



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

2023

INTERIM REPORT

Contents

| | Page |
|-----------------------------------------------------------------------------------------|------|
| 1. Corporate Information | 2 |
| 2. Highlights | 3 |
| 3. Management Discussion and Analysis | 4 |
| 4. Supplementary Information | 10 |
| 5. Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income | 21 |
| 6. Condensed Consolidated Statement of Financial Position | 22 |
| 7. Condensed Consolidated Statement of Changes in Equity | 24 |
| 8. Condensed Consolidated Statement of Cash Flows | 25 |
| 9. Notes to the Condensed Consolidated Financial Statements | 26 |

Corporate Information

BOARDS OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. Lam Yick Man
Mr. Hu Zhigang
Mr. Zhang Jiayou

COMPANY SECRETARY

Mr. Shiu Wing Yan

AUDIT COMMITTEE

Mr. Lam Yick Man (*Chairman*)
Mr. Hu Zhigang
Mr. Zhang Jiayou

NOMINATION COMMITTEE

Mr. Hu Zhigang (*Chairman*)
Mr. Lam Yick Man
Mr. Zhang Jiayou

REMUNERATION COMMITTEE

Mr. Hu Zhigang (*Chairman*)
Mr. Zhang Huijun
Mr. Lam Yick Man
Mr. Zhang Jiayou

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

| | Six months ended 30 September | |
|---------------------------|----------------------------------|---------------------------------|
| | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| Operating results | | |
| Revenue | 108,272 | 148,350 |
| Gross profit | 2,703 | 11,247 |
| Net loss | (19,154) | (13,069) |
| Per share data | HK cents | HK cents |
| Basic loss per share | (4.298) | (2.933) |
| Net assets per share | 12.2 | 17.4 |
| Financial position | HK\$'000 | HK\$'000 |
| Bank and cash balances | 12,967 | 25,518 |
| Total assets | 127,784 | 289,335 |
| Net assets | 54,345 | 77,413 |
| Financial ratio | | |
| Gross profit margin | 2.5% | 7.6% |
| Net loss to revenue | (17.7%) | (8.8%) |
| Return on equity | (35.3%) | (16.9%) |
| Net gearing ratio | 17.1% | 5.4% |

Management Discussion and Analysis

The board (the “**Board**”) of directors (the “**Directors**”) of China Overseas Nuoxin International Holdings Limited (the “**Company**”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2022 (the “**Current Period**”) together with the comparative figures for the corresponding period of last year (the “**Last Corresponding Period**”).

FINANCIAL RESULTS

The Group’s turnover for the Current Period was approximately HK\$108,272,000, which represented a decrease of approximately 27.0% from approximately HK\$148,350,000 during the Last Corresponding Period. The decrease was mainly due to the impact on global economy brought by the prolonged Russia-Ukraine conflict, which adversely affected the demand of the Group’s products especially from customers of the European markets.

Gross profit for the Current Period amounted to approximately HK\$2,703,000, which represented a decrease of approximately 76.0% from approximately HK\$11,247,000 in the Last Corresponding Period. Gross profit margin during the Current Period was approximately 2.5% as compared to 7.6% in the Last Corresponding Period, which represented a decrease of 5.1 percentage points. The decrease was mainly caused by the increase in cost of sales due to the increase in material costs, especially metal-related components, resulting from the restrictive measures in respect of Covid-19 pandemic (the “**Pandemic**”) in the People’s Republic of China (the “**PRC**”) during the first half of 2022, and overhead costs, such as labour costs as the minimum wage in Guangdong Province of the PRC raised by 10.5% effective from 1 December 2021.

Net loss for the Current Period was approximately HK\$19,154,000, which represented an increase of approximately 46.6% from approximately HK\$13,069,000 in the Last Corresponding Period.

Management Discussion and Analysis

FINANCIAL RESULTS (Continued)

Basic loss per share was HK4.298 cents, which represented an increase of approximately 46.6% from the loss per share of HK2.933 cents in the Last Corresponding Period.

