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震雄集團有限公司



CHEN HSONG HOLDINGS LIMITED

(於百慕達註冊成立之有限公司)
(Incorporated in Bermuda with limited liability)

(股份代號 Stock Code: 00057)

中期報告
INTERIM REPORT

2008/2009

Financial Highlights

	For the six months ended 30 September		Change
	2008 (Unaudited)	2007 (Unaudited)	
RESULTS HIGHLIGHTS (HK\$'000)			
Revenue	1,168,267	1,208,092	-3%
Profit before tax	134,135	212,393	-37%
Profit attributable to equity holders of the Company	113,763	186,337	-39%
Total assets	3,290,050	2,832,799	16%
Shareholders' funds	2,394,592	2,199,651	9%
Issued share capital	62,883	62,534	1%
Net current assets	1,280,155	1,253,593	2%
PER SHARE DATA			
Basic earnings per share (HK cents)	18.1	29.8	-39%
Cash dividends per share (HK cents)	2.0	8.0	-75%
Net assets per share (HK dollars)	3.8	3.5	9%
KEY FINANCIAL RATIOS			
Return on average shareholders' funds (%)	4.8	8.7	-45%
Return on average total assets (%)	3.6	6.8	-47%

Corporate Information

Directors

Executive Directors

Dr. Chen CHIANG, GBM (*Chairman*)
Ms. Lai Yuen CHIANG (*Chief Executive Officer*)
Mr. Chi Kin CHIANG
Mr. Stephen Hau Leung CHUNG
Mr. Sam Hon Wah NG

Independent Non-executive Directors

Mr. Johnson Chin Kwang TAN
Mr. Anish LALVANI
Mr. Bernard Charnwut CHAN
Mr. Michael Tze Hau LEE

Audit Committee

Mr. Anish LALVANI (*Chairman*)
Mr. Johnson Chin Kwang TAN
Mr. Bernard Charnwut CHAN
Mr. Michael Tze Hau LEE

Remuneration Committee

Mr. Bernard Charnwut CHAN (*Chairman*)
Mr. Anish LALVANI
Mr. Michael Tze Hau LEE
Ms. Lai Yuen CHIANG

Company Secretary

Ms. Alice Sin Ping LIP

Authorized Representatives

Ms. Lai Yuen CHIANG
Ms. Alice Sin Ping LIP

Auditors

Ernst & Young

Principal Bankers

BNP Paribas
CALYON
Industrial and Commercial Bank of China
(Asia) Limited
Standard Chartered Bank (Hong Kong)
Limited
The Hongkong and Shanghai Banking
Corporation Limited

Principal Share Registrars	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM08 Bermuda
Branch Share Registrars	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Hong Kong
Registered Office	Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Head Office & Principal Place of Business	13-15 Dai Wang Street Tai Po Industrial Estate Tai Po, New Territories Hong Kong
Corporate Communications & Investor Relations	Ms. Amy LEUNG Tel: (852) 2663 7125 Fax: (852) 2664 8202 E-mail: amyleung@chenhsong.com.hk Website: www.chenhsong.com.hk
Stock Code	00057

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 2008 amounted to HK\$113,763,000, representing a decrease of 39% as compared with the profit attributable to equity holders of HK\$186,337,000 for the corresponding period last year. Basic earnings per share for the six months ended 30 September 2008 was HK18.1 cents, a decrease of 39% over the corresponding period in 2007 of HK29.8 cents. These unaudited interim results have been reviewed by the Company's Audit Committee.

Condensed Consolidated Income Statement

For the six months ended 30 September 2008

	Notes	Six months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
REVENUE	2	1,168,267	1,208,092
Cost of sales		(875,063)	(829,704)
Gross profit		293,204	378,388
Other income and gains		16,876	17,808
Selling and distribution expenses		(120,978)	(101,639)
Administrative expenses		(72,160)	(72,589)
Other operating income/(expenses), net		18,739	(9,394)
Finance costs		(2,684)	(1,140)
Share of profits less losses of associates		1,138	959
PROFIT BEFORE TAX	3	134,135	212,393
Tax	4	(18,412)	(23,515)
PROFIT FOR THE PERIOD		115,723	188,878
ATTRIBUTABLE TO:			
Equity holders of the Company		113,763	186,337
Minority interests		1,960	2,541
		115,723	188,878
DIVIDEND – INTERIM	5	12,577	50,028
EARNINGS PER SHARE			
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	6		
Basic (HK cents)		18.1	29.8
Diluted (HK cents)		18.1	29.6

