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 2023

FINANCIAL HIGHLIGHTS

	2023	2022	Change
RESULTS HIGHLIGHTS *(HK$'000)*			
Revenue	**2,312,584**	2,728,763	-15%
Profit before tax	**158,941**	238,568	-33%
Profit attributable to equity holders of the Company	**130,289**	213,309	-39%
Total assets	**4,149,309**	4,429,327	-6%
Shareholders' funds	**3,049,140**	3,209,049	-5%
Issued share capital	**63,053**	63,053	0%
Net current assets	**1,990,404**	2,042,490	-3%
PER SHARE DATA			
Basic earnings per share *(HK cents)*	**20.7**	33.8	-39%
Cash dividends per share *(HK cents)*	**11.8**	16.8	-30%
Net assets per share *(HK$)*	**4.9**	5.1	-4%
KEY FINANCIAL RATIOS			
Return on average shareholders' funds *(%)*	**4.2**	6.9	-39%
Return on average total assets *(%)*	**3.0**	4.8	-38%

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 2023, together with comparative figures for the previous year, are as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 March 2023

	Notes	**2023**	2022
		HK$'000	*HK$'000*
REVENUE	*3*	**2,312,584**	2,728,763
Cost of sales		**(1,764,532)**	(2,081,488)
Gross profit		**548,052**	647,275
Other income and gains, net		**120,093**	111,509
Selling and distribution expenses		**(261,949)**	(294,749)
Administrative expenses		**(156,874)**	(148,754)
Other operating expenses, net		**(88,310)**	(76,184)
Finance costs		**(1,157)**	(1,306)
Share of profits less losses of associates		**(914)**	777
PROFIT BEFORE TAX	*4*	**158,941**	238,568
Income tax expense	*5*	**(30,156)**	(24,574)
PROFIT FOR THE YEAR		**128,785**	213,994
ATTRIBUTABLE TO:			
Equity holders of the Company		**130,289**	213,309
Non-controlling interests		**(1,504)**	685
		128,785	213,994
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*7*		
Basic *(HK cents)*		**20.7**	33.8
Diluted *(HK cents)*		**20.7**	33.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2023

	2023	2022
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**128,785**	213,994
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	**(189,592)**	101,158
Share of other comprehensive income/ (expenses) of associates	**(1,952)**	1,294
Net other comprehensive income/(expenses) that may be reclassified to the income statement in subsequent periods	**(191,544)**	102,452
Other comprehensive income that will not be reclassified to the income statement in subsequent periods:		
Actuarial gains on defined benefit plan	**257**	1,361
OTHER COMPREHENSIVE INCOME/ (EXPENSES) FOR THE YEAR	**(191,287)**	103,813
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE YEAR	**(62,502)**	317,807
ATTRIBUTABLE TO:		
Equity holders of the Company	**(59,834)**	316,446
Non-controlling interests	**(2,668)**	1,361
	(62,502)	317,807

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	**2023**	2022
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**585,382**	647,970
Investment properties		**332,866**	359,296
Right-of-use assets		**40,362**	39,149
Goodwill		**51,905**	51,905
Intangible assets		**3,579**	1,834
Investments in associates		**25,663**	28,529
Deferred tax assets		**37,014**	43,548
Deposits for purchases of items of property, plant and equipment		**15,248**	3,607
Trade and bills receivables	*8*	**82,200**	99,985
Finance lease receivables	*9*	**202**	371
Defined benefit assets		**2,611**	1,061
Pledged bank deposits		**1,353**	2,851
Total non-current assets		**1,178,385**	1,280,106
CURRENT ASSETS			
Inventories		**791,763**	1,061,900
Trade and bills receivables	*8*	**1,397,251**	1,245,418
Deposits, prepayments and other receivables		**111,344**	141,281
Finance lease receivables	*9*	**1,414**	4,311
Pledged bank deposits		**24,490**	24,400
Cash and bank balances		**644,662**	671,911
Total current assets		**2,970,924**	3,149,221
CURRENT LIABILITIES			
Trade and bills payables	*10*	**623,367**	695,694
Other payables, accruals and contract liabilities		**314,905**	348,776
Lease liabilities		**2,862**	1,599
Interest-bearing bank borrowings		**-**	21,568
Tax payable		**39,386**	39,094
Total current liabilities		**980,520**	1,106,731
NET CURRENT ASSETS		**1,990,404**	2,042,490
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,168,789**	3,322,596

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 31 March 2023

	2023	2022
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Other payables and accruals	**6,364**	11,674
Lease liabilities	**17,064**	4,556
Deferred tax liabilities	**77,180**	77,904
Total non-current liabilities	**100,608**	94,134
NET ASSETS	**3,068,181**	3,228,462
EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	**63,053**	63,053
Reserves	**2,986,087**	3,145,996
	3,049,140	3,209,049
Non-controlling interests	**19,041**	19,413
TOTAL EQUITY	**3,068,181**	3,228,462

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 assets are measured using the projected unit credit actuarial valuation method.

