



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)

2015/2016

中期報告 INTERIM REPORT



Financial Highlights

	For the six months ended 30 September		Change
	2015 (Unaudited)	2014 (Unaudited)	
RESULTS HIGHLIGHTS (HK\$'000)			
Revenue	650,977	854,497	-24%
Profit/(loss) before tax	(53,321)	30,621	N/A
Profit/(loss) attributable to equity holders of the Company	(59,448)	20,153	N/A
Total assets	3,556,370	3,875,916	-8%
Shareholders' equity	2,734,571	2,916,599	-6%
Issued share capital	63,053	63,053	0%
Net current assets	1,579,160	1,718,789	-8%
PER SHARE DATA			
Basic earnings/(loss) per share (HK cents)	(9.4)	3.2	N/A
Cash dividends per share (HK cents)	1.2	1.2	0%
Net assets per share (HK dollars)	4.4	4.7	-6%
KEY FINANCIAL RATIOS			
Return on average shareholders' equity (%)	(2.1)	0.7	N/A
Return on average total assets (%)	(1.6)	0.5	N/A

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 loss attributable to equity holders of the Company for the six months ended 30 September 2015 amounted to HK\$59,448,000, as compared with the profit attributable to equity holders of HK\$20,153,000 for the corresponding period last year. Basic loss per share for the six months ended 30 September 2015 was HK9.4 cents, as compared with the basic earnings per share of HK3.2 cents for the corresponding period last year. These unaudited interim results have been reviewed by the Company's Audit Committee.

Condensed Consolidated Income Statement

For the six months ended 30 September 2015

		Six months ended	
		30 September	
		2015	2014
	Notes	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	2	650,977	854,497
Cost of sales		(513,465)	(682,535)
Gross profit		137,512	171,962
Other income and gains, net		18,417	16,551
Selling and distribution expenses		(68,848)	(69,392)
Administrative expenses		(63,392)	(64,170)
Other operating expenses, net		(76,235)	(24,055)
Finance costs		(2,045)	(2,420)
Share of profits less losses of associates		1,270	2,145
PROFIT/(LOSS) BEFORE TAX	3	(53,321)	30,621
Income tax expense	4	(6,586)	(11,960)
PROFIT/(LOSS) FOR THE PERIOD		(59,907)	18,661
ATTRIBUTABLE TO:			
Equity holders of the Company		(59,448)	20,153
Non-controlling interests		(459)	(1,492)
		(59,907)	18,661
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	6		
Basic (HK cents)		(9.4)	3.2
Diluted (HK cents)		(9.4)	3.2

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 2015

	Six months ended 30 September 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(59,907)	18,661
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
<i>Other comprehensive income/(expenses) to be reclassified to the income statement in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(66,042)	715
<i>Other comprehensive income/(expenses) not to be reclassified to the income statement in subsequent periods:</i>		
Actuarial gains/(losses) on defined benefit obligations	(211)	592
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD, NET OF TAX	(66,253)	1,307
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD	(126,160)	19,968
ATTRIBUTABLE TO:		
Equity holders of the Company	(125,139)	21,473
Non-controlling interests	(1,021)	(1,505)
	(126,160)	19,968

Condensed Consolidated Statement of Financial Position

As at 30 September 2015

		30 September 2015 (Unaudited) HK\$'000	31 March 2015 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	7	902,300	948,225
Investment properties		47,514	49,238
Prepaid land lease payments		43,472	45,369
Goodwill		94,931	94,931
Investments in associates		36,188	36,310
Deferred tax assets		55,374	58,996
Deposits for purchases of items of property, plant and equipment		573	2,406
Trade receivables	8	16,444	–
		<hr/>	<hr/>
Total non-current assets		1,196,796	1,235,475
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		607,268	674,134
Trade and bills receivables	8	691,194	754,144
Deposits, prepayments and other receivables		68,618	68,698
Pledged bank deposits		70,317	58,341
Cash and bank balances		922,177	961,439
		<hr/>	<hr/>
Total current assets		2,359,574	2,516,756
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	9	304,188	294,721
Other payables and accruals		202,829	198,586
Interest-bearing bank borrowings		241,367	296,618
Tax payable		32,030	30,381
		<hr/>	<hr/>
Total current liabilities		780,414	820,306
		<hr/>	<hr/>
NET CURRENT ASSETS		1,579,160	1,696,450
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,775,956	2,931,925
		<hr/>	<hr/>

