


震雄集團有限公司 

**CHEN HSONG HOLDINGS LIMITED**

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

(股份代號: Stock Code: 00057)



中期報告  
INTERIM REPORT  
2019/2020

## Financial Highlights

	For the six months ended 30 September		
	2019 (Unaudited)	2018 (Unaudited)	Change
<b>RESULTS HIGHLIGHTS</b> <i>(HK\$'000)</i>			
Revenue	<b>781,360</b>	888,280	-12%
Profit before tax	<b>50,158</b>	31,785	58%
Profit attributable to equity holders of the Company	<b>34,101</b>	20,051	70%
Total assets	<b>3,414,096</b>	3,331,706	2%
Shareholders' equity	<b>2,646,897</b>	2,642,275	0%
Issued share capital	<b>63,053</b>	63,053	0%
Net current assets	<b>1,585,330</b>	1,560,535	2%
<b>PER SHARE DATA</b>			
Basic earnings per share <i>(HK cents)</i>	<b>5.4</b>	3.1	74%
Cash dividends per share <i>(HK cents)</i>	<b>3.5</b>	3.0	17%
Net assets per share <i>(HK dollars)</i>	<b>4.2</b>	4.2	0%
<b>KEY FINANCIAL RATIOS</b>			
Return on average shareholders' equity (%)	<b>1.3</b>	0.7	86%
Return on average total assets (%)	<b>1.0</b>	0.6	67%

# Corporate Information

## Honorary Chairman

Dr. Chen CHIANG, GBM

## Directors

### **Executive Directors**

Ms. Lai Yuen CHIANG (*Chairman and Chief Executive Officer*)

Mr. Chi Kin CHIANG (*retired as Director and ceased to be Deputy Chairman on 22 August 2019*)

Mr. Stephen Hau Leung CHUNG

Mr. Sam Hon Wah NG (*retired as Director on 19 April 2019*)

### **Independent Non-executive Directors**

Mr. Bernard Charnwut CHAN

Mr. Anish LALVANI

Mr. Michael Tze Hau LEE

Mr. Johnson Chin Kwang TAN

## Audit Committee

Mr. Anish LALVANI (*Chairman*)

Mr. Bernard Charnwut CHAN

Mr. Michael Tze Hau LEE

Mr. Johnson Chin Kwang TAN

## Remuneration Committee

Mr. Bernard Charnwut CHAN (*Chairman*)

Mr. Anish LALVANI

Mr. Michael Tze Hau LEE

Mr. Johnson Chin Kwang TAN

Ms. Lai Yuen CHIANG

## Nomination Committee

Mr. Johnson Chin Kwang TAN (*Chairman*)

Mr. Bernard Charnwut CHAN

Mr. Anish LALVANI

Mr. Michael Tze Hau LEE

## Corporate Governance Committee

Mr. Michael Tze Hau LEE (*Chairman*)

Mr. Bernard Charnwut CHAN

Mr. Anish LALVANI

Mr. Johnson Chin Kwang TAN

Mr. Sam Hon Wah NG (*ceased to be committee member on 19 April 2019*)

## Company Secretary

Mr. Chi Ngai CHAN

<b>Authorised Representatives</b>	Ms. Lai Yuen CHIANG Mr. Chi Ngai CHAN
<b>Auditor</b>	Ernst & Young
<b>Principal Bankers</b>	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
<b>Principal Share Registrars</b>	MUFG Fund Services (Bermuda) Limited 4th Floor North Cedar House 41 Cedar Avenue Hamilton HM 12 Bermuda
<b>Branch Share Registrars</b>	Tricor Tengis Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Registered Office</b>	Victoria Place 5th Floor, 31 Victoria Street Hamilton HM 10 Bermuda
<b>Head Office &amp; Principal Place of Business</b>	13-15 Dai Wang Street Tai Po Industrial Estate Tai Po, New Territories Hong Kong
<b>Corporate Communications &amp; Investor Relations</b>	Ms. Staeley CHAK Tel: (852) 2665 3888 Fax: (852) 2664 8202 E-mail: comm@chenhsong.com Website: www.chenhsong.com
<b>Stock Code</b>	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 2019 amounted to HK\$34,101,000, as compared with the profit attributable to equity holders of HK\$20,051,000 for the corresponding period of last year. Basic earnings per share for the six months ended 30 September 2019 was HK5.4 cents, as compared with the basic earnings per share of HK3.1 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 2019

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2019</b>	2018
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>REVENUE</b>	2	<b>781,360</b>	888,280
Cost of sales		<b>(599,411)</b>	(685,689)
		<b>181,949</b>	202,591
Gross profit			
Other income and gains, net		<b>40,534</b>	28,198
Selling and distribution expenses		<b>(91,435)</b>	(97,935)
Administrative expenses		<b>(64,223)</b>	(65,329)
Other operating expenses, net		<b>(15,850)</b>	(36,056)
Finance costs		<b>(1,067)</b>	(693)
Share of profits less losses of associates		<b>250</b>	1,009
		<b>50,158</b>	31,785
<b>PROFIT BEFORE TAX</b>	3	<b>50,158</b>	31,785
Income tax expense	4	<b>(16,299)</b>	(12,319)
		<b>33,859</b>	19,466
<b>PROFIT FOR THE PERIOD</b>		<b>33,859</b>	19,466
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<b>34,101</b>	20,051
Non-controlling interests		<b>(242)</b>	(585)
		<b>33,859</b>	19,466
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	6		
Basic ( <i>HK cents</i> )		<b>5.4</b>	3.1
Diluted ( <i>HK cents</i> )		<b>5.4</b>	3.1

