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 2023

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2023	2022	Change
	(Unaudited)	(Unaudited)	
RESULTS HIGHLIGHTS *(HK$'000)*			
Revenue	**1,002,400**	1,321,680	-24%
Profit before tax	**63,722**	92,177	-31%
Profit attributable to equity holders of the Company	**50,501**	75,104	-33%
Total assets	**3,925,071**	3,962,299	-1%
Shareholders' equity	**2,935,393**	2,933,529	0%
Issued share capital	**63,053**	63,053	0%
Net current assets	**1,926,849**	1,869,375	3%
PER SHARE DATA			
Basic earnings per share *(HK cents)*	**8.0**	11.9	-33%
Cash dividends per share (*HK cents*)	**3.0**	4.5	-33%
Net assets per share *(HK dollars)*	**4.7**	4.7	0%
KEY FINANCIAL RATIOS			
Return on average shareholders' equity *(%)*	**1.7**	2.4	-29%
Return on average total assets *(%)*	**1.3**	1.8	-28%

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 2023 amounted to HK$50,501,000, as compared with the profit attributable to equity holders of HK$75,104,000 for the corresponding period of last year. Basic earnings per share for the six months ended 30 September 2023 was HK8.0 cents, as compared with the basic earnings per share of HK11.9 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 2023

		Six months ended 30 September	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*2*	**1,002,400**	1,321,680
Cost of sales		**(755,902)**	(1,012,808)
Gross profit		**246,498**	308,872
Other income and gains, net		**61,377**	39,960
Selling and distribution expenses		**(120,670)**	(146,024)
Administrative expenses		**(75,179)**	(73,092)
Other operating expenses, net		**(47,719)**	(36,772)
Finance costs		**(639)**	(493)
Share of profits less losses of associates		**54**	(274)
PROFIT BEFORE TAX	*3*	**63,722**	92,177
Income tax expense	*4*	**(13,223)**	(17,854)
PROFIT FOR THE PERIOD		**50,499**	74,323
ATTRIBUTABLE TO:			
Equity holders of the Company		**50,501**	75,104
Non-controlling interests		**(2)**	(781)
		50,499	74,323
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*6*		
Basic *(HK cents)*		**8.0**	11.9
Diluted *(HK cents)*		**8.0**	11.9

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2023

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**50,499**	74,323
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive expense that may be reclassified to the income statement in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(118,185)**	(276,701)
Share of other comprehensive expense of associates	**(1,344)**	(3,291)
Net other comprehensive expense that may be reclassified to the income statement in subsequent periods	**(119,529)**	(279,992)
Other comprehensive income that will not be reclassified to the income statement in subsequent periods:		
Actuarial gains on defined benefit obligations	**123**	109
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD	**(119,406)**	(279,883)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	**(68,907)**	(205,560)
ATTRIBUTABLE TO:		
Equity holders of the Company	**(68,203)**	(203,124)
Non-controlling interests	**(704)**	(2,436)
	(68,907)	(205,560)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Notes	30 September 2023 (Unaudited) *HK$'000*	31 March 2023 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**550,899**	585,382
Investment properties		**317,568**	332,866
Right-of-use assets		**58,862**	40,362
Goodwill		**51,905**	51,905
Intangible assets		**3,016**	3,579
Investments in associates		**24,372**	25,663
Deferred tax assets		**34,637**	37,014
Deposits for purchases of items of property, plant and equipment		**8,017**	15,248
Trade and bills receivables	*7*	**69,512**	82,200
Finance lease receivables	*8*	**399**	202
Defined benefit assets		**3,128**	2,611
Pledged bank deposits		**655**	1,353
Total non-current assets		**1,122,970**	1,178,385
CURRENT ASSETS			
Inventories		**692,376**	791,763
Trade and bills receivables	*7*	**1,255,150**	1,397,251
Deposits, prepayments and other receivables		**111,346**	111,344
Finance lease receivables	*8*	**2,540**	1,414
Pledged bank deposits		**32,461**	24,490
Cash and bank balances		**708,228**	644,662
Total current assets		**2,802,101**	2,970,924
CURRENT LIABILITIES			
Trade and bills payables	*9*	**577,837**	623,367
Other payables, accruals and contract liabilities		**253,894**	314,905
Lease liabilities		**3,308**	2,862
Tax payable		**40,213**	39,386
Total current liabilities		**875,252**	980,520
NET CURRENT ASSETS		**1,926,849**	1,990,404
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,049,819**	3,168,789
NON-CURRENT LIABILITIES			
Other payables and accruals		**5,260**	6,364
Lease liabilities		**15,384**	17,064
Deferred tax liabilities		**75,445**	77,180
Total non-current liabilities		**96,089**	100,608
NET ASSETS		**2,953,730**	3,068,181

