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CHEN HSONG HOLDINGS LIMITED

震雄集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00057)

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

FINANCIAL HIGHLIGHTS			
	2022	2021	Change
RESULTS HIGHLIGHTS (HK\$'000)			
Revenue	2,728,763	2,360,553	16%
Profit before tax	238,568	270,802	-12%
Profit attributable to equity holders of the Company	213,309	203,021	5%
Total assets	4,429,327	4,378,438	1%
Shareholders' funds	3,209,049	2,996,532	7%
Issued share capital	63,053	63,053	0%
Net current assets	2,042,490	2,024,300	1%
PER SHARE DATA			
Basic earnings per share (HK cents)	33.8	32.2	5%
Cash dividends per share (HK cents)	16.8	16.0	5%
Net assets per share (HK\$)	5.1	4.8	6%
KEY FINANCIAL RATIOS			
Return on average shareholders' funds (%)	6.9	7.2	-4%
Return on average total assets (%)	4.8	5.2	-8%

SUMMARY OF RESULTS

The board of directors (the "Board") of Chen Hsong Holdings Limited (the "Company") announces that the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2022, together with comparative figures for the previous year, are as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
REVENUE	3	2,728,763	2,360,553
Cost of sales		(2,081,488)	(1,727,543)
Gross profit		647,275	633,010
Other income and gains, net		89,445	91,296
Selling and distribution expenses		(294,749)	(241,910)
Administrative expenses		(148,754)	(143,141)
Other operating expenses, net		(54,120)	(69,242)
Finance costs		(1,306)	(1,948)
Share of profits less losses of associates		777	2,737
PROFIT BEFORE TAX	4	238,568	270,802
Income tax expense	5	(24,574)	(65,977)
PROFIT FOR THE YEAR		213,994	204,825
ATTRIBUTABLE TO:			
Equity holders of the Company		213,309	203,021
Non-controlling interests		685	1,804
		213,994	204,825
EARNINGS PER SHARE			
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7		
Basic (<i>HK cents</i>)		33.8	32.2
Diluted (<i>HK cents</i>)		33.8	32.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PROFIT FOR THE YEAR	213,994	204,825
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income/(expenses) that may be reclassified to the income statement in subsequent periods:</i>		
Exchange differences:		
Exchange differences on translation of foreign operations	101,158	193,514
Share of other comprehensive income of associates	1,294	2,111
Release of exchange differences upon deregistration of a subsidiary	-	(3,134)
Net other comprehensive income that may be reclassified to the income statement in subsequent periods	102,452	192,491
<i>Other comprehensive income that will not be reclassified to the income statement in subsequent periods:</i>		
Actuarial gains on defined benefit plan	1,361	28
OTHER COMPREHENSIVE INCOME FOR THE YEAR	103,813	192,519
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	317,807	397,344
ATTRIBUTABLE TO:		
Equity holders of the Company	316,446	394,389
Non-controlling interests	1,361	2,955
	317,807	397,344

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		647,970	534,029
Investment properties		359,296	331,533
Right-of-use assets		39,149	35,075
Goodwill		51,905	51,905
Intangible asset		1,834	-
Investments in associates		28,529	26,458
Deferred tax assets		43,548	38,073
Deposits for purchases of items of property, plant and equipment		3,607	22,879
Trade and bills receivables	8	99,985	57,832
Finance lease receivables	9	371	632
Defined benefit assets		1,061	-
Pledged bank deposits		2,851	-
		<hr/>	<hr/>
Total non-current assets		1,280,106	1,098,416
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		1,061,900	728,614
Trade and bills receivables	8	1,245,418	1,251,711
Deposits, prepayments and other receivables		141,281	95,225
Finance lease receivables	9	4,311	6,532
Pledged bank deposits		24,400	51,752
Cash and bank balances		671,911	1,146,188
		<hr/>	<hr/>
Total current assets		3,149,221	3,280,022
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	10	695,694	762,796
Other payables, accruals and contract liabilities		348,776	382,927
Lease liabilities		1,599	1,341
Interest-bearing bank borrowings		21,568	68,759
Tax payable		39,094	39,899
		<hr/>	<hr/>
Total current liabilities		1,106,731	1,255,722
		<hr/>	<hr/>
NET CURRENT ASSETS		2,042,490	2,024,300
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,322,596	3,122,716
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)**As at 31 March 2022*