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2019

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>33,859</b>	19,466
<b>OTHER COMPREHENSIVE INCOME/(EXPENSES)</b>		
<i>Other comprehensive expenses that may be reclassified to the income statement in subsequent periods:</i>		
Exchange differences:		
Exchange differences on translation of foreign operations	<b>(113,818)</b>	(212,032)
Share of other comprehensive expenses of associates	<b>(1,591)</b>	(3,273)
Net other comprehensive expenses that may be reclassified to the income statement in subsequent periods	<b>(115,409)</b>	(215,305)
<i>Other comprehensive income that will not be reclassified to the income statement in subsequent periods:</i>		
Actuarial gains on defined benefit obligations	<b>830</b>	100
<b>OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD, NET OF TAX</b>	<b>(114,579)</b>	(215,205)
<b>TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD</b>	<b>(80,720)</b>	(195,739)
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the Company	<b>(79,814)</b>	(194,025)
Non-controlling interests	<b>(906)</b>	(1,714)
	<b>(80,720)</b>	(195,739)

# Condensed Consolidated Statement of Financial Position

As at 30 September 2019

		30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	570,347	614,628
Right-of-use assets		37,560	–
Investment properties		353,754	372,007
Prepaid land lease payments		–	34,206
Goodwill		94,923	94,923
Investments in associates		21,348	31,211
Deferred tax assets		37,861	38,549
Deposits for purchases of items of property, plant and equipment		5,758	8,135
Trade receivables	8	24,673	30,779
Finance lease receivables	9	2,096	4,215
Pledged bank deposits		1,454	21
		<hr/>	<hr/>
Total non-current assets		1,149,774	1,228,674
<b>CURRENT ASSETS</b>			
Inventories		518,431	552,996
Trade and bills receivables	8	886,064	884,319
Deposits, prepayments and other receivables		42,957	60,060
Finance lease receivables	9	35,707	37,816
Pledged bank deposits		26,434	20,063
Cash and bank balances		754,729	667,817
		<hr/>	<hr/>
Total current assets		2,264,322	2,223,071
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	368,144	299,340
Other payables, accruals and contract liabilities		196,058	202,480
Lease liabilities		1,743	–
Interest-bearing bank borrowings		74,466	73,893
Tax payable		38,581	34,802
		<hr/>	<hr/>
Total current liabilities		678,992	610,515
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		1,585,330	1,612,556
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,735,104	2,841,230
		<hr/>	<hr/>

# Condensed Consolidated Statement of Financial Position *(continued)*

As at 30 September 2019

	30 September 2019 (Unaudited) <i>Notes</i> <b>HK\$'000</b>	31 March 2019 (Audited) <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Other payables and accruals	<b>11,325</b>	11,114
Lease liabilities	<b>2,165</b>	–
Defined benefit obligations	<b>6,380</b>	8,173
Deferred tax liabilities	<b>54,250</b>	55,867
	<hr/>	<hr/>
Total non-current liabilities	<b>74,120</b>	75,154
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>2,660,984</b>	2,766,076
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<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Issued share capital	11 <b>63,053</b>	63,053
Reserves	<b>2,583,844</b>	2,688,879
	<hr/>	<hr/>
<b>Non-controlling interests</b>	<b>2,646,897</b>	2,751,932
	<b>14,087</b>	14,144
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>2,660,984</b>	2,766,076
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# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019

	2019				
	Attributable to equity holders of the Company				
	Issued share capital (Unaudited) Note 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 2019	63,053	509,580	295	53,258	146,136
Profit/(loss) for the period	-	-	-	-	-
Other comprehensive income/(expenses) for the period:					
Exchange differences	-	-	-	-	-
Actuarial gains on defined benefit obligations	-	-	-	-	-
Total comprehensive income/(expenses) for the period	-	-	-	-	-
Capital contribution by non-controlling shareholders of a subsidiary	-	-	-	-	-
Final dividend for the year ended 31 March 2019	5	-	-	-	-
At 30 September 2019	<u>63,053</u>	<u>509,580*</u>	<u>295*</u>	<u>53,258*</u>	<u>146,136*</u>

\* These reserve accounts comprise the consolidated reserves of HK\$2,583,844,000 (31 March 2019: HK\$2,688,879,000) in the condensed consolidated statement of financial position as at 30 September 2019.

2019

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)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2,351	81,231	196,236	1,699,792	2,751,932	14,144	2,766,076
-	-	-	34,101	34,101	(242)	33,859
-	-	(114,745)	-	(114,745)	(664)	(115,409)
-	-	-	830	830	-	830
-	-	(114,745)	34,931	(79,814)	(906)	(80,720)
-	-	-	-	-	849	849
-	-	-	(25,221)	(25,221)	-	(25,221)
<u>2,351*</u>	<u>81,231*</u>	<u>81,491*</u>	<u>1,709,502*</u>	<u>2,646,897</u>	<u>14,087</u>	<u>2,660,984</u>

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

For the six months ended 30 September 2019

2018

Attributable to equity holders of the Company

	Issued share capital (Unaudited) Note 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 2018	63,053	509,580	295	53,131	145,850
Profit/(loss) for the period	-	-	-	-	-
Other comprehensive income/(expenses) for the period:					
Exchange differences	-	-	-	-	-
Actuarial gains on defined benefit obligations	-	-	-	-	-
Total comprehensive income/(expenses) for the period	-	-	-	-	-
Final dividend for the year ended 31 March 2018	5	-	-	-	-
At 30 September 2018	<u>63,053</u>	<u>509,580</u>	<u>295</u>	<u>53,131</u>	<u>145,850</u>