Condensed Consolidated Statement of Financial Position *(continued)*

As at 30 September 2015

	30 September 2015 (Unaudited) <i>HK\$'000</i>	31 March 2015 (Audited) <i>HK\$'000</i>
	<i>Notes</i>	
NON-CURRENT LIABILITIES		
Defined benefit obligations	19,420	21,033
Deferred tax liabilities	4,645	8,881
	<hr/>	<hr/>
Total non-current liabilities	24,065	29,914
	<hr/>	<hr/>
NET ASSETS	2,751,891	2,902,011
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	<i>10</i> 63,053	63,053
Reserves	2,671,518	2,820,617
	<hr/>	<hr/>
Non-controlling interests	2,734,571	2,883,670
	17,320	18,341
	<hr/>	<hr/>
TOTAL EQUITY	2,751,891	2,902,011
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Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2015

	2015				
	Attributable to equity holders of the Company				
	Issued share capital (Unaudited) Note	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Statutory reserve (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015	63,053	509,580	295	51,703	144,999
Loss for the period	-	-	-	-	-
Other comprehensive expenses for the period:					
Exchange differences on translation of foreign operations	-	-	-	-	-
Actuarial losses on defined benefit obligations	-	-	-	-	-
Total comprehensive expenses for the period	-	-	-	-	-
Final dividend for the year ended 31 March 2015	5	-	-	-	-
Special final dividend for the year ended 31 March 2015	5	-	-	-	-
At 30 September 2015	63,053	509,580*	295*	51,703*	144,999*

* These reserve accounts comprise the consolidated reserves of HK\$2,671,518,000 (31 March 2015: HK\$2,820,617,000) in the condensed consolidated statement of financial position as at 30 September 2015.

2015
Attributable to equity holders of the Company

General reserve	Asset revaluation 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>
2,351	9,390	299,321	1,802,978	2,883,670	18,341	2,902,011
-	-	-	(59,448)	(59,448)	(459)	(59,907)
-	-	(65,480)	-	(65,480)	(562)	(66,042)
-	-	-	(211)	(211)	-	(211)
-	-	(65,480)	(59,659)	(125,139)	(1,021)	(126,160)
-	-	-	(3,783)	(3,783)	-	(3,783)
-	-	-	(20,177)	(20,177)	-	(20,177)
<u>2,351*</u>	<u>9,390*</u>	<u>233,841*</u>	<u>1,719,359*</u>	<u>2,734,571</u>	<u>17,320</u>	<u>2,751,891</u>

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

For the six months ended 30 September 2015

	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	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income/(expenses) for the period	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2014	<u>63,053</u>	<u>509,580</u>	<u>295</u>	<u>51,210</u>

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 Cash Flows

For the six months ended 30 September 2015

	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	88,585	134,363
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(23,224)	(17,822)
Interest received	9,171	8,443
Decrease/(increase) in bank deposits with original maturity of more than three months when acquired	31,135	(22,045)
Decrease/(increase) in pledged bank deposits	(14,113)	2,111
Other investing cash flows	1,838	(358)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	4,807	(29,671)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	50,000	105,000
Repayment of bank loans	(105,251)	(110,178)
Dividends paid	(23,960)	–
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(79,211)	(5,178)
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,181	99,514
Cash and cash equivalents at beginning of period	878,597	794,293
Effect of foreign exchange rate changes, net	(19,408)	(823)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	873,370	892,984
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	649,139	555,677
Bank deposits with original maturity of less than three months when acquired	224,231	337,307
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	873,370	892,984
Bank deposits with original maturity of more than three months when acquired	48,807	71,666
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	922,177	964,650

Notes to Condensed Financial Statements

30 September 2015

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 2015, 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 2015. 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 whether 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 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 2015 and 2014.

