



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)

2014/2015

中期報告 INTERIM REPORT



Financial Highlights

	For the six months ended 30 September		
	2014	2013	Change
	(Unaudited)	(Unaudited)	
RESULTS HIGHLIGHTS <i>(HK\$'000)</i>			
Revenue	854,497	970,740	-12%
Profit before tax	30,621	79,711	-62%
Profit attributable to equity holders of the Company	20,153	65,659	-69%
Total assets	3,875,916	4,000,860	-3%
Shareholders' equity	2,916,599	2,910,329	0%
Issued share capital	63,053	63,053	0%
Net current assets	1,718,789	1,712,496	0%
PER SHARE DATA			
Basic earnings per share <i>(HK cents)</i>	3.2	10.4	-69%
Cash dividends per share <i>(HK cents)</i>	1.2	3.0	-60%
Net assets per share <i>(HK dollars)</i>	4.7	4.6	2%
KEY FINANCIAL RATIOS			
Return on average shareholders' equity (%)	0.7	2.3	-70%
Return on average total assets (%)	0.5	1.7	-71%

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. Johnson Chin Kwang TAN
Mr. Anish LALVANI
Mr. Michael Tze Hau LEE
Ms. Lai Yuen CHIANG

Nomination Committee

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

Corporate Governance Committee

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

Company Secretary

Ms. Alice Sin Ping LIP

Authorized Representatives

Ms. Lai Yuen CHIANG
Ms. Alice Sin Ping LIP

Auditors	Ernst & Young
Principal Bankers	China Construction Bank (Asia) Corporation Limited Citibank, N.A. Hang Seng Bank Limited Industrial and Commercial Bank of China (Asia) Limited The Hongkong and Shanghai Banking Corporation Limited United Overseas Bank Limited
Principal Share Registrars	MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda
Branch Share Registrars	Tricor Tengis Limited Level 22, Hopewell Centre 183 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. Staeley CHAK Tel: (852) 2665 3888 Fax: (852) 2664 8202 E-mail: comm@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 2014 amounted to HK\$20,153,000, representing a decrease of 69% as compared with the profit attributable to equity holders of HK\$65,659,000 for the corresponding period last year. Basic earnings per share for the six months ended 30 September 2014 was HK3.2 cents, a decrease of 69% over the corresponding period in 2013 of HK10.4 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 2014

		Six months ended	
		30 September	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	2	854,497	970,740
Cost of sales		(682,535)	(735,580)
Gross profit		171,962	235,160
Other income and gains, net		16,551	10,988
Selling and distribution expenses		(69,392)	(98,385)
Administrative expenses		(64,170)	(66,205)
Other operating expenses, net		(24,055)	(3,157)
Finance costs		(2,420)	(2,691)
Share of profits less losses of associates		2,145	4,001
PROFIT BEFORE TAX	3	30,621	79,711
Income tax expense	4	(11,960)	(13,551)
PROFIT FOR THE PERIOD		18,661	66,160
ATTRIBUTABLE TO:			
Equity holders of the Company		20,153	65,659
Non-controlling interests		(1,492)	501
		18,661	66,160
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	6		
Basic (HK cents)		3.2	10.4
Diluted (HK cents)		3.2	10.4

Details of the dividends payable and proposed for the period are disclosed in note 5 to the condensed financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2014

	Six months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	18,661	66,160
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
<i>Other comprehensive income to be reclassified to the income statement in subsequent periods:</i>		
Exchange differences on translation of foreign operations	715	29,828
<i>Other comprehensive income/(expenses) not to be reclassified to the income statement in subsequent periods:</i>		
Actuarial gains/(losses) on defined benefit obligations	592	(266)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	1,307	29,562
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	19,968	95,722
ATTRIBUTABLE TO:		
Equity holders of the Company	21,473	94,908
Non-controlling interests	(1,505)	814
	19,968	95,722