Condensed Consolidated Balance Sheet

At 30 September 2008

	Notes	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	766,315	709,192
Prepaid land lease payments		56,850	56,880
Goodwill		94,931	94,931
Interests in associates	8	14,625	2,394
Available-for-sale equity investments		124,057	124,057
Deferred tax assets		77,929	69,540
Deposits for purchases of items of property, plant and equipment		17,006	17,299
Total non-current assets		<u>1,151,713</u>	<u>1,074,293</u>
CURRENT ASSETS			
Inventories		827,232	709,278
Trade and bills receivables	9	864,471	874,324
Deposits, prepayments and other receivables		107,267	61,500
Dividend receivable from an available-for-sale equity investment		19,569	37,800
Cash and bank balances		319,798	361,744
Total current assets		<u>2,138,337</u>	<u>2,044,646</u>
CURRENT LIABILITIES			
Trade and bills payables	10	456,727	410,373
Tax payable		15,526	22,795
Other payables and accruals		201,057	248,906
Bank loans, unsecured		184,872	27,814
Total current liabilities		<u>858,182</u>	<u>709,888</u>
NET CURRENT ASSETS		<u>1,280,155</u>	<u>1,334,758</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,431,868</u>	<u>2,409,051</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		22,830	16,147
NET ASSETS		<u>2,409,038</u>	<u>2,392,904</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	11	62,883	62,623
Reserves		2,331,709	2,318,240
		<u>2,394,592</u>	<u>2,380,863</u>
Minority interests		<u>14,446</u>	<u>12,041</u>
Total equity		<u>2,409,038</u>	<u>2,392,904</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2008

	Notes	Attributable to equity holders of the Company			
		Issued share capital	Share premium account	Capital redemption reserve	Capital reserve
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007		62,416	498,308	295	50,463
Exchange realignment		—	—	—	—
Total income and expense for the period recognized directly in equity		—	—	—	—
Profit for the period		—	—	—	—
Total income and expense for the period		—	—	—	—
Issue of new shares		118	1,856	—	—
Equity-settled share option arrangements		—	—	—	126
Final dividend for the year ended 31 March 2007	5	—	—	—	—
At 30 September 2007		<u>62,534</u>	<u>500,164</u>	<u>295</u>	<u>50,589</u>
At 1 April 2008		62,623	501,454	295	51,638
Exchange realignment		—	—	—	—
Total income and expense for the period recognized directly in equity		—	—	—	—
Profit for the period		—	—	—	—
Total income and expense for the period		—	—	—	—
Issue of new shares	11	260	4,920	—	—
Equity-settled share option arrangements		—	—	—	14
Transfer from retained profits		—	—	—	641
Final dividend for the year ended 31 March 2008	5	—	—	—	—
At 30 September 2008		<u>62,883</u>	<u>506,374*</u>	<u>295*</u>	<u>52,293*</u>

* These reserve accounts comprise the consolidated reserves of HK\$2,331,709,000 in the condensed consolidated balance sheet as at 30 September 2008.

Attributable to equity holders of the Company

Statutory reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
23,976	2,351	43,732	1,395,837	2,077,378	7,967	2,085,345
-	-	33,891	-	33,891	225	34,116
-	-	33,891	-	33,891	225	34,116
-	-	-	186,337	186,337	2,541	188,878
-	-	33,891	186,337	220,228	2,766	222,994
-	-	-	-	1,974	-	1,974
-	-	-	-	126	-	126
-	-	-	(100,055)	(100,055)	-	(100,055)
<u>23,976</u>	<u>2,351</u>	<u>77,623</u>	<u>1,482,119</u>	<u>2,199,651</u>	<u>10,733</u>	<u>2,210,384</u>
109,802	2,351	175,925	1,476,775	2,380,863	12,041	2,392,904
-	-	4,189	-	4,189	445	4,634
-	-	4,189	-	4,189	445	4,634
-	-	-	113,763	113,763	1,960	115,723
-	-	4,189	113,763	117,952	2,405	120,357
-	-	-	-	5,180	-	5,180
-	-	-	-	14	-	14
-	-	-	(641)	-	-	-
-	-	-	(109,417)	(109,417)	-	(109,417)
<u>109,802*</u>	<u>2,351*</u>	<u>180,114*</u>	<u>1,480,480*</u>	<u>2,394,592</u>	<u>14,446</u>	<u>2,409,038</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2008

	Six months ended	
	30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(38,766)	80,194
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(54,719)	(19,169)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	54,279	(107,577)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(39,206)	(46,552)
Cash and cash equivalents at beginning of period	329,798	363,613
Effect of foreign exchange rate changes, net	(541)	2,200
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>290,051</u>	<u>319,261</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	270,412	319,261
Bank deposits with original maturity of less than three months when acquired	19,639	–
	<u>290,051</u>	<u>319,261</u>

Notes to Condensed Financial Statements

30 September 2008

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 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 2008, except that the Group has adopted, for the first time for the current period's financial statements, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as the "New HKFRSs") issued by the HKICPA that are effective for the annual periods commencing on or after 1 January 2008:

HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above New HKFRSs has had no material impact on the accounting policies of the Group and the methods of the computation in the Group's 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 has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2. Revenue and Segment Information

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold during the period, after allowances for returns and trade discounts, excluding intra-group transactions.