	Segment revenue		Segment results	
	from external customers		Six months ended	
	Six months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China and Hong Kong	433,653	493,642	(49,153)	21,609
Taiwan	48,558	52,809	4,924	6,511
Other overseas countries	168,766	308,046	(1,721)	10,986
	650,977	854,497	(45,950)	39,106

Reconciliation of results of operating segments to profit/(loss) before tax is as follows:

Operating segment results	(45,950)	39,106
Unallocated income and gains	9,171	8,443
Corporate and unallocated expenses	(15,767)	(16,653)
Finance costs	(2,045)	(2,420)
Share of profits less losses of associates	1,270	2,145
Profit/(loss) before tax	(53,321)	30,621

3. Profit/(Loss) Before Tax

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

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Cost of inventories sold	513,465	682,535
Depreciation	34,344	33,040
Recognition of prepaid land lease payments	767	772
Loss on disposal of items of property, plant and equipment	29	233
Impairment/(write-back of impairment) of trade and bills receivables, net	(288)	1,697
Impairment/(write-back of impairment) of inventories, net	914	(984)
Foreign exchange differences, net	43,480	(1,313)
Interest income	(9,171)	(8,443)

4. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Current:		
Charge for the period		
Hong Kong	13	6
Elsewhere	5,444	5,276
Underprovision/(overprovision) in prior periods	685	(110)
Deferred	444	6,788
Tax charge for the period	6,586	11,960

5. Dividends

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Dividends paid during the period:		
Final in respect of the financial year ended		
31 March 2015 – HK\$0.006		
per ordinary share (2014: Nil)	3,783	–
Special final in respect of the financial year ended		
31 March 2015 – HK\$0.032		
per ordinary share (2014: Nil)	20,177	–
	<hr/>	<hr/>
	23,960	–
	<hr/> <hr/>	<hr/> <hr/>

The final dividend in respect of the financial year ended 31 March 2014 – HK\$0.04 per ordinary share was paid in October 2014.

The Board of the Company has declared the payment of an interim dividend of HK\$0.012 (2014: HK\$0.012) per ordinary share for the six months ended 30 September 2015 totalling HK\$7,566,000 (2014: HK\$7,566,000). These condensed interim financial statements do not reflect the interim dividend payable.

6. Earnings/(Loss) Per Share Attributable to Equity Holders of the Company

The calculation of basic earnings/(loss) per share is based on the Group's loss attributable to equity holders of the Company for the period of HK\$59,448,000 (2014: profit of HK\$20,153,000) and on the weighted average number of ordinary shares of 630,531,600 (2014: 630,531,600) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share presented for the periods ended 30 September 2015 and 2014 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 2015	948,225
Additions	23,224
Disposals	(34)
Write-offs	(75)
Depreciation provided for the period	(34,344)
Exchange realignment	(34,696)
	<hr/>
Net carrying amount as at 30 September 2015	<u>902,300</u>

8. Trade and Bills Receivables

	30 September 2015	31 March 2015
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	550,527	586,048
Impairment	(68,218)	(71,536)
	<hr/>	<hr/>
Trade receivables, net	482,309	514,512
Bills receivables	225,329	239,632
	<hr/>	<hr/>
Total trade and bills receivables	707,638	754,144
Portion classified as non-current portion	(16,444)	–
	<hr/>	<hr/>
Current portion	691,194	754,144
	<hr/> <hr/>	<hr/> <hr/>

Trading terms with customers are either cash on delivery, bank bills or on credit. The Group grants credit to customers based on their respective business strength and creditability, with credit periods of 30 days to 180 days in general. The Group adopts strict control policies over credit terms and receivables that serve to minimize credit risk.

In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Except for the trade receivables of HK\$39,470,000 as at 30 September 2015 (31 March 2015: Nil) are interest-bearing at an average interest rate of 6.7% per annum (31 March 2015: Nil), the remaining trade receivables are non-interest-bearing.

8. Trade and Bills Receivables (continued)

- (a) The aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Within 90 days	197,174	190,866
91 to 180 days	95,103	121,297
181 to 365 days	107,380	106,289
Over 1 year	82,652	96,060
	<u>482,309</u>	<u>514,512</u>

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

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Current (neither past due nor impaired)	281,453	274,213
Less than 90 days past due	61,472	86,388
91 to 180 days past due	51,468	45,269
Over 180 days past due	87,916	108,642
	<u>482,309</u>	<u>514,512</u>