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The adoption of 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 2023 and 2022.

	Segment revenue from external customers		**Segment results**	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China and Hong Kong	**1,670,556**	1,986,848	**168,911**	226,354
Taiwan	**63,358**	132,282	**793**	1,988
Other overseas countries	**578,670**	609,633	**28,906**	43,553
	2,312,584	2,728,763	**198,610**	271,895

Reconciliation of results of operating segments to profit before tax is as follows:		
Operating segment results	**198,610**	271,895
Unallocated income and gains	**12,545**	16,345
Corporate and unallocated expenses	**(50,620)**	(49,355)
Finance costs (other than interest on lease liabilities)	**(680)**	(1,094)
Share of profits less losses of associates	**(914)**	777
Profit before tax	**158,941**	238,568

2. OPERATING SEGMENT INFORMATION *(continued)*

	Segment assets		Segment liabilities	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China and Hong Kong	**2,904,870**	3,157,947	**872,395**	938,158
Taiwan	**97,810**	116,254	**13,590**	30,052
Other overseas countries	**439,290**	411,138	**78,577**	94,089
	3,441,970	3,685,339	**964,562**	1,062,299
Investments in associates	**25,663**	28,529	**-**	-
Unallocated assets	**681,676**	715,459	**-**	-
Unallocated liabilities	**-**	-	**116,566**	138,566
	4,149,309	4,429,327	**1,081,128**	1,200,865

	Other segment information					
	Depreciation and amortization		Other non-cash expenses/(income)		Capital expenditure	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China and Hong Kong	**57,558**	53,425	**1,820**	(12,698)	**50,188**	147,681
Taiwan	**1,051**	1,436	**20**	34	**919**	1,692
Other overseas countries	**1,805**	2,038	**29**	7	**994**	1,097
	60,414	56,899	**1,869**	(12,657)	**52,101**	150,470

2. OPERATING SEGMENT INFORMATION *(continued)*

	Non-current assets	
	2023	2022
	HK$'000	*HK$'000*
Mainland China and Hong Kong	**1,041,693**	1,117,511
Taiwan	**15,613**	15,306
Other overseas countries	**310**	534
	1,057,616	1,133,351

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 year ended 31 March 2023, revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue and the revenue derived from that customer by the reportable operating segment in Mainland China and Hong Kong amounted to HK$351,464,000.

For the year ended 31 March 2022, 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.

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers	**2,312,584**	2,728,763

Disaggregated revenue information

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers		
- sale of plastic injection moulding machines and related products		
Geographical markets		
Mainland China and Hong Kong	**1,670,556**	1,986,848
Taiwan	**63,358**	132,282
Other overseas countries	**578,670**	609,633
Total revenue from contracts with customers	**2,312,584**	2,728,763

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:

	2023	2022
	HK$'000	*HK$'000*
Revenue recognized that was included in contract liabilities at the beginning of the reporting period:		
Sale of plastic injection moulding machines and related products	**107,191**	132,591

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):

	2023	2022
	HK$'000	*HK$'000*
Cost of inventories sold	**1,764,532**	2,081,488
Depreciation of property, plant and equipment	**57,024**	53,967
Depreciation of right-of-use assets	**2,971**	2,729
Amortization of intangible assets	**419**	203
Gain on disposal of items of property, plant and equipment and right-of-use asset, net	**(30,953)**	(1,225)
Write-off of items of property, plant and equipment	**1,869**	1,153
Impairment/(write-back of impairment) of trade receivables, net	**(1,293)**	3,551
Provision/(write-back of provision) for inventories, net	**(11,520)**	1,414
Write-back of impairment of finance lease receivables, net	**(846)**	(2,023)
Write-back of impairment of other receivables, net	**-**	(86)
Foreign exchange differences, net	**13,113**	(22,064)
Fair value gains on investment properties	**-**	(13,810)
Interest income	**(12,335)**	(15,852)
Finance lease interest income	**(210)**	(493)