Condensed Consolidated Statement of Financial Position

As at 30 September 2014

		30 September 2014 (Unaudited) HK\$'000	31 March 2014 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,002,733	1,018,019
Prepaid land lease payments		46,331	46,684
Goodwill		94,931	94,931
Investments in associates		34,878	32,706
Deferred tax assets		64,820	70,481
Deposits for purchases of items of property, plant and equipment		3,605	2,901
Pledged bank deposits		3,267	3,265
		<hr/>	<hr/>
Total non-current assets		1,250,565	1,268,987
CURRENT ASSETS			
Inventories		756,773	813,107
Trade and bills receivables	8	753,295	831,402
Deposits, prepayments and other receivables		73,269	59,639
Pledged bank deposits		77,364	79,473
Cash and bank balances		964,650	843,879
		<hr/>	<hr/>
Total current assets		2,625,351	2,627,500
CURRENT LIABILITIES			
Trade and bills payables	9	390,905	402,660
Other payables and accruals		205,165	229,189
Interest-bearing bank borrowings		282,772	290,203
Tax payable		27,720	24,651
		<hr/>	<hr/>
Total current liabilities		906,562	946,703
		<hr/>	<hr/>
NET CURRENT ASSETS		1,718,789	1,680,797
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,969,354	2,949,784
		<hr/>	<hr/>

Condensed Consolidated Statement of Financial Position *(continued)*

As at 30 September 2014

	30 September 2014 (Unaudited) <i>Notes</i>	31 March 2014 (Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Defined benefit obligations	21,543	23,034
Deferred tax liabilities	12,829	11,736
	<u>34,372</u>	<u>34,770</u>
Total non-current liabilities		
	<u>34,372</u>	<u>34,770</u>
NET ASSETS	<u>2,934,982</u>	<u>2,915,014</u>
EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	10 63,053	63,053
Reserves	2,853,546	2,832,073
	<u>2,916,599</u>	2,895,126
Non-controlling interests	<u>18,383</u>	<u>19,888</u>
TOTAL EQUITY	<u>2,934,982</u>	<u>2,915,014</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2014

	2014			
	Attributable to equity holders of the Company			
	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000
At 1 April 2014	63,053	509,580	295	51,210
Profit/(loss) for the period	-	-	-	-
Other comprehensive income/(expenses) for the period:				
Exchange differences on translation of foreign operations	-	-	-	-
Actuarial gains on defined benefit obligations	-	-	-	-
Total comprehensive income for the period	-	-	-	-
At 30 September 2014	<u>63,053</u>	<u>509,580*</u>	<u>295*</u>	<u>51,210*</u>

* These reserve accounts comprise the consolidated reserves of HK\$2,853,546,000 (31 March 2014: HK\$2,832,073,000) in the condensed consolidated statement of financial position as at 30 September 2014.

2014
Attributable to equity holders of the Company

Statutory reserve	General reserve	Exchange fluctuation reserve	Retained profits	Total	Non- controlling interests	Total equity
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
144,999	2,351	307,301	1,816,337	2,895,126	19,888	2,915,014
-	-	-	20,153	20,153	(1,492)	18,661
-	-	728	-	728	(13)	715
-	-	-	592	592	-	592
-	-	728	20,745	21,473	(1,505)	19,968
<u>144,999*</u>	<u>2,351*</u>	<u>308,029*</u>	<u>1,837,082*</u>	<u>2,916,599</u>	<u>18,383</u>	<u>2,934,982</u>

Condensed Consolidated Statement of Changes in Equity *(continued)*

For the six months ended 30 September 2014

		2013			
		Attributable to equity holders of the Company			
	Note	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000
At 1 April 2013		63,053	509,580	295	50,763
Profit for the period		-	-	-	-
Other comprehensive income/ (expenses) for the period:					
Exchange differences on translation of foreign operations		-	-	-	-
Actuarial losses on defined benefit obligations		-	-	-	-
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Total comprehensive income for the period		-	-	-	-
Transfer from retained profits		-	-	-	447
Final dividend for the year ended 31 March 2013	5	-	-	-	-
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At 30 September 2013		<u>63,053</u>	<u>509,580</u>	<u>295</u>	<u>51,210</u>