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

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Within 90 days	136,019	139,185
91 to 180 days	66,747	87,119
181 to 365 days	22,563	13,328
	<u>225,329</u>	<u>239,632</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 invoice date, is as follows:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Within 90 days	156,515	152,266
91 to 180 days	74,571	77,784
181 to 365 days	62,860	56,867
Over 1 year	10,242	7,804
	<u>304,188</u>	<u>294,721</u>

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

10. Share Capital

	30 September 2015 HK\$'000	31 March 2015 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 2015: 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 2015 HK\$'000	31 March 2015 HK\$'000
Guarantees given to banks, at the maximum, for bank loans granted to customers to purchase the Group's products	<u>64,125</u>	<u>80,737</u>

12. Operating Lease Arrangements

(a) As lessor

The Group leases certain parts of its owner-occupied properties and investment properties, and machinery under operating lease arrangements. Leases for properties and machinery are negotiated for terms ranging from 1 to 5 years and for terms ranging from 12 to 22 months, respectively. 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 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Within one year	20,143	5,908
In the second to fifth years, inclusive	35,920	17,405
	56,063	23,313

(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 1 year to 8 years and for a term of 5 years, respectively.

At 30 September 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2015 HK\$'000	31 March 2015 HK\$'000
Within one year	1,764	1,826
In the second to fifth years, inclusive	135	234
	1,899	2,060

13. Commitments

In addition to the 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 2015, 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\$4,035,000 (31 March 2015: HK\$2,481,000).

As at 30 September 2015, 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\$623,000 (31 March 2015: HK\$10,463,000).

14. Related Party Transactions

- (a) During the period, the Group purchased raw materials amounting to HK\$12,156,000 (2014: HK\$14,273,000) 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\$960,000 (2014: HK\$2,110,000) 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.

As Dr. Chen CHIANG, Ms. Lai Yuen CHIANG and Mr. Chi Kin CHIANG (each being a director of the Company), together with parties acting in concert with them, control the exercise of more than 50% 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 transactions were conducted at prices and on terms mutually agreed by the Group and the related company.

Moreover, the Group received rental income of HK\$602,000 (2014: HK\$749,000) from CC-SZ on terms mutually agreed by the Group and the related company.

14. Related Party Transactions (*continued*)

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

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Short term employee benefits	5,951	6,418
Post-employment benefits	36	34
	<hr/>	<hr/>
	5,987	6,452
	<hr/> <hr/>	<hr/> <hr/>

15. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and bank balances, pledged bank deposits, the current portion of trade receivables, bills receivables, trade and bills payables, financial assets included in deposits, prepayments and other receivables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the non-current portion of trade receivables is estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which approximates to the carrying amount.

The Group's finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, it analyzes the movements in the values of the financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and reported to directors.

Interim Dividend

The Board has resolved to declare an interim dividend of HK1.2 cents (2014: HK1.2 cents) per ordinary share for the six months ended 30 September 2015 to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 22 December 2015. The interim dividend will be paid on or about Wednesday, 13 January 2016.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 21 December 2015 to Tuesday, 22 December 2015, 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, 18 December 2015.

Management's Discussion and Analysis

Business Performance

For the six months ended 30 September 2015, the Group recorded a 24% decrease in turnover to HK\$651 million (2014: HK\$854 million) as compared with the same period of last year. Loss attributable to equity holders was HK\$59 million (2014: profit of HK\$20 million), while basic loss per share was HK9.4 cents (2014: earnings per share of HK3.2 cents). The Board has resolved to declare an interim dividend of HK1.2 cents (2014: HK1.2 cents) per share.

The Group recorded its first ever loss since listing in 1991, mainly due to the reform of the Renminbi currency exchange policies by the Central Government announced on 11 August this year as well as lowering of official daily Renminbi mid-point trading prices against the U.S. Dollar, which directly resulted in an immediate devaluation of the Renminbi by more than 3%. This event had caused the Group suffered serious foreign exchange loss, without which the loss attributable to equity holders would have been only HK\$16 million (2014: profit of HK\$19 million), but posed no material impact on the Group's operations or cash flow.

Such currency exchange reform created the largest two-day swing in the Renminbi exchange rates since 1994, throwing worldwide markets from stocks to foreign exchanges to commodities to precious metals to futures into turmoil. As the Group kept most of its assets denominated in the Renminbi, similar impacts could not be avoided.