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 30 September 2023

	30 September 2023 (Unaudited) ***HK$'000***	31 March 2023 (Audited) *HK$'000*
EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	**63,053**	63,053
Reserves	**2,872,340**	2,986,087
	2,935,393	3,049,140
Non-controlling interests	**18,337**	19,041
TOTAL EQUITY	**2,953,730**	3,068,181

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 2023, except that the Group has adopted, for the first time for the current period's condensed interim financial statements, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the HKICPA that are effective for the accounting period commencing on 1 April 2023:

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The above new and 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 2023 and 2022 is as follows:

	Segment revenue from external customers Six months ended 30 September		**Segment results Six months ended 30 September**	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China and Hong Kong	**726,760**	952,551	**62,900**	87,374
Taiwan	**17,805**	38,142	**(2,993)**	2,897
Other overseas countries	**257,835**	330,987	**16,233**	18,726
	1,002,400	1,321,680	**76,140**	108,997

Reconciliation of results of operating segments to profit before tax is as follows:		
Operating segment results	**76,140**	108,997
Unallocated income and gains	**9,759**	5,791
Corporate and unallocated expenses	**(22,161)**	(22,063)
Finance costs (other than interest on lease liabilities)	**(70)**	(274)
Share of profits less losses of associates	**54**	(274)
Profit before tax	**63,722**	92,177

3. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Cost of inventories sold	**755,902**	1,012,808
Depreciation of property, plant and equipment	**26,217**	28,726
Depreciation of right-of-use assets	**3,111**	1,514
Amortization of intangible assets	**416**	118
Loss/(gain) on disposal of items of property, plant and equipment	**(899)**	23
Write-off of items of property, plant and equipment	**666**	1,431
Write-back of impairment of trade receivables, net	**(1,520)**	(1,642)
Write-back of provision for inventories, net	**(5,408)**	(414)
Write-back of impairment of finance lease receivables, net	**-**	(689)
Foreign exchange differences, net	**(6,014)**	15,706
Interest income	**(9,637)**	(5,650)
Finance lease interest income	**(122)**	(141)

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	
	2023	2022
	HK$'000	*HK$'000*
Current:		
Charge for the period		
Hong Kong	**-**	-
Elsewhere	**9,585**	19,189
Underprovision/(overprovision) in prior periods	**1,140**	(132)
Deferred	**2,498**	(1,203)
Tax charge for the period	**13,223**	17,854

5. DIVIDENDS

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Dividends paid during the period:		
Final in respect of the financial year ended 31 March 2023		
- HK$0.073 (2022: HK$0.116) per ordinary share	**46,029**	73,142

The Board has declared the payment of an interim dividend of HK$0.030 (2022: HK$0.045) per ordinary share for the six months ended 30 September 2023 totalling HK$18,916,000 (2022: 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$50,501,000 (2022: HK$75,104,000) and on the weighted average number of ordinary shares of 630,531,600 (2022: 630,531,600) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2023 and 2022 in respect of a dilution as the exercise price of the share options of the Company outstanding during the periods is higher than the average market price of the Company's ordinary shares and, accordingly, such share options held have no dilutive effect on the basic earnings per share amounts presented.

