



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)

2016/2017

中期報告 INTERIM REPORT



Financial Highlights

	For the six months ended 30 September		
	2016	2015	Change
	(Unaudited)	(Unaudited)	
RESULTS HIGHLIGHTS (HK\$'000)			
Revenue	712,946	650,977	10%
Profit/(loss) before tax	36,437	(53,321)	N/A
Profit/(loss) attributable to equity holders of the Company	21,305	(59,448)	N/A
Total assets	3,262,968	3,556,370	-8%
Shareholders' equity	2,622,970	2,734,571	-4%
Issued share capital	63,053	63,053	0%
Net current assets	1,498,291	1,579,160	-5%
PER SHARE DATA			
Basic earnings/(loss) per share (HK cents)	3.4	(9.4)	N/A
Cash dividends per share (HK cents)	1.4	1.2	17%
Net assets per share (HK dollars)	4.2	4.4	-5%
KEY FINANCIAL RATIOS			
Return on average shareholders' equity (%)	0.8	(2.1)	N/A
Return on average total assets (%)	0.6	(1.6)	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 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 Website: www.chenhsong.com
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 2016 amounted to HK\$21,305,000, as compared with the loss attributable to equity holders of HK\$59,448,000 for the corresponding period of last year. Basic earnings per share for the six months ended 30 September 2016 was HK3.4 cents, as compared with the basic loss per share of HK9.4 cents for the corresponding period of last year. These unaudited interim results have been reviewed by the Company’s Audit Committee.

Condensed Consolidated Income Statement

For the six months ended 30 September 2016

		Six months ended	
		30 September	
		2016	2015
	Notes	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	2	712,946	650,977
Cost of sales		(514,255)	(513,465)
Gross profit		198,691	137,512
Other income and gains, net		23,169	18,417
Selling and distribution expenses		(72,607)	(68,848)
Administrative expenses		(55,812)	(63,392)
Other operating expenses, net		(58,095)	(76,235)
Finance costs		(644)	(2,045)
Share of profits less losses of associates		1,735	1,270
PROFIT/(LOSS) BEFORE TAX	3	36,437	(53,321)
Income tax expense	4	(15,290)	(6,586)
PROFIT/(LOSS) FOR THE PERIOD		21,147	(59,907)
ATTRIBUTABLE TO:			
Equity holders of the Company		21,305	(59,448)
Non-controlling interests		(158)	(459)
		21,147	(59,907)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	6		
Basic (HK cents)		3.4	(9.4)
Diluted (HK cents)		3.4	(9.4)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2016

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	21,147	(59,907)
OTHER COMPREHENSIVE EXPENSES		
<i>Other comprehensive expenses to be reclassified to the income statement in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(40,030)	(66,042)
<i>Other comprehensive expenses not to be reclassified to the income statement in subsequent periods:</i>		
Actuarial losses on defined benefit obligations	(447)	(211)
OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD, NET OF TAX	(40,477)	(66,253)
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD	(19,330)	(126,160)
ATTRIBUTABLE TO:		
Equity holders of the Company	(18,720)	(125,139)
Non-controlling interests	(610)	(1,021)
	(19,330)	(126,160)

