



# China Overseas Nuoxin International Holdings Limited 中國海外諾信國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 00464

*Annual Report*  
**2021**



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# Corporate Information

## BOARDS OF DIRECTORS

### Executive Directors

Mr. Gao Jianbo (*Chairman*)  
Ms. Cai Dongyan (*Chief Executive Officer*)  
Mr. Zhang Huijun  
Ms. Pauline Lam  
Mr. Lin Liangyong

### Independent Non-Executive Directors

Mr. Lam Yick Man  
Mr. Hu Zhigang (*appointed as Director: Note 1*)  
Mr. Zhang Jiayou (*appointed as Director: Note 3*)  
Mr. Chan Ka Yin (*resigned as Director: Note 1*)  
Mr. Huang Zhiwei (*resigned as Director: Note 3*)

### COMPANY SECRETARY

Mr. Shiu Wing Yan (*appointed: Note 2*)  
Mr. Ong King Keung (*resigned: Note 2*)

### AUDIT COMMITTEE

Mr. Lam Yick Man (*Chairman*)  
Mr. Hu Zhigang (*appointed as member: Note 1*)  
Mr. Zhang Jiayou (*appointed as member: Note 3*)  
Mr. Chan Ka Yin (*resigned as member and Chairman: Note 1*)  
Mr. Huang Zhiwei (*resigned as member: Note 3*)

### NOMINATION COMMITTEE

Mr. Hu Zhigang (*Chairman*) (*appointed as member and Chairman: Note 1*)  
Mr. Lam Yick Man  
Mr. Zhang Jiayou (*appointed as member: Note 3*)  
Mr. Chan Ka Yin (*resigned as member and Chairman: Note 1*)  
Mr. Huang Zhiwei (*resigned as member: Note 3*)

### REMUNERATION COMMITTEE

Mr. Hu Zhigang (*Chairman*) (*appointed as member and Chairman: Note 1*)  
Mr. Zhang Huijun  
Mr. Lam Yick Man  
Mr. Zhang Jiayou (*appointed as member: Note 3*)  
Mr. Chan Ka Yin (*resigned as member and Chairman: Note 1*)  
Mr. Huang Zhiwei (*resigned as member: Note 3*)

*Note 1: with effect from 24 April 2020*

*Note 2: with effect from 27 May 2020*

*Note 3: with effect from 19 December 2020*

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS

Unit B, 12/F  
Hang Seng Causeway Bay Building  
28 Yee Wo Street  
Causeway Bay, Hong Kong  
Telephone: (852) 3757 5650  
Facsimile: (852) 3016 9882  
Email: Info@co-nuoxin.com

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3, Building D  
P.O. Box 1586, Gardenia Court, Camana Bay  
Grand Cayman, KY1-1100  
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong  
Investor Services Limited  
Shop 1712-1716,  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## AUDITOR

ZHONGHUI ANDA CPA Limited

## LEGAL ADVISER

Chungs Lawyers in association with DeHeng Law Offices

## PRINCIPAL BANKERS

Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Dah Sing Bank Limited

## CORPORATE WEBSITE

www.co-nuoxin.com

## STOCK CODE

00464

## Highlights

For the year ended 31 March	2021 HK\$'000	2020 HK\$'000
<b>Operating result</b>		
Revenue	365,837	450,800
Gross profit	31,387	28,722
Net loss	(24,428)	(40,071)
<b>Per share data</b>	HK cents	HK cents
Basic and diluted loss per share	(5.48)	(8.99)
Net assets per share	19.59	21.94
<b>Financial position</b>	HK\$'000	HK\$'000
Cash and bank deposits	27,987	31,060
Total assets	292,788	329,739
Net assets	87,307	97,788
<b>Financial ratio</b>		
Gross profit margin	8.6%	6.4%
Net loss to revenue	(6.7%)	(8.9%)
Return on equity	(28.0%)	(41.0%)
Net gearing ratio	4.0%	20.6%

# Chairman's Statement

On behalf of the board (the “**Board**”) of directors (the “**Directors**”), I am pleased to present the audited consolidated financial results of China Overseas Nuoxin International Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2021.

## BUSINESS OVERVIEW

2020/2021 was a year of daunting challenges. Ever since January 2020, the capricious COVID-19 situation, international relations and global economy had gripped the world in a very difficult chapter. Nevertheless, the Group was strongly determined to keep up with times and to seek for opportunities under the vigorously changing circumstances. During this difficult period, we had been working hard to reduce the loss of the Group, thanks to our team, proudly united as we are, and our solid business foundation.

Although our Group had recorded a net loss during the financial period, the management had all along monitored the situation closely and had taken into considerations the necessary short-term measures to maintain the normal operations of the factories and to retain the business relationships with our important customers. As the COVID-19 vaccine has been adopted world-wide and the Group has successfully increased the product's selling price and decreased the sales of low profit margin products, we have already seen signs of recovery and the profit margin has improved.

For the year ended 31 March 2021, the Group's revenue amounted to HK\$365,837,000, representing a decrease of 18.8% compared to that of the last financial year. Loss attributable to equity holders of the Company amounted to HK\$24,428,000, representing a decrease of 39.0% compared to that of the last financial year.

The Board does not recommend the declaration of payment of a final dividend in respect of the year ended 31 March 2021.

## FUTURE PROSPECTS

In view of the outbreak of COVID-19 pandemic, governments of different countries applied different restrictions and precautionary measures which caused our customers and suppliers to face different difficulties. In response to this situation, the Group will be more cautious in the application of currently available resources, performing adequate internal reallocation and strengthening cost control policy, so that the Group can cope with different situations and reduce the operation and financial impact of the pandemic.

In addition to the haircare appliances business, the Group has been exploring possible investment opportunities, to expand and diversify its business and activities, with a view to create new sources of income and to maximize the return to the Company and its shareholders in the long run.

## APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to all employees for their diligence and steadfast commitment to their work during the year. I would also like to thank shareholders for their confidence in the Group, our customers worldwide for their trust in our products and services, as well as our bankers and business partners for their ongoing support.

By Order of the Board

**Gao Jianbo**  
*Chairman*

Hong Kong, 29 June 2021

# Management Discussion and Analysis

## COMPANY PROFILE

The Group was founded in 1984 and has been listed on the Hong Kong Stock Exchange since 2005. It is principally engaged in the business of design, manufacture and sales of electrical haircare products. Its headquarters is in Hong Kong and it operates a manufacturing base in Dongguan, the PRC.

The Group's products are mainly sold on Original Design Manufacturing (ODM) and Original Equipment Manufacturing (OEM) bases. Its customers are mainly leading brand owners and importers who then resell the products to beauty supply retailers and wholesalers, chain stores, mass merchandisers, warehouse clubs, catalogues and grocery stores.

Consumers today are increasingly attentive to caring for and styling and grooming their hair. They are looking for hair dryers that promise softer, shinier and healthier hair and hair straighteners that not only leave the hair straight, but also shiny and smooth after treatment. The Group can meet their demands as most of its products boast the following features: ionisation, ceramic coating, self-heat regulation, convenient cool-shot button (to quickly cool hair and hold a hair style), a diffusing and removable air filter (to prevent overheating and breakdown). Our products are light in weight hence easy to control when in use.

## FINANCIAL REVIEW

During the year ended 31 March 2021, the Group recorded a turnover of HK\$365,837,000 (2020: HK\$450,800,000), a decrease of approximately 18.8% from the previous financial year. The decrease in turnover was mainly attributable to the decrease in demand from our overseas customers, especially U.S.A., France, China and Russia. However, the year of 2020 witnessed the rare pandemic in human history. Almost every part of the world has been affected by COVID-19 one after another and the pandemic is still menacing. Because of the different political, economic and social environment, countries are not doing equally well in fighting against the pandemic, which directly dampened the demand for electrical haircare appliances in the world-wide market, thereby affecting the Group's sales.

During the financial year, the Group reported a gross profit of HK\$31,387,000 (2020: HK\$28,722,000), representing a gross profit margin of approximately 8.6% (2020: 6.4%). The increase was mainly due to the increased sales of high-end products during the year, which drove the gross profit margin upwards.

The Group recorded continuous loss for the years ended 31 March 2021 and 2020. The management of the Group concluded there was impairment indication and conducted a review of the recoverable amount of the property, plant and equipment and right-of-use assets and determined the recoverable amount of these assets. Based on the result of the assessment, management of the Group determined that the recoverable amounts of these assets were lower than their carrying amounts. An impairment loss of HK\$2,658,000 on property, plant and equipment (2020: an impairment loss of HK\$5,632,000 on property, plant and equipment and an impairment loss of HK\$2,708,000 on right-of-use assets) had been recognised.

As a result of the above factors, loss before taxation for the year ended 31 March 2021 was HK\$24,328,000 (2020: HK\$40,079,000), representing a decrease of 39.3% against the previous financial year. Expressed proportionately as a percentage of revenue, distribution costs and administrative expenses were about 2.1% and 12.2% respectively for the year ended 31 March 2021 as compared to 1.5% and 12.8% in the last corresponding year. In dollars term, administrative expenses was HK\$44,568,000, representing a decrease of 22.7% when compared to that in the previous financial year. Such decrease was caused by the decreased staff salaries and legal and professional fee. Besides, the Group received government grant of HK\$1,536,000 under the Employment Support Scheme, an anti-epidemic fund.

# Management Discussion and Analysis

Loss for the year was HK\$24,428,000, representing a decrease of 39.0% when compared to loss of HK\$40,071,000 in the last financial year.

Basic loss per share for the year amounted to HK5.48 cents, representing a decrease of 39.0% when compared to loss of HK8.99 cents in the last financial year.

During the year ended 31 March 2021, no dividend was declared and paid (2020: Nil).

## BUSINESS REVIEW

### Market Review

During the first half of 2020, the outbreak of COVID-19 and its escalation on a global scale had triggered unprecedented disruptions to the economy and business operations nationwide. The Group inevitably felt the severe impact of a much weakened North America and Mainland China economy resulted from the COVID-19 outbreak amid the ongoing US-China trade friction. The Group's business gradually picked up in the second half of the year, but the recovery of many SMEs in China including the Group lagged behind the recovery speed of the overall economy. As a result and on an annual basis, the Group recorded significantly lower revenue by 18.8% as compared to that of last year.

Even though the turnover contribution from the Asian market slightly increased to 40.9% during this financial year from 39.2% in the last financial year, the turnover contribution from Mainland China decreased to 4.9% in this financial year from 8.8% in the last financial year. Nevertheless, as some new models had been launched to the Japanese market during the year, the turnover contributions from the Japanese market had increased to 19.0% for this financial year compared to 15.5% in the last financial year.

Most of the Group's customers are famous global brands. Our five major customers accounted for approximately 80.5% and 87.1% of the Group's total turnover in the current financial year and the previous financial year respectively.

### Operation Review

The operating environment was still very tough for all PRC based manufacturers. During the financial year, the Group had faced various operating challenges similar to those of other manufacturers in the Mainland China, such as the rise of raw material cost caused by the Chinese government's continuing effort to promote economic and environmental development reforms and strictly implement environmental protection regulations. This has led to a tightened supply of both imported and domestically produced waste paper, which caused the average price of raw paper remained high during the year.

Despite of the intensified competition and the higher raw material cost, the Group pursued relentlessly strict controls over materials purchase cost, rational investment in machinery and manpower and rigorous product quality control so as to boost the production capacity and efficiency, alleviate the pressure from shortage of production line workers and eliminate wastes which ultimately reduce costs. Consequently, the variable cost had decreased significantly during the year.

As always, the Group had exerted extra efforts in improving the competitiveness of its high quality products together with bolstering its R&D capabilities with an aim to enhance its market share and achieve a long term relationship with its customers.



# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2021, the Group had approximately HK\$27,987,000 cash and bank deposits (2020: HK\$31,060,000). The decrease in cash and bank deposits was mainly attributable to the repayment of bank borrowings. Its net current assets as at 31 March 2021 amounted to approximately HK\$1,741,000 (2020: HK\$20,293,000). Current ratio of the Group as at 31 March 2021 was 1.0 (2020: 1.1).

As at 31 March 2021, the Group had aggregate banking facilities of HK\$83,400,000 (2020: HK\$93,400,000), of which HK\$31,461,000 (2020: HK\$51,211,000) had been used. The borrowings comprised trade finance facilities of HK\$31,461,000 (2020: HK\$51,211,000). The borrowings due within one year amounted to HK\$31,461,000 (2020: HK\$51,211,000). The bank borrowings carried interest rates ranging from HIBOR/LIBOR plus 1.8% to 2.0% (2020: 1.8% to 2.0%) or 1% (2020: 1%) below Prime Rate.

As at 31 March 2021, the Group's net gearing ratio was approximately 4.0% (2020: 20.6%). This was calculated by dividing the net amount of borrowings (including bank borrowings after deduction of cash and cash equivalents) by total equity attributable to owners of the Company as at 31 March 2021.

The Group has adopted a prudent financial and surplus funds management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 March 2021. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the sufficient financial resources are available in order to meet its funding requirements and commitment timely.

## CHARGES ON ASSETS

The Group had no charges on assets as at 31 March 2021 (2020: Nil).

## FOREIGN EXCHANGE EXPOSURE

The Group's consolidated financial statements are presented in Hong Kong dollars. The Group conducts business transactions mainly in Hong Kong dollars, United States dollars and Renminbi. As the Hong Kong dollar remains pegged to the United States dollar, there was no material exchange risk in this respect. To manage fluctuation of the Renminbi, the Group was able to hedge Renminbi receipts and Renminbi payments on an ongoing basis with revenue generated in Mainland China. All of the Group's bank loan facilities are denominated in Hong Kong dollars and carry interest at floating rates.

## CONTRACTUAL AND CAPITAL COMMITMENTS

As at 31 March 2021, the Group had capital commitments of HK\$823,000 (2020: HK\$1,065,000).

## CONTINGENT LIABILITIES

As at 31 March 2021, the Group had no material contingent liabilities (2020: Nil).



# Management Discussion and Analysis

## EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2021, the Group had a total workforce of 1,223 (2020: 1,513) including 28 employees (2020: 27) in Hong Kong. Employee costs, including directors' emoluments, amounted to HK\$106,334,000 for the year ended 31 March 2021 (2020: HK\$137,294,000). The Group's remuneration policy is underscored by the principle of awarding equitable packages to employees, incentive-based where applicable, with remunerations being performance-oriented and market-competitive. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, the Group offers other staff benefits including share option schemes, performance-based bonuses, provident fund contributions and medical insurance coverage.

## DIVIDENDS

The Directors do not recommend the declaration of the payment of a final dividend for the year ended 31 March 2021.

## SIGNIFICANT INVESTMENTS HELD

Except for investments in its subsidiaries, during the year ended 31 March 2021, the Group did not hold any significant investment in equity interest in any other company.

## PROSPECTS

With reference to the existing principal haircare appliances businesses, the Group anticipates that the business will be confronted with several key challenges. These include sluggish demand due to the COVID-19 pandemic, the pressure from customers to lower its selling price, a shortage of skilled labour in Mainland China, the shorter product life cycles of consumer electronic products as well as volatile capital markets and currency fluctuations. At the same time, the predictability of future sales orders received is comparatively low which presents difficulties in planning the allocation of resources.

Looking ahead, it is expected that the COVID-19 and the Sino-US trade war will continue to pose challenges to all industries. Although the Group are facing unpredictable challenges and uncertainties, we remain optimistic towards our business development in the medium and long run. In terms of market demand, as the COVID-19 vaccination rate worldwide is increasing, many countries are loosening business and social activities restrictions. Hopefully, it will lead to a rapid economic recovery and resume a higher demand for our products. Simultaneously, the Group will monitor the business operations, control and reduce unnecessary expenses so as to save costs.

The Group will continue to explore opportunities, to expand and diversify its business and activities, with a view to create new sources of income and to maximise the return to the Company and its shareholders in the long run.

# Report of the Directors

The board of the Company herein present the annual report and the audited consolidated financial statements (the “**Financial Statements**”) of the Group for the year ended 31 March 2021.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities and other particulars of the subsidiaries are set out in Note 37 to the Financial Statements. There were no significant changes in the nature of the Group’s principal activities during the year.

A discussion of the Group’s business and financial performance for the year ended 31 March 2021 is set out in the section “Management Discussion and Analysis” of this annual report.

An analysis of the Group’s performance for the year by geographical location is set out in Note 8 to the Financial Statements.

## PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 March 2021.

## CONNECTED TRANSACTIONS

During the year, the Company had certain loans (the “**Loans**”) from its related parties, namely China Yuen Capital Limited (“**CYC**”) and Mr. Lam Wai Ming (“**Mr. Lam**”). The Loans are unsecured, interest free and repayable within one year from the drawn down date, and are provided to the Group via various instalments during the period from November 2017 to March 2021 for its general working capital. The details of the Loans are set out in Note 25 to the Financial Statements.

As CYC is the controlling shareholder of the Company and Mr. Lam is a director of certain subsidiaries of the Company, each of CYC and Mr. Lam is a connected person of the Company and each of the Loans constitutes a connected transaction under Chapter 14A of the Listing Rules. However, given the Loans are financial assistance received by the Company from its connected persons on normal commercial terms or better and they are not secured by any assets of the Company, the Loans are fully exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements pursuant to Listing Rule 14A.90.

Save as disclosed above, the Company did not enter into any transactions which constitute non-exempt connected transactions within the meaning of the Listing Rules during the year ended 31 March 2021.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2021 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 57 of this annual report.

The Directors have resolved not to declare the payment of final dividend in respect of the year ended 31 March 2021.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 16 to the Financial Statements.

# Report of the Directors

## SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the issued share capital and share options of the Company during the year are set out in Notes 29 and 31 to the Financial Statements.

## RESERVES

Details of the movements in the reserves of the Group during the year are set out on page 59 of this annual report.