2013

Attributable to equity holders of the Company

Statutory reserve (Unaudited) HK\$'000	General reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
147,473	2,351	291,228	1,788,510	2,853,253	19,326	2,872,579
-	-	-	65,659	65,659	501	66,160
-	-	29,515	-	29,515	313	29,828
-	-	-	(266)	(266)	-	(266)
-	-	29,515	65,393	94,908	814	95,722
-	-	-	(447)	-	-	-
-	-	-	(37,832)	(37,832)	-	(37,832)
<u>147,473</u>	<u>2,351</u>	<u>320,743</u>	<u>1,815,624</u>	<u>2,910,329</u>	<u>20,140</u>	<u>2,930,469</u>

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2014

	Six months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	134,363	83,780
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(29,671)	(196,775)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	(5,178)	2,044
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	99,514	(110,951)
Cash and cash equivalents at beginning of period	794,293	752,186
Effect of foreign exchange rate changes, net	(823)	8,347
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>892,984</u>	<u>649,582</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	555,677	504,831
Bank deposits with original maturity of less than three months when acquired	<u>337,307</u>	<u>144,751</u>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	892,984	649,582
Bank deposits with original maturity of more than three months when acquired	<u>71,666</u>	<u>163,842</u>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<u>964,650</u>	<u>813,424</u>

Notes to Condensed Financial Statements

30 September 2014

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 2014, except that the Group has adopted, for the first time for the current period's financial statements, the 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 accounting period commencing on 1 April 2014. The adoption of the New HKFRSs has had 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 these new and revised HKFRSs would have significant impact on the Group's results of operations and financial position.

2. Revenue and Operating 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.

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 geographical location 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.

There are no significant sales between the reportable operating segments.

2. Revenue and Operating Segment Information *(continued)*

The following tables present revenue and results information for the Group's operating segments for the periods ended 30 September 2014 and 2013.

	Segment revenue		Segment results	
	from external customers		Six months ended	
	Six months ended		30 September	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China and Hong Kong	493,642	653,324	21,609	62,394
Taiwan	52,809	71,390	6,511	8,465
Other overseas countries	308,046	246,026	10,986	18,946
	<u>854,497</u>	<u>970,740</u>	<u>39,106</u>	<u>89,805</u>

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

Operating segment results	39,106	89,805
Unallocated income and gains	8,443	6,564
Corporate and unallocated expenses	(16,653)	(17,968)
Finance costs	(2,420)	(2,691)
Share of profits less losses of associates	2,145	4,001
Profit before tax	<u>30,621</u>	<u>79,711</u>

3. Profit Before Tax

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

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Cost of inventories sold	682,535	735,580
Depreciation	33,040	33,707
Recognition of prepaid land lease payments	772	922
Loss on disposal of items of property, plant and equipment	233	26
Impairment of trade and bills receivables, net	1,697	1,152
Impairment/(write-back of impairment) of inventories, net	(984)	499
Foreign exchange differences, net	(1,313)	(28,865)
Interest income	(8,443)	(6,564)
	<u>682,535</u>	<u>735,580</u>

4. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5%. During the period ended 30 September 2013, Hong Kong profits tax had not been provided as the Group did not generate any assessable profits arising in Hong Kong. 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	
	2014	2013
	HK\$'000	HK\$'000
Current:		
Charge for the period		
Hong Kong	6	–
Elsewhere	5,276	8,605
Over provision in prior periods	(110)	(100)
Deferred	6,788	5,046
	<u>6,788</u>	<u>5,046</u>
Tax charge for the period	<u>11,960</u>	<u>13,551</u>

5. Dividends

Six months ended
30 September
2014 2013
HK\$'000 **HK\$'000**

Dividend paid during the period:
Final in respect of the financial year
ended 31 March 2013 – HK\$0.06
per ordinary share

 - 37,832

The Board of the Company has declared the payment of an interim dividend of HK\$0.012 (2013: HK\$0.03) per ordinary share for the six months ended 30 September 2014 totalling HK\$7,566,000 (2013: HK\$18,916,000). 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 basic earnings per share is based on the Group's profit attributable to equity holders of the Company for the period of HK\$20,153,000 (2013: HK\$65,659,000) and on the weighted average number of ordinary shares of 630,531,600 (2013: 630,531,600) in issue during the period.