Condensed Consolidated Statement of Financial Position

As at 30 September 2016

		30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	7	675,507	716,615
Investment properties		282,825	292,224
Prepaid land lease payments		37,516	39,043
Goodwill		94,923	94,923
Investments in associates		37,024	36,574
Deferred tax assets		32,354	36,182
Deposits for purchases of items of property, plant and equipment		556	978
Trade receivables	8	11,294	13,712
Finance lease receivables	9	11,094	3,816
Pledged bank deposits		6,460	5,271
		<hr/>	<hr/>
Total non-current assets		1,189,553	1,239,338
CURRENT ASSETS			
Inventories		478,639	501,369
Trade and bills receivables	8	658,922	613,610
Deposits, prepayments and other receivables		41,031	40,396
Finance lease receivables	9	34,337	16,345
Pledged bank deposits		38,432	49,304
Cash and bank balances		822,054	846,809
		<hr/>	<hr/>
Total current assets		2,073,415	2,067,833
CURRENT LIABILITIES			
Trade and bills payables	10	282,208	259,023
Other payables and accruals		183,408	176,909
Interest-bearing bank borrowings		71,882	105,253
Tax payable		37,626	31,269
		<hr/>	<hr/>
Total current liabilities		575,124	572,454
NET CURRENT ASSETS			
		1,498,291	1,495,379
TOTAL ASSETS LESS CURRENT LIABILITIES			
		2,687,844	2,734,717

Condensed Consolidated Statement of Financial Position *(continued)*

As at 30 September 2016

	30 September 2016 (Unaudited) <i>Notes</i> HK\$'000	31 March 2016 (Audited) <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Other payables and accruals	3,430	3,636
Defined benefit obligations	19,923	19,741
Deferred tax liabilities	28,510	29,269
	<hr/>	<hr/>
Total non-current liabilities	51,863	52,646
	<hr/>	<hr/>
NET ASSETS	2,635,981	2,682,071
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EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	<i>11</i> 63,053	63,053
Reserves	2,559,917	2,602,597
	<hr/>	<hr/>
Non-controlling interests	2,622,970	2,665,650
	13,011	16,421
	<hr/>	<hr/>
TOTAL EQUITY	2,635,981	2,682,071
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Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016

	Note	2016				
		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	Statutory reserve (Unaudited) HK\$'000
At 1 April 2016		63,053	509,580*	295*	52,751*	144,999*
Profit/(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 income/(expenses) for the period		-	-	-	-	-
Final dividend for the year ended 31 March 2016	5	-	-	-	-	-
Special final dividend for the year ended 31 March 2016	5	-	-	-	-	-
Dividends paid to non-controlling shareholders of subsidiaries		-	-	-	-	-
At 30 September 2016		<u>63,053</u>	<u>509,580*</u>	<u>295*</u>	<u>52,751*</u>	<u>144,999*</u>

* These reserve accounts comprise the consolidated reserves of HK\$2,559,917,000 (31 March 2016: HK\$2,602,597,000) in the condensed consolidated statement of financial position as at 30 September 2016.

2016
Attributable to equity holders of the Company

General reserve (Unaudited) <i>HK\$'000</i>	Asset revaluation reserve (Unaudited) <i>HK\$'000</i>	Exchange fluctuation reserve (Unaudited) <i>HK\$'000</i>	Retained profits (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>	Non- controlling interests (Unaudited) <i>HK\$'000</i>	Total equity (Unaudited) <i>HK\$'000</i>
2,351*	78,674*	217,532*	1,596,415*	2,665,650	16,421	2,682,071
-	-	-	21,305	21,305	(158)	21,147
-	-	(39,578)	-	(39,578)	(452)	(40,030)
-	-	-	(447)	(447)	-	(447)
-	-	(39,578)	20,858	(18,720)	(610)	(19,330)
-	-	-	(3,783)	(3,783)	-	(3,783)
-	-	-	(20,177)	(20,177)	-	(20,177)
-	-	-	-	-	(2,800)	(2,800)
<u>2,351*</u>	<u>78,674*</u>	<u>177,954*</u>	<u>1,593,313*</u>	<u>2,622,970</u>	<u>13,011</u>	<u>2,635,981</u>

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

For the six months ended 30 September 2016

	2015				
	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	Statutory reserve (Unaudited) HK\$'000
Note					
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	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 30 September 2015	<u>63,053</u>	<u>509,580</u>	<u>295</u>	<u>51,703</u>	<u>144,999</u>