## DIRECTORS

The directors of the Company (the “**Directors**”) who held office during the year and up to the date of this report are:

### *Executive Directors*

Mr. Gao Jianbo (*Chairman*)

Ms. Cai Dongyan (*Chief Executive Officer*)

Mr. Zhang Huijun

Ms. Pauline Lam

Mr. Lin Liangyong

### *Independent Non-Executive Directors*

Mr. Lam Yick Man

Mr. Hu Zhigang (*appointed as Director: Note 1*)

Mr. Zhang Jiayou (*appointed as Director: Note 2*)

Mr. Chan Ka Yin (*resigned as Director: Note 1*)

Mr. Huang Zhiwei (*resigned as Director: Note 2*)

*Note 1: with effect from 24 April 2020*

*Note 2: with effect from 19 December 2020*

According to Article 86(3), the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following annual general meeting (“**AGM**”) of the Company and shall then be eligible for re-election. Accordingly, Mr. Zhang Jiayou shall retire and, being eligible, offer himself for re-election at the AGM in accordance with Article 86(3).

According to Article 87, at least one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. It further stipulates that any Director appointed pursuant to Article 86(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Accordingly, Mr. Gao Jianbo, Ms. Pauline Lam and Mr. Lin Liangyong shall retire by rotation at the AGM and, being eligible, offer themselves for re-election.

## **DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES**

Biographical details of the existing Directors and the senior management of the Group are set out on pages 19 to 21 of this annual report.

## **DIRECTORS' SERVICE CONTRACTS**

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## **DIRECTORS' INTEREST AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE**

Save as disclosed above, none of the Directors or controlling shareholders of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding companies, or any of its subsidiaries was a party during the year.

## **DIRECTORS' AND OFFICERS' INDEMNITY**

The Company continues to subscribe for an insurance policy to indemnify the Directors and senior management from any losses, claims, damages, liabilities and expenses, including without limitation, any proceedings brought against them, arising from the performance of their duties pursuant to their appointment under their respective service agreements or letter of appointment entered into with the Company. The current policy has been renewed and shall be under constant review and is in force for the benefit of the Directors as required by section 470 of the Hong Kong Companies Ordinance when the Report of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Hong Kong Companies Ordinance.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN THE SHARES OF THE COMPANY**

As at 31 March 2021, none of the Directors or chief executives of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register maintained by the Company under Section 352 of the SFO; or as 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 of the Listing Rules.



# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

As at 31 March 2021, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

### Long position in the shares of the Company

Name of substantial shareholders	Capacity and Nature of Interest	Number of Shares held	Approximate percentage of issued Shares
China Yuen Capital Limited (Note 1)	Beneficial owner	253,132,500	56.80%
China Investment International Limited (Note 1)	Interest of controlled corporation	253,132,500	56.80%
Asia Glory Management Group Limited (Note 1)	Interest of controlled corporation	253,132,500	56.80%
Luckever Holdings Limited (Note 1)	Interest of controlled corporation	253,132,500	56.80%
Li Yuelan (Note 1)	Interest of controlled corporation	253,132,500	56.80%
Liu Xuezhong (Note 1)	Interest of controlled corporation	253,132,500	56.80%
Tianjin Xian Tong Investment Management Co., Ltd* (天津仙童投資管理有限責任公司)	Beneficial owner	50,575,000	11.35%
Tianjin Wei Tong Yuan Asset Management Co., Ltd* (天津緯童源資產管理有限公司)	Beneficial owner	44,500,000	9.99%
Donghai International Financial Holdings Company Limited (Note 2)	Security interest in Shares	227,332,500	51.01%
東海證券股份有限公司 (Note 2)	Security interest in Shares	227,332,500	51.01%

Note:

- (1) China Yuen Capital Limited is owned as to 100% by China Investment International Limited, which is owned as to 100% by Asia Glory Management Group Limited, which in turn is owned as to 100% by Luckever Holdings Limited. Luckever Holdings Limited is owned as to 60.87% by Mr. Liu Xuezhong and 39.13% by Ms. Li Yuelan (the spouse of Mr. Liu Xuezhong). By virtue of the SFO, each of China Investment International Limited, Asia Glory Management Group Limited, Luckever Holdings Limited, Mr. Liu Xuezhong and Ms. Li Yuelan was taken to be interested in the 253,132,500 Shares held by China Yuen Capital Limited.
- (2) 東海證券股份有限公司 is the 100% immediate holding company of Donghai International Financial Holdings Company Limited. By virtue of the SFO, 東海證券股份有限公司 is taken to be interested in the 227,332,500 Shares held by Donghai International Financial Holdings Company Limited.

Save as disclosed above, as at 31 March 2021, no person (other than Directors and chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

### SHARE OPTION SCHEME

Pursuant to a resolution passed on 6 August 2015, the Company adopted a new Share Option Scheme ("**Share Option Scheme**") which will remain in force for a period of ten (10) years.

The following is the summary of the principal terms of the Share Option Scheme:

#### (a) Purpose

The purpose of the Share Option Scheme is to enable the Company to grant Options to Eligible Participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants.

#### (b) Who may join

Any person belonging to any of the following classes who, in the sole discretion of the Board, have contributed or will contribute to the growth and development of the Company is defined as Eligible Persons:

- (i) any full-time or part-time employee of the Company and/or any subsidiary of the Company;
- (ii) any director (including executive, non-executive and independent non-executive director) of the Company and/or any subsidiary of the Company; and
- (iii) any consultant or adviser (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any subsidiary of the Company who, at the sole determination of the Board, have contributed or will contribute to the Company and/or any subsidiary of the Company.

The Board may invite any eligible person ("**Eligible Person**") as the Board may in its absolute discretion select, having regard to each person's qualifications, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the Company, to take up a right granted to subscribe for Shares pursuant to the Share Option Scheme at a price calculated in accordance with paragraph (c) below and "Options" shall be construed accordingly (the "**Options**").

#### (c) Subscription price and acceptance period

The Subscription Price in respect of any Option shall, subject to any adjustments made pursuant to the terms of the Share Option Scheme, be a price determined by the Board and notified to each Grantee and shall be at least the highest of:

- (i) the closing price per Share as stated in the Stock Exchange's daily quotations sheet on the Offer Date (and if such Offer Date is not a business day, the business day immediately preceding such Offer Date);

## Report of the Directors

- (ii) the average closing price per Share as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the Offer Date; and
- (iii) the nominal value of a Share.

The Eligible Person must accept any such Offer notified to him or her within fourteen (14) days from the Offer Date, failing which it shall be deemed to have been rejected. Upon acceptance of the Offer, any Eligible Person who accepts an Offer in accordance with the terms of the Share Option Scheme (the "**Grantee**") shall pay HK\$1.00 to the Company as consideration for the grant.

### (d) Maximum number of Shares available for subscription

- (1) The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group which provide for the grant of options to acquire or subscribe for Shares must not exceed such number of Shares as shall represent 30% of the issued share capital of the Company from time to time. No Options may be granted under the Share Option Scheme if this will result in such limit being exceeded;
- (2) Subject to Paragraph d (1) above, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the issued share capital of the Company as at the Adoption Date (the "Scheme Mandate Limit") unless Shareholders' approval has been obtained pursuant to Paragraphs d (3) or d (4) below. Any options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group shall not be counted for the purpose of calculating the Scheme Mandate Limit;
- (3) Subject to Paragraph d (1) above, the Board may seek approval by Shareholders in general meeting to renew the Scheme Mandate Limit and the Company must send a circular to the Shareholders containing the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules. However, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group in these circumstances must not exceed 10% of the issued share capital of the Company at the date of approval of the renewed limit (the "renewed Scheme Mandate Limit"). Options previously granted under the Share Option Scheme and any other share option schemes of the Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes of the Group and exercised options) will not be counted for the purpose of calculating the renewed Scheme Mandate Limit;
- (4) Subject to Paragraph d (1) above, the Board may seek separate Shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit or the renewed Scheme Mandate Limit as referred to in Paragraphs d (2) or d (3) above (as the case may be) provided that the options in excess of the Scheme Mandate Limit or the renewed Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by the Company before such approval is sought and the Company must issue a circular to the Shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to such Eligible Participants with an explanation as to how the terms of the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

- (5) if the Company conducts a share consolidation or subdivision after the Scheme Mandate Limit or renewed Scheme Mandate Limit has been approved in general meeting, the maximum number of Shares that may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Group under the Scheme Mandate Limit or renewed Scheme Mandate Limit as a percentage of the total number of Shares at the date immediately before and after such consolidation or subdivision shall be the same.

### **(e) Maximum entitlement of each eligible participant**

- (1) The total number of Shares issued and to be issued upon exercise of the Options granted to each Eligible Participant (including both exercised and outstanding Options under the Share Option Scheme) in any 12-month period must not exceed 1% of the issued share capital of the Company. Where any further grant of Options to an Eligible Participant would result in the total number of Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the issued share capital of the Company as at the date of such further grant, such further grant shall be subject to the approval of the Shareholders at a general meeting with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting.
- (2) Any grant of Options to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by all of the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee).
- (3) Where Options are proposed to be granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of Options will result in the total number of Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of the Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000, such grant of Options must be subject to the approval of the Shareholders taken on a poll at general meeting. In addition, the date of the Board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the Subscription Price only under paragraph c. The Grantee, his associates and all core connected persons of the Company must abstain from voting in such general meeting (except that any Grantee, his associate or core connected person may vote against the proposed grant provided that his intention to do so has been stated in the relevant circular to the Shareholders).

### **(f) Term of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of ten (10) years commencing from 6 August 2015 (being the date of approval of the Share Option Scheme by the Shareholders), after which no further Options shall be granted but the Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue and the provisions of the Share Option Scheme shall in all other respects remain in full force and effect in respect thereof.

### **(g) Grant of Share Option**

Particulars of the Share Option Scheme are set out in Note 31 to the Financial Statements.

There was no option granted under the new Share Option Scheme for the year ended 2021 and 2020.



# Report of the Directors

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year were there any rights to acquire benefits by means of the acquisition of securities of the Company granted to any Director or their respective spouse or children under 18 years of age, or were there any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, as at the latest practicable date prior to the printing of this report, the Company has maintained sufficient public float of its issued shares as required under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Company considers that all of its independent non-executive Directors are independent.

## FIVE YEARS FINANCIAL SUMMARY

A summary of the assets and liabilities and the results of the Group for the last five financial years is set out on pages 105 and 106 of this annual report.

## RELATED PARTY TRANSACTIONS

Details of the information in relation to the related party transactions of the Group during the year are set out on Note 36 to the Financial Statements.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing Shareholders.

## TAXATION OF HOLDERS OF SHARES

### (a) Hong Kong

Dealings in Shares registered on the Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

### (b) Cayman Islands

Under present Cayman Islands law, transfer or other dispositions of Shares are exempted from Cayman Islands stamp duty.

### (c) Professional tax advice recommended

Intending holders of Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares.

### MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 80.5% of the total sales for the year and sales to the largest customer included therein amounted to approximately 45.4%.

Purchases from the Group's five largest suppliers accounted for approximately 28.0% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 7.7%.

None of the Directors or any of their associates or any shareholders, which to the knowledge of the Directors, own more than 5% of the issued share capital of the Company had any beneficial interest in the Group's five largest customers and suppliers.

### ENVIRONMENTAL POLICIES

The Group recognizes the importance of achieving environmental sustainability for both products and operations. The Group is fully committed to comply with the relevant environmental standards and policies related to its business operations in the PRC and Hong Kong. The manufacturing sites in Dongguan, the PRC are certified with the ISO 14001:2004 standard for environmental management system and has obtained relevant certification where appropriate. The Group incorporates the Reduce, Reuse and Recycle principle and implements environmental-friendly measures in operations and workplaces to achieve efficient use of resources, waste reduction and energy saving. The Group remains steadfast in its support of environmental protection, consistent with its commitment to be a good corporate citizen.

### COMPLIANCE WITH LAWS AND REGULATION

For the year ended 31 March 2021, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

### COMPETING INTEREST

Save and except for interests in the Group, none of the Directors nor their respective associates (as defined under the Listing Rules) had any interest in any other companies as at 31 March 2021 which may, directly or indirectly, compete with the Group's business.

### COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 March 2021, except for the deviation from the CG Code A.6.7. The Company has published its corporate governance report, details of which are set out on pages 38 to 53 of this annual report.

# Report of the Directors

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 24 August 2021 to Friday, 27 August 2021 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the forthcoming annual general meeting. During such period no transfer of shares of the Company will be registered and no shares will be allotted and issued. In order to be eligible to attend and vote at the 2021 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 23 August 2021.

## AUDITORS

Deloitte Touche Tohmatsu has resigned as the auditor of the Company with effect from 8 January 2021 and ZHONGHUI ANDA CPA Limited has been appointed as the auditor of the Company with effect from the same date. Save as disclosed above, there has been no other change of auditors of the Company in any of the preceding three years.

The financial statements of the Company have been audited by ZHONGHUI ANDA CPA Limited who retire and being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company.

On behalf of the Board

**CHINA OVERSEAS NUOXIN INTERNATIONAL HOLDING LIMITED**

**Zhang Huijun**

*Executive Director*

Hong Kong, 29 June 2021

## Directors' and Senior Management's Profile

### DIRECTORS

#### Executive Directors

**Mr. Gao Jianbo**, aged 50, joined the Group in March 2019. Mr. Gao is currently an executive Director and the Chairman of the Board. Mr. Gao holds a degree of postdoctoral fellow at the Party School of the CPC Central Committee and a degree of Doctor in Communication of the Beijing University of Posts and Telecommunications. He is currently the chairman of China Overseas Energy Group Co., Ltd.\* (中海外能源集團有限公司) and the chairman of China Overseas Smart City Group Co., Ltd.\* (中海外智慧城市集團有限公司). He was the Vice President of the 5th council of the China Satellite Positioning Association. He has led dozens of national natural science funds, national and municipal scientific research projects, and has won several National Science and Technology Progress Award consecutively, and was awarded the title of Zhongguancun Entrepreneurship Star and the Annual Leader Entrepreneur Award of China's satellite navigation and location service industry in 2012.

**Ms. Cai Dongyan**, aged 45, joined the Group in August 2017. Ms. Cai is currently an executive Director and the Chief Executive Officer of the Company. Ms. Cai worked at Shanghai Shenmei Beverage and Food Co., Ltd.\* (上海申美飲料食品有限公司) from July 1998 to December 1999, Motorola Paging Products Company\* (摩托羅拉尋呼產品公司) from 2000 to 2001, 3M China Limited\* (3M中國有限公司) from 2001 to 2006 and Minnesota Mining Production (Shanghai) International Trade Co., Ltd.\* (明尼蘇達礦業製造(上海)國際貿易有限公司) from 2009 to 2016. Ms. Cai obtained an undergraduate diploma majoring in hotel management at Shanghai Jiao Tong University in 1998. Ms. Cai is the spouse of Mr. Hao Yiming, one of the directors of China Yuen Capital Limited, the controlling Shareholder of the Company.

**Mr. Zhang Huijun**, aged 39, joined the Group in August 2017. Mr. Zhang is currently an executive Director and a member of the Remuneration Committee of the Company. Mr. Zhang has around 7 years of management experience. From 2006 to 2009, Mr. Zhang served as the trade investment manager of Tsingshan Holding Group Shanghai International Trading Co., Ltd.\* (青山控股集團上海國際貿易有限公司). From 2010 to 2012, Mr. Zhang served as the project manager of Pt. Modern Group Indonesia. Mr. Zhang completed three years studies majoring in Taxation at Hunan Tax College\* (湖南稅務高等專科學校) in 2002.

**Ms. Pauline Lam**, aged 38, joined the Group in August 2017. Ms. Lam is currently an executive Director of the Company. Ms. Lam worked at China Point Enterprises Limited from 2006 to 2011, and her last position was sales and merchandising manager. From 2013 to 2017, she worked at TAG Aviation Asia Limited and her last position was senior client responsible manager. Ms. Lam obtained a bachelor's degree in business administration from Pepperdine University in California of the United States in December 2004. Ms. Lam had been appointed as executive director of Hang Tai Yue Group Holdings Limited (Stock Code: 8081) with effect from 13 August 2018.

**Mr. Lin Liangyong**, aged 40, joined the Group in April 2019. Mr. Lin is currently an executive Director of the Company. Mr. Lin graduated from Shanxi University of Finance and Economics with a bachelor's degree in finance. He is currently the general manager of the Gold Zhongnan Investment Development Co., Ltd.\* (金中南投資發展有限公司) of Shenzhen. He served as the sub-branch manager of Taikoo City Sub-branch of Industrial and Commercial Bank of China (Shenzhen branch), the assistant to the general manager of the credit approval department of Bank of Beijing Co., Ltd. (Shenzhen branch). He had worked in the domestic banking system for more than 14 years and has extensive experience in financial management and risk control.



# Directors' and Senior Management's Profile

## DIRECTORS (Continued)

### Independent Non-Executive Directors

**Mr. Lam Yick Man**, aged 42, has been an independent non-executive Director of the Company since April 2019. Mr. Lam is also serving as the chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration Committee. Mr. Lam obtained a master of corporate governance from The Hong Kong Polytechnic University and a bachelor of business administration from Lingnan University. He is also a member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Lam is currently a deputy financial controller of a private company. He has over 15 years of experience in auditing and financial management and regulatory compliance matters gained from various international accounting firms, both listed and private companies.

**Mr. Hu Zhigang**, aged 71, has been an independent non-executive Director of the Company since April 2020. Mr. Hu is also serving as the Chairman of the Remuneration Committee and Nomination Committee, a member of the Audit Committee. Mr. Hu graduated from Nanjing Normal University with a bachelor's degree in economic management. He also obtained a degree of master of public administration from University of Canberra in Australia. He served as the vice president of China Real Estate Association, the deputy director and the director of Nanjing Real Estate Administration, the deputy secretary of Nanjing Real Estate Administration Committee and the deputy director and member of working committee of Nanjing Xianlin University Town Management Committee. He has gained more than 30 years of extensive experience in real estate market management in the PRC.

**Mr. Zhang Jiayou**, aged 49, has been an independent non-executive Director of the Company since December 2020. Mr. Zhang obtained his bachelor degree in Oil and Gas Geological Exploration from the China University of Petroleum in July 1997 and obtained a Qualification Certificate of Specialty and Technology issued by the China Petrochemical Corporation in December 2002. He has over 24 years of experience in research, evaluation, and acquisition in oil and gas projects, minerals projects and other asset projects. Between 1997 and 2003, Mr. Zhang worked in a subsidiary of China Petrochemical Corporation. He then worked in Energy Science Service & Consulting Associates from 2005 until 2011 and Pearl Oriental Oil Limited (currently known as CHK Oil Limited, the shares of which are listed on the Stock Exchange) (stock code: 632) between 2011 and 2017.