2018

Attributable to equity holders of the Company

<b>General reserve</b>	<b>Asset revaluation reserve</b>	<b>Exchange fluctuation reserve</b>	<b>Retained profits</b>	<b>Total</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
(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	78,674	356,225	1,658,668	2,867,827	15,153	2,882,980
-	-	-	20,051	20,051	(585)	19,466
-	-	(214,176)	-	(214,176)	(1,129)	(215,305)
-	-	-	100	100	-	100
-	-	(214,176)	20,151	(194,025)	(1,714)	(195,739)
-	-	-	(31,527)	(31,527)	-	(31,527)
<u>2,351</u>	<u>78,674</u>	<u>142,049</u>	<u>1,647,292</u>	<u>2,642,275</u>	<u>13,439</u>	<u>2,655,714</u>

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	<u>139,318</u>	<u>(77,132)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(3,848)	(5,754)
Interest received	6,323	4,185
Dividend received from an associate	8,522	–
Decrease/(increase) in pledged bank deposits	(8,790)	9,471
Other investing cash flows	<u>(2,447)</u>	<u>(3,634)</u>
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	<u>(240)</u>	<u>4,268</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	–	50,000
Dividends paid	(25,221)	(31,527)
Capital contribution by non-controlling shareholders of a subsidiary	849	–
Principal portion of lease payments	<u>(739)</u>	<u>–</u>
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	<u>(25,111)</u>	<u>18,473</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	113,967	(54,391)
Cash and cash equivalents at beginning of period	667,817	611,564
Effect of foreign exchange rate changes, net	<u>(27,055)</u>	<u>(42,301)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>754,729</u></u>	<u><u>514,872</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	735,974	504,603
Bank deposits with original maturity of less than three months when acquired	<u>18,755</u>	<u>10,269</u>
	<u><u>754,729</u></u>	<u><u>514,872</u></u>

# Notes to Condensed Financial Statements

30 September 2019

## 1. Basis of Preparation and Changes in 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 2019, except that the Group has adopted, for the first time for the current period's condensed interim financial statements, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as the "New HKFRSs") issued by the HKICPA that are effective for the accounting period commencing on 1 April 2019:

Amendments to HKFRS 9 HKFRS 16	<i>Prepayment Features with Negative Compensation Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests In Associates and Joint Ventures</i>
HK(IFRIC)-Int 23 <i>Annual Improvements 2015-2017 Cycle</i>	<i>Uncertainty over Income Tax Treatments</i> Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the above new and revised HKFRSs have no significant financial effect on these condensed interim financial statements and there have been no significant changes to the accounting policies applied in these condensed interim financial statements.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating leases or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

## 1. Basis of Preparation and Changes in Accounting Policies *(continued)*

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for the six months ended 30 September 2018 and as at 31 March 2019 was not restated and continues to be reported under HKAS 17.

### ***New definition of a lease***

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

### ***As a lessee – Leases previously classified as operating leases***

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for certain of its properties, office equipment and motor vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognize right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., photocopiers); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

## 1. Basis of Preparation and Changes in Accounting Policies *(continued)*

### ***As a lessee – Leases previously classified as operating leases (continued)***

Impacts on transition

Lease liabilities at 1 April 2019 were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes prepaid lease payments in respect of the land use rights of HK\$35,613,000 that were reclassified from prepaid land lease payments and deposits, prepayments and other receivables.

For the buildings that were held to earn rental income previously included in investment properties and measured at fair value, the Group continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to terminate the lease; and
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.



## 1. Basis of Preparation and Changes in Accounting Policies (continued)

### **As a lessee – Leases previously classified as operating leases (continued)**

Impacts on transition (continued)

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increase/ (decrease) (Unaudited) HK\$'000
<b>Assets</b>	
Increase in right-of-use assets	37,823
Decrease in prepaid land lease payments	(34,206)
Decrease in deposits, prepayments and other receivables	<u>(1,407)</u>
Increase in total assets	<u><u>2,210</u></u>
<b>Liabilities</b>	
Increase in lease liabilities	<u>2,210</u>
Increase in total liabilities	<u><u>2,210</u></u>

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	(Unaudited) HK\$'000
<b>Operating lease commitments as at 31 March 2019</b>	
Weighted average incremental borrowing rate as at 1 April 2019	<u>6.1%</u>
Discounted operating lease commitments as at 1 April 2019	4,667
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	(2,275)
Commitments relating to leases of low-value assets	<u>(182)</u>
<b>Lease liabilities as at 1 April 2019</b>	<u><u>2,210</u></u>

## 1. Basis of Preparation and Changes in Accounting Policies *(continued)*

### ***Summary of new accounting policies***

The accounting policy for operating leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

#### Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

#### Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

## 1. Basis of Preparation and Changes in Accounting Policies (continued)

### **Significant judgement in determining the lease term of contracts with termination options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option to early terminate some of its leases. The Group applies judgment in evaluating whether it is reasonably certain not to exercise the option to terminate. It considers all relevant factors that create an economic incentive for it not to exercise the termination option. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to terminate.

### **Amounts recognized in the interim condensed consolidated statement of financial position and income statement**

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right-of-use assets				Lease liabilities HK\$'000
	Prepaid land lease payments HK\$'000	Properties HK\$'000	Motor vehicles HK\$'000	Total HK\$'000	
As at 1 April 2019	35,613	1,762	448	37,823	2,210
Additions	–	2,425	58	2,483	2,483
Depreciation charge	(704)	(517)	(174)	(1,395)	–
Interest expenses	–	–	–	–	84
Payments	–	–	–	–	(739)
Exchange realignment	(1,222)	(111)	(18)	(1,351)	(130)
As at 30 September 2019	<u>33,687</u>	<u>3,559</u>	<u>314</u>	<u>37,560</u>	<u>3,908</u>

The Group recognized rental expenses from short-term leases of HK\$2,403,000 and lease of low-value assets of HK\$44,000 for the six months ended 30 September 2019.