	2022	2021
	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES		
Other payables and accruals	11,674	9,952
Lease liabilities	4,556	627
Defined benefit obligations	-	1,792
Deferred tax liabilities	77,904	97,299
	<hr/>	<hr/>
Total non-current liabilities	94,134	109,670
	<hr/>	<hr/>
NET ASSETS	3,228,462	3,013,046
	<hr/>	<hr/>
EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	63,053	63,053
Reserves	3,145,996	2,933,479
	<hr/>	<hr/>
	3,209,049	2,996,532
Non-controlling interests	19,413	16,514
	<hr/>	<hr/>
TOTAL EQUITY	3,228,462	3,013,046
	<hr/>	<hr/>

NOTES:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. Defined benefit assets/(obligations) are measured using the projected unit credit actuarial valuation method.

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, *Interest Rate Benchmark Reform – Phase 2*
HKFRS 7, HKFRS 4 and
HKFRS 16

Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*

Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*

The adoption of the above revised HKFRSs has had no significant financial impact on the financial position and performance of the Group.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on the locations of customers. The following tables present revenue, results, certain assets, liabilities and expenditure information for the Group's operating segments for the years ended 31 March 2022 and 2021.

	Segment revenue		Segment results	
	from external customers			
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China and Hong Kong	1,986,848	1,891,139	226,354	282,670
Taiwan	132,282	97,988	1,988	(140)
Other overseas countries	609,633	371,426	43,553	19,001
	<u>2,728,763</u>	<u>2,360,553</u>	<u>271,895</u>	<u>301,531</u>

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

Operating segment results	271,895	301,531
Unallocated income and gains	16,345	20,491
Corporate and unallocated expenses	(49,355)	(52,214)
Finance costs (other than interest on lease liabilities)	(1,094)	(1,743)
Share of profits less losses of associates	777	2,737
Profit before tax	<u>238,568</u>	<u>270,802</u>

2. OPERATING SEGMENT INFORMATION (continued)

	Segment assets		Segment liabilities	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China and Hong Kong	3,157,947	2,798,286	938,158	1,057,138
Taiwan	116,254	106,381	30,052	37,978
Other overseas countries	411,138	263,052	94,089	64,319
	3,685,339	3,167,719	1,062,299	1,159,435
Investments in associates	28,529	26,458	-	-
Unallocated assets	715,459	1,184,261	-	-
Unallocated liabilities	-	-	138,566	205,957
	4,429,327	4,378,438	1,200,865	1,365,392

	Other segment information							
	Depreciation and amortization		Other non-cash expense/(income)		Impairment losses/provisions charged/(written back) in the income statement, net		Capital expenditure	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China								
and Hong Kong	53,425	51,454	(12,698)	(1,354)	(166)	9,093	147,681	25,625
Taiwan	1,436	1,603	34	-	4,236	(491)	1,692	1,275
Other overseas								
countries	2,038	851	7	-	(1,214)	6,741	1,097	598
	56,899	53,908	(12,657)	(1,354)	2,856	15,343	150,470	27,498

2. OPERATING SEGMENT INFORMATION *(continued)*

	Non-current assets	
	2022	2021
	HK\$'000	HK\$'000
Mainland China and Hong Kong	1,117,511	986,643
Taiwan	15,306	14,721
Other overseas countries	534	515
	<u>1,133,351</u>	<u>1,001,879</u>

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets and financial instruments.

Information about major customers

For the years ended 31 March 2022 and 2021, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

3. REVENUE

The Group's revenue from contracts with customers is related to the sale of plastic injection moulding machines and related products, 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.