*\* For Identification purpose only*

## Directors' and Senior Management's Profile

### SENIOR MANAGEMENT

**Mr. Lam Wai Ming**, aged 62, joined the Group in January 1989. Mr. Lam is currently the Director of the major subsidiaries of the Company. Mr. Lam is responsible for the overall management, planning and development of the major subsidiaries. Mr. Lam has over 40 years of experience in the electrical appliances industry. He holds an Executive Master of Business Administration from City University of Hong Kong. Mr. Lam received the Asia Pacific Entrepreneurship Awards ("**APEA**") — Outstanding Entrepreneur Awards from Enterprise Asia on 4 July 2011. Mr. Lam was the President of The Hong Kong Electrical Appliance Industries Association ("**HKEAIA**") from 2016–2018.

**Mr. Yeung Kin Wing, Ramo**, aged 51, joined the Group in June 1998 and is the Operation Manager of the Group. Mr. Yeung is responsible for the overall production management of the factories in PRC. Mr. Yeung has obtained a Bachelor Degree of Business Administration from Lincoln University and a National Diploma in Engineering from Business and Technical Education Council. Mr. Yeung has over 30 years of experience in manufacturing industry.

### COMPANY SECRETARY

**Mr. Shiu Wing Yan**, aged 52, was appointed as the company secretary with effect from 27 May 2020. Mr. Shiu is an associate member of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries & Administrators in the United Kingdom) and The Hong Kong Institute of Chartered Secretaries. He has more than 21 years of experience in the company secretarial field.

# Environmental, Social and Governance Report

The Board of Directors (the “**Board**”) of China Overseas Nuoxin International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) present its Environmental, Social and Governance Report (the “**ESG Report**”) for the year ended 31 March 2021 (the “**Year 2021**”).

## 1. COMPANY PROFILE

The Group’s haircare products are primarily sold on Original Design Manufacturing (“**ODM**”) and Original Equipment Manufacturing (“**OEM**”) bases. Its customers are mainly leading brand owners and importers who then resell the products to beauty supply retailers and wholesalers, chain stores, mass merchandisers, warehouse clubs, catalogues and grocery stores.

The Group’s customers conduct yearly audits on its Dongguan manufacturing plants, assessing workplace conditions, code of conduct and adherence to standards of ethical practice. During the reporting period, there was no major complaint or violation of relevant environmental protection laws and regulations noted.

## 2. REPORTING FRAMEWORK

The ESG Report is prepared in compliance with the Environmental, Social and Governance (the “**ESG**”) Reporting Guide under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and will be published annually.

## 3. SCOPE OF REPORT

This ESG Report focuses on the ESG performance of the Group in the Year 2021 in respect of its two major subsidiaries in the PRC, namely, Dongguan Kenford Electrical Appliance Company Limited (“**Dongguan Kenford**”) and Dongguan Kario Electrical Appliance Company Limited, which are the only two manufacturing plants of the Group. Hence, the disclosures in this ESG Report focus on the policies and performance of the operations of these two manufacturing plants in relation to three environmental aspects and eight social aspects..

The preparation of this ESG Report includes identifying and ranking important stakeholders and major issues relating to ESG; deciding on the coverage of the ESG Report; and collecting relevant materials and receipts.

# Environmental, Social and Governance Report

## 4. STAKEHOLDER ENGAGEMENT

The Group is committed to promoting sustainable development, which it deems as extremely important for creating long-term value for the Group's shareholders, government, investors, customers, employees, suppliers, community, general public and other stakeholders. The Group cares about the impact of its daily operation on the environment and society, and strives to set a good example for the public, while effectively conducting business operations. It makes every effort to address the interests of all stakeholders; contribute to the economy, environment and society; and promote good corporate governance — striving to achieve a fine balance while realising such objectives.

Stakeholders	Appeals and expectations for the Group	Communication and Response
Shareholders	<ul style="list-style-type: none"> <li>Financial results</li> <li>Corporate transparency</li> <li>Sound risk management and internal control</li> </ul>	<ul style="list-style-type: none"> <li>Improvement in profitability</li> <li>Regular information disclosure</li> <li>Optimising risk management and internal control</li> </ul>
Government	<ul style="list-style-type: none"> <li>Compliance with laws and regulations</li> <li>Pay taxes according to law</li> </ul>	<ul style="list-style-type: none"> <li>Continuously strengthen corporate compliance management to ensure compliance for the operation of the Group</li> <li>Pay taxes in a full and timely manner</li> </ul>
Investors	<ul style="list-style-type: none"> <li>Implement corporate governance and create value</li> <li>Information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Optimise corporate governance and continuously improve corporate value</li> <li>Release operating data in due course, set up investor hotline</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Product quality</li> <li>Protection of consumers' rights and interests</li> <li>Customer information security</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction survey</li> <li>Handling customer complaints and products return</li> <li>Customer privacy protection</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Reasonable salary and welfare</li> <li>Employee promotion and development</li> <li>Occupational health and safety</li> <li>Care of employees</li> </ul>	<ul style="list-style-type: none"> <li>Competitive remuneration package</li> <li>Transparent promotion channel</li> <li>Conduct regular occupational health and safety awareness training for staff</li> <li>Accommodation provided for employees</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Integrity cooperation</li> <li>Business ethics and credibility</li> </ul>	<ul style="list-style-type: none"> <li>Establish a responsible supply chain</li> <li>Fulfillment of obligations under any contract in accordance with laws</li> </ul>
Community	<ul style="list-style-type: none"> <li>Serve the community</li> </ul>	<ul style="list-style-type: none"> <li>Proactively carry out and participate in charitable donation and social welfare activities</li> </ul>
Public	<ul style="list-style-type: none"> <li>Environmental protection</li> <li>Response to climate change</li> <li>Establish a resource saving and environmental protection mechanism in work process</li> </ul>	<ul style="list-style-type: none"> <li>Classify and recycle hazardous waste</li> <li>Utilise low-carbon energy</li> <li>Environmental and energy-saving equipment was put into use</li> </ul>



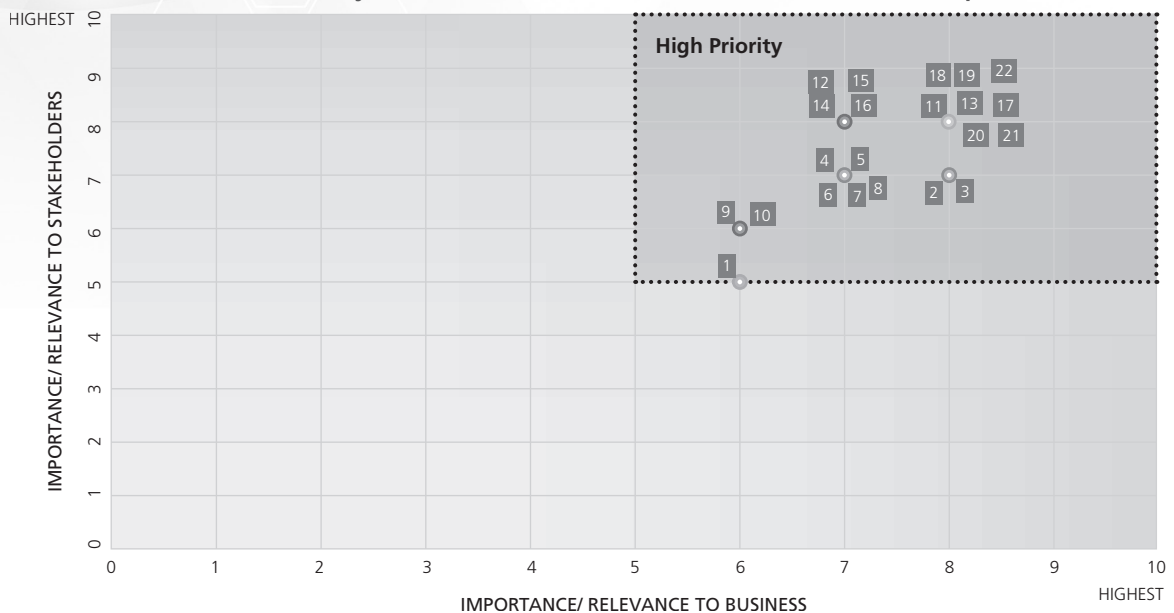
# Environmental, Social and Governance Report

## 5. MATERIALITY ASSESSMENT

In the Year 2021, the Company undertook its annual materiality assessment exercise. This involved conducting interviews and/or surveys with internal and external stakeholders to identify “material issues” and reflect the environmental, social and operational issues which have the most significant impacts on the Company’s business and the relevant issues which are of concern to the stakeholders.

With reference to the scope of disclosure as required under the ESG Reporting Guide, as well as taking into consideration its business features, the Group has identified and determined 22 issues covering greenhouse gas (“GHG”) emission, energy consumption, employee welfare, occupational health and safety, training and development, supply chain management, customer privacy, anti-corruption, and community investment with respect to its business operation.

**Materiality matrix for Environmental, Social and Governance Aspects**



### Environmental

1. Greenhouse gas emissions
2. Energy consumption
3. Water consumption
4. Waste
5. Saving energy measures
6. Use of raw materials and packaging materials
7. Utilization of energy resources
8. Use of chemicals

### Social

9. Local community engagement
10. Community investment
11. Occupational health and safety
12. Labour standards in supply chain
13. Training and development
14. Employee welfare
15. Inclusion and equal opportunities
16. Talent attraction and retention

### Operating practices

17. Economic value generated
18. Corporate governance
19. Anti-corruption
20. Supply chain management
21. Customer satisfaction
22. Customer privacy

# Environmental, Social and Governance Report

## 6. CORPORATE GOVERNANCE REPORT

You can refer to the detailed information of the Corporate Governance Report included in the Company's Annual Report 2021.

## 7. ENVIRONMENTAL

### 7.1. Emissions

The Group understands that the greenhouse gases, sewage, solid wastes and other pollutants generated in its daily operation cause damage to the environment. In order to protect the earth from further damage, the Group is making an effort to reduce the emission of sewage, waste gases and noise in its production processes. All of the Group's waste is handled and disposed by qualified agencies.

The key environmental indicators of the Group's emissions in the Year 2021 are shown in the table below:

Environmental Indicators	Year 2021	Year 2020
<b>Emissions</b>		
Nitrogen oxides (NO <sub>x</sub> ) emissions (kg)	<b>286.67</b> (Note 1)	214.88
Sulphur oxides (SO <sub>x</sub> ) emissions (kg)	<b>0.38</b> (Note 1)	0.36
Particulate matter (PM) emissions (kg)	<b>28.39</b> (Note 1)	21.24
<b>GHG Emissions</b>		
Total GHG emissions		
(kg of carbon dioxide equivalent ("Kg of CO <sub>2e</sub> ")) (Note 2)	<b>5,969,925</b>	7,375,128
GHG emissions per unit produced (Kg of CO <sub>2e</sub> )	<b>1.31</b>	1.10
Direct emissions (Scope 1) (Kg of CO <sub>2e</sub> )	<b>75,357</b>	60,596
Indirect emissions (Scope 2) (Kg of CO <sub>2e</sub> )	<b>5,793,261*</b>	7,171,211
Other indirect emissions (Scope 3) (Kg of CO <sub>2e</sub> )	<b>101,307</b>	143,321
<b>Waste</b>		
Non-hazardous waste generated in total (kg)	<b>36,000</b> (Note 3)	44,000
Non-hazardous waste generated per unit produced (kg)	<b>0.0079</b>	0.0066
Hazardous waste generated in total (kg)	<b>2,300</b> (Note 4)	2,000
Hazardous waste generated per unit produced (kg)	<b>0.0005</b>	0.0003

\* The emission factor of electricity consumed is sourced from the China Southern Power Grid in 2019. The figures are calculated in accordance with the "Reporting Guidance on Environmental KPIs".

Note 1: The significant increase in emissions as compare with Year 2020 was due to the usage of a truck which was purchased in Year 2020 for a full year in Year 2021 instead of only for eight months in Year 2020.

Note 2: GHG emissions (direct and indirect) can be divided into the following three separate areas:

- Scope 1: Direct GHG emissions from operations that are owned or controlled by the relevant company including GHG emissions from vehicles controlled by the relevant company;
- Scope 2: "Energy indirect" GHG emissions resulting from generation of purchased or acquired electricity, heating, cooling and steam consumed within the relevant company; and
- Scope 3: All other indirect GHG emissions that occurred outside the relevant company, including both upstream and downstream emissions.

Note 3: The reduced non-hazardous waste was due to the decreased in quantities of unit produced.

Note 4: The increased hazardous waste was due to the used of different components of products as compare with Year 2020.

# Environmental, Social and Governance Report

## 7. ENVIRONMENTAL (Continued)

### 7.1. Emissions (Continued)

Regarding measures to mitigate emissions, the Group closely monitors the level of GHG emissions and waste disposed of its factories. In Year 2021, the Group adopted a series of emission reduction measures, of which the details and results achieved are listed as follows:

Emission reduction measures	Details and results achieved
Installation of environmental protection and energy-saving equipment	Environmental protection and energy-saving equipments have been installed in various workplaces including but not limited to office and production floor, in order to reduce effectively the electricity consumption.
Non-hazardous waste	Non-hazardous waste from the factories includes packaging materials for product, paper for office use and kitchen waste. The factories have made their best effort to minimising the impact on the environment by using environmentally friendly raw materials and components in the Bills of Material (物料清單) for producing finished goods to reduce the environmental impacts of production and waste management of these raw materials.

The Group strives to discover means to achieve waste recycling, in order to promote green living habits, the manufacturing subsidiaries of the Group located in the PRC have provided waste separation facilities with "Recyclable", "Non-recyclable" and "Hazardous" labels for classification of different types of solid wastes. Hazardous wastes are collected and treated by qualified companies engaged by the Group.

The Group recognises the importance of achieving environmental sustainability as it relates to its products and operations. The Group strictly complies with national and local laws and regulations relating to environmental protection and pollutant emissions during its course of operation, including the Environmental Protection Law of the PRC (中華人民共和國環境保護法). In the Year 2021, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have significant impact. In addition, in the Year 2021, there was no report of fines or non-monetary sanctions as a result of non-compliance of the relevant laws and regulations.

# Environmental, Social and Governance Report

## 7. ENVIRONMENTAL (Continued)

### 7.2. Use of resources

The Group incorporates the Reduce, Reuse and Recycle principle and implements environmental friendly measures in its operations to efficiently use resources, reduce waste and conserve energy. The Group remains steadfast in its support of environmental protection efforts, which is consistent with its commitment to being a good corporate citizen.

Environmental Indicators	Year 2021	Year 2020
<b>Use of resources</b>		
Electricity consumption (kWh)	<b>11,383,888</b>	13,226,136
Diesel consumption (kWh)	<b>282,095</b>	188,259
Petrol consumption (kWh)	<b>18,801</b>	50,085
Gas consumption (kWh)	<b>2,179</b>	N/A
Total energy consumption (kWh)	<b>11,686,963</b>	13,464,480 <sup>Note 1</sup>
Energy consumption per unit produced (kWh)	<b>2.57</b>	2.01 <sup>Note 1</sup>
Water consumption in total (m <sup>3</sup> )	<b>168,205</b>	227,600
Water consumption per unit produced (m <sup>3</sup> )	<b>0.04</b>	0.03
<b>Packaging material consumption</b>		
Total packaging material (paper) used for finished products (kg)	<b>1,242,000</b>	1,205,600
Amount of packaging material (paper) per unit produced (kg)	<b>0.273</b>	0.18
Total packaging material (plastic) used for finished products (kg)	<b>25,000</b>	115,800
Amount of packaging material (plastic) per unit produced (kg)	<b>0.005</b>	0.017

Note 1: The figures are restated to cover diesel and petrol consumption instead of electricity consumption only.



# Environmental, Social and Governance Report

## 7. ENVIRONMENTAL (Continued)

### 7.2. Use of resources (Continued)

A series of environmental friendly policies have been developed by the Group, and at the same time, efforts have been made in energy conservation and emission reduction in order to control and reduce the discharge of pollutants. The measures adopted by the Group are mainly reflected in the following areas:

- (1) Installing new environmental protection and energy-saving equipments for various workplaces including but not limited to office and production floor, in order to reduce effectively the electricity consumption caused by the use of such equipments;
- (2) Using environmentally friendly raw materials and components in the Bills of Material for producing finished goods to reduce the environmental impacts of production and waste management of these raw materials;
- (3) Raising awareness among staff of the need to save water and conserve electricity by turning off lights, computers and air conditioners during non-office hours in order to reduce the electricity consumption;
- (4) Installing "Air (Heat Pump) Hot Water Heater" central system in the dormitories for the employees' daily use to improve energy efficiency;
- (5) Employing electronic business process work flow management system and use double-sided printing and double-sided copying to reduce paper consumption;
- (6) Using video or telephone conferencing system to communicate with customers/overseas colleague so as to minimise use of public/private transport systems;
- (7) Appointing qualified recycling companies to handle all of the Group's hazardous and non-hazardous wastes; and
- (8) Installing water purification system to avoid burdening the city's drainage system.

## 7. ENVIRONMENTAL (Continued)

### 7.2. Use of resources (Continued)

In Year 2021, the Group adopted a series of initiatives for efficient energy use and energy conservation. Details of such measures and the related results achieved are listed as follows:

Energy saving measures	Details and results achieved
Light Emitting Diodes (LEDs)	Some of the lighting at the office building, production workshops and staff dormitories has installed LEDs, which consume less electricity.
Installation of "Air (Heat Pump) Hot Water Heater" central system	At Dongguan staff dormitories, "Air (Heat Pump) Hot Water Heater" central system was installed to improve energy efficiency.
Water conservation	Water purification system was installed to avoid burdening the city's drainage system. The Group also reminds staff to use water properly, keep the water tap off when not in use and to treasure water resources to save consumption of water.

### 7.3 The Environment and Natural Resources

The Group's manufacturing site in Dongguan, PRC, has obtained ISO 14001 certification, which is a standard pertaining to environmental management systems. The Group has developed Environmental Manual (環境手冊) on minimising its significant impact on the environment and natural resources and ensuring compliance with the environmental management systems.