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

BUSINESS REVIEW

Market Review

The Group is principally engaged in the design, manufacture and sale of electrical haircare appliances. The Group's manufacturing base is located in Dongguan, the PRC, with its products mainly sold on original design manufacturing (ODM) and original equipment manufacturing (OEM) basis.

In the first half of 2022, the widespread Pandemic outbreak in multiple cities across the world and in the PRC resulted in stringent lockdown and temporary suspension of economic activities from February to May 2022, which led to decrease of inventory turnover of the customers from June to August 2022; disruption of product delivery and raw material supply, and the increase in the production cost and logistics cost. Nonetheless, leveraging on the long-term and amicable partnerships with our suppliers and financial risk management, the Group has minimized the adverse impact with various cost savings efforts.

During the Current Period, the Group continued to face strong pressure from customers requesting price reductions for mature products due to the depreciation of Renminbi, the Group will closely communicate with the customers to understand and accommodate their situation and provide different solutions to overcome this challenge.

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

Market Review (Continued)

Most of the Group's customers are renowned global brands. The five major customers have accounted for approximately 62% and 72% of its total turnover during the Current Period and the Last Corresponding Period, respectively. The Group believes that the European and Asian markets will remain the major geographic revenue contributors in the coming years.

Operation Review

Mainland China remains the Group's major production center. Similar to other manufacturers in Mainland China, the Group has faced a series of operating challenges, such as the slow recovery in export markets, the difficulties in recruiting skilled production line operators and the increasing raw material costs and other manufacturing expenses, such as the increase in minimum wage in Guangdong Province of the PRC by 10.5% effective from 1 December 2021. However, the Group's continued efforts to optimise its product mix, focus on high margin products and expansion in scale advantage has mitigated the negative effects of the intensified market competition.

As always, the Group has put efforts on improving the competitiveness of its high quality products together with bolstering its research and development capabilities with an aim to enhancing its market share and achieving a long term relationship with its customers.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had approximately HK\$12,967,000 in bank and cash balances as at 30 September 2022 (31 March 2022: HK\$12,362,000). The Group's net current assets were approximately HK\$43,905,000 (31 March 2022: HK\$59,343,000). The current ratio was approximately 1.6 (31 March 2022: 1.6).

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

As at 30 September 2022, the Group had aggregate banking facilities of approximately HK\$53,400,000 (31 March 2022: HK\$53,400,000), of which approximately HK\$22,252,000 (31 March 2022: HK\$26,349,000) was utilized. The borrowings comprised trade finance facilities of approximately HK\$22,252,000 (31 March 2022: trade finance facilities of HK\$25,564,000 and bank overdrafts of HK\$785,000) with maturity due within one year. The bank borrowings carry interest at rates ranging from HIBOR/LIBOR plus 1.8% to 2.0% (31 March 2022: 1.8% to 2.0%) or 1% below the prime rate (31 March 2022: 1%).

As at 30 September 2022, the Group's net gearing ratio was approximately 17.1% (31 March 2022: 19.9%). 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 30 September 2022.

The Group has adopted a prudent financial and funds management approach towards its treasury policies and will continuously monitor financial resources to ensure sufficient funding to meet working capital and capital expenditure requirements.

FOREIGN EXCHANGE EXPOSURE

The Group's financial statements are denominated in Hong Kong dollars. The Group conducts its 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 is no material exchange rate risk in this respect. All of the Group's bank loan facilities have been denominated in Hong Kong dollars and carry interest at floating rates. During the Current Period, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign exchange risk.

Management Discussion and Analysis

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**”).

CONTRACTUAL AND CAPITAL COMMITMENTS

As at 30 September 2022, the Group had capital commitments of HK\$1,478,000 (31 March 2022: HK\$1,089,000).

CONTINGENT LIABILITIES

As at 30 September 2022, the Group had no material contingent liabilities (31 March 2022: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2022, the Group employed 16 staff in Hong Kong (30 September 2021: 24) and a total work force of 589 people (30 September 2021: 1,079) inclusive of all its staff and workers in the PRC. For the Current Period, the total staff costs (including Directors’ remuneration) were approximately HK\$40,994,000 (Last Corresponding Period: HK\$44,836,000) and the decrease in staff costs was mainly attributable to the decrease in the size of the total work force, partially affected by the increase in minimum wage in Guangdong Province of the PRC and the redundancy payment. The Group’s remuneration policy is underscored by the principle of awarding equitable packages to employees, incentive-based where applicable, with remuneration 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 scheme, performance-based bonuses, provident fund contributions and medical insurance coverage.