	2022	2021
	HK\$'000	HK\$'000
Revenue from contracts with customers	<u>2,728,763</u>	<u>2,360,553</u>

Disaggregated revenue information

	2022	2021
	HK\$'000	HK\$'000
Revenue from contracts with customers		
- sale of plastic injection moulding machines and related products		
<i>Geographical markets</i>		
Mainland China and Hong Kong	1,986,848	1,891,139
Taiwan	132,282	97,988
Other overseas countries	609,633	371,426
Total revenue from contracts with customers	<u>2,728,763</u>	<u>2,360,553</u>

3. REVENUE (continued)

The following table shows the amounts of revenue recognized in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue recognized that was included in contract liabilities at the beginning of the reporting period:		
Sale of plastic injection moulding machines and related products	<u>132,591</u>	<u>37,930</u>

Performance obligations

Information about the Group's performance obligations is summarized below:

Sale of plastic injection moulding machines and related products

The performance obligation is satisfied upon delivery of the goods and payment is generally due between 30 and 180 days from delivery.

4. PROFIT BEFORE TAX

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	2,081,488	1,727,543
Depreciation of property, plant and equipment	53,967	51,024
Depreciation of right-of-use assets	2,729	2,884
Amortization of intangible asset	203	-
Gain on disposal of items of property, plant and equipment	(1,225)	(326)
Write-off of items of property, plant and equipment	1,153	1,780
Impairment of trade receivables, net	3,551	2,895
Provision for inventories, net	1,414	8,386
Impairment/(write-back of impairment) of finance lease receivables, net	(2,023)	4,287
Write-back of impairment of other receivables, net	(86)	(225)
Foreign exchange differences, net	(22,064)	(1,399)
Fair value gains on investment properties	(13,810)	-
Interest income	(15,852)	(19,630)
Finance lease interest income	(493)	(861)

5. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2021: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current:		
Charge for the year		
Hong Kong	-	-
Elsewhere	36,731	57,236
Overprovision in prior years	(441)	(689)
Deferred	(11,716)	9,430
	<u>24,574</u>	<u>65,977</u>
Tax charge for the year	<u>24,574</u>	<u>65,977</u>

6. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends paid during the year:		
Final in respect of the financial year ended 31 March 2021 - HK\$0.115 (year ended 31 March 2020: HK\$0.038) per ordinary share	72,511	23,960
Special final in respect of the financial year ended 31 March 2021 - Nil (year ended 31 March 2020: HK\$0.017) per ordinary share	-	10,719
Interim - HK\$0.052 (2021: HK\$0.045) per ordinary share	32,788	28,374
	<u>105,299</u>	<u>63,053</u>
Proposed final dividends:		
Final - HK\$0.116 (2021: HK\$0.115) per ordinary share	<u>73,142</u>	<u>72,511</u>

7. 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 year of HK\$213,309,000 (2021: HK\$203,021,000) and on the weighted average number of ordinary shares of 630,531,600 (2021: 630,531,600) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2022 and 2021 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

8. TRADE AND BILLS RECEIVABLES

		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		976,207	888,626
Impairment		(98,368)	(92,035)
Trade receivables, net	<i>(a)</i>	877,839	796,591
Bills receivable	<i>(b)</i>	467,564	512,952
Total trade and bills receivables		1,345,403	1,309,543
Portion classified as non-current portion		(99,985)	(57,832)
Current portion		1,245,418	1,251,711

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\$128,268,000 (2021: HK\$136,339,000) which are interest-bearing at an average interest rate of 6.2% (2021: 6.2%) per annum and with credit periods of 12 months to 36 months (2021: 12 months to 36 months) in general, the remaining trade and bills receivables are non-interest-bearing.

As at 31 March 2022, the Group has pledged bills receivable of HK\$98,162,000 (2021: HK\$16,280,000) to secure the issuance of bank acceptance notes, included in the trade and bills payables, to suppliers.

8. TRADE AND BILLS RECEIVABLES *(continued)*

(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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	297,820	401,401
91 to 180 days	159,723	146,159
181 to 365 days	232,306	138,209
Over 1 year	187,990	110,822
	<u>877,839</u>	<u>796,591</u>

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	167,299	188,025
91 to 180 days	210,324	227,063
181 to 365 days	75,230	97,864
Over 1 year	14,711	-
	<u>467,564</u>	<u>512,952</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 14 months (2021: 1 month to 16 months). The customers shall purchase the leased injection moulding machines at the end of the lease terms of the finance leases.

