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 2021

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2021	2020	Change
	(Unaudited)	(Unaudited)	
RESULTS HIGHLIGHTS *(HK$'000)*			
Revenue	**1,557,052**	1,030,042	51%
Profit before tax	**165,668**	101,269	64%
Profit attributable to equity holders of the Company	**123,162**	73,187	68%
Total assets	**4,459,165**	3,866,656	15%
Shareholders' equity	**3,082,758**	2,808,113	10%
Issued share capital	**63,053**	63,053	0%
Net current assets	**2,054,677**	1,886,356	9%
PER SHARE DATA			
Basic earnings per share *(HK cents)*	**19.5**	11.6	68%
Cash dividends per share (*HK cents*)	**5.2**	4.5	16%
Net assets per share *(HK dollars)*	**4.9**	4.5	9%
KEY FINANCIAL RATIOS			
Return on average shareholders' equity *(%)*	**4.1**	2.7	52%
Return on average total assets *(%)*	**2.8**	2.0	40%

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 2021 amounted to HK$123,162,000, as compared with the profit attributable to equity holders of HK$73,187,000 for the corresponding period of last year. Basic earnings per share for the six months ended 30 September 2021 was HK19.5 cents, as compared with the basic earnings per share of HK11.6 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 2021

		Six months ended 30 September	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*2*	**1,557,052**	1,030,042
Cost of sales		**(1,163,346)**	(750,554)
Gross profit		**393,706**	279,488
Other income and gains, net		**40,361**	42,840
Selling and distribution expenses		**(161,062)**	(116,647)
Administrative expenses		**(78,927)**	(66,898)
Other operating expenses, net		**(28,656)**	(37,312)
Finance costs		**(642)**	(1,038)
Share of profits less losses of associates		**888**	836
PROFIT BEFORE TAX	*3*	**165,668**	101,269
Income tax expense	*4*	**(40,741)**	(27,948)
PROFIT FOR THE PERIOD		**124,927**	73,321
ATTRIBUTABLE TO:			
Equity holders of the Company		**123,162**	73,187
Non-controlling interests		**1,765**	134
		124,927	73,321
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*6*		
Basic *(HK cents)*		**19.5**	11.6
Diluted *(HK cents)*		**19.5**	11.6

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**124,927**	73,321
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to the income statement in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**34,788**	103,312
Share of other comprehensive income of associates	**156**	1,020
Net other comprehensive income that may be reclassified to the income statement in subsequent periods	**34,944**	104,332
Other comprehensive income that will not be reclassified to the income statement in subsequent periods:		
Actuarial gains on defined benefit obligations	**227**	1,063
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**35,171**	105,395
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**160,098**	178,716
ATTRIBUTABLE TO:		
Equity holders of the Company	**158,089**	178,041
Non-controlling interests	**2,009**	675
	160,098	178,716

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2021

	Notes	30 September 2021 (Unaudited) HK$'000	31 March 2021 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**563,065**	534,029
Investment properties		**336,352**	331,533
Right-of-use assets		**34,188**	35,075
Goodwill		**51,905**	51,905
Investments in associates		**27,502**	26,458
Deferred tax assets		**32,959**	38,073
Deposits for purchases of items of property, plant and equipment		**26,130**	22,879
Trade receivables	*7*	**87,682**	57,832
Finance lease receivables	*8*	**-**	632
Total non-current assets		**1,159,783**	1,098,416
CURRENT ASSETS			
Inventories		**952,489**	728,614
Trade and bills receivables	*7*	**1,359,117**	1,251,711
Deposits, prepayments and other receivables		**138,937**	95,225
Finance lease receivables	*8*	**5,359**	6,532
Pledged bank deposits		**25,831**	51,752
Cash and bank balances		**817,649**	1,146,188
Total current assets		**3,299,382**	3,280,022
CURRENT LIABILITIES			
Trade and bills payables	*9*	**813,913**	762,796
Other payables, accruals and contract liabilities		**357,316**	382,927
Lease liabilities		**1,045**	1,341
Interest-bearing bank borrowings		**23,455**	68,759
Tax payable		**48,976**	39,899
Total current liabilities		**1,244,705**	1,255,722
NET CURRENT ASSETS		**2,054,677**	2,024,300
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,214,460**	3,122,716
NON-CURRENT LIABILITIES			
Other payables and accruals		**10,295**	9,952
Lease liabilities		**196**	627
Defined benefit obligations		**896**	1,792
Deferred tax liabilities		**101,792**	97,299
Total non-current liabilities		**113,179**	109,670
NET ASSETS		**3,101,281**	3,013,046

