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 2022

FINANCIAL HIGHLIGHTS			
	For the six months ended 30 September		
	2022	2021	Change
	(Unaudited)	(Unaudited)	
RESULTS HIGHLIGHTS *(HK$'000)*			
Revenue	**1,321,680**	1,557,052	-15%
Profit before tax	**92,177**	165,668	-44%
Profit attributable to equity holders of the Company	**75,104**	123,162	-39%
Total assets	**3,962,299**	4,459,165	-11%
Shareholders' equity	**2,933,529**	3,082,758	-5%
Issued share capital	**63,053**	63,053	0%
Net current assets	**1,869,375**	2,054,677	-9%
PER SHARE DATA			
Basic earnings per share *(HK cents)*	**11.9**	19.5	-39%
Cash dividends per share (*HK cents*)	**4.5**	5.2	-13%
Net assets per share *(HK dollars)*	**4.7**	4.9	-4%
KEY FINANCIAL RATIOS			
Return on average shareholders' equity *(%)*	**2.4**	4.1	-41%
Return on average total assets *(%)*	**1.8**	2.8	-36%

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 2022 amounted to HK$75,104,000, as compared with the profit attributable to equity holders of HK$123,162,000 for the corresponding period of last year. Basic earnings per share for the six months ended 30 September 2022 was HK11.9 cents, as compared with the basic earnings per share of HK19.5 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 2022

		Six months ended 30 September	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*2*	**1,321,680**	1,557,052
Cost of sales		**(1,012,808)**	(1,163,346)
Gross profit		**308,872**	393,706
Other income and gains, net		**39,960**	48,104
Selling and distribution expenses		**(146,024)**	(161,062)
Administrative expenses		**(73,092)**	(78,927)
Other operating expenses, net		**(36,772)**	(36,399)
Finance costs		**(493)**	(642)
Share of profits less losses of associates		**(274)**	888
PROFIT BEFORE TAX	*3*	**92,177**	165,668
Income tax expense	*4*	**(17,854)**	(40,741)
PROFIT FOR THE PERIOD		**74,323**	124,927
ATTRIBUTABLE TO:			
Equity holders of the Company		**75,104**	123,162
Non-controlling interests		**(781)**	1,765
		74,323	124,927
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*6*		
Basic *(HK cents)*		**11.9**	19.5
Diluted *(HK cents)*		**11.9**	19.5

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**74,323**	124,927
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	**(276,701)**	34,788
Share of other comprehensive income/(expenses) of associates	**(3,291)**	156
Net other comprehensive income/(expenses) that may be reclassified to the income statement in subsequent periods	**(279,992)**	34,944
Other comprehensive income that will not be reclassified to the income statement in subsequent periods:		
Actuarial gains on defined benefit obligations	**109**	227
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD	**(279,883)**	35,171
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD	**(205,560)**	160,098
ATTRIBUTABLE TO:		
Equity holders of the Company	**(203,124)**	158,089
Non-controlling interests	**(2,436)**	2,009
	(205,560)	160,098

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Notes	**30 September 2022 (Unaudited)** *HK$'000*	31 March 2022 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**576,361**	647,970
Investment properties		**322,201**	359,296
Right-of-use assets		**34,634**	39,149
Goodwill		**51,905**	51,905
Intangible asset		**1,535**	1,834
Investments in associates		**24,964**	28,529
Deferred tax assets		**40,537**	43,548
Deposits for purchases of items of property, plant and equipment		**2,067**	3,607
Trade and bills receivables	*7*	**107,735**	99,985
Finance lease receivables	*8*	**-**	371
Defined benefit assets		**1,528**	1,061
Pledged bank deposits		**1,941**	2,851
Total non-current assets		**1,165,408**	1,280,106
CURRENT ASSETS			
Inventories		**763,046**	1,061,900
Trade and bills receivables	*7*	**1,303,074**	1,245,418
Deposits, prepayments and other receivables		**120,934**	141,281
Finance lease receivables	*8*	**2,133**	4,311
Pledged bank deposits		**32,776**	24,400
Cash and bank balances		**574,928**	671,911
Total current assets		**2,796,891**	3,149,221
CURRENT LIABILITIES			
Trade and bills payables	*9*	**572,540**	695,694
Other payables, accruals and contract liabilities		**311,357**	348,776
Lease liabilities		**1,113**	1,599
Interest-bearing bank borrowings		**-**	21,568
Tax payable		**42,506**	39,094
Total current liabilities		**927,516**	1,106,731
NET CURRENT ASSETS		**1,869,375**	2,042,490
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,034,783**	3,322,596
NON-CURRENT LIABILITIES			
Other payables and accruals		**10,601**	11,674
Lease liabilities		**3,520**	4,556
Deferred tax liabilities		**70,156**	77,904
Total non-current liabilities		**84,277**	94,134
NET ASSETS		**2,950,506**	3,228,462