2015
Attributable to equity holders of the Company

General reserve (Unaudited) <i>HK\$'000</i>	Asset revaluation reserve (Unaudited) <i>HK\$'000</i>	Exchange fluctuation reserve (Unaudited) <i>HK\$'000</i>	Retained profits (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>	Non- controlling interests (Unaudited) <i>HK\$'000</i>	Total equity (Unaudited) <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 Cash Flows

For the six months ended 30 September 2016

	Six months ended 30 September 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>47,053</u>	<u>88,585</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(4,091)	(23,224)
Interest received	5,266	9,171
Decrease/(increase) in bank deposits with original maturity of more than three months when acquired	(81,340)	31,135
Decrease/(increase) in pledged bank deposits	8,168	(14,113)
Other investing cash flows	502	1,838
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	<u>(71,495)</u>	<u>4,807</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	25,000	50,000
Repayment of bank loans	(61,000)	(105,251)
Dividends paid	(23,960)	(23,960)
Dividends paid to non-controlling shareholders of subsidiaries	(2,800)	–
NET CASH FLOWS USED IN FINANCING ACTIVITIES	<u>(62,760)</u>	<u>(79,211)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(87,202)</u>	<u>14,181</u>
Cash and cash equivalents at beginning of period	775,935	878,597
Effect of foreign exchange rate changes, net	(16,926)	(19,408)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>671,807</u></u>	<u><u>873,370</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	619,220	649,139
Bank deposits with original maturity of less than three months when acquired	52,587	224,231
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<u>671,807</u>	<u>873,370</u>
Bank deposits with original maturity of more than three months when acquired	<u>150,247</u>	<u>48,807</u>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<u><u>822,054</u></u>	<u><u>922,177</u></u>

Notes to Condensed Financial Statements

30 September 2016

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 2016, 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 2016. 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 financial performance 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/(loss), which is a measure of adjusted profit/(loss) 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 2016 and 2015.

	Segment revenue from external customers		Segment results	
	Six months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China and Hong Kong	474,176	433,653	31,632	(49,153)
Taiwan	60,714	48,558	3,185	4,924
Other overseas countries	178,056	168,766	9,514	(1,721)
	<u>712,946</u>	<u>650,977</u>	<u>44,331</u>	<u>(45,950)</u>

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

Operating segment results	44,331	(45,950)
Unallocated income and gains	5,899	9,171
Corporate and unallocated expenses	(14,884)	(15,767)
Finance costs	(644)	(2,045)
Share of profits less losses of associates	1,735	1,270
Profit/(loss) before tax	<u>36,437</u>	<u>(53,321)</u>

3. Profit/(Loss) Before Tax

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

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Cost of inventories sold	514,255	513,465
Depreciation	27,411	34,344
Recognition of prepaid land lease payments	692	767
Loss/(gain) on disposal of items of property, plant and equipment	(24)	29
Write-back of impairment of trade and bills receivables, net	(2,605)	(288)
Impairment/(write-back of impairment) of inventories, net	(5,457)	914
Impairment of other receivables	440	710
Foreign exchange differences, net	35,366	43,480
Interest income	(5,266)	(9,171)
Finance lease interest income	(633)	–

4. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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	
	2016	2015
	HK\$'000	HK\$'000
Current:		
Charge for the period		
Hong Kong	11	13
Elsewhere	12,273	5,444
Underprovision/(overprovision) in prior periods	(69)	685
Deferred	3,075	444
	<u>15,290</u>	<u>6,586</u>
Tax charge for the period	<u>15,290</u>	<u>6,586</u>

5. Dividends

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Dividends paid during the period:		
Final in respect of the financial year ended		
31 March 2016 – HK\$0.006		
per ordinary share (2015: HK\$0.006)	3,783	3,783
Special final in respect of the financial year ended		
31 March 2016 – HK\$0.032		
per ordinary share (2015: HK\$0.032)	20,177	20,177
	23,960	23,960