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance lease receivables	10,501	14,663
Impairment	(5,819)	(7,499)
Finance lease receivables, net	4,682	7,164
Portion classified as non-current portion	(371)	(632)
Current portion	4,311	6,532

The total future minimum lease receivables under finance leases and their present values as at the end of the reporting period are analyzed as follows:

	Minimum		Present value	
	lease receivables		of minimum	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts receivable:				
Within one year	4,476	6,773	4,311	6,532
In the second year	375	646	371	632
Total minimum finance lease receivables	4,851	7,419	4,682	7,164
Unearned finance income	(169)	(255)		
Total net finance lease receivables	4,682	7,164		
Portion classified as current assets	(4,311)	(6,532)		
Non-current portion	371	632		

No contingent income was recognized during the year ended 31 March 2022 (2021: 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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	384,486	464,360
91 to 180 days	225,315	190,516
181 to 365 days	71,323	95,287
Over 1 year	14,570	12,633
	<u>695,694</u>	<u>762,796</u>

The trade and bills payables are non-interest-bearing and are normally settled on terms of 3 to 6 months.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK11.6 cents (2021: HK11.5 cents) per ordinary share for the year ended 31 March 2022, subject to shareholders' approval at the forthcoming annual general meeting of the Company (the "AGM") to be held on Friday, 26 August 2022. Together with the interim dividend of HK5.2 cents (2021: HK4.5 cents) per ordinary share, the total dividend for the year ended 31 March 2022 will be HK16.8 cents (2021: HK16.0 cents) per ordinary share.

The final dividend will be paid on or about Monday, 19 September 2022 to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 5 September 2022.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Friday, 26 August 2022, the Register of Members of the Company will be closed from Tuesday, 23 August 2022 to Friday, 26 August 2022, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM to be held on Friday, 26 August 2022, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (before 15 August 2022), or 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (on or after 15 August 2022), for registration not later than 4:30 p.m. on Monday, 22 August 2022.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders of the Company at the AGM to be held on Friday, 26 August 2022. The record date for entitlement to the proposed final dividend is Monday, 5 September 2022. For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed from Thursday, 1 September 2022 to Monday, 5 September 2022, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (before 15 August 2022), or 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (on or after 15 August 2022), for registration not later than 4:30 p.m. on Wednesday, 31 August 2022.

MANAGEMENT'S DISCUSSION & ANALYSIS

BUSINESS PERFORMANCE

For the financial year ended 31 March 2022, the Group registered total turnover growth of 16% to HK\$2,729 million (2021: HK\$2,361 million), a historical high. Profit attributable to equity holders increased 5% to HK\$213 million (2021: HK\$203 million) while basic earnings per share amounted to HK33.8 cents (2021: HK32.2 cents). The Board recommended the payment of a final dividend of HK11.6 cents (2021: HK11.5 cents) per share for this financial year.

A great economic reversal divided the first and second halves of this financial year. During the first half, owing to widespread vaccination among major developed countries and gradual control of the COVID pandemic, global consumption and demand for consumer products continued to witness robust recovery, driving up exports as well as internal demand in China. The Group benefited significantly as most industries scrambled to sink more investments into expanding production capacity, resulting in historic turnover for the interim period.

The second half of this financial year, however, was plagued with serious and unexpected global shocks, both economical as well as political, including high inflation in the USA that stubbornly refused to subside despite the Federal Reserve officially kickstarting a rate-hike cycle, causing havoc in worldwide financial and currency markets. In addition, factors such as persistently high raw material and logistics prices, overcapacity and a sudden military conflict between Russia and Ukraine all contributed to reinforce the strength of the shocks. As an indication of weakening industrial growth in the second half year, China's export growth rate started plummeting from September, 2021 while domestic Purchasing Managers' Index ("PMI") trended downwards much earlier, reaching and hovering around the 50 threshold since then.