No adjustment has been made to the basic earnings per share presented for the periods ended 30 September 2014 and 2013 as the Group had no potentially dilutive ordinary shares in issue during these periods.

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 2014	1,018,019
Additions	17,822
Disposals	(579)
Write-offs	(238)
Depreciation provided for the period	(33,040)
Exchange realignment	749
	<hr/>
Net carrying amount as at 30 September 2014	<u><u>1,002,733</u></u>

8. Trade and Bills Receivables

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. Trade and bills receivables are non-interest-bearing.

The aged analysis of the trade and bills receivables, based on the payment due date, that are not considered to be impaired is as follows:

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Current (neither past due nor impaired)	524,312	605,426
Less than 90 days past due	91,303	97,036
91 to 180 days past due	46,293	55,685
Over 180 days past due	91,387	73,255
	<hr/>	<hr/>
	<u><u>753,295</u></u>	<u><u>831,402</u></u>

9. Trade and Bills Payables

The aged analysis of the trade and bills payables as at the end of the reporting period, based on the payment due date, is as follows:

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Current	310,144	321,865
1 to 90 days	62,908	66,565
91 to 180 days	4,380	1,823
Over 180 days	13,473	12,407
	<u>390,905</u>	<u>402,660</u>

The trade and bills payables are non-interest-bearing.

10. Share Capital

	30 September 2014 HK\$'000	31 March 2014 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:		
630,531,600 (31 March 2014: 630,531,600) ordinary shares of HK\$0.10 each	<u>63,053</u>	<u>63,053</u>

11. Contingent Liabilities

As at the end of the reporting period, contingent liabilities not provided for in the condensed interim financial statements were as follows:

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Guarantees given to banks, at the maximum, for bank loans granted to customers to purchase the Group's products	<u>102,823</u>	<u>116,276</u>

12. Operating Lease Arrangements

(a) As lessor

The Group leases certain parts of its properties under operating lease arrangements, with leases negotiated for terms ranging from 4 months to 5 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 September 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Within one year	<u>1,668</u>	<u>2,332</u>

12. Operating Lease Arrangements (continued)

(b) As lessee

The Group leases certain of its properties and office equipment under operating lease arrangements. Leases for properties and office equipment are negotiated for terms ranging from 11 months to 8 years and for a term of 5 years, respectively.

At 30 September 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2014 HK\$'000	31 March 2014 HK\$'000
Within one year	1,980	2,017
In the second to fifth years, inclusive	397	600
	<u>2,377</u>	<u>2,617</u>

13. Commitments

In addition to operating lease commitments detailed in note 12(b) above, the Group had the following capital commitments at the end of the reporting period:

As at 30 September 2014, the Group had capital commitments, which were contracted but not provided for, in respect of the construction of industrial buildings in Mainland China amounting to approximately HK\$17,830,000 (31 March 2014: HK\$24,987,000).

As at 30 September 2014, the Group had capital commitments, which were contracted but not provided for, in respect of the purchase of property, plant and equipment in Mainland China amounting to approximately HK\$12,447,000 (31 March 2014: HK\$10,593,000).

14. Related Party Transactions

- (a) During the period, the Group purchased raw materials amounting to HK\$14,273,000 (2013: HK\$16,574,000) from an associate at prices and on terms similar to those offered by unrelated suppliers of the Group.

In addition, the Group purchased raw materials of HK\$2,110,000 (2013: HK\$4,658,000) from a related company, Zhen Jian Mould & Machinery (Shenzhen) Co., Ltd. ("CC-SZ"). These transactions were also continuing connected transactions of the Group during the period.

Dr. Chen CHIANG and Mr. Chi Kin CHIANG, who are directors of the Company, and their respective associates (which are also associates of Ms. Lai Yuen CHIANG, a director of the Company) together control the exercise of 80% of the voting power at general meetings of Chen Chien Holdings Limited, which indirectly holds the entire equity interest of CC-SZ. CC-SZ is therefore a related company of the Group. The terms of the above transactions were conducted with prices and terms mutually agreed by the Group and the related company.