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. For the year ended 31 March 2022, Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2023	2022
	HK$'000	*HK$'000*
Current:		
Charge for the year		
Hong Kong	**2,252**	-
Elsewhere	**21,113**	36,731
Overprovision in prior years	**(1,408)**	(441)
Deferred	**8,199**	(11,716)
Tax charge for the year	**30,156**	24,574

6. DIVIDENDS

	2023	2022
	HK$'000	*HK$'000*
Dividends paid during the year:		
Final in respect of the financial year ended 31 March 2022 - HK$0.116 (year ended 31 March 2021: HK$0.115) per ordinary share	**73,142**	72,511
Interim - HK$0.045 (2022: HK$0.052) per ordinary share	**28,374**	32,788
	101,516	105,299
Proposed final dividends:		
Final - HK$0.073 (2022: HK$0.116) per ordinary share	**46,029**	73,142

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$130,289,000 (2022: HK$213,309,000) and on the weighted average number of ordinary shares of 630,531,600 (2022: 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 2023 in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic earnings per share amount presented.

No adjustment had been made to the basic earnings per share amount presented for the year ended 31 March 2022 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.

8. TRADE AND BILLS RECEIVABLES

		2023	2022
	Notes	***HK$'000***	*HK$'000*
Trade receivables		**1,117,396**	976,207
Impairment		**(92,297)**	(98,368)
Trade receivables, net	*(a)*	**1,025,099**	877,839
Bills receivable	*(b)*	**454,352**	467,564
Total trade and bills receivables		**1,479,451**	1,345,403
Portion classified as non-current portion		**(82,200)**	(99,985)
Current portion		**1,397,251**	1,245,418

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$90,826,000 (2022: HK$128,268,000) which are interest-bearing at an average interest rate of 6.2% (2022: 6.2%) per annum and with credit periods of 12 months to 36 months (2022: 12 months to 36 months) in general, the remaining trade and bills receivables are non-interest-bearing.

As at 31 March 2023, the Group has pledged bills receivable of HK$93,639,000 (2022: HK$98,162,000) 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:

	2023	2022
	HK$'000	*HK$'000*
Within 90 days	**337,415**	297,820
91 to 180 days	**202,952**	159,723
181 to 365 days	**319,359**	232,306
Over 1 year	**165,373**	187,990
	1,025,099	877,839

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

	2023	2022
	HK$'000	*HK$'000*
Within 90 days	**207,753**	167,299
91 to 180 days	**199,159**	210,324
181 to 365 days	**33,000**	75,230
Over 1 year	**14,440**	14,711
	454,352	467,564

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 15 months (2022: 1 month to 14 months). The customers shall purchase the leased injection moulding machines at the end of the lease terms of the finance leases.

	2023	2022
	HK$'000	*HK$'000*
Finance lease receivables	**6,104**	10,501
Impairment	**(4,488)**	(5,819)
Finance lease receivables, net	**1,616**	4,682
Portion classified as non-current portion	**(202)**	(371)
Current portion	**1,414**	4,311

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**	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts receivable:				
Within one year	**1,492**	4,476	**1,414**	4,311
In the second year	**206**	375	**202**	371
Total minimum finance lease receivables	**1,698**	4,851	**1,616**	4,682
Unearned finance income	**(82)**	(169)		
Total net finance lease receivables	**1,616**	4,682		
Portion classified as current assets	**(1,414)**	(4,311)		
Non-current portion	**202**	371		

No contingent income was recognized during the year ended 31 March 2023 (2022: 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:

	2023	2022
	HK$'000	*HK$'000*
Within 90 days	**370,423**	384,486
91 to 180 days	**169,849**	225,315
181 to 365 days	**68,008**	71,323
Over 1 year	**15,087**	14,570
	623,367	695,694

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

11. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK7.3 cents (2022: HK11.6 cents) per ordinary share for the year ended 31 March 2023, subject to shareholders' approval at the forthcoming annual general meeting of the Company (the "AGM") to be held on Monday, 28 August 2023. Together with the interim dividend of HK4.5 cents (2022: HK5.2 cents) per ordinary share, the total dividend for the year ended 31 March 2023 will be HK11.8 cents (2022: HK16.8 cents) per ordinary share.

The final dividend will be paid on or about Thursday, 21 September 2023 to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 7 September 2023.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Monday, 28 August 2023, the Register of Members of the Company will be closed from Wednesday, 23 August 2023 to Monday, 28 August 2023, 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 Monday, 28 August 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 22 August 2023.