During the fourth quarter of this financial year (i.e. January to March, 2022), major metropolitan areas in China experienced a COVID resurgence, necessitating strict lockdown measures. Among the lockdown incidents, Shenzhen's city-wide lockdown in March dealt the heaviest blow to the Group's production capacity of the Group's flagship manufacturing facility – the Shenzhen Industrial Park – as well as close-down of the significant Shenzhen ports which blocked deliveries of products to international customers. On the heels of Shenzhen, Shanghai and other industrial regions in Central and Northern China went into lockdown, as well as close-down of Shanghai ports, during late March, stopping the imports of key components and significantly disrupted nationwide long-haul supply-chain logistics. Many of the Group's customers experienced temporary forced closing of factories during that time, and others were unable to book and arrange transportation for their machinery deliveries. These incidents seriously affected the Group's fourth quarter turnover and also dragged down the Group's results for the full financial year.

Also, further to the Company’s announcement on 30 December 2021 regarding the possible cooperation on the land plots located at Pingshan New District, Shenzhen, the progress of the project has been sluggish due to the recent cool-down of the property market in China. Under the current market situation, the Group would further assess the feasibility and other possible alternatives in relation to the possible cooperation.

MARKET ANALYSIS

Breakdown of turnover, based on the location of customers, for the financial year ended 31 March 2022 is as follows:

Customer Location	2022 <i>(HK\$ million)</i>	2021 <i>(HK\$ million)</i>	Change
Mainland China and Hong Kong	1,987	1,891	+5%
Taiwan	132	98	+35%
Other overseas countries	610	372	+64%
	2,729	2,361	+16%

During the first half of this financial year, the China market inherited the robustness experienced during last year, in part driven by the “dual” economic circles as well as the Group’s new product lines, pushing the Group’s total turnover in Mainland China to historical high amid a strong 38% growth. Hidden troubles were broiling underneath the surface, however, as red-hot economic conditions magnified the imbalances between supply and demand, causing raw material prices to skyrocket to record-breaking levels. It was impractical for these cost increases to be completely passed on to consumers. The net result was a significant profit-squeeze for general industrial sectors and a cool-down of demand for new manufacturing equipment. Rekindled Sino-USA trade tensions during this period also contributed to depress China’s Gross Domestic Product (“GDP”) growth for the second half of 2021 to below 5%, with manufacturing PMI also breaching 50 and hovered around the threshold value ever since, indicating weak industrial momentum.

Conditions continued to weaken during the second half of this financial year, reaching the lowest point during the fourth quarter (i.e. January to March, 2022), a major reason being the USA Federal Reserve started the rate-hike cycle which led to a strengthening U.S. Dollar which in turn affected consumer markets globally. During this period, major economic indicators in China also went south with export growth dropping to the lowest level and GDP growth rate of only 4.8% – below 5% for the third quarter in a row – leading to the Central Government revising downwards its annual GDP growth target to 5.5%.

Making matters worse was a widespread outbreak of COVID across China during the fourth quarter, leading to city-wide lockdowns, road blockages and port closures. Among them, Shenzhen’s lockdown during mid-March, 2022 was the most disruptive to the Group

as it affected the Group's largest manufacturing base – the Shenzhen Industrial Park – and blocked logistics as well as port closures also prevented the Group from delivering products to international customers. Shanghai, with the world's busiest port, went into lockdown during late March together with many other regions in Northern and Eastern China, which basically caused nationwide logistics, as well as the supply of key imported parts and components, to grind to a halt. Many of the Group's customers were forced to shutdown production during this traditional peak season for plastic production, while others were not able to take delivery of new equipment due to unavailability of long-haul transportation. Consequently, the Group's turnover growth in China was dragged down to a meager 5% to HK\$1,987 million (2021: HK\$1,891 million).

The Group nevertheless continued to achieve notable breakthroughs albeit facing such adverse economic conditions, especially in the rapidly-growing market for electric vehicles. The Group started to work with the leader in this space – BYD – during the second half of this financial year and signed contracts to provide BYD with up to RMB 350 million worth of high-end injection moulding machines as part of its rapid capacity expansion programme. This is also a strong evidence that the Group's product lines and technical capabilities completely satisfy the stringent demands of the automotive industry.