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 September 2021

	30 September 2021 (Unaudited)	31 March 2021 (Audited)
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	**63,053**	63,053
Reserves	**3,019,705**	2,933,479
	3,082,758	2,996,532
Non-controlling interests	**18,523**	16,514
TOTAL EQUITY	**3,101,281**	3,013,046

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 2021, 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 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*

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 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.

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 2021 and 2020 is as follows:

	Segment revenue from external customers Six months ended 30 September		**Segment results Six months ended 30 September**	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China and Hong Kong	**1,145,843**	829,192	**148,354**	109,352
Taiwan	**86,677**	39,233	**9,753**	(4,842)
Other overseas countries	**324,532**	161,617	**22,867**	9,737
	1,557,052	1,030,042	**180,974**	114,247

Reconciliation of results of operating segments to profit before tax is as follows:		
Operating segment results	**180,974**	114,247
Unallocated income and gains	**10,514**	8,840
Corporate and unallocated expenses	**(26,136)**	(21,728)
Finance costs (other than interest on lease liabilities)	**(572)**	(926)
Share of profits less losses of associates	**888**	836
Profit before tax	**165,668**	101,269

3. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Cost of inventories sold	**1,163,346**	750,554
Depreciation of property, plant and equipment	**26,564**	24,484
Depreciation of right-of-use assets	**1,300**	1,444
Gain on disposal of items of property, plant and equipment	**(1,195)**	(93)
Write-off of items of property, plant and equipment	**750**	84
Impairment of trade receivables, net	**5,878**	4,833
Provision for inventories, net	**3,062**	2,024
Write-back of impairment of finance lease receivables, net	**(851)**	(443)
Write-back of impairment of other receivables, net	**(57)**	(313)
Foreign exchange differences, net	**(7,743)**	7,942
Interest income	**(10,257)**	(8,324)
Finance lease interest income	**(257)**	(516)

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	
	2021	2020
	HK$'000	*HK$'000*
Current:		
Charge for the period		
Hong Kong	**-**	-
Elsewhere	**32,307**	29,008
Overprovision in prior periods	**(17)**	(296)
Deferred	**8,451**	(764)
Tax charge for the period	**40,741**	27,948

5. DIVIDENDS

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Dividends paid during the period:		
Final in respect of the financial year ended 31 March 2021		
- HK$0.115 (2020: HK$0.038) per ordinary share	**72,511**	23,960
Special final in respect of the financial year ended 31 March 2021		
- Nil (2020: HK$0.017 per ordinary share)	**-**	10,719
	72,511	34,679

The Board has declared the payment of an interim dividend of HK$0.052 (2020: HK$0.045) per ordinary share for the six months ended 30 September 2021 totalling HK$32,788,000 (2020: HK$28,374,000). 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$123,162,000 (2020: HK$73,187,000) and on the weighted average number of ordinary shares of 630,531,600 (2020: 630,531,600) in issue during the period.

The calculation of the diluted earnings per share is based on the Group's profit attributable to equity holders of the Company for the period of HK$123,162,000 and on the weighted average number of ordinary shares of 631,119,933, being the weighted average number of ordinary shares of 630,531,600 in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 588,333 assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares during the period. For the six months ended 30 September 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 period.

7. TRADE AND BILLS RECEIVABLES

	Notes	30 September 2021 HK$'000	31 March 2021 HK$'000
Trade receivables		**1,085,072**	888,626
Impairment		**(99,069)**	(92,035)
Trade receivables, net	*(a)*	**986,003**	796,591
Bills receivable	*(b)*	**460,796**	512,952
Total trade and bills receivables		**1,446,799**	1,309,543
Portion classified as non-current portion		**(87,682)**	(57,832)
Current portion		**1,359,117**	1,251,711

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$168,120,000 as at 30 September 2021 (31 March 2021: HK$136,339,000) which are interest-bearing at an average interest rate of 6.2% (31 March 2021: 6.2%) per annum and with credit periods of 12 months to 36 months (31 March 2021: 12 months to 36 months) in general, the remaining trade and bills receivables are non-interest-bearing.