7. TRADE AND BILLS RECEIVABLES

	Notes	**30 September 2023 HK$'000**	31 March 2023 HK$'000
Trade receivables		**999,272**	1,117,396
Impairment		**(87,726)**	(92,297)
Trade receivables, net	*(a)*	**911,546**	1,025,099
Bills receivable	*(b)*	**413,116**	454,352
Total trade and bills receivables		**1,324,662**	1,479,451
Portion classified as non-current portion		**(69,512)**	(82,200)
Current portion		**1,255,150**	1,397,251

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$95,153,000 as at 30 September 2023 (31 March 2023: HK$90,826,000) which are interest-bearing at an average interest rate of 6.3% (31 March 2023: 6.2%) per annum and with credit periods of 18 months to 36 months (31 March 2023: 12 months to 36 months) in general, the remaining trade and bills receivables are non-interest-bearing.

As at 30 September 2023, the Group has pledged bills receivable of HK$105,487,000 (31 March 2023: HK$93,639,000) 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 2023 HK$'000	31 March 2023 HK$'000
Within 90 days	**356,710**	337,415
91 to 180 days	**129,729**	202,952
181 to 365 days	**200,906**	319,359
Over 1 year	**224,201**	165,373
	911,546	1,025,099

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 2023 *HK$'000*	31 March 2023 *HK$'000*
Within 90 days	**225,455**	207,753
91 to 180 days	**167,431**	199,159
181 to 365 days	**668**	33,000
Over 1 year	**19,562**	14,440
	413,116	454,352

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 9 months to 16 months (31 March 2023: 1 month to 15 months). The customers shall purchase the leased injection moulding machines at the end of lease terms of the finance leases.

	30 September 2023 *HK$'000*	31 March 2023 *HK$'000*
Finance lease receivables	**7,221**	6,104
Impairment	**(4,282)**	(4,488)
Finance lease receivables, net	**2,939**	1,616
Portion classified as non-current portion	**(399)**	(202)
Current portion	**2,540**	1,414

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 2023	31 March 2023	**30 September 2023**	31 March 2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts receivable:				
Within one year	**2,713**	1,492	**2,540**	1,414
In the second year	**405**	206	**399**	202
Total minimum finance lease receivables	**3,118**	1,698	**2,939**	1,616
Unearned finance income	**(179)**	(82)		
Total net finance lease receivables	**2,939**	1,616		
Portion classified as current assets	**(2,540)**	(1,414)		
Non-current portion	**399**	202		

No contingent income was recognized during the six months ended 30 September 2023 (2022: 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 2023	31 March 2023
	HK$'000	*HK$'000*
Within 90 days	**322,110**	370,423
91 to 180 days	**121,681**	169,849
181 to 365 days	**118,100**	68,008
Over 1 year	**15,946**	15,087
	577,837	623,367

The trade and bills payables are non-interest-bearing and are normally settled on terms of 3 to 6 months (31 March 2023: 3 to 6 months). Included in the trade and bills payables are trade payables of HK$19,318,000 (31 March 2023: HK$17,741,000) due to associates which are repayable within 30 days.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3.0 cents (2022: HK4.5 cents) per ordinary share for the six months ended 30 September 2023 to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 18 December 2023. The interim dividend will be paid on or about Thursday, 11 January 2024.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 15 December 2023 to Monday, 18 December 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 14 December 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS PERFORMANCE

For the six months ended 30 September 2023, the Group registered turnover of HK$1,002 million (2022: HK$1,322 million), a reduction of 24% over the same period of last year. Profit attributable to equity holders declined 33% to HK$50.5 million (2022: HK$75.1 million). Basic earnings per share was HK8.0 cents (2022: HK11.9 cents). The Board has resolved to declare an interim dividend of HK3.0 cents (2022: HK4.5 cents) per share.