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 30 September 2022

	30 September 2022 (Unaudited)	31 March 2022 (Audited)
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	**63,053**	63,053
Reserves	**2,870,476**	3,145,996
	2,933,529	3,209,049
Non-controlling interests	**16,977**	19,413
TOTAL EQUITY	**2,950,506**	3,228,462

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 2022, 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 2022:

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 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 2022 and 2021 is as follows:

	Segment revenue from external customers Six months ended 30 September		**Segment results Six months ended 30 September**	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China and Hong Kong	**952,551**	1,145,843	**87,374**	148,354
Taiwan	**38,142**	86,677	**2,897**	9,753
Other overseas countries	**330,987**	324,532	**18,726**	22,867
	1,321,680	1,557,052	**108,997**	180,974

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

Operating segment results	**108,997**	180,974
Unallocated income and gains	**5,791**	10,514
Corporate and unallocated expenses	**(22,063)**	(26,136)
Finance costs (other than interest on lease liabilities)	**(274)**	(572)
Share of profits less losses of associates	**(274)**	888
Profit before tax	**92,177**	165,668

3. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
Cost of inventories sold	**1,012,808**	1,163,346
Depreciation of property, plant and equipment	**28,726**	26,564
Depreciation of right-of-use assets	**1,514**	1,300
Amortization of an intangible asset	**118**	-
Loss/(gain) on disposal of items of property, plant and equipment	**23**	(1,195)
Write-off of items of property, plant and equipment	**1,431**	750
Impairment/(write-back of impairment) of trade receivables, net	**(1,642)**	5,878
Provision/(write-back of provision) for inventories, net	**(414)**	3,062
Write-back of impairment of finance lease receivables, net	**(689)**	(851)
Write-back of impairment of other receivables, net	**-**	(57)
Foreign exchange differences, net	**15,706**	(7,743)
Interest income	**(5,650)**	(10,257)
Finance lease interest income	**(141)**	(257)

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	
	2022	2021
	HK$'000	*HK$'000*
Current:		
Charge for the period		
Hong Kong	**-**	-
Elsewhere	**19,189**	32,307
Overprovision in prior periods	**(132)**	(17)
Deferred	**(1,203)**	8,451
Tax charge for the period	**17,854**	40,741

5. DIVIDENDS

	Six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
Dividends paid during the period:		
Final in respect of the financial year ended 31 March 2022		
- HK$0.116 (2021: HK$0.115) per ordinary share	**73,142**	72,511

The Board has declared the payment of an interim dividend of HK$0.045 (2021: HK$0.052) per ordinary share for the six months ended 30 September 2022 totalling HK$28,374,000 (2021: HK$32,788,000). 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$75,104,000 (2021: HK$123,162,000) and on the weighted average number of ordinary shares of 630,531,600 (2021: 630,531,600) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 September 2022 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. For the six months ended 30 September 2021, the calculation of the diluted earnings per share was based on the Group's profit attributable to equity holders of the Company for that 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 that 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 that period.

7. TRADE AND BILLS RECEIVABLES

	Notes	30 September 2022 HK$'000	31 March 2022 HK$'000
Trade receivables		**1,087,385**	976,207
Impairment		**(90,158)**	(98,368)
Trade receivables, net	*(a)*	**997,227**	877,839
Bills receivable	*(b)*	**413,582**	467,564
Total trade and bills receivables		**1,410,809**	1,345,403
Portion classified as non-current portion		**(107,735)**	(99,985)
Current portion		**1,303,074**	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$119,537,000 as at 30 September 2022 (31 March 2022: HK$128,268,000) which are interest-bearing at an average interest rate of 6.3% (31 March 2022: 6.2%) per annum and with credit periods of 12 months to 36 months (31 March 2022: 12 months to 36 months) in general, the remaining trade and bills receivables are non-interest-bearing.

As at 30 September 2022, the Group has pledged bills receivable of HK$128,237,000 (31 March 2022: HK$98,162,000) 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 2022 HK$'000	31 March 2022 HK$'000
Within 90 days	**465,626**	297,820
91 to 180 days	**165,230**	159,723
181 to 365 days	**179,277**	232,306
Over 1 year	**187,094**	187,990
	997,227	877,839

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 2022	31 March 2022
	HK$'000	*HK$'000*
Within 90 days	**177,001**	167,299
91 to 180 days	**175,972**	210,324
181 to 365 days	**47,292**	75,230
Over 1 year	**13,317**	14,711
	413,582	467,564

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 7 months to 8 months (31 March 2022: 1 month to 14 months). The customers shall purchase the leased injection moulding machines at the end of lease terms of the finance leases.