For the Taiwan market, as Taiwanese customers primarily produce for export to developed countries such as Europe and the USA, and as consumption levels in these countries continued to rapidly recover due to widespread vaccination, the Group's turnover in Taiwan benefited greatly by more than doubling during the first half of this financial year. Although headwinds were felt during the second half as a strong U.S. Dollar, quantitative tightening from the Federal Reserve and a sudden military conflict between Russia and Ukraine started hampering European economies, the Group's total Taiwan turnover still managed to grow by a healthy 35% to HK\$132 million (2021: HK\$98 million).

Internationally, the Group also benefited from the wave of consumption growth in Europe and the USA, with turnover in international markets also doubled during the first half of this financial year. As China ports started to clog from mountains of containers waiting to board ships, worldwide container rates repeatedly broke through all previous records to reach astronomical heights, with cost increases being primarily assumed by China manufacturers (including the Group). While container space became harder and harder to secure, the Group insisted on continuing to work closely with its global customers, and did whatever was physically possible in order to alleviate the difficult situation.

Rekindled Sino-USA trade disputes, Federal Reserve rate hikes, the strengthening U.S. Dollar, depreciations of the non-U.S. currencies of many developing countries, sky-high ocean freight rates as well as regional military conflicts all contributed to depress the once red-hot global market sentiment, which in turn affect the Group's results during the second

half. All in all, the Group's international turnover registered a 64% growth for the full financial year to HK\$610 million (2021: HK\$372 million).

DEVELOPMENT OF NEW TECHNOLOGIES AND NEW PRODUCTS

The Group has for many years continued to invest into developing high-end technologies and commercialising them as new, improved product lines. A fresh example is the new MK6.6/A "Artisan" models, soon to be launched, which was an enhancement based upon the Group's popular and hot-selling flagship "MK6" product line. This brand-new series targets to provide customers with offerings that are better, more affordable and more suitable for a wider range of applications. The Group believes that the new MK6.6/A "Artisan" will help customers weather the current period of difficulty through improved competitiveness and ease of use.

It is the Group's firm belief that customers ultimately care only for products that can solve real problems, alleviate real pain points, generate real benefits and bring about real, tangible financial returns. Because of this, the Group is constantly adding to its R&D team with more talents, especially in hardware design and advanced software systems, who will further develop the tested and popular "MK6" series to new heights.

PRODUCTION CAPACITY AND COST CONTROL

During this financial year, the Group completed its planned capacity expansion and value improvement cost-control programmes, with new machining equipment mostly in-place. This has lifted the Group's production capacity by around 40%, removed bottlenecks, and significantly reduced reliance on outsourcing, leading to reduced costs, improved efficiency, higher quality levels and enhanced supply chain control.

As market sentiments remain uncertain for the coming financial year, the Group will focus its efforts on fine-tuning management of supply chain and production capacity to fit actual product demands as well as to enable rapid responses to market changes.

FINANCIAL REVIEW

The Group's income tax expense was HK\$25 million (2021: HK\$66 million), representing a decrease of HK\$41 million as compared with last year. The decrease of income tax expense was mainly due to changes in withholding tax rates after the application of preferential tax rates to the withholding tax on distribution of dividends by certain subsidiaries in Mainland China and Taiwan.

Liquidity and Financial Conditions

As at 31 March 2022, the Group had net current assets of HK\$2,042 million (2021: HK\$2,024 million), which represented a 1% increase over last year. Cash and bank balances (including pledged deposits) amounted to HK\$700 million (2021: HK\$1,198

million), representing a decrease of HK\$498 million as compared to last year. The bank borrowings were HK\$22 million (2021: HK\$69 million), decreased by HK\$47 million, which were short term loans with floating interest rates for general working capital purposes. The Group recorded a net cash position of HK\$678 million (2021: HK\$1,129 million), representing a decrease of HK\$451 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 31 March 2022. As a result, no gearing ratio was presented.

It is the policy of the Group to adopt a consistently prudent financial management strategy, sufficient liquidity is maintained to meet the funding requirements of the Group's capital investments and operations.