During the first half of this financial year, global economic activities has been sluggish. The USA Federal Reserve, in an attempt to tame runaway inflation caused by a massive COVID-induced quantitative easing, embarked upon a rapid tightening program, raising interest rates eleven times since the beginning of 2022 to a peak of 5.5% in this financial year, a new high since 2000. Not only did high interest rates impact capital investments, especially for the manufacturing sector, they also suppressed overall consumption, pushed up lending costs leading to even heavier debt burden and increased default risk levels worldwide.

The International Monetary Fund revised its estimate for global economic growth for 2023 downwards from 3.5% in the beginning of this year to 3%, weak considering historical data; it also remarked that economic activities in many countries around the world had so far been subdued and trending further downwards. Depressed levels of consumption inevitably led to issues such as over-capacity, over-stocking and reduced capital investments, a fact shown by the manufacturing Purchasing Managers' Index (PMI) figures of key industrial countries – data from USA, Eurozone and Japan, for instance, all registered PMI consistently below 50 during most of 2023, indicating continued shrinkage of manufacturing activities.

As consumption in major developed economies dropped, many "supply-side" developing countries immediately faced acute problems in rapidly slowing exports. For instance, exports of Vietnam, once a red-hot focus for manufacturing investments, dropped a total of 8.5% in the first nine months in 2023 over the same period of last year. China's economy was similarly hampered, with exports consistently declining for the entire half year; even when adjusted for the depreciating value of the Renminbi, China's export growth still remained at the lowest level in many years. Together with weaknesses in the domestic real estate market and chain effects over the entire related supply chain, these factors caused China's manufacturing PMI to hover around the stagnant level of 50 for months even after a series of monetary easing actions from the Central Government to support local manufacturing.

On the other hand, high interest rates and a strong U.S. Dollar directly caused depreciations of the currencies of many developing countries, such as Turkey and Mexico in particular. The Renminbi also depreciated sharply, by close to 8%, against the U.S. Dollar, from 6.7 in the beginning of the year to 7.2 in October, the lowest level since the last decade. Furthermore, continued geo-political crises, including the stubbornly-persistent Russia-Ukraine military conflict and the new confrontation between Israel and Hamas, rapidly-hiking military budgets across major countries amidst weakening economic conditions, and escalation of Sino-USA trade conflicts to cold-war status with "decoupling" risks, all helped to further destroy consumer confidence on a global basis, leading to depressed demand for capital manufacturing equipment.

As exporters make up a significant portion of the Group's core customers, the current economic and political environment inevitably seriously affected the Group's performance during the period in review. Nevertheless, the Group rapidly introduced a number of countermeasures with the hope of alleviating these impacts to the largest extent, such as an aggressive cost-reduction program focused on procurement costs, reorganization and expansion of the sales and marketing teams to develop new market segments, as well as a range of new product lines that uniquely target the requirements of customers under the current market conditions.

MARKET ANALYSIS

Breakdown of turnover, based on the location of customers, for the six months ended 30 September 2023 is as follows:

Customer Location	**2023** ***(HK$ million)***	2022 *(HK$ million)*	Change
Mainland China and Hong Kong	**727**	953	-24%
Taiwan	**18**	38	-53%
Other overseas countries	**257**	331	-22%
	1,002	1,322	-24%

For the first half of this financial year, due to the reasons already reviewed, the Group registered a decline in turnover across the board.

The market in Mainland China remained weak during the period in review, mostly caused by the depressed export condition due to weaknesses in global consumption induced by high interest rates and high inflation. In addition, Sino-USA trade tensions escalated to political levels, with "China + 1" (i.e. gradually redirect a material portion of purchase orders from China to at least one other country), as a measure of “de-coupling,” being an increasingly popular supply-chain strategy among global brands. This led to China’s total exports to be flat in September as compared with the same period last year – a condition unseen for many years. The follow-on negative impacts to China’s manufacturing sector caused its domestic manufacturing PMI to consistently hover around the stagnant level of 50 during most of 2023, and in shrinkage (i.e. below 50) for all of the first half of this financial year (except September).