An analysis of the Group's segment revenue and results by geographical location of customers is as follows:

	Segment revenue from		Segment results	
	external customers		Six months ended	
	Six months ended		30 September	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
People's Republic of China ("PRC") (including Hong Kong)	707,438	848,853	99,107	171,213
Taiwan	154,894	114,547	14,646	13,614
Other overseas countries	305,935	244,692	44,427	53,860
	<u>1,168,267</u>	<u>1,208,092</u>	158,180	238,687
Unallocated income and gains			1,156	2,279
Corporate and unallocated expenses			(23,655)	(28,392)
Finance costs			(2,684)	(1,140)
Share of profits less losses of associates			1,138	959
Profit before tax			<u>134,135</u>	<u>212,393</u>

Over 90% of the Group's revenue is attributable to the manufacture and sale of plastic injection moulding machines and related products. Therefore, no analysis by business segment is presented.

3. Profit before Tax

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

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Cost of inventories sold	875,063	829,704
Depreciation	30,324	26,436
Recognition of prepaid land lease payments	950	935
Loss on disposal of items of property, plant and equipment	16	7
Provision/(write-back of provision) for inventories, net	(5,229)	628
Interest income	(1,156)	(2,279)
	<u><u>875,063</u></u>	<u><u>829,704</u></u>

4. Tax

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the period (2007: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Current:		
Charge for the period		
Hong Kong	–	–
Elsewhere	17,246	23,473
Underprovision in prior periods	274	–
Deferred	892	42
	<u><u>18,412</u></u>	<u><u>23,515</u></u>
Tax charge for the period	<u><u>18,412</u></u>	<u><u>23,515</u></u>

5. Dividends

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK\$0.174 (2007: HK\$0.16) per ordinary share	108,964	99,866
Additional final dividend due to exercise of share options	453	189
	<u>109,417</u>	<u>100,055</u>
Interim dividend declared after the interim period end of HK\$0.02 (2007: HK\$0.08) per ordinary share	<u>12,577</u>	<u>50,028</u>

6. Earnings Per Share Attributable to Equity Holders of the Company

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company for the period of HK\$113,763,000 (2007: HK\$186,337,000) and on the weighted average number of 628,359,054 (2007: 624,525,840) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the Group's profit attributable to equity holders of the Company for the period of HK\$113,763,000 (2007: HK\$186,337,000) and on the weighted average number of 629,127,143 (2007: 628,665,096) ordinary shares, being the weighted average number of 628,359,054 (2007: 624,525,840) ordinary shares in issue during the period as used in the basic earnings per share calculation and the weighted average number of 768,089 (2007: 4,139,256) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

7. Property, Plant and Equipment

The movements of property, plant and equipment of the Group were as follows:

	<i>HK\$'000</i>
Net carrying amount as at 1 April 2008	709,192
Additions	77,703
Disposals	(196)
Write-offs	(27)
Depreciation provided for the period	(30,324)
Exchange realignment	9,967
	<u> </u>
Net carrying amount as at 30 September 2008	<u>766,315</u>

8. Interests in Associates

	30 September 2008	31 March 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	14,625	13,096
Amount due from an associate	–	43
Amounts due to associates	–	(10,745)
	<u> </u>	<u> </u>
	<u>14,625</u>	<u>2,394</u>

The balances with the associates are unsecured, interest-free and are normally settled at a term of 30 days (31 March 2008: no fixed terms of repayment). Accordingly, as at 30 September 2008, the amount due from an associate of HK\$45,000 and the amounts due to associates of HK\$14,966,000 are included in the trade and bills receivables and the trade and bills payables respectively. The carrying amounts of the balances with the associates approximate to their fair values.

9. Trade and Bills Receivables

Trading terms with customers are either cash on delivery, bank bills or on credit. Customers are granted credit at the discretion of the Group, subject to their respective business strength and creditability. The average credit period is 90 days and extension of credit period is made for customers with good trading and repayment records. The Group adopts strict control policies over credit terms and receivables that serve to minimize credit risk. The carrying amounts of the trade and bills receivables approximate to their fair values.

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 trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables that are not considered to be impaired as at the balance sheet date is as follows:

	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
Current (neither past due nor impaired)	554,763	546,023
Less than 90 days past due	153,900	176,622
91 to 180 days past due	83,313	107,104
Over 180 days past due	72,495	44,575
	<u>864,471</u>	<u>874,324</u>

10. Trade and Bills Payables

An ageing analysis of the trade and bills payables as at the balance sheet date is as follows:

	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
Current	359,031	321,172
1 to 90 days	83,054	69,035
91 to 180 days	5,207	6,341
Over 180 days	9,435	13,825
	<u>456,727</u>	<u>410,373</u>

The trade and bills payables are non-interest-bearing. The carrying amounts of the trade and bills payables approximate to their fair values.

11. Share Capital

	30 September 2008	31 March 2008
	HK\$'000	HK\$'000
Authorized:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
628,833,600 (31 March 2008: 626,227,600) ordinary shares of HK\$0.10 each	<u>62,883</u>	<u>62,623</u>

During the period, the subscription rights attaching to 2,606,000 share options were exercised at the exercise prices of HK\$1.988 per ordinary share (note 12), resulting in the issue of 2,606,000 ordinary shares of HK\$0.10 each for a total cash consideration, before issue expenses, of approximately HK\$5,180,000 in aggregate.