The Board has declared the payment of an interim dividend of HK\$0.014 (2015: HK\$0.012) per ordinary share for the six months ended 30 September 2016 totalling HK\$8,827,000 (2015: 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 the basic earnings/(loss) per share is based on the Group's profit attributable to equity holders of the Company for the period of HK\$21,305,000 (2015: loss of HK\$59,448,000) and on the weighted average number of ordinary shares of 630,531,600 (2015: 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 2016 and 2015 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 2016	716,615
Additions	4,091
Disposals	(56)
Write-offs	(133)
Depreciation provided for the period	(27,411)
Exchange realignment	(17,599)
	<u>675,507</u>
Net carrying amount as at 30 September 2016	<u><u>675,507</u></u>

8. Trade and Bills Receivables

	30 September 2016	31 March 2016
	<i>Notes</i> HK\$'000	<i>HK\$'000</i>
Trade receivables	580,231	534,659
Impairment	(98,106)	(102,976)
	<u>580,231</u>	<u>534,659</u>
Trade receivables, net	<i>(a)</i> 482,125	431,683
Bills receivables	<i>(b)</i> 188,091	195,639
	<u>482,125</u>	<u>195,639</u>
Total trade and bills receivables	670,216	627,322
Portion classified as non-current portion	(11,294)	(13,712)
	<u>(11,294)</u>	<u>(13,712)</u>
Current portion	658,922	613,610
	<u><u>658,922</u></u>	<u><u>613,610</u></u>

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\$59,314,000 as at 30 September 2016 (31 March 2016: HK\$60,511,000) which are interest-bearing at an average interest rate of 6.0% (31 March 2016: 6.0%) per annum and with credit periods of 12 months to 24 months in general, the remaining trade and bills 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 2016 HK\$'000	31 March 2016 HK\$'000
Within 90 days	214,253	197,163
91 to 180 days	108,226	71,584
181 to 365 days	94,993	119,931
Over 1 year	64,653	43,005
	<u>482,125</u>	<u>431,683</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 2016 HK\$'000	31 March 2016 HK\$'000
Current (neither past due nor impaired)	319,578	283,105
Less than 90 days past due	75,936	46,710
91 to 180 days past due	46,776	49,086
Over 180 days past due	39,835	52,782
	<u>482,125</u>	<u>431,683</u>

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

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Within 90 days	96,894	115,930
91 to 180 days	77,289	69,749
181 to 365 days	13,908	9,960
	<u>188,091</u>	<u>195,639</u>

9. Finance Lease Receivables

The Group leases certain of its injection moulding machines to its customers. These leases are classified as finance leases and have remaining lease terms ranging from 1 year to 2 years. The customers shall purchase or have an option to purchase the leased injection moulding machines at the end of lease terms of the finance leases.

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Finance lease receivables, non-current portion	11,094	3,816
Finance lease receivables, current portion	34,337	16,345
	<u>45,431</u>	<u>20,161</u>

As at 30 September 2016, the total future minimum lease receivables under finance leases and their present values were as follows:

	Minimum lease receivables		Present value of minimum lease receivables	
	30 September 2016 HK\$'000	31 March 2016 HK\$'000	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Amounts receivable				
Within one year	34,914	16,921	34,337	16,345
In the second year	12,101	3,891	11,094	3,816
Total minimum finance lease receivables	47,015	20,812	<u>45,431</u>	<u>20,161</u>
Unearned finance income	(1,584)	(651)		
Total net finance lease receivables	45,431	20,161		
Portion classified as current assets	(34,337)	(16,345)		
Non-current portion	<u>11,094</u>	<u>3,816</u>		

No contingent income was recognized during the period ended 30 September 2016 (2015: Nil).

Finance lease receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

10. 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 2016 HK\$'000	31 March 2016 HK\$'000
Within 90 days	188,236	145,954
91 to 180 days	43,861	42,045
181 to 365 days	39,404	59,769
Over 1 year	10,707	11,255
	<u>282,208</u>	<u>259,023</u>

The trade and bills payables are non-interest-bearing and are normally settled on terms not more than 3 months.