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 Monday, 28 August 2023. The record date for entitlement to the proposed final dividend is Thursday, 7 September 2023. For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed from Tuesday, 5 September 2023 to Thursday, 7 September 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 4 September 2023.

MANAGEMENT'S DISCUSSION & ANALYSIS

BUSINESS PERFORMANCE

For the financial year ended 31 March 2023, the Group's turnover declined by 15% to HK$2,313 million (2022: HK$2,729 million). Profit attributable to equity holders declined by 39% to HK$130 million (2022: HK$213 million) while basic earnings per share amounted to HK20.7 cents (2022: HK33.8 cents). The Board recommended the payment of a final dividend of HK7.3 cents (2022: HK11.6 cents) per share for this financial year.

The year of 2022 can be described concisely as a “Global Inflation Year”. The stalemate of Russia-Ukraine conflict continued to consume massive resources and destroy infrastructure, with Europe economies taking a frontal impact in the form of refugee, food and energy shortages crises. With Russia being a prominent global energy exporter and Ukraine a major global grain exporter, the conflict caused worldwide shortages and hikes in worldwide energy and food prices – leading to Global Inflation. Making matters worse, Mainland China at the same time was stuck in a struggle with continuous COVID19 outbreaks as well as rising geo-political tensions such as the Sino-US trade disputes.

During this financial year, loose quantitative easing policy – common tactic to counter the COVID pandemic – led to overheating demand spikes, as high inflation persistently plagued major consumer economies across the globe. In fact, combating inflation became the most urgent task of central banks worldwide, but the measures were sometimes no less disruptive than inflation itself. For example, to deal with an overheating economy and rampant inflation, the U.S. Federal Reserve started an aggressive quantitative tightening and rate hike process, with seven consecutive rate hikes in 2022 alone that took the Federal funds rate from 0% to 4.5% – a massive increase. Most central banks around the world followed its footsteps, with the Bank of England hiking interest rates similarly for seven times, and the European Central Bank for four times, and even more drastic hikes in many inflation-plagued developing countries.

High inflation and aggressive interest rate hikes inevitably caused economic activities to subside in most countries across the globe. Even Mainland China – the growth engine of the world economy for the past few decades – was taking its toll, with Gross Domestic Product (GDP) growth in 2022 declined to 3%, the second lowest level within half a century (disregarding the pandemic year). As the same time, the International Monetary Fund (IMF) continued to downgrade the 2022 world economic growth forecasts by 2.8%, and gave a negative outlook on the global economy for 2023. Negative sentiments converged to a peak during the fourth quarter of 2022, or the third quarter of the Group’s financial year.

As the Group’s core customers rely primarily on export business, especially in Mainland China and Taiwan, thus the Group’s performance was heavily impacted by this inflation-induced global consumption weakness.

MARKET ANALYSIS

Breakdown of turnover, based on the location of customers, for the financial year ended 31 March 2023 is as follows:

Customer Location	**2023** **(*HK$ million*)**	2022 (*HK$ million*)	Change
Mainland China and Hong Kong	**1,671**	1,987	-16%
Taiwan	**63**	132	-52%
Other overseas countries	**579**	610	-5%
	2,313	2,729	-15%

During this financial year, with the economy in Mainland China consistently impacted by multiple negative factors, growth in industrial output dropped below pre-COVID levels. As geo-political tensions escalated, high inflation and rapid rate hikes caused a massive shrinkage of export orders, which resulted in a sharp drop in Mainland China's import and export activities, registering a negative growth in the third quarter of this financial year (i.e. the last quarter of 2022). Stalling exports in turn led to a severe reduction in capital investments for manufacturing equipment. During 2022, Mainland China GDP growth declined to below 3%, while the Purchasing Manager's Index (PMI) dropped to 47 by the end of the year, both far below expectation. Although PMI figures rebounded during the fourth quarter of this financial year (i.e. the first quarter of 2023), it fell back into below-the-50 threshold starting from April, indicating a recovery in the manufacturing sector was far from assured. Many export customers of the Group indicated that unsold inventories were heavy in western consuming countries, such as Europe and the U.S., due to inflation-induced weak consumption. In certain cases, unsold inventories worth more than one full year's sales turnover. Consequently, many customers of the Group delayed their plans to purchase new machines as their customers' restocking orders did not happen.