Details of the movement in the Company's issued ordinary share capital are as follows:

	Number of ordinary shares in issue	Issued share capital	Share premium account	Total
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2008	626,227,600	62,623	501,454	564,077
Share options exercised	2,606,000	260	4,920	5,180
At 30 September 2008	<u><u>628,833,600</u></u>	<u><u>62,883</u></u>	<u><u>506,374</u></u>	<u><u>569,257</u></u>

12. Share Options

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 23 August 2002, the Company adopted a share option scheme (the "2002 Scheme"). Share options under the 2002 Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Following is the summary of the movements of the outstanding share options under the 2002 Scheme during the period:

Name or category of participants	Number of share options				At 30 September 2008	Date of grant*	Exercise period	Exercise price per share**
	At 1 April 2008	Granted during the period	Exercised during the period	Forfeited during the period				
						(D/M/Y)	(D/M/Y)	HK\$
Directors or substantial shareholder								
Chen CHIANG	1,000,000	-	(1,000,000)	-	-	11/3/2003	11/3/2008 – 10/3/2013	1.988
Lai Yuen CHIANG	668,000	-	(668,000)	-	-	11/3/2003	11/3/2008 – 10/3/2013	1.988
Chi Kin CHIANG	334,000	-	-	-	334,000	11/3/2003	11/3/2008 – 10/3/2013	1.988
Stephen Hau Leung CHUNG	332,000	-	-	-	332,000	11/3/2003	11/3/2004 – 10/3/2013	1.988
	334,000	-	-	-	334,000	11/3/2003	11/3/2008 – 10/3/2013	1.988
	666,000	-	-	-	666,000			
Sam Hon Wah NG	334,000	-	-	-	334,000	11/3/2003	11/3/2009 – 10/3/2013	1.988

12. Share Options (Continued)

Name or category of participants	Number of share options				At 30 September 2008	Date of grant*	Exercise period	Exercise price per share**
	At 1 April 2008	Granted during the period	Exercised during the period	Forfeited during the period				
Directors or substantial shareholder								
Chen Hsong Investments Limited	600,000	-	(600,000)	-	-	11/3/2003	11/3/2008 – 10/3/2013	1.988
Sub-total	<u>3,602,000</u>	<u>-</u>	<u>(2,268,000)</u>	<u>-</u>	<u>1,334,000</u>			
Employees (other than directors)								
In aggregate	10,000	-	-	-	10,000	11/3/2003	11/3/2004 – 10/3/2013	1.988
	24,000	-	-	-	24,000	11/3/2003	11/3/2006 – 10/3/2013	1.988
	578,000	-	(338,000)	-	240,000	11/3/2003	11/3/2008 – 10/3/2013	1.988
	110,000	-	-	(10,000)	100,000	11/3/2003	11/3/2009 – 10/3/2013	1.988
Sub-total	<u>722,000</u>	<u>-</u>	<u>(338,000)</u>	<u>(10,000)</u>	<u>374,000</u>			
Total	<u>4,324,000</u>	<u>-</u>	<u>(2,606,000)</u>	<u>(10,000)</u>	<u>1,708,000</u>			

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price per share of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

12. Share Options (Continued)

Notes:

1. The closing price of the ordinary shares of the Company on 11 March 2003 was HK\$1.98 per share.
2. The weighted average closing prices of the shares in which the share options were exercised by the participants of the 2002 Scheme were as follows:

Name or category of participants	Weighted average closing prices	
	Immediately before the date of exercise	On the date of exercise
	HK\$	HK\$
Chen CHIANG	3.82	3.69
Lai Yuen CHIANG	2.83	2.83
Chen Hsong Investments Limited	3.82	3.69
Employees (other than directors)	3.78	3.68

3. The share options granted under the 2002 Scheme are for a consideration of HK\$1.00 per grant.
4. The 2,606,000 share options exercised during the period resulted in the issue of 2,606,000 ordinary shares of HK\$0.10 each of the Company and new share capital of approximately HK\$260,000 and share premium of approximately HK\$4,920,000 (before issue expenses), as detailed in note 11 to the financial statements.
5. At 30 September 2008, the Company had 1,708,000 (31 March 2008: 4,324,000) share options outstanding under the 2002 Scheme. The exercise in full of the share options outstanding would, under the present capital structure of the Company, result in the issue of 1,708,000 additional ordinary shares of HK\$0.10 each of the Company, and additional share capital of approximately HK\$171,000 and share premium of approximately HK\$3,225,000 (before issue expenses).

13. Contingent Liabilities

As at the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	30 September 2008	31 March 2008
	HK\$'000	HK\$'000
Guarantees given to financial institutions in connection with facilities granted to certain third parties, at the maximum	<u>87,173</u>	<u>91,133</u>

14. Commitments

As at 30 September 2008, the Group had capital commitments, which were contracted but not provided for, in respect of the construction of industrial buildings in the Mainland China amounting to approximately HK\$60,521,000 (31 March 2008: HK\$22,187,000).