Management Discussion and Analysis

OUTLOOK AND PROSPECTS

With reference to the existing principal haircare appliances businesses, the Group anticipates that the businesses will face several key challenges. The prolonged Russia-Ukraine conflict has a great impact on the global economy, which led to the increase in the prices of energy and commodity during the Current Period. On the other hand, the restrictive measures in respect of the Pandemic in the PRC leads to the shortage of skilled labour force and materials supply. Due to the reasons above, it is expected to have a great pressure on our profit margin. At the same time, the predictability of future sales orders received is comparatively low which presents difficulties in planning the allocation of resources ahead.

In this regard, the Group will strive to control costs and improve operational efficiency. Meanwhile, the Group will continue to optimize and recalibrate the composition of raw materials supply, while identifying new suppliers to secure a sufficient supply and cost reduction.

The Group will continue to explore opportunities and 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.

Supplementary Information

SHARE CAPITAL

As at 30 September 2022, the listed shares of HK\$0.001 each in the share capital of the Company (the “**Shares**”) was 445,646,000 Shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company during the Current Period.

INTERIM DIVIDENDS

The Board has resolved not to declare payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

As at 30 September 2022, 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 to the Listing Rules.

Supplementary Information

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

As at 30 September 2022, 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 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% |
| Special Opportunity Private Equity Investment Fund No.2* (特殊機遇私募投資基金2號) | Investment manager | 50,575,000 | 11.35% |

Supplementary Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY (Continued)

Long Position in the Shares of the Company (Continued)

| Name of Substantial Shareholders | Capacity and Nature of Interest | Number of Shares held | Approximate percentage of issued Shares |
|----------------------------------------------------------------------------|---------------------------------|-----------------------|-----------------------------------------|
| Special Opportunity Private Equity Investment Fund No.3* (特殊機遇私募投資基金3號) | Investment manager | 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.

* For identification purpose only

Supplementary Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY (Continued)

Long Position in the Shares of the Company (Continued)

Save as disclosed above, as at 30 September 2022, 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 Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

On 27 May 2005, the Company adopted a Share Option Scheme (“**2005 Share Option Scheme**”) which was matured on 26 May 2015. Pursuant to a resolution passed on 6 August 2015, the Company adopted a new share option scheme which will remain in force for a period of ten (10) years. There was no option granted under the new share option scheme during the six months ended 30 September 2022 (31 March 2022: Nil).

There was no outstanding option as at 30 September 2022 (31 March 2022: Nil).

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Current Period 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, its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Supplementary Information

COMPETING INTERESTS

Save and except for interests in the Group, none of the Directors and controlling shareholders of the Company nor their respective associates (as defined under the Listing Rules) had any interest in any other companies as at 30 September 2022 which may, directly or indirectly, compete with the Group's business.

CORPORATE GOVERNANCE

Corporate Governance Practices

To enhance accountability, transparency, independence, responsibility and fairness to the shareholders and stakeholders, the Company is dedicated to develop the appropriate framework of corporate governance for the Group. 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.

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 six months ended 30 September 2022.

Compliance with the Model Code for Securities Transactions by Directors

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 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 six months ended 30 September 2022.

Supplementary Information

CORPORATE GOVERNANCE (Continued)

Board of Directors

The Board comprises seven Directors, four of which are executive Directors, namely, Mr. Zhang Huijun (Chairman), Ms. Cai Dongyan (Chief Executive Officer), Ms. Pauline Lam and Mr. Lin Liangyong, and three of which are independent non-executive Directors, namely, Mr. Hu Zhigang, Mr. Lam Yick Man and Mr. Zhang Jiayou.