The HKICPA has also issued a number of new and revised HKFRSs which are not yet effective for the current reporting period. The Group has not early adopted those new and revised HKFRSs in these condensed interim financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, but is not yet in a position to state whether these new and revised HKFRSs would have significant impact on the Group's financial performance and financial position.

## 2. Revenue and Operating Segment Information

The Group's revenue from contracts with customers is related to sale of goods, and all the revenue is recognized at a point in time when control of goods is transferred to customers generally on delivery of the goods.

The Group is principally involved in the manufacture and sale of plastic injection moulding machines and related products. For management purposes, the Group is organized into business units based on the locations of customers and has three reportable operating segments as follows:

- (i) Mainland China and Hong Kong;
- (ii) Taiwan; and
- (iii) Other overseas countries.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, unallocated income and gains, finance costs, share of profits less losses of associates, and corporate and unallocated expenses are excluded from such measurement.

There are no significant sales between the reportable operating segments.

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

Disaggregation of revenue from contracts with customers by locations of customers, as well as revenue and results information for the Group's operating segments for the periods ended 30 September 2019 and 2018 is as follows:

	Segment revenue from external customers		Segment results	
	Six months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China and Hong Kong	<b>507,823</b>	585,322	<b>48,249</b>	27,235
Taiwan	<b>67,811</b>	72,094	<b>2,435</b>	4,418
Other overseas countries	<b>205,726</b>	230,864	<b>12,589</b>	10,481
	<b>781,360</b>	888,280	<b>63,273</b>	42,134

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

Operating segment results	<b>63,273</b>	42,134
Unallocated income and gains	<b>7,519</b>	5,171
Corporate and unallocated expenses	<b>(19,817)</b>	(15,836)
Finance costs	<b>(1,067)</b>	(693)
Share of profits less losses of associates	<b>250</b>	1,009
Profit before tax	<b>50,158</b>	31,785

### 3. Profit Before Tax

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

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
Cost of inventories sold	599,411	685,689
Depreciation of property, plant and equipment	26,817	30,322
Depreciation of right-of-use assets	1,395	–
Amortization of prepaid land lease payments	–	687
Loss/(gain) on disposal of items of property, plant and equipment	15	(483)
Write-off of items of property, plant and equipment	485	659
Write-back of impairment of trade receivables, net	(7,869)	(5,662)
Provision/(write-back of provision) for inventories, net	724	(1,532)
Write-back of impairment of other receivables, net	(152)	–
Foreign exchange differences, net	1,242	16,923
Interest income	(6,323)	(4,185)
Finance lease interest income	(1,196)	(986)

### 4. Income Tax Expense

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
Current:		
Charge for the period		
Hong Kong	–	–
Elsewhere	16,736	10,776
Underprovision/(overprovision) in prior periods	(428)	282
Deferred	(9)	1,261
Tax charge for the period	16,299	12,319

## 5. Dividends

**Six months ended  
30 September**

**2019**                      2018  
**HK\$'000**                      *HK\$'000*

Dividends paid during the period:

Final in respect of the financial year ended

31 March 2019 – HK\$0.04 (2018: HK\$0.05)

per ordinary share

<b>25,221</b>	<b>31,527</b>
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The Board has declared the payment of an interim dividend of HK\$0.035 (2018: HK\$0.03) per ordinary share for the six months ended 30 September 2019 totalling HK\$22,069,000 (2018: HK\$18,916,000). These condensed interim financial statements do not reflect the interim dividend payable.

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

The calculation of the basic earnings per share is based on the Group's profit attributable to equity holders of the Company for the period of HK\$34,101,000 (2018: HK\$20,051,000) and on the weighted average number of ordinary shares of 630,531,600 (2018: 630,531,600) in issue during the period.

No adjustment has been made to the basic earnings per share presented for the periods ended 30 September 2019 and 2018 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 2019	614,628
Additions	8,373
Disposals	(94)
Write-offs	(485)
Depreciation provided for the period	(26,817)
Exchange realignment	(25,258)
	<u>570,347</u>
Net carrying amount as at 30 September 2019	<u>570,347</u>

## 8. Trade and Bills Receivables

	<b>30 September 2019</b>	31 March 2019
	<i>Notes</i> <b>HK\$'000</b>	<i>HK\$'000</i>
Trade receivables	<b>695,110</b>	713,646
Impairment	<b>(70,523)</b>	(81,062)
	<u>624,587</u>	<u>632,584</u>
Trade receivables, net	<i>(a)</i> <b>624,587</b>	632,584
Bills receivable	<i>(b)</i> <b>286,150</b>	282,514
	<u>910,737</u>	<u>915,098</u>
Total trade and bills receivables	<b>910,737</b>	915,098
Portion classified as non-current portion	<b>(24,673)</b>	(30,779)
	<u>886,064</u>	<u>884,319</u>
Current portion	<b>886,064</b>	884,319

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.



## 8. Trade and Bills Receivables (continued)

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\$78,455,000 as at 30 September 2019 (31 March 2019: HK\$79,663,000) which are interest-bearing at an average interest rate of 6.2% (31 March 2019: 6.1%) per annum and with credit periods of 12 months to 24 months in general, the remaining trade and bills receivables are non-interest-bearing.