As at 30 September 2008, the Group had capital commitments, which were contracted but not provided for, in respect of the purchase of property, plant and equipment in the Mainland China amounting to approximately HK\$36,194,000 (31 March 2008: HK\$26,531,000).

As at 30 September 2008, the Group's wholly-owned subsidiaries in the Mainland China and Hong Kong had no capital commitments, which were contracted but not provided for, in respect of investments in certain of their wholly-owned subsidiaries in the Mainland China (31 March 2008: HK\$120,000).

15. Related Party Transactions

- (i) During the period, the Group purchased raw materials amounting to HK\$39,288,000 (2007: HK\$25,220,000) from an associate at prices and on terms similar to those offered by unrelated suppliers of the Group.
- (ii) Compensation of key management personnel of the Group:

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Short term employee benefits	12,223	16,468
Post-employment benefits	24	24
Share-based payments	10	103
	<u>12,257</u>	<u>16,595</u>

Interim Dividend

The Board has resolved to declare an interim dividend of HK2.0 cents (2007: HK8.0 cents) per ordinary share for the six months ended 30 September 2008 to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 5 January 2009. The interim dividend declared will be paid on or about Wednesday, 14 January 2009.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 31 December 2008 to Monday, 5 January 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrars in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 30 December 2008.

Management's Discussion and Analysis

Business Performance

The Group registered total turnover during the six months ended 30 September 2008 of HK\$1,168 million (2007: HK\$1,208 million), a decline of 3% as compared with the same period last year. Profit attributable to equity holders and basic earnings per share both decreased by 39% to HK\$114 million (2007: HK\$186 million) and HK18.1 cents (2007: HK29.8 cents) respectively. The Board has resolved to declare an interim dividend of HK2.0 cents (2007: HK8.0 cents) per share.

The three major challenges experienced in the second half of last financial year continued in the first six months of this financial year, that of: tightening credit in China, high crude oil prices, sky-rocketing iron and steel prices.

The Chinese Government continued to raise interest rates and tighten bank credit during the first half of this financial year in a bid to cool its run-away economic growth, with catastrophic impacts on the funding sources relied upon by manufacturing customers (especially SMEs and private enterprises). At the same time, international crude oil prices rose from US\$100 per barrel at the beginning of 2008 to a peak of US\$150 per barrel, causing prices of plastic resins to also rise to new heights, which in turn eliminated the profit margins of the plastic goods manufacturing industry – some even at a loss. On the other hand, prices of iron and steel, in a short period of time, continued to break records to peak at nearly 40% higher than the beginning of 2008, creating substantial pressure on the Group's cost structure. The Group has successfully transferred part of this cost increase to customers during the first half of this financial year, resulting in slightly higher gross margin than the second half of last year. Nevertheless, as compared to the same period last year, due to the significant differences in iron and steel costs between these two periods, average gross margin was still eroded by around 6%.

Market Analysis

Different impacts were observed in diverse geographies with regard to the three main negative factors mentioned above, and the Group has adopted strategies that are appropriate for each of these markets based on their unique conditions. Breakdown of turnover, based on the location of customers, for the six months ended 30 September 2008 is as follows:

Customer Location	2008 <i>(HK\$ million)</i>	2007 <i>(HK\$ million)</i>	Change
China (including Hong Kong)	707	849	-17%
Taiwan	155	114	+36%
Other overseas countries	306	245	+25%
	1,168	1,208	-3%

To begin with, the above-mentioned negative factors had the deepest impacts on China, as traditionally Chinese customers required higher levels of credit than other international markets, especially during this period when the Chinese Government further tightened credit in the financial sector, causing a rapid rise in customers' demand for supplier-provided credit. At the same time, the new "Labour Contract Law", which came into effect at the beginning of 2008, was viewed with reserved attitude by most corporations. As much of the Group's customer base employs large quantities of manual labour, the new law inevitably created great pressure on their cost structures which, coupled with rapidly increasing plastic resin prices, was to pose significant challenges to their ability to manage and govern its labour force. Since the Group's management had always kept an active monitor on the "pulse" of its customers' operations, it came to the conclusion early that deteriorating market sentiments warranted caution and started to implement, during the second quarter, more conservative risk assessment policies for new customers.

On the other hand, the Group registered high growth in international markets due to continued expanding efforts in developing countries with high potentials in Asia and Eastern Europe. The Asian market continued its strong trend of growth last financial year to overachieve itself during the first half of this financial year. In Eastern Europe, a newly developed market, the products that the Group introduced during the past few years were generally accepted and widely praised, resulting in attractive growth for the first half of this year. As international markets typically pay for purchases by irrevocable letters of credit or with export credit insurance – which is consistent with the Group's new, more conservative credit policies – the Group shall make every endeavour to continue to invest appropriate resources in the international markets in the future.

Growth in the domestic Taiwan market was primarily due to capacity expansions of several large customers (electronics, computers and mobile phones). Orders from other customers, comparatively, remained stable.