ISO 14001 environmental management system certificate, which is valid from 10 August 2018 to 9 August 2021 obtained by Dongguan Kenford

During the Year 2021, there is no significant impact on the environment and natural resources from the operations of the Group, in particular, the Dongguan manufacturing plants.

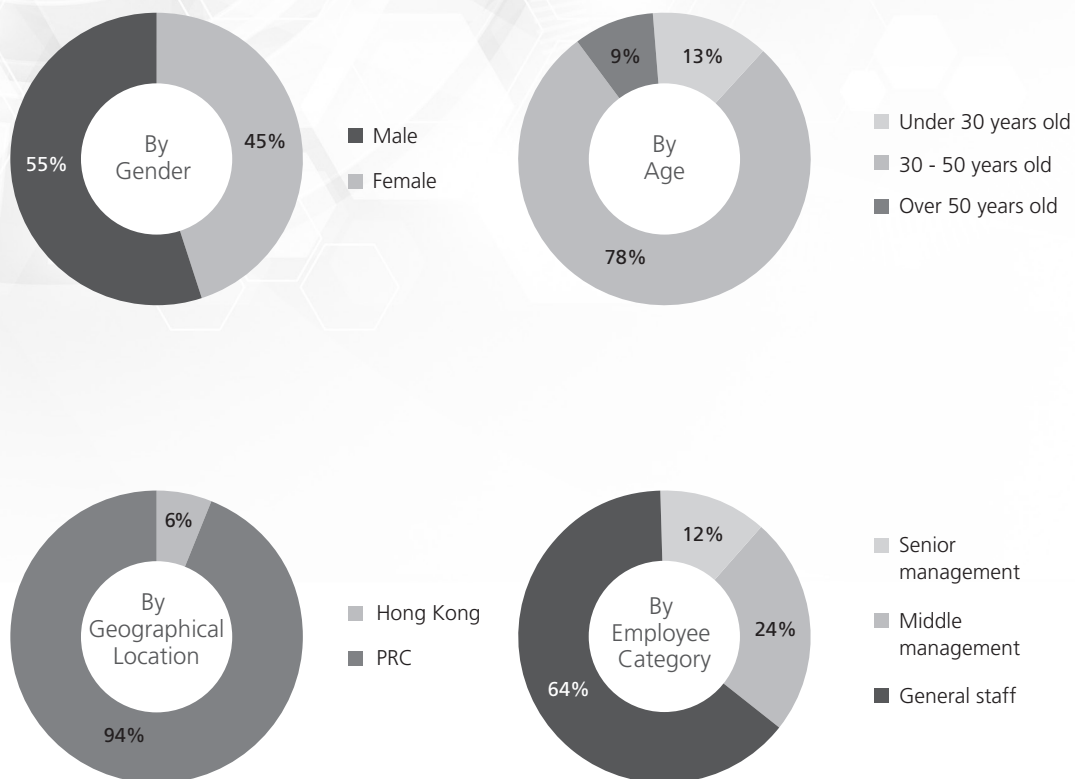
The Group strictly regulates the manufacturing process of its business to ensure the compliance with local environmental laws and regulations. In the Year 2021, there was no case of material non-compliance with the Environmental Protection Law of the PRC (中華人民共和國環境保護法) and other relevant laws and regulations.

# Environmental, Social and Governance Report

## 8. SOCIAL

### 8.1. Employment

As at 31 March 2021, the employee profiles of the Group are shown in the chart below:



# Environmental, Social and Governance Report

## 8. SOCIAL (Continued)

### 8.1. Employment (Continued)

As at 31 March 2021, the turnover rates of employees of the Group by different categories are as follows:

	Turnover rate (Note 1)
<b>By Gender</b>	
Male	1%
Female	1%
<b>By Age</b>	
Under 30 years old	2%
30–50 years old	1%
Over 50 years old	2%
<b>By Geographical Location</b>	
Hong Kong	7%
PRC	1%

Note 1: The employee turnover rate is calculated based on the number of employees who cease employment during the Year 2021 divided by the number of employees at the end of 31 March 2021 in each category.

The Group regards harmonious employment relations as an important cornerstone for its stable development. With this in mind, it has developed a number of internal controls to effectively protect the legitimate rights and interests of employees.

The Group looks for suitable job candidates according to its business development plans and human resources required. Each applicant will have an equal opportunity based on the requirements of the vacancy, such as educational level, working experience and personal ability. The Group will not decline any candidate because of their gender, age, race, religion, marital status or disability.

Promotion is based on the availability of job vacancy. Departmental managers will evaluate a candidate's integrity, talent, competence, previous work experience and performance when conducting a work performance appraisal.

The Group's remuneration policy is underpinned by the principle of awarding equitable packages to employees, and which are based on individual performance, provides added incentive, and are competitive with market norms. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, the Group offers other benefits to staff, including share option schemes, performance-based bonuses, provident fund contributions and medical insurance coverage.



# Environmental, Social and Governance Report

## 8. SOCIAL (Continued)

### 8.1. Employment (Continued)

Employment contract with standard terms and conditions in compliance with relevant labor laws and regulations is signed between the Group and all of its employees before such individuals officially commence employment. Either on the job training or pre-work training is arranged. An exit interview is conducted with resigning staff in order to understand his/her reason(s) for departure, the findings of which are used to advance the Group's operation where possible.

In the Year 2021, the Group strictly complies with the Labour Law of the PRC (中華人民共和國勞動法), the Labor Contract Law of the PRC (中華人民共和國勞動合同法), Hong Kong's Employment Ordinance (僱傭條例) and other relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have significant impact. In addition, there was no report of heavy fines or sanctions as the result of non-compliance with relevant laws and regulations.

### 8.2. Health and Safety

Employees are the Group's most important asset, and we put the safety and health of our employees as our first priority. The Group has developed a number of internal control policies on providing a safe working environment and protecting employees from occupational hazards.

The Group is not aware of any material non-compliance with the relevant laws and regulations including the Law of the PRC on Work Safety (中華人民共和國安全生產法) and the Regulations on Work-Related Injury Insurance of the PRC (中華人民共和國工傷保險條例) that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards in the Year 2021. There were no work-related fatalities reported. There were 8 work-related injuries and the number of days lost due to work injury was 1.5 days during the Year 2021.

The Group has taken a number of measures to protect the well being of staff, including the following:

- (1) Posting equipment safety procedures/signage and operation instructions in both the office(s) and workshops;
- (2) Providing appropriate protection equipment for employees whose duties involve relatively higher risks;
- (3) Acquiring appropriate and adequate fire equipment and first aid supplies;
- (4) Establishing designated outdoor smoking area;
- (5) Setting up designated warehouse for hazardous materials;
- (6) Organising regular health and safety training courses and fire and evacuation drills; and
- (7) Arranging regular medical checkups for all workers.

## 8. SOCIAL (Continued)

### 8.2. Health and Safety (Continued)



*Fire safety training courses provided for employees*

In addition, it is the policy of the Group to maintain a healthy workforce, promote healthy working conditions and enable employees to maintain a healthy lifestyle. The Group provides different sport facilities in factory area and continuously organises bi-annual sports gala. The Group has arranged doctors to conduct annual checkup for workers at its manufacturing site. Furthermore, the Group has participated in different types of sporting events and leisure activities organised by nearby community centers and government associations.

In an effort to prevent and control the spread of the COVID-19 pandemic, the Group has been closely monitoring and following the policies and advice from local government and strictly implementing numerous protective and control measures at its workplaces to safeguard the hygiene and safety of the employees:

- (1) Establishing a contingency working team, reporting to administration manager, to evaluate the level of impact of the COVID-19 to resume production; coordinate the purchasing of protective equipment and cleaning supplies; organise disinfection programme at workplace; and introduce policies and guidelines for epidemic prevention and control and maintain communication with employees timely;
- (2) Establishing three fixed mandatory body temperature screening and disinfection working points, a mobile body temperature checking and disinfection working point;
- (3) Setting up new temporary employee catering area and using partitions to separate tables in order to ensure employees can have a safe meal;
- (4) Conducting regular cleaning and disinfection of offices, production premises, staff canteen and dormitory;
- (5) Providing disposable protective face masks for its employees daily and hand sanitizer at washroom;
- (6) Providing new COVID-19 training on safety production for all staff;
- (7) Maintaining a register of employees for their mandatory travel declaration within 14 days; and
- (8) Any employees who have travelled from specified high risk places within 14 days are required compulsory quarantine and provide health certificate before returning to work.

# Environmental, Social and Governance Report

## 8. SOCIAL (Continued)

### 8.3. Development and Training

The Group has developed Employee Skill Training Program (員工技能培訓管制程序) to standardise the content of staff training. In the Year 2021, the Group provides suitable training courses for staff at different working stages and in different functional departments. There are various training programs include but not limited to: (i) occupational safety and health training; (ii) 6S lean manufacturing training; (iii) basic understanding and the requirements of ISO 9001:2015, ISO 14001:2015 and C-TPAT ; (iv) safe handling of chemical; (v) waste management training; and (vi) usage and importance of personal protective equipment, etc. Besides, the Group organises induction training for new recruits to provide them with guidelines for job specification. The Group provides training and education for its employees by means of offering opportunities to attend seminars either organised by external parties or in-house trainers. In the Year 2021, a total of 2,742 hours of staff training have been recorded.

### 8.4. Labour Standards

The Group recognises that the employment of child and forced labour is a serious violation of universal values. The Group has developed policies on preventing child labour and forced labour including Staff Handbook (員工手冊), Juvenile and Child Labour Policy (未成年工及童工政策), Child Labour and Youth Workers Management Regulations (童工及青少年工管理規定) and Child Labour Remedy (童工補救措施).

The Group strictly complies with the Law on the Protection of Minors of the PRC (中華人民共和國未成年人保護法), the Provisions on the Prohibition of Using Child Labor (禁止使用童工規定), Hong Kong's Employment Ordinance (僱傭條例) and other relevant laws and regulations. In the Year 2021, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to prohibiting the Group from employing child and forced labour. In addition, there was no report of heavy fines or sanctions as the result of non-compliance with relevant laws and regulations.

## 9. OPERATING PRACTICES

### 9.1. Supply Chain Management

The manufacturing site in Dongguan, PRC, has obtained ISO 9001:2015 certification, which is a standard relating to quality management systems ("QMS"). Its supply chain management system also complies with this QMS standard, and is regularly reviewed/audited by external independent examiner.

The Group has developed policies including Supplier Control Program (供應商管制程序) and Procurement Management Procedures (採購管理程序) in order to manage environmental and social risks of the supply chain. When selecting and evaluating its suppliers, the Group generally considers environmental and social risk issues, requiring suppliers to provide local business licenses and qualifying certificates to ensure that the suppliers can meet the international standards of laws and regulations on the industry. The supplier selection criteria are as follows: (i) good business records; (ii) good quality on products and services; (iii) timely delivery; (iv) competitive prices; and (v) comply with the standards of laws and regulations on the industry.

## 9. OPERATING PRACTICES (Continued)

### 9.1. Supply Chain Management (Continued)

New suppliers have to satisfy the assessments performed by the Group including the inspection of production factories and samples quality testing. For current suppliers, the procurement department of the Group is responsible for managing and maintaining a good business partnership with them. Regular assessments of major suppliers are performed to evaluate suppliers' performance. If the suppliers fails to meet the required standards of the Group and does not take corrective actions within the stipulated period, the procurement department may suspend the partnership with the suppliers.

In the Year 2021, the number of suppliers by geographical region is as follows:

	Number of suppliers
Hong Kong	41
Mainland China	252
Taiwan	1

### 9.2. Product Responsibility

The Group is fully committed to environmental sustainability, both in respect of its products and its operations. The implementation of the European Union's Restriction of Hazardous Substances ("RoHS") Directives in August 2005, which restricts European Union ("EU") member states from the use of specific hazardous materials found in electrical and electronic products, directly impacted on the electrical and electronics industry. The Group consequently installed new equipment and established a comprehensive set of policies and procedures to ensure that its products completely satisfy the EU RoHS Directives and equivalent requirements for the rest of the world.

The Group also made it mandatory for all vendors and business partners to comply with the RoHS Directives. In addition, the Group's production process conforms to local environmental regulations.



ISO 9001 quality management system certification and IQNet recognised certificate, which are valid from 22 May 2019 to 21 May 2022 obtained by Dongguan Kenford



# Environmental, Social and Governance Report

## 9. OPERATING PRACTICES (Continued)

### 9.2. Product Responsibility (Continued)

The Group has developed Quality Manual (質量手冊) and Business Ethics Management Program (商業道德管理程序) covering health and safety, advertising, labeling and privacy matters relating to products provided and methods of redress.

The Group is actively pursuing opportunities to directly contribute to environmental protection, and remains steadfast in its support of efforts to protect the natural environment as this aligns with its overall commitment to being a good corporate citizen. The Group complies with the Advertising Law of the PRC (中華人民共和國廣告法) and the relevant laws and regulations.

### 9.3. Anti-corruption

The Group has developed anti-corruption procedures (反貪污程序) in relating to bribery, extortion, fraud and money laundering.

Combating corruption and bribery are essential for creating a fair business environment. Appropriately, the Group has formulated relevant policies that are principally targeted towards the following staff:

- (1) Management — Management must be conversant with relevant anti-commercial bribery and integrity policies, such as the Prevention of Bribery Ordinance of Hong Kong (香港特別行政區防止賄賂條例) and the Criminal Law of the PRC (中華人民共和國刑法), in order to lead the Group's operating activities, strengthen supervision, and make improvements if loopholes are found.
- (2) Procurement and Sales and Marketing Staff — Given the nature of their work, the Group has provided anticorruption education and held thorough cases discussions with its procurement and sales and marketing staff to stress the importance of tackling corruption.
- (3) Accounting Personnel — The Group strives to instill a sense of integrity among accounting staff, as well as increase their understanding of the seriousness of falsifying accounts. Internal and external audits serve as an effective deterrent and are among the means by which fraud and other unscrupulous activities can be detected.

The Group has set up a reporting mechanism which enables all employees to report issues pertaining to bribery either by email or telephone. Such reports are investigated by the Administrative Manager, the results of which are then submitted to the Group's Managing Director and Chairman for further action. All cases are documented and handled in the strictest confidence.

In the Year 2021, the Group is not aware of any material non-compliance with the relevant laws and regulations.

## 10. COMMUNITY INVESTMENT

Contributing to society and working together to build a better environment are integral components of corporate social responsibility. Recognising this, the Group has participated in an event of voluntary non-remunerated blood donation in the Year 2021.

In addition, the Group always encourages its employees to participate in volunteer works aiming to help and support the local communities and neighbours. The Group believes that such activities are not only beneficial to the health of staff, but are also conducive to bond building outside of the workplace, improving cross-departmental communications, and promoting camaraderie, leading ultimately to a more harmonious and productive working environment.

## 11. REPORTING ACCESS

This ESG Report is prepared in both English and Chinese languages. In case of any inconsistency, the English text of this ESG Report shall prevail over the Chinese text.

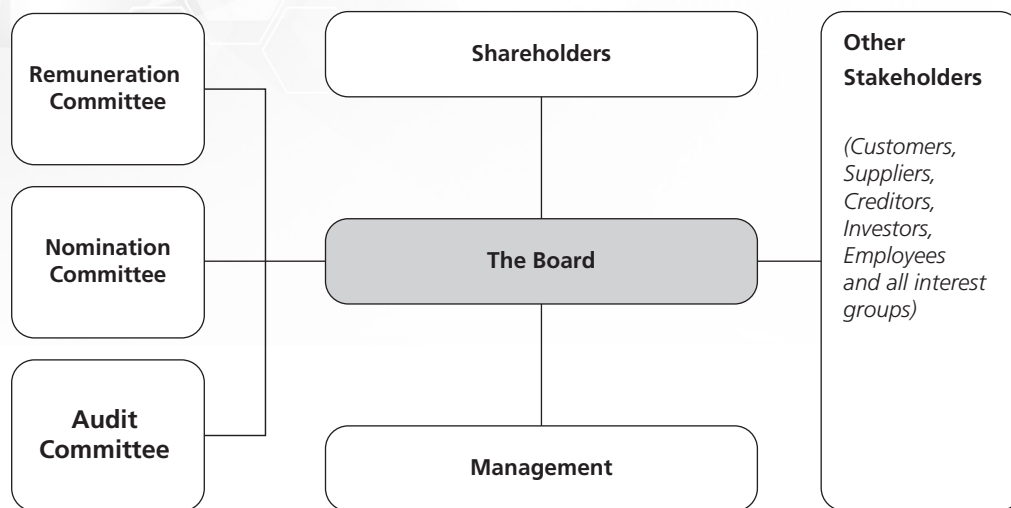
If you have any doubt or comment on this ESG Report, you can contact the Group at [info@co-nuoxin.com](mailto:info@co-nuoxin.com).

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the CG Code as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 March 2021, except for the deviation from the CG Code A.6.7. This corporate governance report contains the detailed explanations on the Company's practices in compliance with the applicable CG Code provisions and the considered reasons for such deviations.

To enhance accountability, transparency, independence, responsibility and fairness to the shareholders and stakeholders, the Company is dedicated to develop an appropriate framework of corporate governance for the Group, the chart of which is shown below. The Group will keep on reviewing and improving the corporate governance practices and procedures from time to time to ensure its commitment to the corporate governance standard and strive for the enhancement of shareholder value.



## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. Upon specific enquiry by the Company, all the Directors have confirmed that they fully complied with the required standards as set out in the Model Code throughout the financial year ended 31 March 2021.

## BOARD OF DIRECTORS

### Board functions

The Board oversees the strategic development and determines objectives, strategy, policy and business plan of the Company. It monitors and controls the risk management operation and financial performance, reviews the corporate governance standard of the Company and sets appropriate policies pursuant to the Company's objectives.

### Board composition

The Board of Directors of the Company comprised eight Directors, of which five were executive Directors, namely, Mr. Gao Jianbo (Chairman), Ms. Cai Dongyan (Chief Executive Officer), Mr. Zhang Huijun, Ms. Pauline Lam and Mr. Lin Liangyong; and three were independent non-executive Directors, namely, Mr. Lam Yick Man, Mr. Hu Zhigang and Mr. Zhang Jiayou. The biographical details of the existing Directors of the Company and the relationships among them as at the date of this report are set out in the "Directors' and Senior Management's Profile" section on pages 19 to 21 of this annual report. Save as disclosed in this annual report, none of the Directors has any business, financial, family or material relationship with each other and the Company.