11. Share Capital

	30 September 2016 HK\$'000	31 March 2016 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 2016: 630,531,600) ordinary shares of HK\$0.10 each	<u>63,053</u>	<u>63,053</u>

12. Contingent Liabilities

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

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Guarantees given to banks, at the maximum, for bank loans granted to customers to purchase the Group's products	<u>38,285</u>	<u>41,775</u>

13. Operating Lease Arrangements

(a) As lessor

The Group leases certain parts of its owner-occupied properties and investment properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 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.

As at 30 September 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Within one year	23,568	19,485
In the second to fifth years, inclusive	36,189	42,722
	<u>59,757</u>	<u>62,207</u>

(b) As lessee

The Group leases certain of its properties, office equipment and motor vehicles under operating lease arrangements. Leases for properties, office equipment and motor vehicles are negotiated for terms ranging from 1 year to 5 years, for a term of 5 years and for terms ranging from 1 year to 3 years, respectively.

As at 30 September 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Within one year	1,972	2,189
In the second to fifth years, inclusive	982	971
	<u>2,954</u>	<u>3,160</u>

14. Commitments

In addition to the operating lease commitments detailed in note 13(b) above, the Group had the following capital commitments at the end of the reporting period:

As at 30 September 2016, 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\$1,334,000 (31 March 2016: HK\$2,354,000).

As at 30 September 2016, 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\$86,000 (31 March 2016: HK\$521,000).

15. Related Party Transactions

- (a) During the period, the Group purchased raw materials amounting to HK\$14,230,000 (2015: HK\$12,156,000) 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\$612,000 (2015: HK\$960,000) 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, 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\$440,000 (2015: HK\$602,000) from CC-SZ on terms mutually agreed by the Group and the related company.

15. Related Party Transactions (continued)

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

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Short term employee benefits	5,996	5,951
Post-employment benefits	36	36
	<u>6,032</u>	<u>5,987</u>

16. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and bank balances, the current portion of pledged bank deposits, the current portion of trade receivables and finance lease receivables, bills receivables, financial assets included in deposits, prepayments and other receivables, trade and bills payables, the current portion of 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 values of the non-current portion of trade receivables and finance lease receivables, the non-current portion of pledged bank deposits and the non-current portion of financial liabilities included in other payables and accruals are 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 HK1.4 cents (2015: HK1.2 cents) per ordinary share for the six months ended 30 September 2016 to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 20 December 2016. The interim dividend will be paid on or about Thursday, 12 January 2017.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 19 December 2016 to Tuesday, 20 December 2016, 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, 16 December 2016.

Management's Discussion and Analysis

Business Performance

For the six months ended 30 September 2016, the Group recorded an approximately 10% increase in turnover to HK\$713 million (2015: HK\$651 million) as compared with the corresponding period of last year. Profit attributable to equity holders was HK\$21 million (2015: loss of HK\$59 million), while basic earnings per share was HK3.4 cents (2015: loss per share of HK9.4 cents). The Board has resolved to declare an interim dividend of HK1.4 cents (2015: HK1.2 cents) per share.

During the first half of this financial year, the Group witnessed a reversal of downward trends in turnover, profits as well as gross margin. Such significant improvement was primarily due to three reasons: 1) the Group's relentless pursuit of performance enhancements and quality improvements in its product lines during the past few years started bearing fruit, directly leading to better market competitiveness as well as increased sales; 2) decline in general the prices of materials and components, etc. during the period contributed to a substantial gross margin improvement; and 3) lesser adverse effect from foreign currency exchange losses on the Renminbi during the period. The announcement by the Central Government of China reforming its Renminbi currency exchange policies in August last year caused an immediate devaluation of the Renminbi and contributed to net foreign exchange losses of HK\$43 million to the Group for the same period of last year. In contrast, such losses mainly related to the Renminbi decreased to HK\$35 million during the period resulted in an increase in profit (see the Treasury and Foreign Exchange Risk Management section below for more details). Profit attributable to equity holders would have been HK\$56 million (2015: loss of HK\$16 million) if foreign exchange impacts were not considered. The exchange losses posed no material effect on the Group's actual operations or cash flow.