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

	<b>30 September 2019 HK\$'000</b>	31 March 2019 HK\$'000
Within 90 days	<b>244,302</b>	275,450
91 to 180 days	<b>141,216</b>	92,680
181 to 365 days	<b>152,341</b>	163,745
Over 1 year	<b>86,728</b>	100,709
	<b><u>624,587</u></b>	<u>632,584</u>

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

	<b>30 September 2019 HK\$'000</b>	31 March 2019 HK\$'000
Within 90 days	<b>127,352</b>	114,772
91 to 180 days	<b>112,436</b>	104,782
181 to 365 days	<b>46,362</b>	62,960
	<b><u>286,150</u></b>	<u>282,514</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 month to 2 years (31 March 2019: 1 month to 2 years). The customers shall purchase the leased injection moulding machines at the end of lease terms of the finance leases.

	<b>30 September 2019 HK\$'000</b>	31 March 2019 HK\$'000
Finance lease receivables	<b>38,694</b>	42,968
Impairment	<b>(891)</b>	(937)
	<hr/>	<hr/>
Finance lease receivables, net	<b>37,803</b>	42,031
Portion classified as non-current portion	<b>(2,096)</b>	(4,215)
	<hr/>	<hr/>
Current portion	<b>35,707</b>	37,816
	<hr/> <hr/>	<hr/> <hr/>

As at 30 September 2019, 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 2019 HK\$'000	31 March 2019 HK\$'000	30 September 2019 HK\$'000	31 March 2019 HK\$'000
Amounts receivable:				
Within one year	<b>36,637</b>	39,249	<b>35,707</b>	37,816
In the second year	<b>2,174</b>	4,329	<b>2,096</b>	4,215
	<hr/>	<hr/>	<hr/>	<hr/>
Total minimum finance lease receivables	<b>38,811</b>	43,578	<b>37,803</b>	42,031
	<hr/>	<hr/>	<hr/>	<hr/>
Unearned finance income	<b>(1,008)</b>	(1,547)		
	<hr/>	<hr/>		
Total net finance lease receivables	<b>37,803</b>	42,031		
Portion classified as current assets	<b>(35,707)</b>	(37,816)		
	<hr/>	<hr/>		
Non-current portion	<b>2,096</b>	4,215		
	<hr/> <hr/>	<hr/> <hr/>		

No contingent income was recognized during the six months ended 30 September 2019 (2018: Nil).

## 10. Trade and Bills Payables

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

	<b>30 September 2019 HK\$'000</b>	31 March 2019 HK\$'000
Within 90 days	<b>252,953</b>	211,302
91 to 180 days	<b>50,800</b>	39,576
181 to 365 days	<b>52,708</b>	38,224
Over 1 year	<b>11,683</b>	10,238
	<b><u>368,144</u></b>	<u>299,340</u>

The trade and bills payables are non-interest-bearing and are normally settled on terms of 3 to 6 months (31 March 2019: 3 to 6 months). Included in the trade and bills payables are trade payables of HK\$9,237,000 (31 March 2019: HK\$7,792,000) due to associates which are repayable within 30 days.

## 11. Share Capital

	<b>30 September 2019 HK\$'000</b>	31 March 2019 HK\$'000
Authorized:		
1,000,000,000 ordinary shares of HK\$0.10 each	<b><u>100,000</u></b>	<u>100,000</u>
Issued and fully paid:		
630,531,600 (31 March 2019: 630,531,600) ordinary shares of HK\$0.10 each	<b><u>63,053</u></b>	<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:

	<b>30 September 2019 HK\$'000</b>	31 March 2019 HK\$'000
Guarantees given to banks, at the maximum, for bank loans granted to customers to purchase the Group's products	<b>15,104</b>	11,088
Guarantee given to a bank, at the maximum, for guarantee provided to a customer	<u>–</u>	<u>2,900</u>
	<b><u>15,104</u></b>	<b><u>13,988</u></b>

## 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 year to 9 years (31 March 2019: 1 year 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 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 September 2019 HK\$'000</b>	31 March 2019 HK\$'000
Within one year	<b>39,875</b>	34,461
In the second to fifth years, inclusive	<b>121,767</b>	110,043
Over five years	<u><b>7,253</b></u>	<u>–</u>
	<b><u>168,895</u></b>	<b><u>144,504</u></b>

### 13. Operating Lease Arrangements (continued)

(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 4 years (31 March 2019: 1 year to 5 years), for a term of 5 years (31 March 2019: 1 year to 5 years) and for a term of 1 year (31 March 2019: 1 year to 3 years), respectively.

As at 30 September 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2019 HK\$'000</b>	31 March 2019 HK\$'000
Within one year	<b>1,813</b>	3,451
In the second to fifth years, inclusive	<b>83</b>	1,491
	<b><u>1,896</u></b>	<u>4,942</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 2019, 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\$1,733,000 (31 March 2019: HK\$1,822,000).

As at 30 September 2019, 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\$3,637,000 (31 March 2019: HK\$4,762,000).

## 15. Related Party Transactions

- (a) During the period, the Group purchased raw materials amounting to HK\$11,692,000 (2018: HK\$14,777,000) from an associate at prices and on terms mutually agreed by the Group and the associate.

In addition, the Group purchased raw materials of HK\$367,000 (2018: HK\$373,000) and received rental income of HK\$328,000 (2018: HK\$471,000) 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. Purchases of raw materials and rental income from CC-SZ were on terms mutually agreed by the Group and the related company.

Ms. Lai Yuen CHIANG (being a director of the Company) and Mr. Chi Kin CHIANG (then 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 and also a connected person of the Company under Chapter 14A of the Listing Rules.

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>3,967</b>	4,591
Post-employment benefits	<b>27</b>	36
Termination benefits	<b>852</b>	–
	<b>4,846</b>	4,627

## 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 receivable, 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 approximate to their carrying amounts.