The Board believes it is a balanced composition as each of the Directors has his own skills, expertise, professional qualifications and appropriate experiences to effectively oversee the business of the Group and the Directors give sufficient time and attention to the Group's affairs. It can effectively exercise independent judgment for the business activities of the Group to safeguard the interests of the shareholders and to improve standard in corporate governance to fulfill the demands of the shareholders and stakeholders of the Group.

During the financial year ended 31 March 2021, the Board complied at all times with the requirements of the Listing Rules including: (i) the number of independent non-executive Directors representing at least one-third of the Board; and (ii) one of the independent non-executive Directors being a professional accountant. Each of the independent non-executive Directors has presented an annual confirmation of independence to the Company pursuant to rule 3.13 of the Listing Rules. The Company considered all of the independent non-executive Directors to be independent.

### Board delegation

The Board delegates the authorities to the board committees and the senior management of the Company to provide professional advice and monitor the daily operation of the Group on issues which require discussion, expertise knowledge and experience to make the decision. The three committees of the Board, namely, Remuneration Committee, Nomination Committee and Audit Committee are responsible for making recommendation on the specified matters in line with the terms of reference adopted by the Board set out separately. The senior management is responsible for supervision on the daily operation of the Group by functions.



# Corporate Governance Report

## BOARD OF DIRECTORS (Continued)

### Board, Board committees and general meetings

The total number of the meetings and the individual attendance of each Director in person at each of the meetings during the financial year ended 31 March 2021 were as follows:

Name of Directors	Board Meetings	Remuneration Committee meetings	Nomination Committee meetings	Audit Committee meetings	Shareholders' General Meeting
<b>Executive Directors</b>					
Mr. Gao Jianbo	6/6	N/A	N/A	N/A	0/1
Ms. Cai Dongyan	3/6	N/A	N/A	N/A	0/1
Mr. Zhang Huijun	6/6	3/3	N/A	N/A	1/1
Ms. Pauline Lam	4/6	N/A	N/A	N/A	0/1
Mr. Lin Liangyong	5/6	N/A	N/A	N/A	1/1
<b>Independent Non-Executive Directors</b>					
Mr. Lam Yick Man	6/6	3/3	3/3	3/3	0/1
Mr. Hu Zhigang (appointed as Director: Note 1)	3/6	2/3	2/3	2/3	0/1
Mr. Zhang Jiayou (appointed as Director: Note 2)	1/6	1/3	N/A	N/A	N/A
Mr. Chan Ka Yin (resigned as Director: Note 1)	N/A	N/A	N/A	N/A	N/A
Mr. Huang Zhiwei (resigned as Director: Note 2)	4/6	2/3	2/3	2/3	0/1

Note 1: with effect from 24 April 2020

Note 2: with effect from 19 December 2020

## BOARD OF DIRECTORS (Continued)

### Board, Board committees and general meetings (Continued)

CG Code A.1.1 stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. In compliance with the CG code, there were in total 6 board meetings held during the financial year ended 31 March 2021. The Board believes that the fairness and effectiveness for the decision making on the business needs are adequately ensured. The relevant Directors' attendance is shown on page 40 of this corporate governance report.

CG Code A.6.7 stipulates that, independent non-executive Directors and other non-executive Directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Two independent non-executive Directors, Mr. Hu Zhigang and Mr. Huang Zhiwei, did not attend the annual general meeting of the Company held on 28 August 2020 due to other business engagements.

Notices were given at least 14 days in advance for each of the regular Board meetings to all the Directors so that they could have an opportunity to attend the same in person during the year. On ad hoc basis, the executive Directors met together upon reasonable notices or by agreement of the Executive Directors to waive the notice of the meetings to discuss the matters as required by business needs. In respect of regular board meetings, and so far as practicable, an agenda and accompanying board papers were sent in full to all Directors in a timely manner at least 3 days before the intended dates of board meetings.

The company secretary of the Company attended all regular board meetings to advise on corporate governance and statutory compliance when necessary. In addition, the Company has maintained a procedure for Directors to seek independent professional advice in appropriate circumstances. Minutes of board meetings and meetings of Board committees are kept by a duly appointed secretary of the meetings and such minutes would be inspected at any reasonable time on reasonable notice by any Director.

Minutes of board meetings and Board committees meetings had recorded in sufficient details the matters considered by the Board and decisions reached, including any concerns raised by Directors or the representatives of the relevant parties or dissenting views expressed. Draft and final versions of minutes of Board meetings had been sent to all Directors and the representatives of the relevant parties involved in the meetings through electronic means for their comments and records respectively, in both cases within a reasonable time after the meetings held.

### Corporate Governance Functions

The Board is responsible for performing the corporate governance duties including:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
5. to review the Company's compliance with the code and disclosure in this corporate governance report.

# Corporate Governance Report

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CG Code A.2.1 requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Gao Jianbo served as the chairman of the Board throughout the year and is responsible for formulating the strategies and policies of the business development of the Group, providing leadership and overseeing the functioning of the Board. During the year, Ms. Cai Dongyan served as the chief executive officer attending to the Group's overall business development and implementation of the Group's policies. The functions and responsibilities between the chairman and the chief executive are clearly segregated. This segregation of roles ensures reinforcement of their independent, responsibility and accountability.

## NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the non-executive Director and the independent non-executive Directors was appointed for an initial term of three years commencing from the date of their respective appointment subject to retirement by rotation pursuant to the Articles.

## DIRECTORS' TRAINING

Every newly appointed Director of the Company will receive a comprehensive, formal and tailored induction package to ensure that the Director has a proper understanding of the Company's operation and business and the relevant statutes, common laws, the Listing Rules, legal and regulatory requirements and governance policies. The company secretary also provides updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements to the Directors from time to time.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. A summary of trainings received by Directors from 1 April 2020 to 31 March 2021 according to the records provided by the Directors is as follows:

Directors	Seminars and/or conferences and/or forums	Type of trainings		Reading
		Corporate events or visits		
Executive Directors				
Mr. Gao Jianbo	✓	✓		✓
Ms. Cai Dongyan	✓	✓		✓
Mr. Zhang Huijun	✓	✓		✓
Ms. Pauline Lam	✓	✓		✓
Mr. Lin Liangyong	✓	✓		✓
Independent Non-Executive Directors				
Mr. Lam Yick Man	✓	✓		✓
Mr. Hu Zhigang (appointed as Director: Note 1)	✓	✓		✓
Mr. Zhang Jiayou (appointed as Director: Note 2)	✓	✓		✓
Mr. Chan Ka Yin (resigned as Director: Note 1)	N/A	N/A		N/A
Mr. Huang Zhiwei (resigned as Director: Note 2)	N/A	N/A		N/A

Note 1: With effect from 24 April 2020

Note 2: With effect from 19 December 2020

## REMUNERATION COMMITTEE

### Remuneration Committee functions

The remuneration committee of the Company (the “**Remuneration Committee**”) was established to formulate remuneration policy for the Board’s approval. It has adopted the terms of reference, which are in line with the provisions set out in the CG Code under Appendix 14 of the Listing Rules.

The terms of reference of the Remuneration Committee were amended in June 2018 to the effect that the Remuneration Committee shall include at least three independent non-executive Directors and one executive Director appointed by the Board from time to time. The majority of the members of the Remuneration Committee must be independent non-executive Directors of the Company.

The principal duties of the Remuneration Committee are:

- to make recommendations to the Board on the Company’s policy and structure for all Directors’ and senior management’s remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; and
- to make recommendations to the Board on the remuneration of non-executive Directors.

### Remuneration Committee composition

The Remuneration Committee comprises three independent non-executive Directors namely, Mr. Hu Zhigang, Mr. Zhang Jiayou and Mr. Lam Yick Man and one executive Director namely, Mr. Zhang Huijun. Mr. Hu Zhigang was appointed as the chairman of the Remuneration Committee.

### Remuneration Committee Meetings

During the financial year ended 31 March 2021, the Remuneration Committee had met three times to discuss the following matters:

- to review and give comment to the overall remuneration policy and remuneration packages of the Group;
- to review and give comment to the basic salary of the executive Directors and senior management of the Group;
- to review and give comment to the performance and the performance bonus of the executive Directors of the Company;
- to note the fact that no compensation had been paid to the executive Directors and senior management of the Group in relation to their resignations, if any; and
- to recommend the remuneration packages and approving the terms of service contracts of the executive Directors and senior management of the Group for the financial year ended 31 March 2021 prior to recommending them to the Board for determination.

# Corporate Governance Report

## REMUNERATION COMMITTEE (Continued)

### Remuneration Committee Meetings (Continued)

The details of the number of the Remuneration Committee meetings held during the financial year ended 31 March 2021 and the relevant record of individual attendance of the members of the Remuneration Committee, on a named basis, are shown in the table under the heading “Board, Board committees and general meetings” on pages 40 and 41 of this corporate governance report.

The Directors are remunerated with reference to their respective duties and responsibilities with the Company, the Company’s performance and current market situation. Details of emoluments of the Directors from the Group for the year are as disclosed in Note 13 to the Financial Statements.

## NOMINATION COMMITTEE

### Nomination Committee functions

The nomination committee of the Company (the “**Nomination Committee**”) was established to formulate nomination policy for consideration of the Board and to implement the nomination policy laid down by the Board. It has adopted the terms of reference, which are in line with the CG Code under Appendix 14 of the Listing Rules.

As a result of the establishment and the adoption of the written terms of reference of the Nomination Committee, it has developed a formal, consistent and transparent procedure for the appointment of new Directors to the Board. There would be plans in place for orderly succession for appointments to the Board. All Directors would be subject to re-election at regular intervals.

The principal duties of the Nomination Committee are:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy;
- to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of the independent non-executive Directors; and
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors, succession planning for Directors in particular the chairman and chief executive officer and the policy concerning the diversity of Board members.

A proposal for the appointment of a new Director will be considered and reviewed by the Nomination Committee. The Nomination Committee will consider the skills and expertise of the candidates as well as personal ethics, integrity and the willingness to commit time to the affairs of the Group. All candidates must be able to meet the standards set out in the Listing Rules. A candidate who is to be appointed as an independent non-executive Directors should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.



## NOMINATION COMMITTEE (Continued)

### Nomination Committee composition

The terms of reference of the Nomination Committee were amended in December 2018 to the effect that the Nomination Committee shall include at least three independent non-executive Directors from time to time, and the Nomination Committee currently comprises three independent non-executive Directors, namely, Mr. Hu Zhigang, Mr. Zhang Jiayou and Mr. Lam Yick Man. Mr. Hu Zhigang was appointed as the chairman of the Nomination Committee.

### Nomination Committee meetings

During the financial year ended 31 March 2021, the Nomination Committee had met three times to discuss the following matters:

- determine the policy for nomination of directors;
- to consider the structure, size, and composition of the Board;
- to consider no new Board member be nominated and introduced to the Board; and
- to consider the re-election of the Directors of the Company at the annual general meeting of the Company.

The details of the number of the Nomination Committee meetings held during the financial year ended 31 March 2021 and the relevant record of individual attendance of the members of the Nomination Committee, on a named basis, are shown in the table under the heading “Board, Board committees and general meetings” on pages 40 and 41 of this corporate governance report.

## AUDITORS’ REMUNERATION

During the financial year ended 31 March 2021, the Company engaged ZHONGHUI ANDA CPA Limited as the external auditors of the Company to perform audit and non-audit services. The audit fee was approximately HK\$680,000 and other non-audit service fee was approximately HK\$20,000 for the year ended 31 March 2021.

## AUDIT COMMITTEE

### Audit Committee functions

The audit committee of the Company (the “**Audit Committee**”) was established on 29 April 2005 with written terms of reference published on both the websites of the Stock Exchange and the Company. They are available for inspection by the shareholders of the Company upon request made to the company secretary. The primary duties of the Audit Committee are, inter alia, to review and supervise the financial reporting process, risk management and internal control system of the Group, to review the financial statements focusing particularly on (i) any changes in accounting policies and practices of the Group; (ii) the compliance with accounting standards and (iii) the compliance with the legal requirements, as well as to review the Company’s annual reports and interim reports.

The Audit Committee has the responsibilities and powers set forth in the terms of reference of the Audit Committee. Committee members shall meet at least twice to consider the interim and final results prepared by the Board.

# Corporate Governance Report

## AUDIT COMMITTEE (Continued)

### Audit Committee composition

The Audit Committee comprises three independent non-executive Directors namely Mr. Lam Yick Man, Mr. Zhang Jiayou and Mr. Hu Zhigang. Mr. Lam Yick Man, who is a qualified accountant with appropriate professional qualification and experience in financial matters, was appointed as the chairman of the Audit Committee. None of the Audit Committee members are members of the former or existing auditors of the Company.

### Audit Committee meetings

During the financial year ended 31 March 2021, the Audit Committee had met three times to discuss the following matters:

- to review the final results of the Group for the year ended 31 March 2020 prior to recommending them to the Board for approval;
- to review the interim results for the six months ended 30 September 2020 of the Group prior to recommending them to the Board for approval;
- to review the selection and appointment of the external auditors of the Company for the financial year ended 31 March 2021 prior to recommending them to the Board for approval and the Board had agreed with the Audit Committee's view on this matter;
- to discuss with the Group's external auditors any significant or unusual items reflected in interim and annual reports;
- to discuss with the management the systems of internal control and risk management and ensure that management has discharged its duty to have effective systems; and
- to review the internal audit and risk management functions and reports of the Group.

The details of the number of the Audit Committee meetings held during the financial year ended 31 March 2021 and the relevant record of individual attendance of the members of the Audit Committee, on a named basis, are shown in the table under the heading "Board, Board committees and general meetings" on pages 40 and 41 of this corporate governance report.

As at the date of this corporate governance report, the Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and has discussed auditing, internal control, risk management and financial reporting matters including the review of audited consolidated financial statements of the Group for the financial year ended 31 March 2021 in conjunction with the Group's external auditors.

## SHAREHOLDERS' RIGHTS

### Convening Extraordinary General Meeting

One or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

A shareholder shall make a written requisition to the Board or the Company Secretary to the principal place of business of the Company in Hong Kong with the address at Unit B, 12/F, Hang Seng Causeway Bay Building, 28 Yee Wo Street, Causeway Bay, Hong Kong, or at any address notified by the Company from time to time and for the attention of the Chairman of the Board or the Company Secretary, specifying the shareholding information of the Shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

### Directing Enquiries to the Board

Any Shareholder who wishes to raise his/her enquiry(ies) concerning the Company to the Board may deliver his/her written enquiry(ies) to the principal place of business of the Company in Hong Kong with the address at Unit B, 12/F, Hang Seng Causeway Bay Building, 28 Yee Wo Street, Causeway Bay, Hong Kong, or at any address notified by the Company from time to time and for the attention of the Chairman of the Board or the Company Secretary. Upon receipt of the enquiry(ies), the Company would reply as soon as possible.

## INVESTOR RELATIONS

The Board recognises the importance of maintaining on-going communications with shareholders and investors for the performance of the Company and establishes different communication channels. These include: (i) the publication of interim and annual reports and/or dispatching circular, notices and other announcements and notifications; (ii) conducting annual general meeting or extraordinary general meeting (if any) which provides a forum for Shareholders of the Company to raise comments and exchange views with the Board; and (iii) updating the websites with the corporate information, achievements and new development of the Group.

To strengthen the investors' relationship, the Company provides different ways for investors to access the soft and hard copies of the Company's information. The printed copies of this annual report in both English and Chinese languages will be dispatched to the Shareholders of the Company by the end of July 2021. Shareholders can obtain corporate communications free of charge by notice in writing to the Company Secretary of the Company. This annual report in both English and Chinese language is also available on the following websites:

- (a) [www.hkex.com.hk](http://www.hkex.com.hk)
- (b) [www.co-nuoxin.com](http://www.co-nuoxin.com)

# Corporate Governance Report

## DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 March 2021, and confirm that the financial statements give a true view of the financial positions and results of the Group as at the date and for the year of the date ended, and are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The statement of the external auditors of the Company, ZHONGHUI ANDA CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 54 to 56 of this annual report.

## INTERNAL AUDIT

The Company has set up an internal audit department since February 2008. The Audit Committee has met with the internal auditor and discussed with the Board about the internal control report. The Board also through the Audit Committee conducted reviews of the effectiveness of the systems of internal control and risk management of the Group twice for the financial year ended 31 March 2021, which cover all material controls, including strategic, financial, operational and compliance controls. The Audit Committee considers the systems effective and adequate.

The Company has engaged an accountant with appropriate working experiences in the Finance & Accounting Department of the Group. The Board was also satisfied with the adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

The internal audit department's primary responsibilities include:

1. Strategic audit includes assessing the threats and opportunities that influence the Company's development. The Company's business environment is affected by economic and political conditions globally.
2. Financial audit includes ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use as well as for publication, ensuring compliance with relevant legislation and regulations, and implementing credit risk management. The Directors are responsible for overseeing the preparation of accounts for the financial year to ensure such accounts give a true and fair view of the state of affairs of the Group. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. As at the date of this corporate governance report, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern required to be disclosed.
3. Operational audit includes: (i) maintaining and ensuring compliance with ISO9001 under the family of ISO9000, a series of international standards on quality management and quality assurance developed by the International Organization for Standardization, for the quality control of the Group's production; (ii) maintaining and implementing a sound network system to avoid computer viruses or other system malfunctions; and (iii) maintaining a team of staff for product development. The Group has been maintaining product liability insurance for most types of the Group's products against possible claims relating to personal injury or property damage arising from the use of the products manufactured by the Group.

## INTERNAL AUDIT (Continued)

The internal audit department's other responsibilities include:

1. reviewing the work-flow and the implementation status of the Group's policies and procedures of all functional departments;
2. reviewing the compliance status on rules and regulations that are applicable to the Group;
3. reviewing those areas of concern identified by the Audit Committee or the management of the Company;
4. reporting significant issues related to the processes for controlling the activities of the Group, including potential improvements to those processes and providing information concerning such issues to the Audit Committee of the Company;
5. issuing periodic reports to the Audit Committee and the Board summarising the results of audit activities and substantive follow-up of audit recommendations; and
6. investigating suspected fraudulent activities within the Group.