As at 30 September 2021, the Group has pledged bills receivable of HK$17,181,000 (31 March 2021: HK$16,280,000) to secure the issuance of bank acceptance notes, included in the trade and bills payables, to suppliers.

(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 2021 HK$'000	31 March 2021 HK$'000
Within 90 days	**403,153**	401,401
91 to 180 days	**218,574**	146,159
181 to 365 days	**220,986**	138,209
Over 1 year	**143,290**	110,822
	986,003	796,591

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 2021	31 March 2021
	HK$'000	*HK$'000*
Within 90 days	**196,148**	188,025
91 to 180 days	**154,949**	227,063
181 to 365 days	**109,699**	97,864
	460,796	512,952

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 11 months (31 March 2021: 1 month to 16 months). The customers shall purchase the leased injection moulding machines at the end of lease terms of the finance leases.

	30 September 2021	31 March 2021
	HK$'000	*HK$'000*
Finance lease receivables	**12,103**	14,663
Impairment	**(6,744)**	(7,499)
Finance lease receivables, net	**5,359**	7,164
Portion classified as non-current portion	**-**	(632)
Current portion	**5,359**	6,532

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 2021	31 March 2021	**30 September 2021**	31 March 2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts receivable:				
Within one year	**5,539**	6,773	**5,359**	6,532
In the second year	**-**	646	**-**	632
Total minimum finance lease receivables	**5,539**	7,419	**5,359**	7,164
Unearned finance income	**(180)**	(255)		
Total net finance lease receivables	**5,359**	7,164		
Portion classified as current assets	**(5,359)**	(6,532)		
Non-current portion	**-**	632		

No contingent income was recognized during the six months ended 30 September 2021 (2020: 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 2021	31 March 2021
	HK$'000	*HK$'000*
Within 90 days	**534,931**	464,360
91 to 180 days	**161,134**	190,516
181 to 365 days	**98,474**	95,287
Over 1 year	**19,374**	12,633
	813,913	762,796

The trade and bills payables are non-interest-bearing and are normally settled on terms of 3 to 6 months (31 March 2021: 3 to 6 months). Included in the trade and bills payables are trade payables of HK$16,590,000 (31 March 2021: HK$9,252,000) due to associates which are repayable within 30 days.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK5.2 cents (2020: HK4.5 cents) per ordinary share for the six months ended 30 September 2021 to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 16 December 2021. The interim dividend will be paid on or about Wednesday, 12 January 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 15 December 2021 to Thursday, 16 December 2021, 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 Tuesday, 14 December 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS PERFORMANCE

For the six months ended 30 September 2021, the Group registered turnover growth of 51% over the same period of last year to HK$1,557 million (2020: HK$1,030 million). Profit attributable to equity holders increased 68% to HK$123 million (2020: HK$73 million). Basic earnings per share was HK19.5 cents (2020: HK11.6 cents). The Board has resolved to declare an interim dividend of HK5.2 cents (2020: HK4.5 cents) per share.

The first half of this financial year, in continuation of the positive market sentiment in the last financial year, driven by robust growth in China's domestic demand and exports, plus pickups in economic activities in major developed countries due to active vaccination campaigns that, gradually and finally, kept the COVID19 pandemic under control. During the period under review, most industrial segments underwent large-scale capacity expansions in order to fulfill the increase in market demands. As the Group's new product lines, launched last year, gained wide popularity among customers and users alike, the Group also managed to shatter its old turnover record for the first half-year.

While general market sentiments continued to improve, hidden under-currents beneath the robust face of a growing economic conditions began to make themselves felt. With rapidly-rising demand for industrial goods, China's Industrial Production Price Index ("PPI") rose, in seldomly-seen fury, from negative realm at beginning of the year to over 10% by mid-year, all within a short span of 6 months. Raw material prices in China saw meteoric increases throughout most of this year, breaking through recent year highs, and by the late second quarter of this financial year (i.e. August and September) succeeded in posing serious challenges to industrial profits. At the same time, large-scale electrical black-outs were mandated in many geographical regions in China, their impacts made worse by manufacturers' warehouses stockpiled full of finished goods waiting to be shipped, but unable to due to worldwide shortages of ocean cargo freight. These factors caused China's industrial production to plummet during the third quarter of this year, with Gross Domestic Product ("GDP") growth dropping from 7.9% for the previous quarter to only 4.9%.