Additional negative factors such as a slowing domestic economy in China, substantial currency devaluations in many developing countries due to the looming interest rate hike by the U.S. Federal Reserve, as well as new QE-style easing initiated by the Eurozone and Japan all contributed to push the U.S. Dollar ever stronger – and linked currencies such as the Renminbi and Hong Kong Dollar strengthened with it. In turn, a relatively-strong Renminbi worked against China exports, especially for injection moulding machines. A perfect case in point is the series of “MMX” two-platen injection moulding machines that the Group manufactured on behalf of Mitsubishi under manufacturing agreement – price gaps between China-produced and Japan-produced models continued to narrow down due to the weak Japanese Yen, which subsequently affected purchase decisions in the market. These issues combined to seriously depress the Group’s orders in-take and deliveries for the first half of this financial year, directly causing the loss position.

On the other hand, the Group has successfully launched its new “Sixth Generation” product line – designed specifically to cater for new changing market demands – amid strong customer acceptance, which will allow the Group to recapture its previous market share in future.

Market Analysis

Breakdown of turnover, based on the location of customers, for the six months ended 30 September 2015 is as follows:

Customer Location	2015 <i>(HK\$ million)</i>	2014 <i>(HK\$ million)</i>	Change
Mainland China and Hong Kong	434	493	-12%
Taiwan	48	53	-9%
Other overseas countries	169	308	-45%
	651	854	-24%

China had a Gross Domestic Product (GDP) growth at an average annual rate of 10% for almost 30 years, becoming the world’s second largest economy in the process, while contributing 15% of the GDP and 25% of GDP growth in the entire world. China as the “World Factory” tamed worldwide inflation, allowing long-sustained and ever-declining low interest rates. Unprecedented price spikes in energy and raw material sectors bore testimony to China’s influence and manufactory prowess.

China economic growth had been slowing down, however, during the past few years, with a “mere” 7% GDP growth replacing previous high figures as the future norm. During the first half of this financial year, a host of market and manufacturing indicators of China (such as the Producer Price Index (PPI) and electricity consumption, etc.) trended downwards for months at a time, together with a slowdown in import/export growth (or sometimes shrinkage), all pointed to a reality that the China economy had reached its “New Normal.” Even though the Central Government had been introducing new schemes and policies (such as interest rate reductions, lowering of bank reserve ratios and accelerating infrastructure investments, etc.), the degree of frequency had been rare in recent years. In a desperate bid to arrest this economic downturn, response from within the market remained lack-luster. In fact, newly-released liquidity mostly channeled into stock market speculations, creating an asset bubble of the century while bringing little, if any, benefits to the actual economy.

As the stock market crash passed and went in June, with European markets declining broadly, and developing countries taking a further beating, global market sentiments were badly hampered. Since general weakness of the consumer manufacturing sector as well as tight liquidity conditions (which had not been alleviated despite the Central Government’s easing actions) persisted, the Group chose to adopt a more prudent and cautious approach towards its credit-giving policies, resulting in a decline of 12% in turnover in China market for the first half of this financial year to HK\$434 million (2014: HK\$493 million), as compared to the same period of last year.

The major Taiwan customers operating in China continued to be faced with intense competition from local Chinese competitors, resulting in reduced production levels. In addition, a disappointing global market recovery and continued fall of the price of oil all contributed to a “wait-and-see” attitude among Taiwan customers. Consequently, the turnover in Taiwan dropped 9% to HK\$48 million (2014: HK\$53 million) for the first half of this financial year.

International markets were also mostly under the gloom of an impending U.S. interest rate hike. After a relative period of stability, most developing countries once again started experiencing a new wave of currency devaluations, the most serious being ex-BRIC countries such as Brazil and Russia. Furthermore, QE-style easing by the European Central Bank officially brought the Eurozone into negative interest territory, causing currency weaknesses not just in the Eurozone but also in neighboring countries (such as Turkey). The Bank of Japan followed suit with its own massing easing and currency devaluation. Theoretically speaking, the Central Government’s devaluation of the Renminbi by 3% in August would benefit China’s export competitiveness; in reality such small scale was easily over-shadowed by those of other currencies, and the long-weakened export sector was in no better condition because of it.

