The coming year continues to confound prediction due to the many uncertainties, ranging from renewed Sino-USA trade tensions to new coronavirus outbreaks in developing countries (such as India and Brazil) and their short of vaccines (even though some developed countries are gradually reopening after large-scale vaccination).

In China, although the “Dual-Cycle” initiative should continue to facilitate domestic consumption growth, an increasing pace of vaccination worldwide is likely to reduce reliance on China as the one reliable product supply source. As a result, market conditions for the coming year will be challenging, yet not lacking in opportunities. The Group believes that, with continuing efforts to improve production efficiency and supply-chain reliability, as well as high popularity of the new product lines, it is possible to take advantage of this unique times to continue capturing market share and maintain turnover growth in the coming year.

The Group will firmly adhere to its core Vision: “Perfect Quality and Advanced Technology”. It shall persist to invest into developing advanced technologies as well as improving product quality, in order to maintain its long-term market competitiveness. The Group’s future R&D focus shall be on applications of new materials for safety, environmental and sustainability, advanced intelligent mechanical controls, and application-specific solutions for specialized segment needs.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 March 2021, 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 year ended 31 March 2021.

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 2021.

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 2021 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 2021 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, 24 June 2021

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.