The internal audit department carries out annual risk assessment on each identified audit area and devises an annual audit plan according to the nature of business and risk exposures of the Group, and the scope of work includes strategic, financial, operational and compliance reviews. The audit plan is reviewed and approved by the Audit Committee.

## RISK MANAGEMENT

The Board recognises risk management as one of the key elements to the success of the Company. The Group takes a pragmatic approach to manage different risks to align with its business development strategically. The management identifies potential risks, assesses their impact and likelihood and develops appropriate action plans to mitigate risks to a level that the Company is willing to take in achieving the Company's objectives on a regular basis. The Group will continue to enhance the risk management practices and internal control system and adopt a stringent governance framework with reference to the best practices in the market.

The Group's business, financial position and results may be affected by certain risks and uncertainties. Foreign currency risk, interest rate risk, liquidity risk and credit risk are the main inherent risks which may cause the Group's financial condition or results differing materially from expected or historical results.

### Foreign currency risk

The Group's reporting currency is Hong Kong dollars but most of the business transactions are denominated in other currencies including United States dollars and Renminbi. The Group may enter into forward currency contracts to hedge against the currency risks arising from the Group's operations and its funding sources, with reference to cash flow forecasts, capital expenditure commitments and business budget. The Group does not speculate on foreign currencies.

### Interest rate risk

The Group's exposure to the risk of changes in interest rates is mainly attributable to the bank loan obligations with floating interest rates. The Group has adequate internal control procedures to monitor the financial position exposures arising from fluctuation in the market interest rate for funding sources denominated in Hong Kong dollars and United States dollars.



# Corporate Governance Report

## RISK MANAGEMENT (Continued)

### Liquidity risk

The objective of liquidity risk management is to ensure the adequacy of the Group's funds to meet the daily business operations, capital commitments and bank loans repayment. The Group monitors its liquidity position on a daily basis as the Group's treasurer reviews the cashflow positions in different geographical areas and adjusts financing requirements.

### Credit risk

Credit risk arises from the possibility that the customers are unwilling or unable to fulfill their obligations which then incurs financial losses to the Group. The Group's credit control function manages the credit risks by assessing the credit limits and credit terms to be granted to customers and setting up the internal control system of credit approvals and other monitoring procedures to recover overdue debts, if any.

## INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal control and risk management systems within the Group and reviewing their effectiveness, particularly in respect of financial, operational, and compliance controls, and setting appropriate policies so that the objectives of the Group can be effectively and efficiently achieved and the associated risks can be identified, managed and mitigated at an acceptable level.

Appropriate policies and procedures are provided to the staff to take all measures that can (i) safeguard assets against unauthorised use or disposition; (ii) keep proper and accurate accounting records and enhance the reliability of financial reporting; and (iii) ensure efficiency and effectiveness of operations and compliance with applicable laws and regulations. The design of the internal control and risk management systems is to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage and minimise the risk of failure in the Group's operational systems.

The Group's internal control and risk management frameworks include the following major components:

1. an organisation structure with defined responsibility, proper segregation of duties and appropriately delegated authority;
2. policies and procedures relating to financial control, internal control and risk management that can identify, assess, measure and control risks effectively and efficiently;
3. operational and financial budgeting and forecasting systems which facilitate performance measurement, including regular budgeting analysis;
4. clear rules and guidelines which empower the review and approval of major capital and current expenditures;
5. strict internal procedures and controls enabling the handling and dissemination of inside information; and
6. developing a whistleblowing policy that encourages employees to report any incidents of fraud, corruption, theft or misconduct in confidence and a fearless working environment.

## INTERNAL CONTROL (Continued)

The internal audit department evaluates the overall adequacy and effectiveness of the Group's internal control and risk management systems. Identified deficiencies are from time to time reported to the Audit Committee and recommendations are made to the Board and the management of the Company.

The Group has also engaged external independent professionals to review its risk management and internal control systems and further enhance its risk management and internal control systems as appropriate.

## MANAGEMENT FUNCTIONS

The Board has delegated aspects of its management and administration functions to the management. The management should report back and obtain prior approval from the Board before making decisions or entering into any agreements or arrangements to discharge its functions. The Directors clearly understand the Group's delegation arrangements in place. The key terms and conditions relative to the Directors' appointments have been set out in their service agreements and/or letters of appointments.

## COMPANY SECRETARY

Mr. Ong King Keung ("Mr. Ong") was appointed as a company secretary of the Company on 22 August 2017. Mr. Ong had tendered his resignation as the company secretary of the Company with effect from 27 May 2020. Mr. Shiu Wing Yan ("Mr. Shiu") had been appointed as the company secretary with effect from 27 May 2020. The biographical details of Mr. Shiu are set out under the section headed "Directors' and Senior Management's Profile" section on pages 19 to 21 of this annual report.

Mr. Shiu took not less than 15 hours of relevant professional training during the year ended 31 March 2021.

## DIVIDEND POLICY

The declaration, payment and amount of dividends will be subject to the discretion of the Board and the approval of the shareholders of the Company, and will depend on the following factors:

- our earnings and financial condition;
- operating requirements;
- capital requirements; and
- other factors that our Directors may consider relevant.

The payment of dividends by the Company is also subject to all applicable laws and regulations and the articles of association of the Company.

# Corporate Governance Report

## BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the “Board Diversity Policy”) on 31 December 2018. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company’s business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge, which have been adopted by the Company as measurable objectives for the purpose of implementation of the Board Diversity Policy. The Board has achieved all of the measurable objectives under the Board Diversity Policy.

## NOMINATION POLICY

Pursuant to the CG Code relating to nomination policy which has come into effect since 1 January 2019, the Board adopted a nomination policy (the “Nomination Policy”) on 31 December 2018. The Nomination Committee shall consider a number of factors in making nominations, including but not limited to reputation; skill, experience and professional expertise; diversity in all its aspects; commitment in respect of available time; and the independence criteria applicable to the candidate to be nominated as an independent non-executive director. The Nomination Policy also sets out some nomination procedures:

- The Company Secretary shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members;
- For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board’s consideration and approval. For proposing candidates to stand for election or re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation;
- In order to provide information of the candidates nominated by the Board to stand for election or re-election at a general meeting, a circular will be sent to the shareholders. The name, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders; and
- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election or re-election at any general meeting.

## ENVIRONMENTAL PROTECTION

The Group is fully committed to environmental sustainability both for its products and its operations. The implementation of the European Union's Directives on Restriction of the use of the certain Hazardous Substances in Electrical and Electronic Equipment ("RoHS") in August 2005 in European Union members' states has impacted on the electrical and electronic Industry. Accordingly, the Group installed new equipment and established a comprehensive set of policies and procedures to ensure the Group's products completely satisfy RoHS requirements for the European Community and equivalent requirement for the rest of the world. The Group had also made it mandatory for all vendors and business partners to comply with the RoHS requirements.

In addition, the Group's production process has conformed to local environmental regulations. The Group is actively pursuing opportunities to directly contribute to environmental protection, and remains steadfast in its support of environmental protection, consistent with its commitment to be a good corporate citizen.

The environmental, social and governance report in compliance with appendix 27 of the Listing Rules will be issued in due course.

## LOOKING FORWARD

The Group will keep on reviewing and improving its corporate governance standards from time to time and the Board will take necessary actions to ensure the compliance with the provisions of the CG Code introduced by the Stock Exchange.

# Independent Auditor's Report



## TO THE SHAREHOLDERS OF CHINA OVERSEAS NUOXIN INTERNATIONAL HOLDINGS LIMITED

中國海外諾信國際控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of China Overseas Nuoxin International Holdings Limited and its subsidiaries (collectively referred to as the “Group”) set out on pages 57 to 104, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Property, plant and equipment

##### *Refer to Note 16 to the consolidated financial statements*

The Group measured its buildings in the PRC at revaluation model, which is significant to our audit because the balance of buildings in the PRC included in property, plant and equipment of HK\$95,622,000 as at 31 March 2021 is material to the consolidated financial statements. In addition, the Group’s fair value measurement involves application of judgement and is based on assumptions and estimations.



## KEY AUDIT MATTERS (Continued)

### Property, plant and equipment (Continued)

#### *Refer to Note 16 to the consolidated financial statements (Continued)*

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the buildings in the PRC is supported by the available evidence.

### Trade receivables

#### *Refer to Note 20 to the consolidated financial statements*

The Group tested the amount of trade receivables for impairment. This impairment test is significant to our audit because the balance of trade receivables of HK\$74,790,000 as at 31 March 2021 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimations.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade receivables is supported by the available evidence.

# Independent Auditor's Report

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

### **Yeung Hong Chun**

Audit Engagement Director

Practising Certificate Number P07374

Hong Kong, 29 June 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>	7	<b>365,837</b>	450,800
Cost of sales		(334,450)	(422,078)
Gross Profit		<b>31,387</b>	28,722
Other (losses)/gains, net	9	(55)	6,995
Distribution costs		(7,778)	(6,543)
Administrative expenses		(44,568)	(57,683)
Reversal of impairment losses/(impairment losses) of trade receivables		626	(1,307)
Impairment loss on property, plant and equipment	16	(2,658)	(5,632)
Impairment loss on right-of-use assets	17	–	(2,708)
<b>Loss from operations</b>		<b>(23,046)</b>	(38,156)
Financial costs	10	(1,282)	(1,923)
<b>Loss before tax</b>		<b>(24,328)</b>	(40,079)
Income tax (expenses)/credit	11	(100)	8
<b>Loss for the year</b>	12	<b>(24,428)</b>	(40,071)
<b>Other comprehensive income/(expense) after tax:</b>			
Items that will not be reclassified to profit or loss:			
Gain/(loss) on revaluation of properties		4,468	(26)
Deferred tax effect arising on revaluation of properties		(1,117)	6
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		10,596	(8,589)
Other comprehensive income/(expense) for the year, net		<b>13,947</b>	(8,609)
<b>Total comprehensive expense for the year</b>		<b>(10,481)</b>	(48,680)
<b>Loss per share</b>			
<b>Basic and diluted (HK cents)</b>	15	<b>(5.48)</b>	(8.99)

# Consolidated Statement of Financial Position

At 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	97,640	87,696
Right-of-use assets	17	2,939	2,781
Deposits paid for acquisition of property, plant and equipment		1,772	1,846
		<b>102,351</b>	92,323
<b>Current assets</b>			
Inventories	19	69,550	106,470
Trade receivables	20	74,790	78,305
Deposits, prepayments and other receivables	21	18,110	21,581
Bank and cash balances	22	27,987	31,060
		<b>190,437</b>	237,416
<b>Current liabilities</b>			
Trade payables	23	55,794	71,490
Accruals and other payables		32,127	28,107
Contract liabilities	24	7,492	5,403
Loans from related parties	25	58,095	54,245
Lease liabilities	26	163	2,088
Bank borrowings	27	31,461	51,211
Tax liabilities		3,564	4,579
		<b>188,696</b>	217,123
<b>Net current assets</b>		<b>1,741</b>	20,293
<b>Total assets less current liabilities</b>		<b>104,092</b>	112,616
<b>Non-current liabilities</b>			
Deferred tax liabilities	28	16,785	14,180
Lease liabilities	26	–	648
		<b>16,785</b>	14,828
<b>Net assets</b>		<b>87,307</b>	97,788
<b>Capital and reserves</b>			
Share capital	29	446	446
Reserves	33	86,861	97,342
<b>Total equity</b>		<b>87,307</b>	97,788

The consolidated financial statements on pages 57 to 104 were approved and authorised for issue by the Board of Directors on 29 June 2021 and are signed on its behalf by:

**Gao Jianbo**  
DIRECTOR

**Zhang Huijun**  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

## Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Properties revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits (accumulated loss) HK\$'000	Total HK\$'000
At 1 April 2019	446	63,099	942	47,779	6,942	27,260	146,468
Loss for the year	–	–	–	–	–	(40,071)	(40,071)
Other comprehensive expense for the year	–	–	–	(20)	(8,589)	–	(8,609)
At 31 March 2020	446	63,099	942	47,759	(1,647)	(12,811)	97,788
At 1 April 2020	<b>446</b>	<b>63,099</b>	<b>942</b>	<b>47,759</b>	<b>(1,647)</b>	<b>(12,811)</b>	<b>97,788</b>
Loss for the year	–	–	–	–	–	(24,428)	(24,428)
Other comprehensive income for the year	–	–	–	3,351	10,596	–	13,947
At 31 March 2021	<b>446</b>	<b>63,099</b>	<b>942</b>	<b>51,110</b>	<b>8,949</b>	<b>(37,239)</b>	<b>87,307</b>



# Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	2021 HK\$'000	2020 HK\$'000
<b>Cash flows from operating activities</b>		
Loss before tax	(24,328)	(40,079)
Adjustments for:		
Depreciation of property, plant and equipment	3,509	3,100
Depreciation of right-of-use assets	85	1,536
Impairment loss recognised on property, plant and equipment	2,658	5,632
Impairment loss recognised on right-of-use assets	–	2,708
Interest income	(25)	(45)
Write-down of inventories	1,639	1,973
Finance costs	1,255	1,839
Interest expense on lease liabilities	27	84
(Reversal of loss allowance)/loss allowance provision for trade receivables	(626)	1,307
Gain on early termination of the lease agreement	(1,617)	–
<b>Operating cash flows before working capital charges</b>	<b>(17,423)</b>	<b>(21,945)</b>
Change in inventories	35,281	(19,386)
Change in trade receivables	4,141	19,339
Change in deposits, prepayments and other receivables	3,471	(3,429)
Change in trade payables	(15,696)	(7,430)
Change in accruals and other payables	4,020	10,588
Change in contract liabilities	2,089	(3,744)
<b>Cash generated from (used in) operations</b>	<b>15,883</b>	<b>(26,007)</b>
Income tax (paid)/refunded	(1,115)	835
<b>NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES</b>	<b>14,768</b>	<b>(25,172)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(2,873)	(2,299)
Deposits paid for acquisition of property, plant and equipment	(847)	(1,331)
Interests received	25	45
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3,695)</b>	<b>(3,585)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
New bank borrowings raised	94,380	135,131
Repayment of bank borrowings	(114,130)	(138,748)
Advance from related parties	3,850	4,200
Repayment to related parties	–	(20,000)
Repayment of lease liabilities	(956)	(1,421)
Lease interests paid	(27)	(84)
Interests paid on bank borrowings	(1,255)	(1,839)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(18,138)</b>	<b>(22,761)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,065)</b>	<b>(51,518)</b>
<b>Effect of foreign exchange rate changes</b>	<b>3,992</b>	<b>(1,379)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>31,060</b>	<b>83,957</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b>27,987</b>	<b>31,060</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	27,987	31,060

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business in Hong Kong was at Office 810, Unit 1908, 19/F, 9 Queen's Road Central, Hong Kong and was changed to Unit B, 12/F, Hang Seng Causeway Bay Building, 28 Yee Wo Street, Causeway Bay, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 37 to the consolidated financial statements.

To the best knowledge of the Directors, as at 31 March 2021, China Yuen Capital Limited ("CYC"), a company incorporated in the British Virgin Islands, is the immediate holding company of the Company; China Investment International Limited, a company incorporated in the British Virgin Islands, is the ultimate holding company of the Company.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 April 2020. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRS would have a material impact on its results of operations and financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for buildings in the People's Republic of China ("PRC"), which are measured at revalued amounts at the end of each reporting period, as explained in the accounting policies set out below.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's presentation currency. The functional currency of the Company is United States dollars ("US\$"). The directors consider that choosing HK\$ as the presentation currency best suits the needs of the shareholders and investors.

#### (b) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currency translation (Continued)

#### (c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

### Property, plant and equipment

Buildings comprise mainly factories and offices. Buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Revaluation increases of buildings are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the properties revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the properties revaluation reserve are charged against the properties revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued building, the attributable revaluation increases remaining in the properties revaluation reserve is transferred directly to retained profits.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Building in the PRC	The shorter of the lease terms of land use rights on which the buildings are located or 50 years
Leasehold improvements	The shorter of the term of the lease, or 5 years
Plant and machinery	5 to 10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years
Moulds	5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

### Leases

#### *The Group as lessee*

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal useful lives are as follows:

Leasehold lands	32 years
Buildings	Over the lease term of 2 years to 3 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### *The Group as lessor*

##### *Operating leases*

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

### Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under financial assets at amortised cost.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

### Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

### Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### Trade and other payables

Trade and other payables are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Other revenue

Interest income is recognised using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

### Employee benefits

#### (a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (b) *Pension obligations*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK\$30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

#### (c) *Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Related parties

A related party is a person or entity that is related to the Group.

- (A) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (B) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (A).
  - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets, except inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any of such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 4. KEY ESTIMATES

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### (a) Fair values of buildings in the PRC

The Group appointed an independent professional valuer to assess the fair values of the buildings in the PRC. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

### (b) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

### (c) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

### (d) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgements and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### (a) Foreign currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. In addition, certain deposits and other receivables, bank balances and cash, trade payables and accruals and other payables are denominated in foreign currencies other than the functional currency of the respective group entities.

The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date exposing to currency risk are as follows:

	Assets		Liabilities	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
HK\$ against US\$	52,974	54,315	52,785	88,613
RMB against US\$	203	159	3,801	5,042

For entities with a US\$ functional currency holding monetary assets and liabilities denominated in HK\$, the directors of the Company considered that, as HK\$ is pegged to US\$, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of US\$ against HK\$.

Other than above, several subsidiaries of the Group with RMB as functional currency have the following intra-group receivables/payables denominated in HK\$, which are foreign currency of the relevant group entities.

	Amount due from group entities		Amount due to group entities	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
HK\$ against RMB	75,702	47,329	—	272



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Foreign currency risk (Continued)

#### *Sensitivity analysis*

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in RMB against US\$ and HK\$ against RMB and all other variable are held constant. 5% (2020: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding denominated monetary items and adjusts their translation at the year end for a 5% (2020: 5%) change in RMB against US\$ and HK\$ against RMB. A positive number below indicates an increase in pre-tax loss for the year where RMB strengthens 5% (2020: 5%) against US\$ and HK\$ strengthens 5% (2020: 5%) against RMB. For a 5% (2020: 5%) weakening of RMB against US\$ and HK\$ against RMB, there would be an equal and opposite impact on the pre-tax loss for the year and the balances below would be negative.