As weak currencies worldwide reduced the competitiveness of China-made export products, the Group was also unavoidably impacted significantly. Back a number of years ago, the Group started its own wholly-owned subsidiaries in a number of strategic countries (including Brazil, Turkey, Europe and Dubai) but, due to the above-mentioned factors, most of these subsidiaries failed to achieve their sales targets for the first half of this financial year. As a result, the Group suffered a substantial decline of 45% in turnover in international markets to HK\$169 million (2014: HK\$308 million) during the period. The most important contributor factor was the devaluation of the Japanese Yen favored exports of Japanese-made products, causing a substantial narrowing of the price gap for the “MMX” two-platen injection moulding machines product line manufactured by the Group under manufacturing agreement for Mitsubishi, which in turn resulted in a large volume drop, without which the Group’s turnover in international markets would have declined by 37% as compared with the same period of last year.

Development of New Technologies and New Products

The Group successfully launched the first model of its all-new “Sixth Generation” servo-driven injection moulding machines product line – the 168-ton – amid general market praise. The Group designed this new product line in order to cater for the demands of new product industries, with excellence being demanded in all aspects of its creation from design to fabrication to assembly tasks. In addition, the control and hydraulic systems were painstakingly fine-tuned by Japanese engineers for the highest operational efficiency, and achieving perfect integration of mechanical, electrical and hydraulic functions. The Group has high hopes for this product line and will continue to launch more models in the second half of this financial year, with an eye towards capturing higher market share.

Production Efficiency and Capacity

In face of weak market sentiment, the Group has considered multiple alternative means to increase utilization rates of its manufacturing assets (such as factory premises) in order to maintain an acceptable level of return on capital. After careful considerations, the Group has rented out part of the new factory premises in its Shenzhen Industrial Park. In addition to raising asset utilization, these rental arrangements are expected to bring steady rental income to the Group while strengthening working capital and enhancing return for shareholders. After renting out the factory premises, there still remains enough production capacity to cater for an annual orders in-take of approximately HK\$3 billion. The management of the Group will continue to monitor market conditions, and balance capacity needs and market needs, to make prudent decisions on the usage of factory assets in the near future.

Liquidity and Financial Conditions

As at 30 September 2015, the Group had net current assets of HK\$1,579 million (2014: HK\$1,719 million), which represented an 8% decrease over last year. Cash and bank balances (including pledged deposits) amounted to HK\$992 million (2014: HK\$1,045 million), representing a decrease of HK\$53 million over last year. The bank borrowings were HK\$241 million (2014: HK\$283 million), decreased by HK\$42 million, which were short term loans with floating interest rates for general working capital purposes. The Group recorded a net cash position of HK\$751 million (2014: HK\$762 million), representing a decrease of HK\$11 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 2015. 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 2015, bank deposits of certain subsidiaries of the Group in the amount of HK\$70 million (2014: HK\$81 million) were pledged, including HK\$39 million (2014: HK\$41 million) for securing bank loans granted by banks in Mainland China to customers to purchase the Group's products, HK\$28 million (2014: HK\$36 million) for securing the issuance of bank acceptance notes, included in the trade and bills payables, to suppliers, and HK\$3 million (2014: HK\$4 million) as a guarantee for payments of construction costs of industrial buildings (2014: for payments of construction costs of industrial buildings and rental of premises).

Capital Commitments

As at 30 September 2015, the Group had capital commitments of HK\$5 million (2014: HK\$30 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 2015, the Group had borrowings in Japanese yen equivalent to HK\$34 million (2014: HK\$38 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 losses incurred as compared with net foreign exchange gains recorded in the same period of last year because of the sizable depreciation of the Renminbi experienced during the period. The Group has substantial investments in Mainland China and is aware that any fluctuation of the Renminbi would have an impact on the net profits of the Group.

Contingent Liabilities

As at 30 September 2015, the Group provided guarantees to banks amounted to HK\$64 million (2014: HK\$103 million) for bank loans granted to customers to purchase the Group's products.

Human Resources

As at 30 September 2015, the Group had approximately 2,300 (2014: 2,600) 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 believes that the market will continue to be difficult, and may deteriorate further. If the U.S. Federal Reserve makes good on its interest rate hike during the second half of this financial year, global capital exodus to the U.S. will accelerate, with China, Europe, Japan and a host of developing countries being left behind. Furthermore, recent terrorist attacks in France may also create instability in global confidence. As such, outlook for market and economic conditions remain extremely uncertain in the second half of this financial year.