Charge on Assets

As at 31 March 2022, bank deposits of certain subsidiaries of the Group in the amount of HK\$27 million (2021: HK\$52 million) were pledged, including HK\$3 million (2021: HK\$11 million) for securing bank loans granted by banks in Mainland China to customers to purchase the Group's products, and HK\$24 million (2021: HK\$41 million) for securing the issuance of bank acceptance notes, recorded in the trade and bills payables, to suppliers. In addition, bills receivable of a subsidiary of the Group in the amount of HK\$98 million (2021: HK\$16 million) was pledged for securing the issuance of bank acceptance notes, included in the trade and bills payables, to suppliers.

Capital Commitments

As at 31 March 2022, the Group had capital commitments of HK\$13 million (2021: HK\$41 million), mainly in respect of the upgrading of industrial facilities 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, are primarily denominated in the 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 31 March 2022, the Group had borrowings in Japanese yen equivalent to HK\$22 million (2021: HK\$24 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 with the Renminbi, the exchange differences have no direct impact on the Group's actual operations and cash flows.

Contingent Liabilities

As at 31 March 2022, the Group provided (i) guarantees to banks amounted to HK\$4 million (2021: HK\$1 million) for bank loans granted to customers to purchase the Group's products; and (ii) performance guarantee to a bank amounted to HK\$0.2 million (2021: Nil) provided to a customer.

HUMAN RESOURCES

As at 31 March 2022, the Group had approximately 2,300 (2021: 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 as well as the results performance of the Group.

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

PROSPECTS FOR THE COMING YEAR

The coming financial year of 2022/23 will prove to be more difficult with the lockdown of Shanghai in the recent months, causing significant havoc to logistics and supply chains. Adding to this are uncertain international factors including the continued conflict between Russia and Ukraine, disturbances in global financial markets as well as persistently high raw material prices worldwide. Major economic indicators in China are trending significantly downwards – evidence of weak sentiments in consumer markets and industrial production. Internationally, regional conflict is triggering a series of escalating impacts on energy prices, consumption levels and currency exchange rates. Under such uncertain circumstances, many manufacturing enterprises are relying on their final fallback – the Government – for assistance or even a bailout.

Based on global conditions, the Group takes a conservative view towards the coming financial year, but will continue to follow its motto of “Be Honest, be Aggressive and Dare to Embrace Responsibility” and also take this opportunity to conduct a complete internal operations review. The Group will use this time to “reinvent” itself, revising and improving all procedures and management structures, with an emphasis on international management standards and efficiency. Despite a generally weak market, some industries, such as electric vehicles and environmental equipment, are relatively less affected; therefore, the Group will also focus on these industries in the near future and invest more heavily into

developing the two-platen large-tonnage injection moulding machines that suit their needs. With products that remain market-popular, strong financial strength, solid management structure and good corporate governance, the Group will try its best to minimize the potential impact arising from the challenges of the coming year.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 March 2022, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except for the following deviations:

Code provision A.4.2 (which has been re-numbered as code provision B.2.2 since 1 January 2022) 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 the managing director of the Company are not required to retire by rotation.

Code provision A.2.1 (which has been re-numbered as code provision C.2.1 since 1 January 2022) provides that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Ms. Lai Yuen CHIANG is the Chairman of the Board and Chief Executive Officer of the Company. 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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules. The Company, after having made specific enquiry of all directors, confirms that all directors have complied with the required standard set out in the Code of Conduct and the Model Code throughout the year ended 31 March 2022.

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 year ended 31 March 2022.

SCOPE OF WORK OF INDEPENDENT AUDITOR ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2022 have been agreed by the Company's auditor to the figures set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company's auditor on the preliminary announcement.

AUDIT COMMITTEE REVIEW

The Audit Committee of the Company has reviewed with the Management the consolidated financial statements for the year ended 31 March 2022 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 HSONG HOLDINGS LIMITED
Lai Yuen CHIANG
Chairman and Chief Executive Officer

Hong Kong, 28 June 2022

As at the date of this announcement, the executive directors of the Company are Ms. Lai Yuen CHIANG and Mr. Stephen Hau Leung CHUNG; and the independent non-executive directors of the Company are Mr. Bernard Charnwut CHAN, Mr. Anish LALVANI, Mr. Michael Tze Hau LEE and Mr. Johnson Chin Kwang TAN.