- (b) Compensation of key management personnel of the Group:

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Short term employee benefits	6,418	6,425
Post-employment benefits	34	30
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	6,452	6,455
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Interim Dividend

The Board has resolved to declare an interim dividend of HK1.2 cents (2013: HK3.0 cents) per ordinary share for the six months ended 30 September 2014 to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 23 December 2014. The interim dividend will be paid on or about Wednesday, 14 January 2015.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 22 December 2014 to Tuesday, 23 December 2014, 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 registrars in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 19 December 2014.

Management's Discussion and Analysis

Business Performance

For the six months ended 30 September 2014, the Group registered a 12% decrease in turnover to HK\$854 million (2013: HK\$971 million) as compared with the same period of last year. Profit attributable to equity holders declined by 69% to HK\$20 million (2013: HK\$66 million). Basic earnings per share declined by 69% to HK3.2 cents (2013: HK10.4 cents). The reduction in profit attributable to equity holders has been enlarged by the Renminbi exchange rate, which remained relatively stable during the first half of this financial year while it appreciated within the same period of last year to generate net foreign exchange gains of approximately HK\$29 million. If the foreign exchange impacts were disregarded, profit attributable to equity holders would have decreased by 49% to HK\$19 million (2013: HK\$37 million). The Board has resolved to declare an interim dividend of HK1.2 cents (2013: HK3.0 cents) per share.

During the first half of this financial year, China economic growth continued to decline, with Gross Domestic Product (GDP) reaching a low of 7.3% for the third quarter of 2014 – the weakest rate registered since the financial crisis in 2008. Manufacturing Purchasing Managers' Index (PMI) (which reflects industrial production) continued to hover around the watershed of 50, with consecutive months of decline in recent months. The HSBC PMI (which reflects the activities of small-to-medium private enterprises more relevant to the Group) remained under 50 for most of this year. On the other hand, market demand for credit and money & credit supply were obviously in imbalance, ever since last year when the Central Government started tightening liquidity in the economy – a policy direction that had still not been relaxed. As a result, manufacturing companies in China, caught between the weakening domestic demand and persistent tight credit situation, showed little desire for further capital investments in production machinery. Facing such uncertainties, the Group had adopted a relatively prudent and conservative marketing approach, which in turn affected sales performance for the first half.

During the past few years, the Group had progressively opened and developed new wholly-owned subsidiaries in Brazil, Europe and the Middle East (Dubai), and started to reap the fruits of these investments during this financial year. The Group's turnover for the period in international markets grew by an average of 25% over the same period of last year, with even higher growth rates witnessed in regions such as Europe and the Middle East. This positive result served as testimony of the Group's relentless efforts and success in developing international markets to capture larger market share.

The Group's gross margin was directly affected by the overall drop in sales turnover and inventory control which led to increase in allocated cost overheads, and thus resulting in a significant drop in net profits for the first half of the financial year. However, the Group is taking this opportunity to realign its product line strategy and has developed a new generation of small-to-medium sized injection moulding machines which is currently under active marketing.

Market Analysis

Breakdown of turnover, based on the location of customers, for the six months ended 30 September 2014 is as follows:

Customer Location	2014 (HK\$ million)	2013 (HK\$ million)	Change
Mainland China and Hong Kong	493	653	-25%
Taiwan	53	72	-26%
Other overseas countries	308	246	+25%
	854	971	-12%

During the first half of this financial year, China experienced a continued slow-down of its GDP growth, with the latest forecast dropping to 7.4%. Almost all domestic consumer industries in China (e.g. electrical appliances, household goods, mobile phones, etc.), with the probably exception of automotive, were in a state of close-to-zero growth or negative growth. Exports were also hampered by weaknesses in western economies such as Europe, with export growth for the first three quarters this year dropping to the new low of 5%. These indicators confirm the fact that export demand was not able to compensate for the weaknesses in domestic spending.

At the same time, the Central Government's policy of tightening liquidity continued. The first case of large-scale corporate debt defaults occurred during this year and no rescue actions were taken by the Central Government, proving the Central Government's resolve to control China's economic bubble. With interest rates rising rapidly and cost of capital throughout the economy escalating, many small-to-medium sized companies in the manufacturing sector generally experienced difficulty in obtaining credit, or found it hard to absorb the costs and operation risks arising from the interest rates.