Domestic consumption-wise, fall-outs from the real estate bubble burst, such as low housing demand, suppressed transaction levels and weak demands in all real estate-related supply-chain industries, led to a clear depression in consumer confidence and domestic consumption, clearly indicated by very low inflation levels, a hairline away from deflation, which was unique among major global economies. Even as China’s GDP continued to grow, a clearly worsening demographic profile meant that, in the foreseeable future, domestic consumption growth would continue to be driven mainly by services instead of sellable goods. During this period in review, the Central Government introduced a number of measures to support the economy, including rate and reserve reductions, relaxation of most real estate restrictions, as well as beneficial policies for selected industries (such as electric vehicles (EV)), but all these would only partially slow down the economic weakening pace in order to reach its 5% minimum GDP growth target while adding little to relief the manufacturing sector of its perils.

As exporters make up a material portion of the Group’s core customers, the Group faced strong headwinds in Mainland China market, as sales increases in government-supported segments were not enough to make up for shortfalls in the export sector. Since the Group delivered close to RMB200 million of equipment to BYD for the same period last year, domestic EV leader, while BYD purchases of new equipment declined significantly for the same period this year, and growth in other customer segments of the Group could not make up for this substantial shortfall, the Group’s final performance was also adversely affected. As a result, the Group registered a 24% drop in total turnover in Mainland China to HK$727 million (2022: HK$953 million) as compared with the same period last year.

The Group’s customers in Taiwan consist mainly of exporters who supplied the USA and European markets, so they were among the heaviest hit from depressed global consumption and geo-political turmoil. The Group registered a 53% reduction in turnover in Taiwan to HK$18 million (2022: HK$38 million) in the first half of this financial year, dropped for two consecutive years.

Internationally, recent PMI results of major industrial economies all pointed to worldwide weaknesses in consumption and manufacturing, which undoubtedly also depressed the demand for injection moulding machines, particular in export-oriented Asian countries such as Vietnam, Indonesia and Thailand. These countries all experienced export declines in the 5-10% range over the same period last year, with high lending rates, depreciated currencies and subdued domestic consumption. Furthermore, as countries in Europe and North America remained depressed economically, with geo-political turmoil in the Middle East and financial instability abound in South America, global demand for new manufacturing equipment is unlikely to strongly rebound in the short-term future. Because of these impacts, the Group’s total turnover internationally reduced by 22% to HK$257 million (2022: HK$331 million).

Certain countries, mainly developing ones, however, are the exceptions to the current global economic downturn, such as India, Brazil, Mexico and Turkey, and they posed growth potentials that the Group would not ignore. As such, the Group has redoubled its investments into these markets amidst poor current conditions, expanding sales networks and opening new branch offices and service centres, building a strong base for future development.

DEVELOPMENT OF NEW TECHNOLOGIES AND NEW PRODUCTS

Global economic conditions and consumption demand have weakened substantially from the red-hot years of the COVID pandemic. Customers today increasingly face high costs of capital, high inflation and dropping sales; they increasingly demand higher returns for their capital investments, which means higher Value-for-Money.

In response to this market trend, the Group has begun massive production of a range of new product lines during the first half of this financial year that uniquely address the pressing needs of customers today. They include:

1) The general-purpose *MK6.6/A, B, C* models with superior price-performance;
2) The high performance *MK6 plus* and *max* models;
3) An upgrade to the flagship MK6 series – the *MK6 PRO*; and
4) The next generation two-platen large tonnage machine, the *TP SMART* series.

All of the new product lines above have been launched into the general market, and the Group expects good contributions from them during the difficult second half of this financial year.