Generally speaking, this has so far been the "Year of Black Swans". During the entire first half of this financial year, multiple unanticipated events occurred which surprised the world, and certain geopolitical instabilities inevitably affected markets, especially in developing countries. China, on the other hand, was comparably stable and less unpredictable, even though plagued by lacklustre economic growth, a stubborn real estate bubble still overheating, a capital exodus led by anticipated Renminbi devaluation, tightening credit conditions and a PMI persistently stuck below 50.

In the face of such volatile and adverse market conditions, the Group nevertheless managed to register reasonable growth in turnover, for which most credit should fall on two new product lines introduced recently: the "Sixth Generation" MK6 (Mark-Six) series and the new SVP/3+ line upgraded in this financial year. These new product lines helped solidify the Group's market share and generated widespread positive reviews from customers throughout different market segments. They also reinforced perception of the Group as a high-quality, high-tech brand. To a certain extent, their success uplifted the Group's market position to the next level, and in so doing reinforced customer confidence.

Internationally, the Group succeeded in mitigating the impacts of numerous "black swan" events through increasing market share in the world regions that were affected. For instance, performance of a number of wholly-owned subsidiaries in Europe and major developing countries (formed since several years ago) all exceeded expectations, even when they were hit by the unexpected events. In time, as these events and their impacts fade and these regions regain vitalities, the Group should find itself in a very favourable position to take full advantage of any rebound.

Lastly, after the inventory realignment exercise during the second half of last year, and with the increase in turnover, the production volume of the Group gradually recovered to normal level, leading to a steady reduction in the overall inventory costs. Coupled with lower raw material prices (mainly steel) and continued efforts by the Group's procurement teams to control costs, all contributed to an expansion of the Group's gross margin and profitability.

Market Analysis

Breakdown of turnover, based on the location of customers, for the six months ended 30 September 2016 is as follows:

Customer Location	2016 <i>(HK\$ million)</i>	2015 <i>(HK\$ million)</i>	Change
Mainland China and Hong Kong	474	434	9%
Taiwan	61	48	27%
Other overseas countries	178	169	5%
	713	651	10%

China remains the bright spot for the first half with almost 10% revenue growth. In fact, not only is China the Group's largest single market, it was also one of the most stable regions in the world, with GDP growth close to 7% – a rare feat for this year.

Despite its comparative strength relative to other countries, the domestic economy in China was actually quite lacklustre. Persistent negative-trending PMI and import/export statistics all pointed to an undisputable fact that China would only grow at medium to low speed in the near future. Further devaluation pressures on the Renminbi and an escalating capital exodus, potentially worsening already-tight credit conditions in the domestic economy, leave little room for the Central Government to maneuver.

Under such macro conditions, and the situation that most manufacturing industries in China were over-capacity and facing rigorous price competition, there had not been any visible growth in the demand for injection moulding machines in China. Even for those few industries relatively less affected, such as automotive and household appliances, over-supply and price reductions were the norm rather than exceptions. Most industrial-related indicators (such as electricity consumption and freight volume), as well as rapidly declining raw material prices, all confirmed weaknesses in the economy. Nevertheless, the Group still managed to grow its China business by almost 10% to HK\$474 million (2015: HK\$434 million) primarily due to two new product lines mentioned above, the MK6 and SVP/3+, which were widely popular with customers and helped uplift the Group's brand image as a high-tech, high-quality supplier of injection moulding machines.

The Group's turnover in Taiwan market for the first half, due to continued economic improvements in the USA which benefited Taiwan exporters, rose to HK\$61 million (2015: HK\$48 million).