Domestically, the depressed real estate market in Mainland China also suppressed the whole chain of upstream industries such as electric appliances and construction materials sectors. Although there was a renaissance in the growth of electric vehicles (EV's) – and the Group cooperated with EV market leader BYD to supply more than RMB 500 million worth of high-end injection moulding machines to support BYD's massive capacity growth plans – traditional gas-powered automotive encountered a considerable decline in market share. All the factors above contributed to the weakening of domestic consumption in Mainland China, which in turn suppressed investments in new capital equipment. Consequently, the Group's turnover in Mainland China declined by 16% to HK$1,671 million (2022: HK$1,987 million).

During this financial year, the Group registered a significant decline in turnover in Taiwan, primarily due to weak export orders. As Taiwanese customers mainly focus on export to western developed countries such as Europe and U.S., and European economies took a nose dive due to the Russia-Ukraine conflict and rampant inflation and rate hikes in the U.S., export activities in Taiwan were heavily impacted. The Group therefore registered a decline of 52% in Taiwan to HK$63 million (2022: HK$132 million).

As for the international market, the Group also faced significant headwinds as European and U.S. economies went into stalling. During the entire year of 2022, with the exception of Mainland China whose consumer prices had remained relatively stable, most countries in the world experienced stubbornly-high inflation resulting from the conflict between Russia and Ukraine, rekindled Sino-US trade disputes and resurgent COVID outbreaks. For instance, Consumer Price Index (CPI) in the U.S. spiked by 8.1%, a forty-year high, while CPI in the Eurozone rose by 8.3%, highest since 1992. Average inflation for all developed economies reached 7.2%, an extremely high level. Even Japan's CPI growth climbed to 3.7% in October.

Inflation in many developing countries went straight out of control – average CPI growth, for instance, of Africa, Latin America and Middle East reach 14%. Runaway inflation forced the Federal Reserve of the U.S. to undergo an aggressive and very rapid rate hike program in response, with major central banks around the world following, wreaking havoc on emerging markets currencies and financial systems. Despite these challenges, however, the Group still managed to achieve encouraging business growth in certain markets such as in India, Middle East and Africa, but unfortunately this could not fully offset the significant downsides arising from the weaknesses in the Europe and the U.S. markets. As a result, the Group's international turnover recorded an average 5% decline to HK$579 million (2022: HK$610 million).

DEVELOPMENT OF NEW TECHNOLOGIES AND NEW PRODUCTS

During this financial year, the Group launched its new MK6.6/A "Artisan" series with great market reception in general. Therefore, in December 2022, the Group continued the success with a massive online new-products launch event, announcing six new product models as well as previews of three new high-end, soon-to-be-launched product lines. This online event achieved click rates, likes and views far exceeding the industry standard, and brough a fresh breath of air in the traditional capital equipment industry to delight the customers. During the online launch event, the following product lines, targeting industry and application-specific segments, were announced:

1. MK6.6/A "Artisan" for applications demanding high price-performance, such as houseware and household goods;
2. MK6.6/B "Brilliance" for applications demanding precision, such as electric appliances;
3. MK6.6/C "Competence" for applications demanding high configuration, such as toys;
4. The DM III third-generation multi-material platform for products using multiple plastic resins;

5. Large-tonnage all-electric models the SPARK 300 and 360 for large-sized products demanding high-precision, such as light guide industry;
6. The Chen Hsong proprietary Mega Cloud IOT online platform;
7. Preview of the MK6 “PRO” series, the upgraded Group flagship series for very demanding applications, such as assembly toy bricks and electronic parts;
8. Preview of the MK6 “plus” series for applications demanding very high precision on injection control; and
9. Preview of the MK6 “max” series for applications demanding ample machine configuration.

PRODUCTION CAPACITY AND COST CONTROL

During this financial year, the Group has completed the overhaul of its major manufacturing facilities, including upgrades to old equipment and adding new automation systems, resulting in increased capacity. The Group has plans to introduce automatic assembly lines and flexible manufacturing systems in order to raise the general level of automation, intelligent management and operating efficiency in all the Group’s production facilities.

The Group also strived to perfect its quality assurance and, through an in-depth Total Quality Management (TQM) program, seek to raise quality consciousness and standard-driven operating procedures among all production staff. An expanded and more aggressive Value Improvement (VI) program is also underway in order to further reduce procurement costs, as well as raise operational efficiency, for higher competitiveness in the current weak market demand condition in Mainland China and international markets.