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 HK3.5 cents (2018: HK3.0 cents) per ordinary share for the six months ended 30 September 2019 to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 17 December 2019. The interim dividend will be paid on or about Tuesday, 14 January 2020.

## Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 16 December 2019 to Tuesday, 17 December 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 13 December 2019.

## Management's Discussion and Analysis

### Business Performance

For the six months ended 30 September 2019, the Group registered total turnover of HK\$781 million (2018: HK\$888 million), a decline of 12% from the same period of last year. On the other hand, profit attributable to equity holders rose by 70% to HK\$34.1 million (2018: HK\$20.1 million), with the main reasons being less foreign exchange losses and general improvements in gross margin as compared with the same period of last year. Basic earnings per share was HK5.4 cents (2018: HK3.1 cents). The Board has resolved to declare an interim dividend of HK3.5 cents (2018: HK3.0 cents).

The primary causes of turnover decline in the first half of this financial year were the softened global markets, Sino-US trade tension, and weakened economic conditions in China. After the financial crisis in 2008, China had been the key driver for global economic growth. However, economic slowdown in general and the trade war with the USA caused China's year-on-year industrial output growth dropped below 5% in July 2019, being the slowest for many years, along with a parallel slowdown in retail activities. It remains uncertain when China will resume its growth momentum in near term. The drastic 16% year-on-year decrease in China's export to the USA in August 2019 inevitably demonstrated the adverse impact of the trade war towards Sino-US bilateral trade activities.



The prolonged trade war and slowing down of domestic consumption also caused China's Gross Domestic Product "GDP" growth to disappoint, dropping to 6% for the third quarter of 2019. In response, the Central Government acted promptly to prop up the economy, hoping to sustain a growth rate of above 6% through measures such as various tax cuts.

The worldwide economy fared no better as the long expansion period started in 2006 came to an end and the G7 returned to mild nominal growth. The most impacting events during this period included the uncertainties of Brexit, tight-bound political and deteriorating economic conditions within the Eurozone, rising unemployment rate, and the anticipation of interest rate-reduction cycle in the USA. Needless to say, developing countries across the global lay victims to such turmoil on a global scale.

The Group nevertheless achieved improvements in gross margin despite operating in such adverse market conditions. This was due to successes from cost control and production enhancement programs.

## Market Analysis

Breakdown of turnover, based on the location of customers, for the six months ended 30 September 2019 is as follows:

<b>Customer Location</b>	<b>2019</b> <b>(HK\$ million)</b>	2018 <i>(HK\$ million)</i>	Change
Mainland China and Hong Kong	<b>508</b>	585	-13%
Taiwan	<b>68</b>	72	-6%
Other overseas countries	<b>205</b>	231	-11%
	<b>781</b>	888	-12%

For most of 2019, except for a mild boom during the first quarter, China was hindered by issues arising from its trade war and economic slowdown. Essentially, the China market shrunk during the entire first half of the financial year, a fact confirmed by the sub-par Purchasing Manager's Index "PMI" figures for 2019 and the dropping of the industrial output growth rates. The Central Government has responded with measures including tax-cuts and looser monetary policies, which should gradually stimulate economic activities.

Among all these influencing factors, the Sino-US trade war caused the heaviest impacts to the Group's performance, because the Group's primary customer base depends heavily on exports to the USA and the hefty tariffs struck a huge blow to their competitiveness. This, together with lackluster domestic consumption, rendered most customers unwilling to invest in new manufacturing equipment. As a result, the Group's turnover in China dropped by 13% to HK\$508 million (2018: HK\$585 million), or by a single-digit of 9% if denominated in Renminbi as the currency devaluated against Hong Kong dollar during the financial period under review.

On the positive side, the Group's new flagship product line – the MK6 – continued to be highly praised and sought after due to its superb reliability and high quality, constantly capturing market share. During the first half of the financial year, the MK6 accounted for almost half of all small-to-medium tonnage products sold by the Group. The next "episode" of the MK6 – a new, highly affordable extension line named the "MK6e" (the "evolution" series) has already been launched this year and is rapidly moving to become another blockbuster for the Group.

The Group's turnover in Taiwan dropped by 6% to HK\$68 million (2018: HK\$72 million) because of weak market demand from customers in Taiwan exporting to Europe and the USA. World markets, however, varied from region to region, depending heavily on regional macro-economic and political conditions. For instance, the USA levied a hefty 25% import tariffs on a wide range of Chinese goods which incidentally included the Group's main product category – the plastic injection moulding machine. Consequently, the Group's performance in the Americas experienced a severe set-back. In addition, the Group's turnover in Europe was also hard-hit due to Brexit uncertainties and weak European economic conditions (especially for the automotive industry).

The Group, however, registered growth in Asia, the Middle-East and Africa, even though these regions were also plagued by the same economic problems. It was mainly because MK6 has finally gained popularity (and market share) among conservative overseas customers. Growth from these regions partly offset the decline in Europe and the Americas, leading to a decline of 11% in overseas turnover to HK\$205 million (2018: HK\$231 million).

## **New Products Development**

During this financial year, the Group launched an extension of the flagship MK6 production line – the MK6e "evolution" – which rapidly captured the hearts, and budget, of customers in China. The "e" in "MK6e" stands for "evolution," meaning that this new product series inherits from a strong base of the MK6 with its high-end Japanese-based technology, superior performance and precision, as well as rock-solid stability and reliability – much better than the same tier products in the market. On top of these, the MK6e boasts great affordability, flexibility, adaptability, and is fine-tuned precisely for common application scenarios, making it the ideal product for targeted industries.