PRODUCTION AND COST CONTROL

During the first half of this financial year, the Group has completed an upgrade program for its major manufacturing facilities including the installation of new automated production lines. The Group has a roadmap to gradually transform its key facilities along the path of true smart factories through continuously improving levels of automation and intelligent control while at the same time raising operational efficiency. In the aspect of quality control, the Group is committed towards perfecting its quality assurance system via a deep-drive TQM initiative, and installing a "total quality" mentality among all production staff. In view of weak demands and severe competition within the current market, the Group continued to spearhead its VI (Value Improvement) initiative in order to maximally reduce operation costs as well as improve product competitiveness.

As the near future remains shrouded in uncertainties, the Group also took this as an opportunity to further strengthen its supply chain management, improve supply flexibility, alleviate bottlenecks and assist key suppliers in upgrading their own quality control systems in order to be able to swiftly respond to any market change.

LIQUIDITY AND FINANCIAL CONDITIONS

As at 30 September 2023, the Group had net current assets of HK$1,927 million (31 March 2023: HK$1,990 million), which represented a 3% decrease as compared to that as at 31 March 2023. Cash and bank balances (including pledged deposits) amounted to HK$741 million (31 March 2023: HK$671 million), representing an increase of HK$70 million as compared to that as at 31

March 2023. As at 30 September 2023, the Group had no bank borrowings (31 March 2023: Nil). The Group recorded a net cash position of HK$741 million (31 March 2023: HK$671 million), representing an increase of HK$70 million as compared to that as at 31 March 2023.

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 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 30 September 2023, bank deposits of certain subsidiaries of the Group in the amount of HK$33 million (31 March 2023: HK$26 million) were pledged, including HK$3 million (31 March 2023: 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$30 million (31 March 2023: HK$23 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$105 million (31 March 2023: HK$94 million) was pledged for securing the issuance of bank acceptance notes, included in the trade and bills payables, to suppliers.

CAPITAL COMMITMENTS

As at 30 September 2023, the Group had capital commitments of HK$16 million (31 March 2023: HK$26 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.

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 2023, the Group provided guarantee to a bank amounted to HK$2 million (31 March 2023: HK$3 million) for a bank loan granted to a customer to purchase the Group’s products.

HUMAN RESOURCES

As at 30 September 2023, the Group had approximately 2,300 (31 March 2023: 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 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

With worldwide economic trends that are highly volatile and uncertain, high borrowing costs in many countries, currencies depreciation abound, consistently heating geo-political tensions and the escalating Sino-USA relationship all contribute to undermine consumer confidence globally, with China's domestic economy also suffering collateral damage. Prospects for China exports in the short-term future remain pessimistic, and since a substantial proportion of the Group's core customers consist of exporters, it is fully anticipated that the Group will continue to be affected by these adverse conditions during the second half of this financial year.

To combat these challenges, the Group remains steadfastly committed towards investing into R&D for new technologies and new products in order to better fulfil market needs. The Group shall also continue to expand its sales and market network, streamline sales management processes, and open more service centres across the globe. The Group believes that these measures will better enable it to be more resilient in the current fluctuating market, as well as to capture future market opportunities when a rebound comes around.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 September 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.

RISK MANAGEMENT AND INTERNAL CONTROL

Effective risk management plays an integral role in the overall achievement of the Group's strategic objectives which are to ensure the resilience of its business for the long term. The Audit Committee of the Company continued to review the Group's risk management and internal control systems during the six months ended 30 September 2023 and up to the date of this announcement. Details of the Group's risk management and internal control systems are set out in the section headed "Risk Management and Internal Control" on pages 50 to 51 in the Corporate Governance Report of the Company's Annual Report 2022/23.

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 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 six months ended 30 September 2023.

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 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, 23 November 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. Harry Chi HUI, Mr. Anish LALVANI, Mr. Michael Tze Hau LEE and Mr. Johnson Chin Kwang TAN.