The Group has always adopted a prudent and conservative management style and so will carefully assess and monitor the risk profiles of different market regions and segments as well as their liquidity positions in the second half of this financial year. The Group will leverage new product lines to raise market share while aggressively and consciously reducing its risk exposure.

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

As at 30 September 2015, 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	Notes	Approximate percentage of the Company's issued ordinary shares
Chen CHIANG	Beneficial owner	3,980,000	–	0.63%
	Founder of discretionary trust	398,013,620	(1)	63.12%
Lai Yuen CHIANG	Beneficial owner	5,000,000	–	0.79%
	Other	398,013,620	(3)	63.12%
Chi Kin CHIANG	Beneficial owner	2,078,000	–	0.33%
	Other	398,013,620	(3)	63.12%
Stephen Hau Leung CHUNG	Beneficial owner	666,000	–	0.11%
Johnson Chin Kwang TAN	Beneficial owner	484,000	–	0.08%
Anish LALVANI	Beneficial owner	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	Capacity	Interest in shares	Notes	Approximate percentage of the issued shares of CH Investments
Chen CHIANG	Founder of discretionary trust	58,220,300	(2)	100.00%
Lai Yuen CHIANG	Other	58,220,300	(3)	100.00%
Chi Kin CHIANG	Other	58,220,300	(3)	100.00%

- (ii) Dr. Chen CHIANG, Ms. Lai Yuen CHIANG and Mr. Chi Kin CHIANG, all are directors of the Company, are deemed to be interested in the shares of the following associated corporations:

Name of associated corporation	Interest in shares/ registered capital	Notes	Approximate percentage of the relevant class of issued shares/registered capital of associated corporation
Assetwise Holdings Limited	1 ordinary share	(1), (4)	100.00%
Callan (China) Limited	595,359 ordinary shares	(1), (7)	59.54%
Chen Hsong (PRC) Investment Company Limited	2 non-voting deferred shares	(1), (4)	100.00%
Chen Hsong Logistics Services Company Limited	5,000,000 non-voting deferred shares	(1), (4)	100.00%
Chen Hsong Machinery Company, Limited	50,000,000 non-voting deferred shares	(1), (4)	100.00%
Chiangs' Industrial Holdings Limited	1 redeemable share	(1)	100.00%
Desee Limited	2 ordinary shares	(1), (5)	100.00%
Deskto Limited	2 ordinary shares	(1), (5)	100.00%
Elite Sino Investments Limited	1 ordinary share	(1), (4)	100.00%
Equaltex Investment Limited	2 ordinary shares	(1), (4)	100.00%
Global Asia Investments Limited	1 ordinary share	(1), (4)	100.00%
Goman Limited	2 ordinary shares	(1), (5)	100.00%
Gondmyne Limited	100,000 ordinary shares	(1), (4)	100.00%
Granwich Limited	1 ordinary share	(1), (4)	100.00%
Hong Kong Cad-Cam Services Limited	52,570,000 ordinary shares	(1), (4)	75.10%
Kadom Limited	2 ordinary shares	(1), (4)	100.00%
KCI Investments Limited	1 ordinary share	(1), (6)	100.00%
Keyset Development Limited	10 ordinary shares	(1), (4)	100.00%
Koyoki Limited	2 ordinary shares	(1), (5)	100.00%
Maxford H.K. Investments Limited	1 ordinary share	(1), (6)	100.00%
Mikia Limited	2 ordinary shares	(1), (5)	100.00%
Mogin Limited	2 ordinary shares	(1), (5)	100.00%
Parot Limited	2 ordinary shares	(1), (5)	100.00%
Potachi Limited	2 ordinary shares	(1), (5)	100.00%
Pro-Team Pacific Limited	1 ordinary share	(1), (4)	100.00%
Rikon Limited	2 ordinary shares	(1), (5)	100.00%
Semicity Limited	2 ordinary shares	(1), (5)	100.00%
Shanghai Ciro's Real Estate Co. Ltd.	US\$33,593,200	(1), (8)	67.19%
Sibeland Limited	2 ordinary shares	(1), (5)	100.00%
Sumei Limited	2 ordinary shares	(1), (5)	100.00%
Tatiara Investment Company Limited	2 ordinary shares	(1), (4)	100.00%
True Partner Investments Limited	1 ordinary share	(1), (9)	100.00%
Value Creation Group Limited	1 ordinary share	(1), (4)	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 is the trustee of a discretionary trust, namely The Chiang Chen Industrial Charity Foundation ("Charity Foundation"). By virtue of the SFO, Dr. Chen CHIANG is deemed to be interested in the relevant shares 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% indirect interest in CH Investments. By virtue of the SFO, Dr. Chen CHIANG is deemed to be interested in the relevant shares as he is the settlor of the Charity Foundation and may be regarded as founder of the Charity Foundation.
- (3) This represents the interest indirectly held by Cititrust (Bahamas) Limited, trustee of the Charity Foundation, which holds 100% indirect interest in CH Investments. By virtue of the SFO, Ms. Lai Yuen CHIANG and Mr. Chi Kin CHIANG are deemed to be interested in the relevant shares as they respectively beneficially own 100% shares in Proficient City Investments Limited and Peckham Ventures Limited, two of the several eligible beneficiaries of the Charity Foundation.
- (4) Such interests are held by CH Investments.
- (5) Such interests are indirectly held by CH Investments through Gondmyne Limited.
- (6) Such interests are indirectly held by CH Investments through Assetwise Holdings Limited.
- (7) Such interests are indirectly held by CH Investments through Keyset Development Limited.
- (8) Such interests are indirectly held by CH Investments through Callan (China) Limited.
- (9) Such interests are indirectly held by CH Investments through Elite Sino Investments Limited.