New Technologies and New Products Development

Since introducing the new “**SUPERMASTER** Energy Saving Two-Platen Advanced Series” (2,200-ton) injection moulding machine last year, the Group further introduced this half year the 2,600-ton and 3,600-ton models of the same series. This new product series, developed in-house with complete ownership of intellectual properties, was rapidly gaining acceptance and popularity among users of large-tonnage machines. By the first half of next year, the Group will further complete development of the 3,000-ton and 4,500-ton models to complete the series. As the many unique design features and patented technologies in this new product series enabled an unprecedented mixture of cost effectiveness and performance, the Group believes that, in the near future, it will start capturing a growing share of the lucrative large-tonnage machines segment with competitive advantages that cannot be easily surpassed.

In addition, the new series of high-performance servo-driven injection moulding machines that the Group introduced last year was also gaining popularity among the marketplace. The Group, the undisputed market leader in energy-saving technology, had invested in (and reaped the results of) the development of a number of diverse technologies, each suitable for the unique requirements of a different application industry – there is no such thing as a “one-size-fits-all” technology. As energy-saving became mainstream, and with higher and higher performance required of machines, this new product series should uniquely position the Group to capture new orders from large customers.

For years the Group has focused on in-house development of novel and unique technologies. Research and development has always been one of the most important pillars of the Group's operations and will continue to be so despite any future market challenges.

Liquidity and Financial Conditions

As at 30 September 2008, the Group had net current assets of HK\$1,280 million (2007: HK\$1,254 million), which represented a 2% increase over last year. Included in the net current assets were the bank balances of HK\$320 million (2007: HK\$350 million), a decrease of HK\$30 million over last year, and the bank borrowings of HK\$185 million (2007: HK\$24 million), an increase of HK\$161 million. The bank borrowings were of short-term bank loans with floating interest rates, mainly used as working capital for the subsidiaries of the Group.

It is the policy of the Group to adopt a consistent financial management strategy, sufficient liquidity is maintained with appropriate levels of borrowings to meet the funding requirements of the Group's investments and operations.

Treasury and Foreign Exchange Risk Management

The Group adopts a conservative and centralized approach in managing its funding. Funds, primarily denominated in Hong Kong dollars, U.S. dollars and Renminbi, are normally placed with banks in short to medium term deposits for working capital of the Group.

For foreign exchange risk management, the Group manages to reduce the risk exposure on its foreign currencies by making appropriate levels of borrowings in the corresponding currencies. As at 30 September 2008, the Group had total foreign currency borrowings equivalent to HK\$35 million (2007: HK\$24 million). The Group, from time to time, assesses the risk exposure on certain volatile foreign currencies and has it covered by forward exchange contracts to minimize the risk.

Human Resources

As at 30 September 2008, the Group, excluding its associates, had approximately 3,800 (2007: 3,600) full-time employees. The Group offers good remuneration and welfare packages to its employees and maintains market-competitive pay levels. Employee promotions and pay are rewarded on individual as well as the results performance of the Group. Share options of the Company are granted to selected employees of the Group for rewarding and retaining talents.

The Group conducts regular programmes, including comprehensive educational and professional training, and social activities counselling, to its employees to enhance staff quality, standards of professional knowledge and teamwork spirit.

Outlook of the Second Half

Throughout its 50-year history, the Group has encountered many financial upheavals, including the Cold War period in the 60's, the Oil Crisis in the 70's, recessions and stock market crash in the 80's, the Asian Financial Crisis in the 90's, and the burst of the Internet bubble, 911 terrorist attack, SARS etc. after 2000. Nevertheless, the current wave of global "Financial Tsunami" is unprecedented in magnitude of shock and speed of deterioration. Most previous financial crises were restricted to particular world regions, but due to globalization, the current crisis breaks regional boundaries to impact most countries in the world – and to all companies and corporations this has been a challenge never before experienced and faced.

The Group is taking a very serious attitude towards this global financial crisis, in the form of a series of emergency measures and policies that can immediately prepare it to better handle this unprecedented challenge. The core principle behind these emergency measures is maximum cash preservation via a strong and effective cash flow management program. Many of these measures and policies were established and put in operation in early September and they include:

1. A fundamental review of all operational plans and expense budgets; immediate adjustments were made according to the latest market conditions.
2. Round-the-clock tightened monitoring and updating of customer operating conditions in order to ensure appropriate and prompt response.
3. Revised credit approval procedures and strengthened review policies of credit terms based on the conditions of different markets.
4. Focus on inventory reduction as the primary objective in order to maximize cash flow.
5. Review human resource requirements, kept employees and staff fully updated on the latest conditions via large-scale communication sessions, and implemented new measures to optimize labour structure – including flexible working hours. These measures were intended to ride the tide over the tough times with all the employees.