In the future, the Group will target the MK6 for high-end applications (e.g. those requiring high-speed, high-pressure and high-precision), while the MK6e will be able to adequately serve the needs of most common production. It is estimated that, by the end of this financial year, the combined product lines of MK6 and MK6e will account for a much larger portion of the Group's sales of small-to-medium tonnage injection moulding machines, and will give the Group a much stronger competitive advantage.

## **Production and Cost Control**

The Group had observed the recent trend of declining gross margin, in particular the large drop during the previous half-year, and decided to set up a totally independent and specialized "Central Procurement Committee" at the beginning of this financial year in order to tackle the problem. This Committee was tasked with the strategic coordination management of the Group's entire supply chain operation and vendor tendering processes. During the period under review, the Committee's work successfully enhanced the structure of the Group's supply chain management and effectively reduced average procurement costs, leading to net improvements in gross margin for this financial year.

In addition, the Group decided to completely revamp and map out the operating structure of the Group's various production facilities with a view to modernize and enhance efficiency and sustain market competitiveness. This involved regrouping and restructuring production management, streamlining procedures, investing in state-of-the-art information infrastructure, and progressively launching a new rewards and incentive initiative – the "Shared Success Scheme" – which enabled all stakeholders throughout the entire production pipeline to be adequately empowered for higher operational efficiency, as well as fully motivated and rewarded based on achievements and merits. The Scheme started preliminary trials in various production facilities and the Group was already pleased to see certain improvements in resources utilization, general quality levels and sales coordination flexibility.

In order to give the above-mentioned strategic programs the complete support they deserved, the Group specifically appointed two senior management at Group level to the two largest production facilities, namely Shenzhen Industrial Park and Shunde, to be fully responsible for driving the programs forward.

## Liquidity and Financial Conditions

As at 30 September 2019, the Group had net current assets of HK\$1,585 million (2018: HK\$1,561 million), which represented a 2% increase over last year. Cash and bank balances (including pledged deposits) amounted to HK\$782 million (2018: HK\$548 million), representing an increase of HK\$234 million over last year. The bank borrowings were HK\$74 million (2018: HK\$73 million), increased by HK\$1 million, which were short term loans with floating interest rates for general working capital purposes. The Group recorded a net cash position of HK\$708 million (2018: HK\$475 million), representing an increase of HK\$233 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 2019, and 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 2019, bank deposits of certain subsidiaries of the Group in the amount of HK\$28 million (2018: HK\$33 million) were pledged, including HK\$10 million (2018: HK\$18 million) for securing bank loans granted by banks in Mainland China to customers to purchase the Group's products, HK\$18 million (2018: HK\$15 million) for securing the issuance of bank acceptance notes, included in the trade and bills payables, to suppliers.

## Capital Commitments

As at 30 September 2019, the Group had capital commitments of HK\$5 million (2018: HK\$4 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 2019, the Group had borrowings in Japanese Yen equivalent to HK\$24 million (2018: HK\$23 million) for payments to suppliers in Japanese Yen. The Group, from time to time, assesses the risk exposure on certain volatile foreign currencies and manages it in appropriate manner to minimize the risk.

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

## Contingent Liabilities

As at 30 September 2019, the Group provided guarantees to banks amounted to HK\$15 million (2018: HK\$28 million) for bank loans granted to customers to purchase the Group's products.

## Human Resources

As at 30 September 2019, the Group had approximately 2,200 (2018: 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 programs, including comprehensive educational and professional training, and social counselling activities, to its employees to enhance staff quality, standards of professional knowledge and teamwork spirit.

## Outlook for the Second Half

Into the second half of the financial year, global economic conditions remain uncertain and volatile, depending mainly on the outcomes of Sino-US trade negotiations, Brexit, the U.S. Federal Reserve's rate-reduction cycle, and whether more economic stimulus measures will come from the Central Government.

The Group's core strategy for the second half-year lies in the MK6e "evolution," which should be a very strong contender in the marketplace among competitive offerings, winning more market share. The Group will also continue to strengthen the Central Procurement Committee's functions, drive further overhauls in the manufacturing structure, and accelerate investments to open up new markets. The Group believes that its performance in the second half may overall benefit positively from these actions.

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

As at 30 September 2019, 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
Lai Yuen CHIANG	Beneficial owner	5,000,000	–	0.79%
	Other	399,641,620	(2)	63.38%
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 ordinary shares	Notes	Approximate percentage of the issued shares of CH Investments
Lai Yuen CHIANG	Other	58,220,300	(2)	100.00%

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

Name of associated corporation	Interest in shares	Notes	Approximate percentage of the relevant class of issued shares of associated corporation
Assetwise Holdings Limited	1 ordinary share	(1), (3)	100.00%
Chen Hsong (PRC) Investment Company Limited	2 non-voting deferred shares	(1), (3)	100.00%
Chen Hsong Machinery Company, Limited	50,000,000 non-voting deferred shares	(1), (3)	100.00%
Chiangs' Industrial Holdings Limited	1 redeemable share	(1)	100.00%
CHI Dorset Square Limited	4,264,675 ordinary shares	(1), (6)	100.00%
Continuous Victory Limited	1 ordinary share	(1), (3)	100.00%
Desee Limited	2 ordinary shares	(1), (4)	100.00%
Desko Limited	2 ordinary shares	(1), (4)	100.00%
Elegant City Developments Limited	1 ordinary share	(1), (3)	100.00%
Elite Sino Investments Limited	2 ordinary shares	(1), (3)	100.00%
Equaltex Investment Limited	2 ordinary shares	(1), (3)	100.00%
Goman Limited	2 ordinary shares	(1), (4)	100.00%
Gondmyne Limited	100,000 ordinary shares	(1), (3)	100.00%
Granwich Limited	1 ordinary share	(1), (3)	100.00%
Hong Kong Cad-Cam Services Limited	52,570,000 ordinary shares	(1), (3)	75.10%
Kadom Limited	2 ordinary shares	(1), (3)	100.00%
KCI Investments Limited	1 ordinary share	(1), (5)	100.00%
Koyoki Limited	2 ordinary shares	(1), (4)	100.00%
Mikia Limited	2 ordinary shares	(1), (4)	100.00%
Mogin Limited	2 ordinary shares	(1), (4)	100.00%
Pacific Concept Global Limited	6 ordinary shares	(1), (3)	60.00%
Parot Limited	2 ordinary shares	(1), (4)	100.00%
Perfect Choice Global Limited	1 ordinary share	(1), (3)	100.00%
Potachi Limited	2 ordinary shares	(1), (4)	100.00%
Pro-Team Pacific Limited	1 ordinary share	(1), (3)	100.00%
Rikon Limited	2 ordinary shares	(1), (4)	100.00%
Semicity Limited	2 ordinary shares	(1), (4)	100.00%
Sibeland Limited	2 ordinary shares	(1), (4)	100.00%
Sumei Limited	2 ordinary shares	(1), (4)	100.00%
Value Creation Group Limited	1 ordinary share	(1), (3)	100.00%