Save as disclosed above, as at 30 September 2015, 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 2015.

Save as disclosed above, at no time during the six months ended 30 September 2015 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 2015.

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

As at 30 September 2015, 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	(3)	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%
Lai Yuen CHIANG	Beneficial owner	5,000,000	–	0.79%
	Eligible beneficiary of discretionary trust	398,013,620	(4)	63.12%
Proficient City Investments Limited	Interest of controlled corporation	398,013,620	(4)	63.12%
Chi Kin CHIANG	Beneficial owner	2,078,000	–	0.33%
	Eligible beneficiary of discretionary trust	398,013,620	(4)	63.12%
Peckham Ventures Limited	Interest of controlled corporation	398,013,620	(4)	63.12%
Schroder Investment Management (Hong Kong) Limited	Investment manager	52,268,000	(5)	8.29%
Schroders Plc	Interest of controlled corporation	52,268,000	(5)	8.29%
David Michael WEBB	Beneficial owner	7,835,000	–	1.24%
	Interest of controlled corporation	23,793,000	(6)	3.77%

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, and the relevant shares are held through its controlled corporation, Chiangs' Industrial Holdings Limited which holds 100% 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) This represents the same parcel of shares held by CH Investments. Proficient City Investments Limited and Peckham Ventures Limited are deemed to have interest in the relevant shares by virtue of being two of the several eligible beneficiaries of the Charity Foundation and Ms. Lai Yuen CHIANG is the sole beneficial shareholder of Proficient City Investments Limited and Mr. Chi Kin CHIANG is the sole beneficial shareholder of Peckham Ventures Limited.
- (5) Based on the notice of disclosure of interests of Schroders Plc filed on 8 February 2013, 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.
- (6) Based on the notice of disclosure of interests of David Michael WEBB filed on 26 March 2013, these shares are held by Preferable Situation Assets Limited, a company 100% controlled by David Michael WEBB.

Save as disclosed above, as at 30 September 2015, 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 2015, 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 deviations:

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.

Code provision E.1.2 requires that the chairman of the board should attend the annual general meeting. Dr. Chen CHIANG, the Chairman of the Board, was absent from the annual general meeting of the Company held on 26 August 2015. The chief executive officer (also an executive director) and other directors of the Company, together with the chairmen/members of the audit, nomination, remuneration and corporate governance committees, were available to answer any shareholders' questions regarding the activities of the Company and various Board committees.

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. 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 2015.

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 2015.

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 2015.

On behalf of the Board
Chen CHIANG
Chairman

Hong Kong, 26 November 2015

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