Based on feedbacks from multiple sources, the Group realizes that the current financial crisis may persist for a long period of time, and in the near future will continue the above-mentioned measures and policies, and to focus on generating healthy cash flows as its primary objective. Against such market turmoil and an unpredictable economic environment, the Group firmly believes that maintaining corporate sustainability/survivability is paramount over other considerations. Through closely monitoring market conditions and sentiments, the Group will continue to adjust its policies and strategies to timely respond to any changes. As the Group is currently in net cash position, it is confident that, with all employees and staff being focused on facing the coming challenges, it can weather the current financial crisis in strong and healthy state to take full advantage of the market recovery that will arrive afterwards.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

At 30 September 2008, the number of issued ordinary shares of the Company was 628,833,600; and the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long position in shares and underlying shares of the Company

Name of director	Nature of interest	Interest in ordinary shares	Interest in underlying shares*	Total	Notes	Approximate percentage of the issued ordinary shares
Chen CHIANG	Personal	3,964,000	–	3,964,000	(1)	0.63%
	Other	398,013,620	–	398,013,620	(3)	63.29%
Lai Yuen CHIANG	Personal	5,000,000	–	5,000,000	(1)	0.80%
Chi Kin CHIANG	Personal	1,744,000	334,000	2,078,000	(1)	0.33%
Stephen Hau Leung CHUNG	Personal	–	666,000	666,000	(1)	0.11%
Sam Hon Wah NG	Personal	–	334,000	334,000	(1)	0.05%
Johnson Chin Kwang TAN	Personal	484,000	–	484,000	(1)	0.08%
Anish LALVANI	Personal	220,000	–	220,000	(1)	0.04%

* The interests in underlying shares of equity derivatives represent interests in options granted under the Company's share option scheme of which they were unissued shares. The details of such interests are set out in note 12 to the financial statements.

(b) Long position in shares of associated corporations

- (i) Interests in ordinary shares in Chen Hsong Investments Limited (“CH Investments”):

Name of director	Nature of interest	Capacity	Interest in shares	Notes	Approximate percentage of the issued shares of CH Investments
Chen CHIANG	Other	Founder of discretionary trusts	66,044,000	(2)	84.42%
Lai Yuen CHIANG	Personal	Beneficial owner	1,216,000	(1)	1.55%
	Other	Eligible beneficiary of a discretionary trust	7,823,700	(4)	10.00%
Chi Kin CHIANG	Personal	Beneficial owner	1,220,000	(1)	1.56%
	Other	Eligible beneficiary of a discretionary trust	7,823,700	(5)	10.00%

- (ii) Dr. Chen CHIANG, a director of the Company, is deemed to be interested in shares and paid-up capital of the following associated corporations:

Name of associated corporation	Interest in shares/ paid-up capital	Notes	Approximate percentage of the relevant class of issued shares/ paid-up capital of associated corporation
Chiangs' Industrial Holdings Limited	1 redeemable share	(3)	100.00%
Equaltex Investment Limited	2 ordinary shares	(3), (6)	100.00%
Gondmyne Limited	100,000 ordinary shares	(3), (6)	100.00%
Desee Limited	2 ordinary shares	(3), (7)	100.00%
Desko Limited	2 ordinary shares	(3), (7)	100.00%
Goman Limited	2 ordinary shares	(3), (7)	100.00%
Koyoki Limited	2 ordinary shares	(3), (7)	100.00%
Mikia Limited	2 ordinary shares	(3), (7)	100.00%
Mogin Limited	2 ordinary shares	(3), (7)	100.00%
Potachi Limited	2 ordinary shares	(3), (7)	100.00%
Parot Limited	2 ordinary shares	(3), (7)	100.00%

Name of associated corporation	Interest in shares/ paid-up capital	Notes	Approximate percentage of the relevant class of issued shares/ paid-up capital of associated corporation
Rikon Limited	2 ordinary shares	(3), (7)	100.00%
Semicity Limited	2 ordinary shares	(3), (7)	100.00%
Sibeland Limited	2 ordinary shares	(3), (7)	100.00%
Sumei Limited	2 ordinary shares	(3), (7)	100.00%
Granwich Limited	1 ordinary share	(3), (6)	100.00%
Hong Kong Cad-Cam Services Limited	52,570,000 ordinary shares	(3), (6)	75.10%
Kadom Limited	2 ordinary shares	(3), (6)	100.00%
Keyset Development Limited	8 ordinary shares	(3), (6)	80.00%
Callan (China) Limited	64 ordinary shares	(3), (8)	100.00%
Shanghai Ciro's Real Estate Co., Ltd.	US\$33,593,200 paid-up capital	(3), (8)	67.19%
Oriental Triumph Investments Limited	1 ordinary share	(3), (9)	100.00%
Pro-Team Pacific Limited	1 ordinary share	(3), (6)	100.00%
Tatiara Investment Company Limited	2 ordinary shares	(3), (6)	100.00%
Value Creation Group Limited	1 ordinary share	(3), (6)	100.00%
Chen Hsong Logistics Services Company Limited	5,000,000 non-voting deferred shares	(3), (6)	100.00%
Chen Hsong Machinery Company, Limited	50,000,000 non-voting deferred shares	(3), (6)	100.00%
Chen Hsong (PRC) Investment Company Limited	2 non-voting deferred shares	(3), (6)	100.00%

Notes:

- (1) Such interests are held in the capacity as beneficial owner.
- (2) This represents the collective interest indirectly held by Cititrust (Bahamas) Limited, trustee of two discretionary trusts, namely, The Chiang Chen Industrial Charity Foundation (“Charity Foundation”) and The Chiangs’ Family Foundation (“Family Foundation”), which respectively hold 74.42% and 10% of the issued share capital of CH Investments. By virtue of the SFO, Dr. Chen CHIANG is deemed to be interested in the aforesaid discretionary trusts as he is the settlor of both discretionary trusts and may be regarded as founder of such discretionary trusts.