Weak and declining consumer consumption in China depressed the demand for new injection moulding machines, which was worsened by tight credit conditions. The Group thus adopted conservative approaches towards extending credit to reduce its receivables exposure, resulting in a turnover decline in China of 25% to HK\$493 million (2013: HK\$653 million) for the first half of this financial year.

The market in Taiwan was affected by weak sentiments in the export sector due to economic weaknesses in Europe, with turnover decline of 26% to HK\$53 million (2013: HK\$72 million).

During this period, the Group obtained solid returns from its investments in international markets, with turnover growth of 25% to HK\$308 million (2013: HK\$246 million), and such results helped strengthened its resolve towards further investments in the international markets. Particularly, the Group's wholly-owned subsidiary in Europe continued to register solid growth, while its wholly-owned subsidiary in Dubai also brought in satisfactory results. The Group believes that these markets still have substantial untapped potentials for the future.

The Group's wholly-owned subsidiary in Brazil, however, faced certain challenges owing to a large-scale depreciation of the Brazilian currency and a well-publicized presidential election. Performance in Brazil had not reached the expected levels, although the Group believes that the above-mentioned negative impacts should be short-term.

Development of New Technologies and New Products

In recent years, the general trends of development in the plastics industry in China, in addition to general over-capacity of traditional market segments, had been towards the use of more complex raw materials, such as engineering resins, mixed resins, hybrid resins and recycled resins etc., as well as higher performance demands for injection moulding machines in newer market segments. The Group had been preparing for these market changes for a period of time, and had introduced the next generation of injection moulding machines – the “SVP/3” series – in order to adapt to the changing demand landscape. This new product line was designed and developed with the focus of satisfying the needs of newer market segments and novel materials, together with largely-enhanced stability and suitability. This new “SVP/3” series of products has so far been widely welcomed by customers, and should allow the Group to capture new market share in previously-unattainable market segments.

Production Efficiency and Capacity

The Group already completed the new factory development in the Shenzhen Industrial Park, with total Group-wide production capacity increasing by 40%. Due to weak market conditions, however, the Group adopted a conservative approach and had not put the new factory spaces on-line, but will make further decision when market demands warrant the new capacity.

Liquidity and Financial Conditions

As at 30 September 2014, the Group had net current assets of HK\$1,719 million (2013: HK\$1,712 million). Cash and bank balances (including pledged deposits) amounted to HK\$1,045 million (2013: HK\$905 million), representing an increase of HK\$140 million over last year. The bank borrowings were HK\$283 million (2013: HK\$267 million), increased by HK\$16 million, which were short term loans with floating interest rates for general working capital purposes. The Group recorded a net cash position of HK\$762 million (2013: HK\$638 million), representing an increase of HK\$124 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 2014. 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 with appropriate levels of borrowings to meet the funding requirements of the Group's investments and operations.

Charge on Assets

As at 30 September 2014, bank deposits of certain subsidiaries of the Group in the amount of HK\$81 million (2013: HK\$92 million) were pledged, including HK\$41 million (2013: HK\$45 million) for securing bank loans granted by banks in Mainland China to customers to purchase the Group's products, HK\$36 million (2013: HK\$41 million) for securing the issuance of bank acceptance notes, included in the trade and bills payables, to suppliers, and HK\$4 million (2013: HK\$6 million) to guarantee for payments of construction costs of industrial buildings and rental of premises.

Capital Commitments

As at 30 September 2014, the Group had capital commitments of HK\$30 million (2013: HK\$61 million), mainly in respect of the construction of industrial buildings and the purchases of production equipment in Mainland China which are to be funded by internal resources of the Group.

Treasury and Foreign Exchange Risk Management

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

As at 30 September 2014, the Group had borrowings in Japanese yen equivalent to HK\$38 million (2013: HK\$42 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.

During the period, net foreign exchange gains decreased as compared with the same period of last year because of the lack of foreign exchange gains on the sizable appreciation of the Renminbi experienced in the same period of last year. The Group has substantial investments in Mainland China and is aware that any fluctuation of Renminbi would have an impact on the net profits of the Group.