	30 September 2022	31 March 2022
	HK$'000	*HK$'000*
Finance lease receivables	**6,702**	10,501
Impairment	**(4,569)**	(5,819)
Finance lease receivables, net	**2,133**	4,682
Portion classified as non-current portion	**-**	(371)
Current portion	**2,133**	4,311

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 2022	31 March 2022	**30 September 2022**	31 March 2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts receivable:				
Within one year	**2,198**	4,476	**2,133**	4,311
In the second year	**-**	375	**-**	371
Total minimum finance lease receivables	**2,198**	4,851	**2,133**	4,682
Unearned finance income	**(65)**	(169)		
Total net finance lease receivables	**2,133**	4,682		
Portion classified as current assets	**(2,133)**	(4,311)		
Non-current portion	**-**	371		

No contingent income was recognized during the six months ended 30 September 2022 (2021: 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 2022	31 March 2022
	HK$'000	*HK$'000*
Within 90 days	**299,999**	384,486
91 to 180 days	**129,404**	225,315
181 to 365 days	**129,686**	71,323
Over 1 year	**13,451**	14,570
	572,540	695,694

The trade and bills payables are non-interest-bearing and are normally settled on terms of 3 to 6 months (31 March 2022: 3 to 6 months). Included in the trade and bills payables are trade payables of HK$9,332,000 (31 March 2022: HK$10,984,000) due to associates which are repayable within 30 days.

10. COMPARATIVE AMOUNTS

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

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK4.5 cents (2021: HK5.2 cents) per ordinary share for the six months ended 30 September 2022 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 16 December 2022. The interim dividend will be paid on or about Thursday, 12 January 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 15 December 2022 to Friday, 16 December 2022, 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 Wednesday, 14 December 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS PERFORMANCE

For the six months ended 30 September 2022, the Group registered turnover of HK$1,322 million (2021: HK$1,557 million), a reduction of 15% over the same period of last year. Profit attributable to equity holders declined 39% to HK$75 million (2021: HK$123 million). Basic earnings per share was HK11.9 cents (2021: HK19.5 cents). The Board has resolved to declare an interim dividend of HK4.5 cents (2021: HK5.2 cents) per share.

During the first half of this financial year, the sudden outbreak of COVID in Shanghai resulted in a lockdown from 1 April to 1 June, a period of two whole months, which led to widespread disruptions of domestic supply chain, imported parts and components stuck in ports, and delayed deliveries of export goods. Follow-on impacts of this lockdown persisted all the way until well into July/August, which proved to be a heavy burden on China's economy already stressed by a weak real-estate segment – its traditional economic locomotive – and rekindled Sino-US trade disputes. Consequently, China's Gross Domestic Product ("GDP") growth rate plummeted during the second quarter and brought its forecasted annual GDP growth rate down to 4.5%, a relative low level.

The rest of the world fared little better during the same period, characterized by acute market volatility and political turmoil. Firstly, Russia's military conflict with Ukraine gave no indication of resolving, while western powers piled sanctions upon sanctions on Russia at the cost of rising energy shortfalls, sky-rocketing electricity prices and grain shortages. Central banks across the globe were obliged to raise interest rates in order to combat high inflation that naturally followed from such shortages, which ultimately led to social unrest in some and political instability in others. The US Federal Reserve, in the meantime, added fuel to fire by engaging upon an acute quantitative tightening process in a bid to curb domestic inflation, raising interest rates by 3% within the first three quarters of this year, a magnitude the world had not seen for close to three decades. Sharp-hiking interest rates led to an extremely strong U.S. Dollar and significant depreciations of other global currencies, especially those of developing nations, some of which were starting to threaten stability of the global financial system. Finally, an accelerating process of destocking that followed massive inventory buildups during the COVID pandemic was exerting heavier pressure on consumer goods export orders to China, resulting in a substantial slowdown of China's domestic manufacturing sector, especially those catering for exports.

The manufacturing industries in China faced serious challenge under the said series of internal and external factors. During the first half of this financial year, China's Purchasing Managers' Index ("PMI") remained mostly below 50, indicating widespread shrinkage of manufacturing activities due to weak demand and supply chain disruptions. The Group's core customer groups remained cautious with regards to capital investment during such market conditions, with most suffering low capacity utilization and dwindling orders, taking a wait-and-see attitude towards expansion projects. The Group's total turnover during this period declined because of these reasons.