- (3) Chiangs' Industrial Holdings Limited holds 74.42% controlling interest in CH Investments, in turn, Chiangs' Industrial Holdings Limited is wholly-owned by Cititrust (Bahamas) Limited. Cititrust (Bahamas) Limited being the trustee of the Charity Foundation in which, by virtue of the SFO, Dr. Chen CHIANG is deemed to be interested as he is the settlor of the Charity Foundation and may be regarded as founder of the Charity Foundation.
- (4) Such interests were held by the Family Foundation and Ms. Lai Yuen CHIANG is deemed to be interested under the SFO by virtue of her being one of the eligible beneficiaries of the Family Foundation.
- (5) Such interests were held by the Family Foundation and Mr. Chi Kin CHIANG is deemed to be interested under the SFO by virtue of him being one of the eligible beneficiaries of the Family Foundation.
- (6) Such interests are held by CH Investments.
- (7) Such interests are indirectly held by CH Investments through Gondmyne Limited.
- (8) CH Investments holds 80% controlling interest in Keyset Development Limited which holds the entire interest of Callan (China) Limited. Callan (China) Limited which, in turn, holds 67.19% controlling interest in Shanghai Ciro's Real Estate Co., Ltd..
- (9) Such interests are indirectly held by CH Investments through Keyset Development Limited.

Save as disclosed above, at 30 September 2008, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Details of share options granted to or exercised by the directors or chief executive of the Company during the six months ended 30 September 2008 and their outstanding balances at 30 September 2008 are set out in note 12 to the financial statements.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to arrangements to enable the directors of the Company to acquire benefits by means of the acquisitions of shares in or debentures of the Company or any other body corporate, and none of the directors, chief executive or their spouse or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the period.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

At 30 September 2008, so far as is known to the directors and chief executive of the Company, the interests or short positions of substantial shareholders and other persons in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long positions:

Name of shareholder	Capacity	Number of ordinary shares held	Notes	Approximate percentage of the issued ordinary shares
CH Investments	Beneficial owner	398,013,620	(1)	63.29%
Chiangs' Industrial Holdings Limited	Interest of controlled corporation	398,013,620	(1)	63.29%
Cititrust (Bahamas) Limited	Trustee	398,013,620	(1)	63.29%
Chen CHIANG	Founder of discretionary trust	398,013,620	(1), (2), (3)	63.29%
	Beneficial owner	3,964,000	(3)	0.63%
Schroder Investment Management (Hong Kong) Limited	Investment manager	37,604,000	–	5.98%
Commonwealth Bank of Australia	Interest of controlled corporation	38,620,000	(4)	6.14%

Notes:

- (1) This represents the same parcel of shares held by CH Investments. Cititrust (Bahamas) Limited is deemed to have interest in the relevant shares by virtue of being the trustee of the Charity Foundation, the relevant shares are held through its controlled corporation, Chiangs Industrial Holdings Limited which holds 74.42% controlling interest in CH Investments.
- (2) The relevant shares are deemed to be interested by Dr. Chen CHIANG by virtue of the SFO as he is the settlor of the Charity Foundation and he may be regarded as the founder of the Charity Foundation.
- (3) Ms. Jwung Hwa MA, being the spouse of Dr. Chen CHIANG, in the capacity of interest of spouse, is deemed to be interested in the relevant shares held by Dr. Chen CHIANG by virtue of the SFO.
- (4) These shares were held by corporations controlled directly or indirectly as to 100% by Commonwealth Bank of Australia.

Save as disclosed above, at 30 September 2008, no other parties were recorded in the register of the Company required to be kept under Section 336 of the SFO as having interests or short positions in the shares and underlying shares of the Company.

Compliance with the Code on Corporate Governance Practices

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2008, except for Code Provision A.4.2, as the chairman and managing director of the Company shall not be required to retire by rotation according to the provision contained in the Chen Hsong Holdings Limited Company Act, 1991 of Bermuda.

Compliance with the Model Code and the Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors (the “Code”) on terms no less exacting than the required standard set out in the Model Code. The Company, having made specific enquiry of all directors, confirms that the directors have complied with the required standards set out in the Model Code and the Code for the period under review.

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 2008.

Review of Accounts

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 September 2008.

By Order of the Board
Chen CHIANG
Chairman

Hong Kong, 5 December 2008