	2021 HK\$'000	2020 HK\$'000
Increase (decrease) in pre-tax loss for the year	(3,605)	(2,109)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

### (b) Credit risk

The carrying amount of bank and cash balances, trade receivable, deposits and other receivables included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 March 2021 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (b) Credit risk (Continued)

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Total HK\$'000
<b>At 31 March 2021</b>			
Trade payables	55,794	–	55,794
Accruals and other payables	32,127	–	32,127
Bank borrowings	31,461	–	31,461
Loans from related parties	58,095	–	58,095
Lease liabilities	164	–	164
	<b>177,641</b>	<b>–</b>	<b>177,641</b>

#### At 31 March 2020

Trade payables	71,490	–	71,490
Accruals and other payables	28,107	–	28,107
Bank borrowings	51,211	–	51,211
Loans from related parties	54,245	–	54,245
Lease liabilities	2,159	654	2,813
	<b>207,212</b>	<b>654</b>	<b>207,866</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (d) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the bank balances and bank borrowings. The directors of the Company consider that the changes in interest rates of bank balances have no significant impact to the Group due to the low interest rates and short-term maturities and therefore no sensitivity analysis is presented for bank balances.

At 31 March 2021, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been approximately HK\$95,000 (2020: HK\$43,000) higher, arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 10 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been HK\$95,000 (2020: HK\$43,000) lower, arising mainly as a result of higher interest expense on bank borrowings.

The Group currently does not have interest rate hedging policy. However, management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

### (e) Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
<b>Financial assets:</b>		
Financial assets at amortised cost (including cash and cash equivalents)	103,346	111,066
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	177,477	188,324

### (f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their fair values.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

### (a) Disclosures of level in fair value hierarchy at 31 March 2021 and 2020:

#### At 31 March 2021

Description	Fair value measurements using:			Total 2021
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurements:				
Property, plant and equipment				
Building — PRC	—	—	95,622	95,622
<b>Total recurring fair value measurements</b>	<b>—</b>	<b>—</b>	<b>95,622</b>	<b>95,622</b>

#### At 31 March 2020

Description	Fair value measurements using:			Total 2020
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurements:				
Property, plant and equipment				
Building — PRC	—	—	85,796	85,796
<b>Total recurring fair value measurements</b>	<b>—</b>	<b>—</b>	<b>85,796</b>	<b>85,796</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 6. FAIR VALUE MEASUREMENTS (Continued)

### (b) Reconciliation of assets measured at fair value based on level 3:

#### Description

	Property, plant and equipment HK\$'000
At 1 April 2020	85,796
Total gains or loss recognised in other comprehensive income	4,468
Depreciation	(2,270)
Exchange differences	7,628
At 31 March 2021	<u>95,622</u>

#### Description

	Property, plant and equipment HK\$'000
At 1 April 2019	94,587
Total gains or loss recognised in other comprehensive income	(26)
Depreciation	(2,209)
Exchange differences	(6,556)
At 31 March 2020	<u>85,796</u>

The total gains or losses recognised in other comprehensive income are presented in loss on revaluation of properties in the consolidated statement of profit or loss and other comprehensive income.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 6. FAIR VALUE MEASUREMENTS (Continued)

### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March 2021 and 2020:

The buildings in the PRC were valued on 31 March 2021 and 2020 by qualified valuers from an independent firm not connected to the Group, LCH (Asia-Pacific) Surveyors Limited, using replacement cost method.

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Key unobservable inputs used in level 3 fair value measurements are mainly replacement cost per square meter (estimated based on market informations with adjustment on various factors).

#### Level 3 fair value measurements

Description	Valuation techniques	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2021 HK\$'000
Industrial buildings in the PRC	Replacement cost method	Replacement cost per square meter	RMB1,140 to RMB3,540	Increase	95,622
		Building age factor	58% for buildings acquired in 1999	The younger the building age factor, the higher the fair value	
			77% for buildings acquired in 2009		
Description	Valuation techniques	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2020 HK\$'000
Industrial buildings in the PRC	Replacement cost method	Replacement cost per square meter	RMB1,100 to RMB3,400	Increase	85,796
		Building age factor	60% for buildings acquired in 1999	The younger the building age factor, the higher the fair value	
			79% for buildings acquired in 2009		

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 7. REVENUE

### Revenue from contracts with customers and total revenue

Sales of electrical haircare products

2021 HK\$'000	2020 HK\$'000
365,837	450,800

### Disaggregation of revenue from contracts with customers:

Major products:

Sales of hair dryer

Sales of hair straightener

Sales of air brush

Others

2021 HK\$'000	2020 HK\$'000
277,213	365,401
44,112	47,842
25,379	16,091
19,133	21,466
365,837	450,800

The Group's revenue is recognised at a point of time for the year.

### Sales of electrical haircare products

The Group manufactures and sells electrical haircare products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

The Group generally allows a credit period ranging from 14 to 90 days for their trade receivables with terms that are common within the industry and are not considered financing arrangements. The Group negotiates with customers to provide a portion of upfront payments upon acceptance of orders. The advance payments received by the Group for goods is recognised as a contract liability until the goods have been delivered to the customer.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 8. SEGMENT INFORMATION

Information reported to the executive Directors, being the chief operating decision maker (“CODM”), for the purposes of resources allocation and assessment focuses on revenue analysis by geographic location of customers. No other discrete financial information is provided other than the Group’s results and financial position as a whole. Accordingly, only geographical information and major customers are presented.

### Geographical information

The Group’s revenue is mainly derived from customers located in Europe, Asia, North and South America, Australia and Africa while the Group’s business activities are conducted predominantly in Hong Kong and the PRC.

The Group’s revenue from external customers by geographical location of customers irrespective of the origin of the goods, and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2021 HK\$’000	2020 HK\$’000	2021 HK\$’000	2020 HK\$’000
Europe	184,357	222,132	–	–
Asia	149,472	176,717	102,351	92,323
North and South America	26,562	47,483	–	–
Australia	1,354	3,028	–	–
Africa	4,092	1,440	–	–
	<b>365,837</b>	<b>450,800</b>	<b>102,351</b>	<b>92,323</b>

### Information about major customers

Revenue from major customers individually accounting for 10% or more of total revenue are as follows:

	2021 HK\$’000	2020 HK\$’000
Customer A	166,016	228,469
Customer B	42,535	57,502
Customer C	57,860	49,485

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 9. OTHER (LOSSES)/GAINS, NET

Bank interest income
Compensation received in respect of cancelled orders
Income from sale of mould
Sales of samples
Penalty from vendors for bad quality or late delivery
Rental income
Government grant
Sundry income
Net foreign exchange (loss)/gain
Gain on early termination of the lease agreement

2021 HK\$'000	2020 HK\$'000
25	45
1,026	377
1,554	3,767
1,158	389
1,101	397
–	277
1,536	–
715	1,030
(8,787)	713
1,617	–
(55)	6,995

## 10. FINANCE COSTS

Interest on bank borrowings
Interest on lease liabilities

2021 HK\$'000	2020 HK\$'000
1,255	1,839
27	84
1,282	1,923



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 11. INCOME TAX (EXPENSES)/CREDIT

	2021 HK\$'000	2020 HK\$'000
PRC Enterprise Income Tax		
Provision for the year	(116)	—
Over provision in prior years	16	8
	(100)	8

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. No PRC Enterprise Income Tax has been provided in the consolidated financial statements as the PRC subsidiaries are suffering from tax losses for both years.

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax regime of the estimated assessable profit for both years. No Hong Kong Profits Tax has been provided in the consolidated financial statement as the subsidiaries of the Group operating in Hong Kong are either suffering from tax losses, or the assessable profits are wholly absorbed by tax losses brought forwards for both years.

The reconciliation between the income tax (expenses)/credit and the product of loss before tax multiplied by the Hong Kong Profits tax rate is as follows:

	2021 HK\$'000	2020 HK\$'000
Loss before tax	(24,328)	(40,079)
Tax at the tax rate of 25% (2020: 25%)	(6,082)	(10,020)
Tax effect of expenses not deductible for tax purposes	1,286	67
Tax effect of income not taxable for tax purposes	(404)	(1,263)
Tax effect of tax exemptions granted (note)	2,393	1,823
Over provision in prior years	(16)	(8)
Tax effect of deductible temporary differences not recognised	664	2,085
Tax effect of tax loss not recognised	2,292	7,296
Tax effect of utilisation of tax losses not previously recognised	(33)	(4)
Effect of different tax rate of subsidiaries operating in other jurisdictions	—	1
Others	—	15
Income tax expense/(credit)	100	(8)

Note:

Amount mainly represents the tax effect of the 50% of assessable profit/loss of a wholly-owned subsidiary of the Company, Kenford Industrial Company Limited ("Kenford Industrial"), which is exempted under Departmental Interpretation and Practice Notes No.21 issued by the Inland Revenue Department of Hong Kong in respect of claiming 50% of manufacturing profit/loss as offshore profit/loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 12. LOSS FOR THE YEAR

The Group's loss for the year has been arrived at after charging the following:

	2021 HK\$'000	2020 HK\$'000
Auditor's remuneration	695	1,238
Depreciation of right-of-use assets	85	1,536
Depreciation of property, plant and equipment	3,509	3,100
Write-down of inventories (included in cost of inventories sold)	1,639	1,973
Cost of inventories sold	334,450	422,078
Directors' remuneration		
As directors (independent non-executive directors)	291	295
For management (executive directors)	786	2,339
Retirement benefits scheme contributions	45	73
	1,122	2,707
Staff costs (not including directors' emoluments)		
Salaries, bonus and allowances	101,314	129,499
Retirement benefits scheme contributions	3,898	5,088
	105,212	134,587
Total staff costs (including directors' emoluments)	106,334	137,294

Cost of inventories sold includes staff costs and depreciation of HK\$75,011,000 (2020: HK\$99,356,000) which are included in the amounts disclosed separately above.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### (a) Directors' and chief executive's emoluments

Details of the emoluments paid or payable to the Directors and the chief executive were as follows:

For the year ended 31 March 2021

#### Executive directors

	Director's Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit contributions HK\$'000	Total HK\$'000
Gao Jianbo	150	–	9	159
Cai Dongyan	180	–	10	190
Zhang Huijun	180	–	10	190
Pauline Lam	180	–	10	190
Lin Liangyong (note i)	96	–	6	102
	<b>786</b>	<b>–</b>	<b>45</b>	<b>831</b>

#### Independent non-executive directors

Chan Ka Yin (note ii)	6	–	–	6
Huang Zhiwei (note iii)	72	–	–	72
Lam Yick Man (note iv)	96	–	–	96
Hu Zhigang (note v)	90	–	–	90
Zhang Jiayo (note vi)	27	–	–	27
	<b>291</b>	<b>–</b>	<b>–</b>	<b>291</b>
<b>Total</b>	<b>1,077</b>	<b>–</b>	<b>45</b>	<b>1,122</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

### (a) Directors' and chief executive's emoluments (Continued)

	Directors' Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit contributions HK\$'000	Total HK\$'000
<i>For the year ended 31 March 2020</i>				
<b>Executive directors</b>				
Gao Jianbo	550	–	17	567
Cai Dongyan	565	–	17	582
Zhang Huijun	565	–	17	582
Pauline Lam	565	–	17	582
Lin Liangyong (note i)	94	–	5	99
	2,339	–	73	2,412
<b>Non-executive director</b>				
Kwok Kai Hng Daniel (note vii)	2	–	–	2
<b>Independent non-executive directors</b>				
Chan Ka Yin (note ii)	73	–	–	73
Han Dengpan (note viii)	24	–	–	24
Fung Chi Kin (note ix)	6	–	–	6
Huang Zhiwei (note iii)	96	–	–	96
Lam Yick Man (note iv)	94	–	–	94
	293	–	–	293
<b>Total</b>	<b>2,634</b>	<b>–</b>	<b>73</b>	<b>2,707</b>

Notes:

- (i) Mr. Lin Liangyong was appointed as the executive director of the Company on 10 April 2019.
- (ii) Mr. Chan Ka Yin was appointed as the independent non-executive director of the Company on 28 June 2019 and resigned on 24 April 2020.
- (iii) Mr. Huang Zhiwei was resigned as the independent non-executive director of the Company on 19 December 2020.
- (iv) Mr. Lam Yick Man was appointed as the independent non-executive director of the Company on 10 April 2019.
- (v) Mr. Hu Zhigang was appointed as the independent non-executive director of the Company on 24 April 2020.
- (vi) Mr. Zhang Jiayo was appointed as the independent non-executive director of the Company on 19 December 2020.
- (vii) Mr. Kwok Kai Hng Daniel resigned as the non-executive director of the Company on 10 April 2019.
- (viii) Mr. Han Dengpan resigned as the independent non-executive director of the Company on 28 June 2019.
- (ix) Mr. Fung Chi Kin resigned as the Independent non-executive director of the Company on 10 April 2019.

During the year, Mr. Gao Jianbo has agreed to waive his emoluments of HK\$450,000 (2020: HK\$nil) and Mr. Cai Dongyan, Mr. Zhang Huijun, Ms. Pauline Lam and Mr. Lin Liangyong have agreed to have no paid leave for each month i.e. only 30% of monthly director fees will be paid to them. Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any emoluments during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

### (b) Five highest paid individuals

The five highest paid individuals in the Group during the year included nil (2020: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining five (2020: two) individuals are set out below:

	2021 HK\$'000	2020 HK\$'000
Basic salaries and allowances	3,397	2,923
Retirement benefits contributions	87	36
	<b>3,484</b>	<b>2,959</b>

The emoluments fell within the following band:

	2021 No. of employees	2020 No. of employees
Nil to HK\$1,000,000	5	–
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	–	1
	<b>5</b>	<b>2</b>

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 14. DIVIDENDS

The Directors did not recommend the payment of any dividend for the years ended 31 March 2021 and 2020.

## 15. LOSS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

Loss:

Loss for the year attributable to owners of the Company  
for the purpose of calculating basic loss per share

**2021**  
**HK\$'000**

2020  
HK\$'000

**(24,428)**

(40,071)

**'000**

'000

**445,646**

445,646

Number of shares:

Weighted average number of ordinary shares for the purpose of  
calculating basic loss per share

No diluted loss per share for the current and prior year was presented as there were no potential ordinary shares in issue.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 16. PROPERTY, PLANT AND EQUIPMENT

	Buildings in the PRC HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Moulds HK\$'000	Total HK\$'000
<b>COST OR VALUATION</b>							
At 1 April 2019	94,587	36,040	60,021	38,065	6,888	82,071	317,672
Additions	–	297	1,084	572	–	1,641	3,594
Revaluation decrease	(2,172)	–	–	–	–	–	(2,172)
Exchange differences	(6,619)	(1,111)	(1,243)	(935)	(140)	(332)	(10,380)
At 31 March 2020 and 1 April 2020	85,796	35,226	59,862	37,702	6,748	83,380	308,714
Additions	–	1,510	250	614	–	1,420	3,794
Revaluation increase	2,130	–	–	–	–	–	2,130
Exchange differences	7,696	2,264	2,944	1,476	165	444	14,989
At 31 March 2021	95,622	39,000	63,056	39,792	6,913	85,244	329,627
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS</b>							
At 1 April 2019	–	36,040	54,786	38,065	6,888	82,071	217,850
Charge for the year	2,209	39	565	61	–	226	3,100
Eliminated for revaluation	(2,146)	–	–	–	–	–	(2,146)
Impairment loss recognised in profit or loss	–	249	3,469	499	–	1,415	5,632
Exchange differences	(63)	(1,102)	(858)	(923)	(140)	(332)	(3,418)
At 31 March 2020 and 1 April 2020	–	35,226	57,962	37,702	6,748	83,380	221,018
Charge for the year	2,270	166	289	630	–	154	3,509
Eliminated for revaluation	(2,338)	–	–	–	–	–	(2,338)
Impairment loss recognised in profit or loss	–	1,392	–	–	–	1,266	2,658
Exchange differences	68	2,216	2,787	1,460	165	444	7,140
At 31 March 2021	–	39,000	61,038	39,792	6,913	85,244	231,987
<b>CARRYING AMOUNTS</b>							
At 31 March 2021	95,622	–	2,018	–	–	–	97,640
At 31 March 2020	85,796	–	1,900	–	–	–	87,696

Had the building in the PRC been carried at cost less accumulated depreciation and accumulated impairment losses, their carrying values would have been HK\$32,051,000 (2020: HK\$36,421,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 17. RIGHT-OF-USE ASSETS

### Disclosures of lease-related items:

#### At 31 March:

Right-of-use assets

- Leasehold lands
- Building

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

- Less than 1 year
- Between 1 and 2 years

#### Year ended 31 March:

Depreciation charge of right-of-use assets

- Leasehold lands
- Buildings

Lease interests

Expenses related to short-term leases

Total cash outflow for leases

Additions to right-of-use assets

2021 HK\$'000	2020 HK\$'000
2,939	2,781
—	—
2,939	2,781
164	2,159
—	654
164	2,813
85	87
—	1,449
85	1,536
27	84
—	646
983	2,151
—	4,157

The Group leases various leasehold lands and buildings. Lease agreements are typically made for fixed periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 18. IMPAIRMENT ASSESSMENT OF PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

The Group recorded continuous loss for the years ended 31 March 2021 and 2020. The management of the Group concluded there was impairment indication and conducted a review of the recoverable amount of the property, plant and equipment and right-of-use assets.

For the purpose of impairment assessment, property, plant and equipment and right-of-use assets as disclosed in note 16 and note 17 respectively were allocated to the Group's cash generating unit of sales of electrical haircare products business ("CGU") since the management of the Group considers that it is not possible to estimate their recoverable amounts individually. The aggregate carrying amount of the CGU comprises property, plant and equipment of HK\$100,298,000 (2020: HK\$93,328,000) and right-of-use assets of HK\$2,939,000 (2020: HK\$5,489,000).