Although the Group still sits on adequate volumes of unfulfilled orders, many issues such as wide-spread rolling black-outs, record-shattering container freight rates, sky-high raw material price levels, and the unstable Sino-USA relationship all contribute to inevitably curb customer demand for new capital equipment. Because of this, market conditions for the second half of this financial year will remain uncertain and unpredictable.

MARKET ANALYSIS

Breakdown of turnover, based on the location of customers, for the six months ended 30 September 2021 is as follows:

Customer Location	**2021** ***(HK$ million)***	2020 *(HK$ million)*	Change
Mainland China and Hong Kong	**1,146**	829	38%
Taiwan	**87**	39	123%
Other overseas countries	**324**	162	100%
	1,557	1,030	51%

During the first half of this financial year, the China market had its share of ups and downs. The period under review started well, with robust demand among industrial customers even exceeding the level seen last year amidst gaining popularity for the Group's new product lines. Although last year's red-hot market segments receded somewhat, such as medical consumables due to large-scale vaccination for COVID19 and electric appliances due to over-purchase after a year of lockdowns, in their place sprang numerous traditional consumer product segments that were severely repressed last year. For instance, the automotive market witnessed a much awaited and welcomed recovery, especially for electric vehicles which just happened to be the perfect products at perfect timing as the Central Government announced its new carbon-neutral direction for the country's future. Owing to a still-robust first quarter for this financial year with GDP growth still standing at 7.9%, the Group also registered turnover growth.

Nevertheless, with great market sentiments came numerous new challenges. Worldwide supply chains, already stretched due to COVID19-induced lockdowns, were stretched further by China's insatiable demand for raw materials, driving prices to sky-rocket. For instance, during the first quarter of this financial year (i.e. April and May), steel prices in China rose to heights unseen in many years, with direct impacts to the Group's profit margin. Meanwhile, at the same time, international container freight rates experienced severe shortages due to large imbalances between east-to-west and west-to-east traffic volume, driving ocean shipping rates out of China to repeated record-breaking territory. As a result, large stockpiles of finished goods were stuck at manufacturers' warehouses unable to ship, which in turn depressed demand for additional production machinery.

Demand and supply imbalances within the China domestic market came to a head in the second quarter of this financial year, with low inflation preventing records-breaking raw material cost increases from being passed on to consumers, the industrial sector was faced with a direct and substantial profit squeeze which quickly cooled the market for capital equipment down. Furthermore, as USA's national vaccination program went into overdrive amid significant economic recovery, Sino-USA trade tensions, subdued for more than one full year, threatened to heat up. High input costs, margin pressure and Sino-USA trade uncertainties took a heavy toll upon the Chinese manufacturing sector, with third-quarter GDP growth falling to 4.9% and Purchasing Managers' Index ("PMI") dipping through the 50 threshold. Finally, as large-scale nation-wide rolling black-outs occurred in September, hampering specific cities and small-to-medium enterprises in particular, the Group found that some customers decided to break early for the National Day holiday period in view of the situation.

While the first two quarters of this financial year experienced vastly different fortunes, the Group still managed to register a 38% growth in China turnover to HK$1,146 million (2020: HK$829 million).

The Taiwan market, which took a nose-dive last year due to the COVID19 pandemic, rebounded strongly during the first half of this financial year when developed economies in Europe and America recovered to normal levels due to aggressive vaccination, driving the Group's turnover to HK$87 million (2020: HK$39 million), an increase of 123%.

Internationally, this financial year proved to be particularly robust, with developed countries opening borders and restarting general economic activities after vaccination. Demand for injection moulding machines benefited from this boost, Europe and the Americas in particular, while other geographical regions (such as Asia, Africa and India) saw relatively slower recoveries, but usually still over 50%, due to shortages of vaccines. The Group's international turnover during the first half of this financial year increased 100% to HK$324 million (2020: HK$162 million) as compared with the same period of last year.