MARKET ANALYSIS

Breakdown of turnover, based on the location of customers, for the six months ended 30 September 2022 is as follows:

Customer Location	**2022** *(HK$ million)*	2021 *(HK$ million)*	Change
Mainland China and Hong Kong	**953**	1,146	-17%
Taiwan	**38**	87	-56%
Other overseas countries	**331**	324	+2%
	1,322	1,557	-15%

As COVID rampaged the world in a pandemic, many traditional consumer product industries in China enjoyed red-hot orders growth for most of this period which lasted over two years. As a result, there existed a significant amount of "over-stocking" in Europe and the USA, leading to an acute "post-pandemic" destocking process which started early this year. The sudden lockdown of Shanghai, China (from 1 April to 1 June) also significantly affected domestic industrial supply chains and logistic arrangements, the Group being one of its victims as imported parts and components were stuck in ports unable to clear customs. In addition, weaknesses in China's domestic real-estate market were beginning to make their impacts felt across all facets of the economy, including the financial markets, monetary liquidity, and household income.

China registered a substantial drop in GDP growth for the second quarter (i.e. April to June). Although third quarter results rebounded, annual GDP growth forecast for this year is significantly revised downwards to 4.5% – the lowest in three decades if disregarding early pandemic periods. The most direct consequence of lockdowns combined with weak economic drivers was to curb household income and consumer spending, which was evident from the plummeting Consumer Confidence Index published by the Bank of China. Industrial PMI figures confirmed this condition: during the six months of the first half of this financial year, four registered PMI measures markedly below 50, indicating shrinkage of industrial activities, especially for consumer goods.

Although the market for consumer goods remained depressed, the automotive sector bucked this trend and became a rare highlight by growing 16% during the period in review, mostly coming from the electric vehicles (EVs) segment which doubled year-on-year. Year-to-date, China's automotive exports expanded by close to 60%, replacing Germany as the second largest automotive exporter worldwide after Japan. As the Group continued its relationship with the leader of China's EV segment, BYD, which started last year, more orders from the first half of this financial year for high-end injection moulding machines were placed by BYD to the Group in order to satisfy its large demands due to a very aggressive capacity expansion program. Up to the end of September, the Group had signed a total of close to RMB500 million of orders with BYD for the EV program, to provide around 800 medium-to-large tonnage injection moulding machines.

Weak consumption and rekindled Sino-US trade tension great hampered the investment plans of many manufacturing customers who decided to adopt a wait-and-see strategy for more future visibility. Thus, the Group registered a turnover drop of 17% in the China market to HK$953 million (2021: HK$1,146 million).

The situation in international markets divided into two extremes in the first half of this financial year: firstly, regions that benefited from the lifting of two years of pandemic restrictions, such as Asia, the Middle East, Africa and India, experienced explosive consumption growth, which in turn translated into more demand for manufacturing equipment. During the period under review, the Group's turnover in these regions generally registered increases of 30% or above year-on-year. At the other extreme, however, European market remained depressed due to fallout from large-scale sanctions levied upon Russia for its military conflict with Ukraine (the two conflicting countries used to be the largest and fifth-largest grain exporters worldwide) which led to energy shortages and food scarcity, spiking inflation and factory stoppages.

At the same time, the US Federal Reserve embarked on the most aggressive rate hike program in three decades, pushing the U.S. Dollar to new highs and causing global currency depreciations, especially for developing countries such as Brazil and Turkey – factors that also contributed to destabilize these countries economically and politically. As a result, the Group experienced a large decline in turnover to these developed western regions such as Europe and the USA but, together with strong growth in other regions, registered an almost flat turnover in international markets, growing slightly by 2% to HK$331 million (2021: HK$324 million).

As Taiwan manufacturers mostly export to Europe and the USA, they were directly affected by the military conflict in Europe and the US Federal Reserve's rate hikes. Turnover of the Group among Taiwanese customers dropped 56% to HK$38 million (2021: HK$87 million).

DEVELOPMENT OF NEW TECHNOLOGIES AND NEW PRODUCTS

In response to the changing market environment and urgent customer needs, the Group launched the first of a new extension to its flagship MK6 product line – the MK6.6 series – at the beginning of this year. The first model of the new MK6.6 line extension – the MK6.6/A "Artisan" – leverages high-end designs from the popular MK6 series to give the same high precision, high reliability, and high performance but also fine-tunes them to suit specific needs of particular application segments such as electric appliances, household goods and toys, and therefore well recognized and appreciated by customers. The Group also launched the next in line model – the MK6.6/B "Brilliance" – at the end of September, which was tailored for the needs of demanding segments such as 3C, electronics, packaging and automotive.