The recoverable amount of the CGU has been determined based on a value-in-use calculation. The calculation uses cash flow projections based on the financial budgets approved by the management covering a 5-year period with an average growth rate of 3.2% (2020: 0.7%), and a discount rate of 15% (2020: 15%). Cash flows beyond the 5-year period are extrapolated using zero (2020: zero) growth rate. Other key assumptions for the value-in-use calculation relates to the estimation of cash inflows/outflows which include budgeted revenue, gross profit margin and growth rate during the forecast period, such estimation is based on the Group's historical performance, sales orders on hand and market trend.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU was less than the carrying amount. Based on the value-in-use calculation, an impairment loss of HK\$2,658,000 on property, plant and equipment has been recognised in profit or loss for the year ended 31 March 2021 (2020: impairment loss of HK\$5,632,000 on property, plant and equipment and impairment loss of HK\$2,708,000 on right-of-use assets). The impairment loss amount for property, plant and equipment and right-of-use assets has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of property, plant and equipment and right-of-use assets is not reduced below the highest of its fair value less cost of disposal, its value in use and zero.

The buildings located in the PRC (including in property, plant and equipment) were measured at fair value. The carrying value of leasehold lands located in the PRC (including in right-of-use assets) was supported by its fair value less cost of disposal. Accordingly, no impairment loss has been recognized.

## 19. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Raw materials	23,791	35,055
Work in progress	39,512	57,695
Finished goods	6,247	13,720
	<b>69,550</b>	<b>106,470</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 20. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 14–90 days. For those major customers, a credit term up to 120 days from the invoice date would be allowed. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

	2021 HK\$'000	2020 HK\$'000
Trade receivables	75,141	79,282
Less: loss allowance	(351)	(977)
Total trade receivables	74,790	78,305

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2021 HK\$'000	2020 HK\$'000
0–60 days	72,299	29,752
61–120 days	515	44,116
121–365 days	531	4,201
Over 1 year	1,445	236
	74,790	78,305

As at 31 March 2021, total bill receivables amounting to HK\$2,641,000 (2020: HK\$619,000) and held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than a year.

Reconciliation of loss allowance for trade receivables:

	2021 HK\$'000	2020 HK\$'000
At the beginning of the year	977	571
(Reversal of allowance)/allowance for the year	(626)	1,307
Write-off	–	(901)
At the end of the year	351	977

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	1–30 days past due	31–60 days past due	61–120 days past due	121 days–1 year past due	Over 1 year past due	Total
At 31 March 2021							
Weighted average expected loss rate	0%	0%	0%	0%	2%	19%	
Receivable amount (HK\$'000)	68,654	2,879	817	515	531	1,745	75,141
Loss allowance (HK\$'000)	–	–	–	1	12	338	351
At 31 March 2020							
Weighted average expected loss rate	0%	0%	0%	0%	5%	73%	
Receivable amount (HK\$'000)	68,578	5,117	2,670	707	938	1,272	79,282
Loss allowance (HK\$'000)	–	–	–	–	44	933	977



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Deposits	498	936
Prepayments	15,007	17,026
Other tax recoverable	2,036	3,059
Other receivables	569	560
	<b>18,110</b>	<b>21,581</b>

## 22. BANK AND CASH BALANCES

The bank balances carry interests at market rates ranging from 0.01%–0.025% (2020: 0.01%–0.03%) per annum.

As at 31 March 2021, the bank and cash balance of the Group denominated in Renminbi (“RMB”) amounted to HK\$5,292,000 (2020: HK\$9,492,000). Conversion of RMB into foreign currencies is subject to the PRC’s Foreign Exchange Control Regulations.

## 23. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2021 HK\$'000	2020 HK\$'000
0 to 60 days	37,615	33,437
61 to 120 days	8,496	18,126
121 to 365 days	5,384	12,134
Over 1 year	4,299	7,793
	<b>55,794</b>	<b>71,490</b>

The credit periods on purchases of goods range from 30 to 120 days.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 24. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 March		As at 1 April
	2021	2020	2019
	HK\$'000	HK\$'000	HK\$'000
Contract liabilities	7,492	5,403	9,147

	As at 31 March		As at 1 April
	2021	2020	2019
	HK\$'000	HK\$'000	HK\$'000
Contract receivables (included in trade receivables)	74,790	78,305	101,116

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	2021	2020
	HK\$'000	HK\$'000
— Year ended 31 March 2021	N/A	5,403
— Year ended 31 March 2022	7,492	N/A
	7,492	5,403

### Year ended 31 March

Revenue recognised in the year that was included in contract liabilities at beginning of year

	2021	2020
	HK\$'000	HK\$'000
	5,403	9,147

Significant changes in contract liabilities

	2021	2020
	HK\$'000	HK\$'000
Increase due to operations in the year	23,802	15,307
Transfer of contract liabilities to revenue	21,713	19,051

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 25. LOANS FROM RELATED PARTIES

The amount are unsecured, interest-free and repayable within one year from the drawdown date.

	2021 HK\$'000	2020 HK\$'000
CYC <sup>(a)</sup>	18,095	14,245
Mr. Lam Wai Ming <sup>(b)</sup>	40,000	40,000
	<b>58,095</b>	<b>54,245</b>

(a) CYC is the Company's immediate holding company. During the year ended 31 March 2021, the loan of HK\$14,245,000 (2020: HK\$10,045,000) brought forward from 31 March 2020 (2020: 31 March 2019) was extend for one year and a new loan of HK\$3,850,000 (2020: HK\$4,200,000) was raised such that both loan amounts are repayable within one year from the end of the reporting period.

(b) Mr. Lam Wai Ming is the key management personnel of the Group. (2020: from Mr. Tam Chi Sang and Mr. Lam Wai Ming, the key management personnel of the Group).

## 26. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Within one year	164	2,159	163	2,088
In the second to fifth years, inclusive	–	654	–	648
	164	2,813		
Less: Future finance charges	(1)	(77)		
Present value of lease liabilities	163	2,736	163	2,736
Less: Amount due for settlement within 12 months (shown under current liabilities)			(163)	(2,088)
Amount due for settlement after 12 months			–	648

At 31 March 2021, the average effective borrowing rate was 4.0% (2020: 4.0%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 27. BANK BORROWINGS

Carrying amount of bank borrowings repayable within one year which contain a repayment on demand clause and shown under current liabilities

2021 HK\$'000	2020 HK\$'000
<b>31,461</b>	51,211

The Group's bank borrowings carry interest at variable rate of Hong Kong Interbank Offered Rate ("HIBOR") + 1.8% to 2% or 1% below Prime Rate (2020: HIBOR + 1.8% to 2.0% or 1% below Prime Rate). The range of effective interest rates is from 2.69% to 4.45% (2020: from 2.88% to 4.43%). The Group entered into several banking facilities with banks in Hong Kong. The banking facilities are guaranteed by personal guarantees from Mr. Lam Wai Ming, the key management personnel, and Mr. Tam Chi Sang (resigned as the key management personnel as at 31 March 2021) as at 31 March 2021 and Mr. Tam Chi Sang and Mr. Lam Wai Ming, the key management personnel as at 31 March 2020.

## 28. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Revaluation of leasehold land and buildings HK\$'000
At 31 March 2019	15,254
Credit to other comprehensive income	(6)
Exchange differences	(1,068)
At 31 March 2020	14,180
Charge to other comprehensive income	<b>1,117</b>
Exchange differences	<b>1,488</b>
At 31 March 2021	<b>16,785</b>

Under the PRC law, withholding tax is imposed on dividends declared to non-residents in respect of profits earned by subsidiaries in the PRC from 1 January 2008 onwards. Deferred tax liabilities have not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits earned by subsidiaries in the PRC amounting to HK\$30,457,000 (2020: HK\$35,228,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has unused tax losses of HK\$148,756,000 (2020: HK\$141,391,000) and temporary difference arising from impairment loss on property, plant and equipment and right of use assets of HK\$58,746,000 (2020: HK\$54,070,000) available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams. Included in unused tax losses are losses from certain subsidiaries operating in the PRC of HK\$45,709,000 (2020: HK\$59,116,000) that will expire in various dates within five years up to 2025 (2020:2024). All other tax losses may be carried forward indefinitely.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 29. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 (2020: HK\$0.001) each		
At 1 April 2019, 31 March 2020		
1 April 2020 and 31 March 2021	1,000,000	1,000
Issued and fully paid:		
Ordinary shares of HK\$0.001 (2020: HK\$0.001) each		
At 1 April 2019, 31 March 2020		
1 April 2020 and 31 March 2021	445,646	446

## 30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debts, which includes the loans from related parties, lease liabilities and bank borrowings disclosed in notes 25, 26 and 27 and equity attributable to owners of the Company, comprising share capital and reserves. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as addition to new borrowings and repayment of existing debts.

## 31. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 6 August 2015 for the primary purpose of providing incentives to directors of the Company and eligible employees, and will remain in force for a period of ten years.

Under the Scheme, the Board may, at its absolute discretion, offer to grant options to any employee, executive and officer of the Group, any director (including non-executive director and independent non-executive director) and any adviser, consultant, supplier and/or agent of the Group whom the Board considered have contributed or will contribute to the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the nominal amount of all issued shares as at 6 August 2015, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 31. SHARE OPTION SCHEME (Continued)

Options granted were exercisable from the date of grant to 5 August 2025 (both days inclusive). The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No share options were granted, exercised, cancelled or lapsed under the Scheme during the current and prior years nor outstanding at the end of both reporting periods.

## 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>		
Investment in subsidiaries	58	58
<b>Current assets</b>		
Deposit	–	429
Amounts due from subsidiaries	64,044	64,044
Bank and cash balances	268	108
	64,312	64,581
<b>Current liabilities</b>		
Other payables and accruals	6,767	8,026
Lease liabilities	–	1,132
Loan from a shareholder	18,095	14,245
	24,862	23,403
<b>Net current assets</b>	39,450	41,178
<b>Total assets less current liabilities</b>	39,508	41,236
<b>Non-current liabilities</b>		
Lease liabilities	–	485
<b>NET ASSETS</b>	39,508	40,751
<b>Capital and reserves</b>		
Share capital	446	446
Reserves	39,062	40,305
<b>TOTAL EQUITY</b>	39,508	40,751

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 33. RESERVES

### (a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

### (b) Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2019	63,099	(11,838)	51,261
Loss and total comprehensive expense for the year	–	(10,956)	(10,956)
At 31 March 2020 and 1 April 2020	63,099	(22,794)	40,305
Loss and total comprehensive expense for the year	–	(1,243)	(1,243)
At 31 March 2021	63,099	(24,037)	39,062

### (c) Nature and purpose of reserves

#### (i) *Share premium account*

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

#### (ii) *Translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

#### (iii) *Property revaluation reserve*

The property revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for buildings in note 3 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Interest payable (included in other payable) HK\$'000	Lease liabilities HK\$'000	Bank borrowings HK\$'000	Loans from related parties HK\$'000	Total liabilities from financing activities HK\$'000
At 1 April 2019	–	–	54,828	70,045	124,873
Changes in cash flows	(1,839)	(1,505)	(3,617)	(15,800)	(22,761)
Non-cash changes					
— additions	–	4,157	–	–	4,157
— interest charged	1,839	84	–	–	1,923
At 31 March 2020 and 1 April 2020	–	2,736	51,211	54,245	108,192
Changes in cash flows	(1,255)	(983)	(19,750)	3,850	(18,138)
Non-cash changes					
— interest charged	1,255	27	–	–	1,282
— others	–	(1,617)	–	–	(1,617)
At 31 March 2021	–	163	31,461	58,095	89,719

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 35. CAPITAL COMMITMENTS

Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements

2021 HK\$'000	2020 HK\$'000
823	1,065

## 36. RELATED-PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

### Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and other key management of the Group. The key management personnel compensations are as follows:

	2021 HK\$'000	2020 HK\$'000
Basic salaries and allowances	2,280	3,503
Retirement benefit contributions	52	39
	<b>2,334</b>	<b>3,542</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 37. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at 31 March 2021 and 2020 are set out below:

Name of subsidiaries	Place of incorporation/ Registration/ operation	Issued and paid up shares/ registered capital	Percentage of ownership interest attributable to the Company		Principal activities
			2021	2020	
Direct subsidiary					
Asia Pilot Development Limited	British Virgin Islands ("BVI")	US\$1	100%	100%	Investment holding
Indirect subsidiaries					
Kenford Industrial Company Limited	Hong Kong	HK\$1,000,000	100%	100%	Design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical appliances
Kario Company Limited	Hong Kong	HK\$10,000	100%	100%	Investment holding and trading
東莞家利來電器有限公司 Dongguan Kario Electrical Appliance Company Limited (note)	PRC	US\$4,050,000	100%	100%	Design, manufacture and sale of electrical haircare products
Talent Star (China) Limited	Hong Kong	HK\$1	100%	100%	Managerial services for group companies
Fame Motor Limited	Hong Kong	HK\$1	100%	100%	Investment holding and trading
東莞建福電器有限公司 Dongguan Kenford Electrical Appliance Company Limited (note)	PRC	HK\$21,600,000	100%	100%	Provision of contract processing services

Note:

These entities are registered as wholly foreign owned enterprises under the PRC law. The English translation of the company names is for identification purpose only.

As at 31 March 2021, the bank and cash balances of the Group's subsidiaries in the PRC denominated in Renminbi ("RMB") amounted to HK\$5,098,000 (2020: HK\$9,492,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

## 38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 June 2021.



## Five Years Financial Summary

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment	97,640	87,696	99,822	111,393	100,651
Prepaid lease payments	–	–	3,082	3,398	3,163
Right-of-use assets	2,939	2,781	–	–	–
Deposits paid for acquisition of property, plant and equipment	1,772	1,846	1,845	2,533	1,873
	<b>102,351</b>	<b>92,323</b>	<b>104,749</b>	<b>117,324</b>	<b>105,687</b>
<b>Current assets</b>					
Inventories	69,550	106,470	90,462	65,057	60,792
Trade receivables	74,790	78,305	101,116	112,569	142,547
Deposits, prepayments and other receivables	18,110	21,581	18,712	17,112	12,872
Tax recoverable	–	–	8	584	1,816
Investments held for trading	–	–	–	–	5,909
Bank and cash balances	27,987	31,060	83,957	58,072	106,707
	<b>190,437</b>	<b>237,416</b>	<b>294,255</b>	<b>253,394</b>	<b>330,643</b>
Assets classified as held for sale	–	–	–	–	53,080
	<b>190,437</b>	<b>237,416</b>	<b>294,255</b>	<b>253,394</b>	<b>383,723</b>
<b>Current liabilities</b>					
Trade payables	55,794	71,490	80,797	53,904	65,159
Accruals and other payables	32,127	28,107	18,425	24,516	32,784
Contract liabilities	7,492	5,403	9,147	–	–
Loans from related parties	58,095	54,245	70,045	4,045	–
Lease liabilities	163	2,088	–	–	–
Bank borrowings	31,461	51,211	54,828	57,662	49,811
Tax liabilities	3,564	4,579	4,040	4,541	5,287
	<b>188,696</b>	<b>217,123</b>	<b>237,282</b>	<b>144,668</b>	<b>153,041</b>
<b>Net current assets</b>	<b>1,741</b>	<b>20,293</b>	<b>56,973</b>	<b>108,726</b>	<b>230,682</b>
<b>Total assets less current liabilities</b>	<b>104,092</b>	<b>112,616</b>	<b>161,722</b>	<b>226,050</b>	<b>336,369</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	16,785	14,180	15,254	15,855	12,465
Lease liabilities	–	648	–	–	–
	<b>16,785</b>	<b>14,828</b>	<b>15,254</b>	<b>15,855</b>	<b>12,465</b>
<b>Net assets</b>	<b>87,307</b>	<b>97,788</b>	<b>146,468</b>	<b>210,195</b>	<b>323,904</b>
<b>Capital and reserves</b>					
Share capital	446	446	446	446	446
Reserves	86,861	97,342	146,022	209,749	323,458
<b>Total equity</b>	<b>87,307</b>	<b>97,788</b>	<b>146,468</b>	<b>210,195</b>	<b>323,904</b>

# Five Years Financial Summary

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2021 HK\$'000	Year ended 31 March			
		2020 HK\$'000	2019 HK\$'000 (Note)	2018 HK\$'000 (Note)	2017 HK\$'000 (Note)
<b>Revenue</b>	<b>365,837</b>	450,800	415,358	429,684	495,390
Cost of sales	(334,450)	(422,078)	(394,369)	(384,463)	(415,912)
<b>Gross profit</b>	<b>31,387</b>	28,722	20,989	45,221	79,478
Other (losses)/gains, net	(55)	6,995	13,248	2,683	6,653
Distribution costs	(7,778)	(6,543)	(6,367)	(6,544)	(6,752)
Administrative expenses	(44,568)	(57,683)	(65,546)	(70,931)	(83,372)
Reversal of impairment losses/ (impairment losses) of trade receivables	626	(1,307)	112	–	–
Impairment loss on property, plant and equipment	(2,658)	(5,632)	(14,440)	(7,143)	(14,146)
Impairment loss recognised on right-of-use assets	–	(2,708)	–	–	–
Impairment loss recognised in respect of goodwill	–	–	–	–	(1,403)
<b>Loss from operations</b>	<b>(23,046)</b>	(38,156)	(52,004)	(36,174)	(19,542)
Finance costs	(1,282)	(1,923)	(2,192)	(1,443)	(1,392)
<b>Loss before tax</b>	<b>(24,328)</b>	(40,079)	(54,196)	(38,157)	(20,934)
Income tax (expense)/credit	(100)	8	(139)	(784)	(1,286)
<b>Loss for the year</b>	<b>(24,428)</b>	(40,071)	(54,335)	(38,941)	(22,220)
<b>Other comprehensive income/ (expense) after tax</b>					
Items that will not be reclassified to profit or loss:					
(Loss) gain on revaluation of properties	4,468	(26)	2,056	4,332	6,256
Deferred tax effect arising on revaluation of properties	(1,117)	6	(450)	(1,082)	2,638
Item that may be reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations	10,596	(8,589)	(10,366)	16,949	(10,091)
<b>Other comprehensive income/ (expense) for the year, net</b>	<b>13,947</b>	(8,609)	(8,760)	20,199	(1,197)
<b>Total comprehensive expense for the year</b>	<b>(10,481)</b>	(48,680)	(63,095)	(18,742)	(23,417)
<b>Loss per share</b>					
Basic and diluted (HK cents)	(5.48)	(8.99)	(12.19)	(8.74)	(4.99)

Note: Certain comparative figures have been reclassified to conform to the current year's presentation.