This year has been a highly volatile one for global markets, starting with the USA Federal Reserve officially raising interest rates, albeit only once, after almost a decade, causing the U.S. Dollar to appreciate significantly with respect to the currencies of many developing countries. The "Brexit" incident in June added further uncertainties to the recovery of European economies. Furthermore, there was political unrest abound in several important countries, both developing and developed, which means that "experts" would now need to go "back to the drawing board", and therefore there is precious little reliable guidance on the future direction of world economies and markets.

In spite of these difficulties, the Group still managed to grow its business volume in international markets due to strong performances by wholly-owned subsidiaries in many key developing countries, as well as an increasing market recognition of the Group's high-end products, such as advanced two-platen injection moulding machines. The Group's turnover in international markets for the first half grew by 5% to HK\$178 million (2015: HK\$169 million). Although not yet recovering prior peak levels, the Group believes that it is well positioned to take advantage of future market rebounds as the host of "black swan" events and political unrest are fully digested and affected economies in Europe and major developing countries start to recover.

Development of New Technologies and New Products

As mentioned above, the new “Sixth Generation” product line – the MK6 (Mark-Six) series – injection moulding machines had been instrumental in the Group’s turnover growth. It was made with excellence in all aspects of its creation, from design to fabrication to assembly. 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. Since its market launch last year, the MK6 series had garnered perfect customer satisfaction, especially with those making high-precision products, to the extent that the Group experienced periods of supply shortages due to overwhelming demand during the first half of this financial year. Tight supply was alleviated by the beginning of the second half, and the Group expects complete commercialization of the entire series within this financial year.

Furthermore, during the first half of this financial year, the Group also upgraded its most popular product line – the SVP series – into the “SVP/3+” with ever more refined structure and performance. As a result, the SVP/3+ further captured market share in the Group’s core customer segments and became one of the fastest-selling and most popular product upgrades in the history of the Group.

Production Efficiency and Capacity

In an effort to realign the production system for new product lines (in particular, the MK6 and SVP/3+ series), the Group made a significant adjustment in its raw materials and components inventory during last year, causing lower-than-normal inventory levels bleeding into this year. The Group expects inventory of finished goods to rise gradually during the second half as production volume of the new product lines picks up.

Liquidity and Financial Conditions

As at 30 September 2016, the Group had net current assets of HK\$1,498 million (2015: HK\$1,579 million), which represented a 5% decrease over last year. Cash and bank balances (including pledged deposits) amounted to HK\$867 million (2015: HK\$992 million), representing a decrease of HK\$125 million over last year. The bank borrowings were HK\$72 million (2015: HK\$241 million), decreased by HK\$169 million, which were short term loans with floating interest rates for general working capital purposes. The Group recorded a net cash position of HK\$795 million (2015: HK\$751 million), representing an increase of HK\$44 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 2016. As a result, no gearing ratio was presented.

It is the policy of the Group to adopt a consistently prudent financial management strategy, and 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 2016, bank deposits of certain subsidiaries of the Group in the amount of HK\$45 million (2015: HK\$70 million) were pledged, including HK\$32 million (2015: HK\$39 million) for securing bank loans granted by banks in Mainland China to customers to purchase the Group's products, HK\$10 million (2015: HK\$28 million) for securing the issuance of bank acceptance notes, included in the trade and bills payables, to suppliers, and HK\$3 million (2015: HK\$3 million) mainly to guarantee for payments of construction costs of industrial buildings.

Capital Commitments

As at 30 September 2016, the Group had capital commitments of HK\$1 million (2015: HK\$5 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, which are primarily denominated in Hong Kong Dollar, the Renminbi, the New Taiwanese Dollar, the U.S. Dollar and the Euro, are generally placed with banks in short or medium term deposits for working capital of the Group.

As at 30 September 2016, the Group had borrowings in Japanese yen equivalent to HK\$26 million (2015: HK\$34 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.