As future market conditions remain extremely uncertain and unpredictable, the Group shall continue to strengthen its supply chain management, alleviate supply bottlenecks, enhance supply flexibility, as well as assist suppliers to upgrade their quality assurance systems and cost control measures, in order to be able to respond rapidly to any market change.

FINANCIAL REVIEW

During this financial year, the Group surrendered the lease for the Tai Po plant to the Hong Kong Science and Technology Parks Corporation for the sake of better allocation of resource. As a result, the Group recorded a one-off disposal gain of HK$31 million during the year.

Liquidity and Financial Conditions

As at 31 March 2023, the Group had net current assets of HK$1,990 million (2022: HK$2,042 million), which represented a 3% decrease over last year. Cash and bank balances (including pledged deposits) amounted to HK$671 million (2022: HK$700 million), representing a decrease of HK$29 million as compared to last year. As at 31 March 2023, the Group had no bank borrowings, decreased by HK$22 million as compared to last year. As at 31 March 2022, the bank borrowings were HK$22 million, which were short term loans with floating interest rates for general working capital purposes. The Group recorded a net cash position of HK$671 million (2022: HK$678 million), representing a decrease of HK$7 million as compared to last year.

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 2023. 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 2023, bank deposits of certain subsidiaries of the Group in the amount of HK$26 million (2022: HK$27 million) were pledged, including HK$3 million (2022: HK$3 million) for securing a bank loan granted by a bank in Mainland China to a customer to purchase the Group's products, and HK$23 million (2022: HK$24 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$94 million (2022: HK$98 million) 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 2023, the Group had capital commitments of HK$26 million (2022: HK$13 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, 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 as short or medium term deposits for working capital of the Group.

As at 31 March 2023, the Group had no borrowings in Japanese Yen. As at 31 March 2022, the Group had borrowings in Japanese yen equivalent to HK$22 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 2023, the Group provided guarantee to a bank amounted to HK$3 million (2022: HK$4 million) for a bank loan granted to a customer to purchase the Group's products. As at 31 March 2023, the Group provided no performance guarantee to a bank for a customer. As at 31 March 2022, the Group provided performance guarantee to a bank amounted to HK$0.2 million for a customer.

HUMAN RESOURCES

As at 31 March 2023, the Group had approximately 2,300 (2022: 2,300) full-time employees. The Group offers good remuneration and welfare packages to its employees and maintains market-competitive pay levels. Employees are rewarded based on individual as well as the financial 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 Group is not optimistic towards the development and operation for the upcoming financial year based on a number of observations. For instance, Mainland China's GDP growth target is set to be not lower than 5%, a target that most economists believe to be extremely difficult and challenging due to the currently weak global consumption level. Although inflation seems finally to be abiding, high interest rate levels are causing heavy financial burden on enterprises, leading to rapid rises of corporate bankruptcies worldwide. The World Bank repeatedly downgraded 2023 global economy growth forecasts, finally to the low level of 2.1%, and indicated that the current acute financial environment and material consumption decline will highly likely push most developing countries into outright recession.

Other factors also contribute to hamper market confidence, such as the persistent conflict between Russia and Ukraine that shows no sign of subsiding and escalating Sino-US political tension. Although the Group sees tremendous challenges ahead in the coming financial year, investments into building and strengthening the Group's sales and service network will not be deterred, because the Group believes that can help getting closer to customers, understanding and addressing the customers' urgent needs better, and hence enabling Chen Hsong to become a reliable partner for customers in adverse times. This is particularly important in the strategic international markets, where the Group plans to build a series of new domestic service centres to provide global customers with timelier, higher quality and much tailored technical, pre-sales and after-sales services. These new service centres will be well poised to gain from an eventual market rebound in the future.

The Group will also continue to invest into research and development and the introduction of new, application-specific technologies and product lines, in order to address the urgent needs of customers.

As the Group's reorganisation and revitalisation of its management and IT infrastructure come to completion, enhanced operating efficiency can be expected to offset the negative impacts of poor market conditions. 2023 is the Group's 65th anniversary. The Group has planned a series of promotional and celebratory events in appreciation of the continuous support of the market and customers throughout the decades. Needless to say, the Group will do its utmost to improve competitiveness in the current adverse market environment, and capture as much market share as it can.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 March 2023, 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 B.2.2 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 C.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 2023.

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 2023.

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 2023 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 and consequently no opinion or assurance conclusion 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 2023 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, 26 June 2023

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.