“Customers Come First” has always been the motto of the Group’s research and development focus, and aims to provide worldwide customers with equipment that is most suited to their applications as well as produces the highest value. The Group realizes that increasing specialization and tailor making different models of products is a clear trend in the industry and plans to launch more application-specific models during the upcoming six to twelve months, such as the next iteration of the flagship MK6 series – the MK8, a next-generation two-platen series, and an enhanced upgrade to the SPARK series of all-electric machines.

PRODUCTION AND COST CONTROL

The Group continued to execute on its planned 40% capacity expansion program through upgrading dated production equipment and facilities, automating existing processes and improving line efficiency. The Group also launched a TQM program targeting on improving quality consciousness and standards-driven operating procedures throughout the production environment across all staff levels. Meanwhile, the Group’s continued involvement in operating VI (value improvement) began to bear fruit in terms of better cost control, higher production efficiency and stronger market competitiveness.

As future market sentiments remain uncertain, and to enable rapid responses to any market changes, the Group is committed to strengthening control on its supply chain with the aim to alleviate bottlenecks and enhance supply flexibility, actively working with suppliers to lift quality standards and reduce costs.

LIQUIDITY AND FINANCIAL CONDITIONS

As at 30 September 2022, the Group had net current assets of HK$1,869 million (2021: HK$2,055 million), which represented a 9% decrease over last year. Cash and bank balances (including pledged deposits) amounted to HK$610 million (2021: HK$843 million), representing a decrease of HK$233 million over last year. As at 30 September 2022, the Group had no bank borrowings. As at 30 September 2021, the bank borrowings were HK$23 million, which were short term loans with floating interest rates for general working capital purposes. The Group recorded a net cash position of HK$610 million (2021: HK$820 million), representing a decrease of HK$210 million.

The gearing ratio of the Group is measured as total borrowings net of cash and bank balances divided by total assets. The Group had a net cash position as at 30 September 2022. 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 2022, bank deposits of certain subsidiaries of the Group in the amount of HK$35 million (2021: HK$26 million) were pledged, including HK$3 million (2021: Nil) for securing a bank loan granted by a bank in Mainland China to a customer to purchase the Group’s products, and HK$32 million (2021: HK$26 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$128 million (2021: HK$17 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 2022, the Group had capital commitments of HK$4 million (2021: HK$69 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 2022, the Group had no borrowings in Japanese Yen. As at 30 September 2021, the Group had borrowings in Japanese Yen equivalent to HK$23 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 2022, the Group provided (i) guarantee to a bank amounted to HK$3 million (2021: Nil) for a bank loan granted to a customer to purchase the Group’s products; and (ii) performance guarantee to a bank amounted to HK$0.2 million (2021: Nil) provided to a customer.

HUMAN RESOURCES

As at 30 September 2022, the Group had approximately 2,300 (2021: 2,400) 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 world today is in a state of massive volatility and limited visibility, with uncertainties abound both within China as well as internationally. More importantly, as Europe enters the winter season, analysts worldwide appear unable to agree upon how much an impact will be sustained by European industries and their societies from energy shortages due to the Russo-Ukrainian military conflict. The only consensus of such is an extremely cautious view towards the future which is prone to further deterioration. As the US Federal Reserve continues its program of interest rate hikes with no clear end in sight, such action is bound to cause further pressure on future economic development. Together with uncertainties due to unstable Sino-US trade relations, it is projected that most capacity expansion plans will be put on hold by manufacturing customers who are waiting for a better visibility.

The Group shall continue its regular strategy in these market conditions, which is to double-down on technological investments and product innovation with an emphasis of alleviating customer pains and helping customers resolve problems. The Group believes that this remain one of the most important assessment criteria of customers towards their suppliers under any market and economic environment.

As the Group enters its 65th year anniversary in the year 2023, there will be a series of celebratory activities, market promotional events and customer connection programs to commemorate the occasion. The Group will also take this opportunity to introduce a series of next-generation product lines, which will just be the right products at just the right time should the market rebound next year.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 September 2022, 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 six months ended 30 September 2022.

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 2022.

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 2022 and discussed internal controls and financial reporting matters, including the review of accounting principles and practices adopted by the Group.

On behalf of the Board
CHEN HSONG HOLDINGS LIMITED
Lai Yuen CHIANG
Chairman and Chief Executive Officer

Hong Kong, 25 November 2022

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.