Contingent Liabilities

As at 30 September 2014, the Group provided guarantees to banks amounted to HK\$103 million (2013: HK\$102 million) for bank loans granted to customers to purchase the Group's products.

Human Resources

As at 30 September 2014, the Group had approximately 2,600 (2013: 2,700) full-time employees. The Group offers good remuneration and welfare packages to its employees and maintains market-competitive pay levels. Employees are rewarded based on individual as well as the results performance of the Group.

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

Outlook for the Second Half

The Group anticipates that the market will continue to be clouded by uncertainties during the second half. Furthermore, recent strength in the U.S. dollar will bring renewed currency impacts to many developing countries. Despite these challenges, however, the Group shall continue to enhance its products to grasp the market opportunities when the economy regains momentum.

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

As at 30 September 2014, the number of issued ordinary shares of the Company was 630,531,600; 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") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in shares of the Company

Name of director	Capacity	Interest in ordinary shares	Total	Notes	Approximate percentage of the Company's issued ordinary shares
Chen CHIANG	Beneficial owner	3,980,000	3,980,000	–	0.63%
	Founder of discretionary trust	398,013,620	398,013,620	(1)	63.12%
Lai Yuen CHIANG	Beneficial owner	5,000,000	5,000,000	–	0.79%
Chi Kin CHIANG	Beneficial owner	2,078,000	2,078,000	–	0.33%
Stephen Hau Leung CHUNG	Beneficial owner	666,000	666,000	–	0.11%
Johnson Chin Kwang TAN	Beneficial owner	484,000	484,000	–	0.08%
Anish LALVANI	Beneficial owner	220,000	220,000	–	0.03%

(b) Long positions 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 trust	58,220,300	(2)	100.00%

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

Name of associated corporation	Interest in shares	Notes	Approximate percentage of the relevant class of issued shares of associated corporation
Assetwise Holdings Limited	1 ordinary share	(1), (3)	100.00%
Chen Hsong (PRC) Investment Company Limited	2 non-voting deferred shares	(1), (3)	100.00%
Chen Hsong Logistics Services Company Limited	5,000,000 non-voting deferred shares	(1), (3)	100.00%
Chen Hsong Machinery Company, Limited	50,000,000 non-voting deferred shares	(1), (3)	100.00%
Chiangs' Industrial Holdings Limited	1 redeemable share	(1)	100.00%
Desee Limited	2 ordinary shares	(1), (4)	100.00%
Desko Limited	2 ordinary shares	(1), (4)	100.00%
Equaltex Investment Limited	2 ordinary shares	(1), (3)	100.00%
Global Asia Investments Limited	1 ordinary share	(1), (3)	100.00%
Goman Limited	2 ordinary shares	(1), (4)	100.00%
Gondmyne Limited	100,000 ordinary shares	(1), (3)	100.00%
Granwich Limited	1 ordinary share	(1), (3)	100.00%
Hong Kong Cad-Cam Services Limited	52,570,000 ordinary shares	(1), (3)	75.10%
Kadom Limited	2 ordinary shares	(1), (3)	100.00%
KCI Investments Limited	1 ordinary share	(1), (5)	100.00%
Keyset Development Limited	10 ordinary shares	(1), (3)	100.00%
Koyoki Limited	2 ordinary shares	(1), (4)	100.00%
Maxford H.K. Investments Limited	1 ordinary share	(1), (5)	100.00%
Mikia Limited	2 ordinary shares	(1), (4)	100.00%
Mogin Limited	2 ordinary shares	(1), (4)	100.00%
Parot Limited	2 ordinary shares	(1), (4)	100.00%
Potachi Limited	2 ordinary shares	(1), (4)	100.00%
Pro-Team Pacific Limited	1 ordinary share	(1), (3)	100.00%
Rikon Limited	2 ordinary shares	(1), (4)	100.00%
Semicity Limited	2 ordinary shares	(1), (4)	100.00%
Sibeland Limited	2 ordinary shares	(1), (4)	100.00%
Sumei Limited	2 ordinary shares	(1), (4)	100.00%
Tatiara Investment Company Limited	2 ordinary shares	(1), (3)	100.00%
Value Creation Group Limited	1 ordinary share	(1), (3)	100.00%