As international consumer demand spiked, China experienced a severe shortage of out-going ocean freight capacity, causing substantial backlogs at container ports. During the course of this financial year so far, container rates for major international shipping routes shattered through ceiling after ceiling, breaking record after record, in a spectacle unseen in recent history. During the worst period, containers were so short that none could be obtained or even booked, which not only affected China manufacturers from shipping out their finished goods, it also caused great difficulties for the Group to ship machines to customers in other countries. Unfortunately, this condition persists as of this writing.

DEVELOPMENT OF NEW TECHNOLOGIES AND NEW PRODUCTS

The Group has always invested heavily into developing advanced technologies, with new product lines and enhanced models being launched on a periodic basis. As market sentiments for the second half of this financial year remain uncertain and full of challenges, and competition will likely be intense, the Group is already well-prepared for this eventuality by completing the development of a number of better-performing, more affordable, and more attractive new products. The Group believes that they can help general industrial customers weather the on-coming storm through higher production efficiency and finer process control possible from these new models.

The Group also cooperates continuously with multiple international technology partners in various R&D projects, constantly lifting technical capabilities while staying steadfast towards its long-term strategic goals in technology advancement.

PRODUCTION AND COST CONTROL

The Group follows through on its planned capacity expansion program and continues to optimize its production processes and supply chain management. A new VI (Value Improvement) program starts bearing early fruits in furthering lowering procurement costs, resulting in generally better cost efficiency than last year and partially alleviating the impacts of raw material price increases. During the period under review, new machining equipment was gradually installed and commissioned, de-bottlenecking the Group's existing production and logistics flow and significantly reducing out-sourcing costs.

As market demands for the second half of this financial year remains unpredictable, the Group shall counter this by further strengthening supply chain control as well as capacity management, with the aim of rapid, timely responses to any change in market conditions. Should the market recover during the second half, the Group shall always have adequate inventory to fulfill any potential demands pickup.

LIQUIDITY AND FINANCIAL CONDITIONS

As at 30 September 2021, the Group had net current assets of HK$2,055 million (2020: HK$1,886 million), which represented a 9% increase over last year. Cash and bank balances (including pledged deposits) amounted to HK$843 million (2020: HK$1,164 million), representing a decrease of HK$321 million over last year. The bank borrowings were HK$23 million (2020: HK$100 million), decreased by HK$77 million, which were short term loans with floating interest rates for general working capital purposes. The Group recorded a net cash position of HK$820 million (2020: HK$1,064 million), representing a decrease of HK$244 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 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 30 September 2021, bank deposits of certain subsidiaries of the Group in the amount of HK$26 million were pledged for securing the issuance of bank acceptance notes, included in the trade and bills payables, to suppliers. In addition, bills receivable of a subsidiary of the Group in the amount of HK$17 million was pledged for securing the issuance of bank acceptance notes, included in the trade and bills payables, to suppliers.

As at 30 September 2020, bank deposits of certain subsidiaries of the Group in the amount of HK$28 million were pledged, including HK$11 million for securing bank loans granted by banks in Mainland China to customers to purchase the Group's products, and HK$17 million for securing the issuance of bank acceptance notes, included in the trade and bills payables, to suppliers.

CAPITAL COMMITMENTS

As at 30 September 2021, the Group had capital commitments of HK$69 million (2020: HK$4 million), mainly in respect of the upgrading of industrial facilities 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 2021, the Group had borrowings in Japanese Yen equivalent to HK$23 million (2020: 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 exchange differences have no direct impact on the Group’s actual operations and cash flows.

CONTINGENT LIABILITIES

As at 30 September 2021, the Group provided no guarantees to banks (2020: HK$5 million) for bank loans granted to customers to purchase the Group’s products.

HUMAN RESOURCES

As at 30 September 2021, the Group had approximately 2,400 (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 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

The Group considers market conditions for the second half of this financial year extremely unpredictable and uncertain, with major risk factors such as raw material price trends, Sino-USA trade tensions, new COVID19 variants, ocean container freight rates, and the worldwide supply chain in general, etc. all potentially bringing deep and significant impacts. Such uncertainties bring hesitation for the market, and the Group is unable to provide any accurate foresight into the second half. The Group shall, however, remain cautious and attentive, staying close to the pulse of the market, and react swiftly in response to major changes in economic conditions.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 September 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 six months ended 30 September 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 six months ended 30 September 2021.

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 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 November 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.