Notes:

- (1) Chiangs' Industrial Holdings Limited holds 100% interest in CH Investments. In turn, Chiangs' Industrial Holdings Limited is wholly-owned by Cititrust (Bahamas) Limited. Cititrust (Bahamas) Limited is the trustee of a discretionary trust, namely The Chiang Chen Industrial Charity Foundation (the "Charity Foundation"). By virtue of the SFO, Ms. Lai Yuen CHIANG is deemed to be interested in the relevant shares as she beneficially owns 100% shares in Proficient City Investments Limited, one 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, Ms. Lai Yuen CHIANG is deemed to be interested in the relevant shares as she beneficially owns 100% shares in Proficient City Investments Limited, one of the several eligible beneficiaries of the Charity Foundation.
- (3) Such interests are held by CH Investments.
- (4) Such interests are indirectly held by CH Investments through Gondmyne Limited.
- (5) Such interests are indirectly held by CH Investments through Assetwise Holdings Limited.
- (6) Such interests are indirectly held by CH Investments through Perfect Choice Global Limited.

Save as disclosed above, as at 30 September 2019, 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 2019.

Save as disclosed above, at no time during the six months ended 30 September 2019 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 2019.



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

As at 30 September 2019, 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	399,641,620	(1)	63.38%
Chen CHIANG	Beneficial owner	3,980,000	(3)	0.63%
	Founder of discretionary trust	399,641,620	(1), (2), (3)	63.38%
Chiangs' Industrial Holdings Limited	Interest of controlled corporation	399,641,620	(1)	63.38%
Cititrust (Bahamas) Limited	Trustee	399,641,620	(1)	63.38%
Lai Yuen CHIANG	Beneficial owner	5,000,000	–	0.79%
	Other	399,641,620	(4)	63.38%
Proficient City Investments Limited	Interest of controlled corporation	399,641,620	(4)	63.38%
Schroders Plc	Interest of controlled corporation	50,012,000	(5)	7.93%
David Michael WEBB	Beneficial owner	13,303,000	–	2.11%
	Interest of controlled corporation	24,605,000	(6)	3.90%

*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) 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 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 is deemed to have interest in the relevant shares by virtue of being one of the several eligible beneficiaries of the Charity Foundation and Ms. Lai Yuen CHIANG, an executive director of the Company, is the sole beneficial shareholder of Proficient City Investments Limited.
- (5) Based on the notice of disclosure of interests of Schroders Plc filed on 4 December 2018, these shares are held by Schroder Investment Management (Hong Kong) Limited, a company 100% controlled by Schroder International Holdings Limited, which in turn is 100% controlled by Schroder Administration Limited, and which is 100% controlled by Schroders Plc. By virtue of the SFO, Schroders Plc is deemed to have interest in the relevant shares held by Schroder Investment Management (Hong Kong) Limited.
- (6) Based on the notice of disclosure of interests of Mr. David Michael WEBB filed on 1 June 2018, these shares are held by Preferable Situation Assets Limited, a company 100% controlled by Mr. David Michael WEBB.

Save as disclosed above, as at 30 September 2019, 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 2019, 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 A.2.1 provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The roles of the Chairman of the Board and the Chief Executive Officer of the Company are performed by the same individual, Ms. Lai Yuen CHIANG. Given the skills and experience of Ms. Chiang and her long term of service with the Group, this structure can be considered appropriate to the Group and can provide the Group with strong and consistent leadership for effective and efficient business planning and decisions, as well as execution of long term business strategies.

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

The Company has adopted a Code of Conduct regarding Securities Transactions by the Directors (the “Code of Conduct”) on terms no less exacting than the required standard as set out in the Model Code. 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 2019.

## Share Options

During the six months ended 30 September 2019, no share option was 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 2019 and 31 March 2019, there were no share options outstanding under the Share Option Scheme. The detailed terms of the Share Option Scheme were disclosed in the annual report 2019 of the Company.

## Changes in Directors’ Information

- (1) Mr. Chi Kin CHIANG retired as a Director and ceased to be the Deputy Chairman of the Company with effect from 22 August 2019.
- (2) Mr. Michael Tze Hau LEE ceased to be an independent non-executive director of Trinity Limited (a company listed on the Stock Exchange) with effect from 31 July 2019.

Save as disclosed above, there was no change in directors’ information since the date of the 2019 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 2019.

## 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 2019 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  
**Lai Yuen CHIANG**  
*Chairman and Chief Executive Officer*

Hong Kong, 28 November 2019

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