Since the reform of the Renminbi exchange rate regime on 11 August 2015, the Renminbi against the Hong Kong Dollar continued to depreciate. The decline during the period was approximately the same as the corresponding period of last year. The Group, in order to reduce the foreign exchange risk of the Renminbi, had brought down the holding of cash in the Renminbi. As at 30 September 2016, the cash in the Renminbi of the Group was reduced by one third as compared to that before the reform, leading to a reduction of the overall net exchange losses by HK\$8 million to HK\$35 million. The Group shall continue to control the amount of cash in the Renminbi based on its operation needs so as to minimize the impact of the Renminbi depreciation to the Group.

The Group has substantial investments in Mainland China and is aware that any fluctuation of the Renminbi exchange rate would have an impact on the net profits of the Group. However, since most of the transactions of the Group are conducted in the Renminbi, the direct impact from the exchange losses on the Group's operations and cash flows is slight.

Contingent Liabilities

As at 30 September 2016, the Group provided guarantees to banks amounted to HK\$38 million (2015: HK\$64 million) for bank loans granted to customers to purchase the Group's products.

Human Resources

As at 30 September 2016, the Group had approximately 2,100 (2015: 2,300) full-time employees. The Group offers good remuneration and welfare packages to its employees and maintains market-competitive pay levels. Employees are rewarded based on individual performance as well as the results performance of the Group.

The Group conducted regular programmes, including 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 it is not possible to predict near-term market conditions with any reasonable accuracy when the worldwide economic and political landscape continues to be uncertain. Nevertheless, if no further "black swan" events occur in the near future that adversely affect markets, if all such prior events are successfully digested and contained, if there are no material changes to Sino-American relationships, and if global interest rates and exchange rates remain stable... then the Group should expect growth to continue into the second half.

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

As at 30 September 2016, 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 of 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	Notes	Approximate percentage of the relevant class of issued shares of associated corporation
Assetwise Holdings Limited	1 ordinary share	(1), (4)	100.00%
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%
Desko 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%
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%
Sibeland Limited	2 ordinary shares	(1), (5)	100.00%
Sumei Limited	2 ordinary shares	(1), (5)	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 (the "Charity Foundation"). By virtue of the SFO, (a) 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; and (b) 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.
- (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.

Save as disclosed above, as at 30 September 2016, 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 2016.

Save as disclosed above, at no time during the six months ended 30 September 2016 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 spouses 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 2016.

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

As at 30 September 2016, so far as was 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%
	Other	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%
	Other	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	50,410,000	(5)	7.99%
Schroders Plc	Interest of controlled corporation	50,410,000	(5)	7.99%
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 12 November 2015, 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 2016, no other persons 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 2016, 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 29 August 2016. 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.

Code provision A.6.7 requires that independent non-executive directors and other non-executive directors should attend general meetings. Mr. Bernard Charnwut CHAN, the independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 29 August 2016 due to unanticipated urgent overseas trip.

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 2016.

Share Options

During the six months ended 30 September 2016, no share options have been granted, exercised, cancelled or lapsed under the share option scheme adopted by the Company on 24 September 2014 (the "Share Option Scheme"). As at 30 September 2016 and 31 March 2016, there were no share options outstanding under the Share Option Scheme. The detailed terms of the Share Option Scheme were disclosed in the 2016 annual report of the Company.

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

Mr. Bernard Charnwut CHAN ceased to be a non-executive director of City e-Solutions Limited (a company listed on the Stock Exchange) with effect from 9 September 2016.

Save as disclosed above, there is no change in directors' information since the date of the 2016 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 2016.

Review of Accounts

The Audit Committee of the Company has reviewed with the Management the unaudited interim results for the six months ended 30 September 2016 and discussed internal controls and financial reporting matters, including the review of accounting principles and practices adopted by the Group.

On behalf of the Board
Chen CHIANG
Chairman

Hong Kong, 28 November 2016

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