Notes:

- (1) Chiangs' Industrial Holdings Limited holds 100% interest in CH Investments, in turn, Chiangs' Industrial Holdings Limited is wholly-owned by Cititrust (Bahamas) Limited. Cititrust (Bahamas) Limited being the trustee of a discretionary trust, namely The Chiang Chen Industrial Charity Foundation ("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.
- (2) This represents the interest indirectly held by Cititrust (Bahamas) Limited, trustee of the Charity Foundation, which holds 100% interest in the issued share capital of CH Investments. By virtue of the SFO, Dr. Chen CHIANG is deemed to be interested in the Charity Foundation as he is the settlor of the Charity Foundation and may be regarded as founder of the Charity Foundation.
- (3) Such interests are held by CH Investments.
- (4) Such interests are indirectly held by CH Investments through Gondmyne Limited.
- (5) Such interests are indirectly held by CH Investments through Assetwise Holdings Limited.

Save as disclosed above, as at 30 September 2014, 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

No share options were granted to or exercised by the directors or chief executive of the Company during the six months ended 30 September 2014.

Save as disclosed above, at no time during the six months ended 30 September 2014 was the Company or any of its subsidiaries a party to any 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 six months ended 30 September 2014.

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

As at 30 September 2014, 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 in shares of the Company

Name of shareholder	Capacity	Number of ordinary shares	Notes	Approximate percentage of the Company's issued ordinary shares
CH Investments	Beneficial owner	398,013,620	(1)	63.12%
Chen CHIANG	Beneficial owner	3,980,000	(2)	0.63%
	Founder of discretionary trust	398,013,620	(1), (2), (3)	63.12%
Chiangs' Industrial Holdings Limited	Interest of controlled corporation	398,013,620	(1)	63.12%
Cititrust (Bahamas) Limited	Trustee	398,013,620	(1)	63.12%
David Michael WEBB	Beneficial owner	7,835,000	-	1.24%
	Interest of controlled corporation	23,793,000	-	3.77%
Schroder Investment Management (Hong Kong) Limited	Investment manager	52,268,000	(4)	8.29%
Schroders Plc	Interest of controlled corporation	52,268,000	(4)	8.29%

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, Changis' Industrial Holdings Limited which holds 100% interest in CH Investments.
- (2) 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.
- (3) 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.
- (4) This represents the same parcel of shares held by Schroder Investment Management (Hong Kong) Limited. Schroders Plc is deemed to have interest in the relevant shares by virtue of being the ultimate beneficial owner of Schroder Investment Management (Hong Kong) Limited.

Save as disclosed above, as at 30 September 2014, 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.

Corporate Governance Code

Throughout the six months ended 30 September 2014, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, except for the following deviation:

Code provision A.4.2 provides that every director should be subject to retirement by rotation at least once every three years. The directors of the Company (except the Chairman of the Company) are subject to retirement by rotation at least once every three years as the Chen Hsong Holdings Limited Company Act, 1991 of Bermuda provides that the chairman and managing director of the Company are not required to retire by rotation.

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 contained in Appendix 10 of 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 for the six months ended 30 September 2014.

Disclosure of Directors’ Information under Rule 13.51B(1) of the Listing Rules

- (1) Mr. Sam Hon Wah NG became a fellow member of The Institute of Chartered Accountants in England & Wales.
- (2) Mr. Bernard Charnwut CHAN ceased to be the Chairman of the Council of Lingnan University with effect from October 2014. Mr. CHAN ceased to be the Vice Chairman of the Oxfam Hong Kong with effect from September 2014 but remained as a council member.
- (3) Mr. Anish LALVANI ceased to be a Director of the Chief Executives Organization with effect from 1 November 2014.

Save as disclosed above, there is no change in directors’ information since the date of the 2014 Annual Report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 2014.

Review of Accounts

The Audit Committee of the Company 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 2014.

On Behalf of the Board

Chen CHIANG

Chairman

Hong Kong, 24 November 2014

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