Remuneration Committee

The remuneration committee of the Company (the “**Remuneration Committee**”) was established with the purpose (i) to review and give comment to the overall remuneration policy and remuneration packages of the Group; (ii) to review and give comment to the basic salary of the executive Directors and senior management of the Group; (iii) to review and give comment to the performance bonus of the executive Directors; (iv) to note the fact that no compensation had been paid to the executive Directors and senior management of the Group in relation to their resignation, if any; and (v) to recommend the remuneration packages of the executive Directors and senior management of the Group for each financial year prior to recommending them to the Board for determination.

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

Supplementary Information

CORPORATE GOVERNANCE (Continued)

Nomination Committee

The nomination committee of the Company (the “**Nomination Committee**”) was established to formulate nomination policy for the 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 to the Listing Rules.

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

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) was established on 29 April 2005 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules published on both the websites of the Stock Exchange and the Company. 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.

Supplementary Information

CORPORATE GOVERNANCE (Continued)

Audit Committee (Continued)

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Hu Zhigang, Mr. Lam Yick Man and Mr. Zhang Jiayou. Mr. Lam Yick Man 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.

The Audit Committee has discussed with the management the accounting principles and policies adopted by the Group, and reviewed this report and the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2022.

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 a review of the effectiveness of the systems of internal control and risk management of the Group 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.

Supplementary Information

CORPORATE GOVERNANCE (Continued)

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 practice in the market.

INTERNAL CONTROL

The Board has the overall responsibility in maintaining sound and effective internal control and risk management systems within the Group and reviewing their effectiveness, particularly in respect of the 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 to an acceptable level.

Appropriate policies and procedures are provided to our 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.

Supplementary Information

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any significant investment, material acquisitions and disposals of subsidiaries, associates and joint ventures during the Current Period.

EVENTS AFTER THE REPORTING PERIOD

There have been no important events subsequent to 30 September 2022 and up to the date of this report, which would affect Group's business operations in material aspects.

OTHER DISCLOSURE

Save as disclosed, the Group either has had no material changes from the information disclosed in the latest annual report of the Company or such changes are considered not significant to the Group's operations, and thus no additional disclosure has been made in this report.

Supplementary Information

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all members of the staff for their dedication and commitment and the continuing support from our customers, suppliers, banks and shareholders.

By Order of the Board

CHINA OVERSEAS NUOXIN INTERNATIONAL HOLDINGS LIMITED

Zhang Huijun

Chairman

Hong Kong, 29 November 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | | For the six months ended 30 September | |
|------------------------------------------------------------------------------------------|--------------|------------------------------------------|---------------------------------|
| | | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| | <i>Notes</i> | | |
| Revenue | 3 | 108,272 | 148,350 |
| Cost of sales | | (105,569) | (137,103) |
| Gross profit | | 2,703 | 11,247 |
| Other income, gains and losses, net | | 363 | 3,834 |
| Distribution costs | | (1,330) | (1,485) |
| Administrative expenses | | (20,313) | (25,571) |
| Finance costs | | (577) | (264) |
| Loss before taxation | 6 | (19,154) | (12,239) |
| Income tax expenses | 7 | — | (830) |
| Loss for the period attributable to owners of the Company | | (19,154) | (13,069) |
| Other comprehensive income | | | |
| Item that may be subsequently reclassified to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | 3,064 | 3,175 |
| Total comprehensive expenses for the period attributable to owners of the Company | | (16,090) | (9,894) |
| Loss per share (HK cents) | 8 | (4.298) | (2.933) |
| — Basic and diluted | | | |

Condensed Consolidated Statement of Financial Position

| | | As at 30 September 2022 (Unaudited) HK\$'000 | As at 31 March 2022 (Audited) HK\$'000 |
|----------------------------------------------|--------------|----------------------------------------------------------|----------------------------------------------------|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 320 | 56 |
| Right-of-use assets | | 5,580 | 7,593 |
| Deposits, prepayment and other receivables | | 9,017 | 9,745 |
| | | 14,917 | 17,394 |
| Current assets | | | |
| Inventories | | 43,700 | 69,009 |
| Trade and bills receivables | 11 | 41,603 | 49,060 |
| Deposits, prepayments and other receivables | | 14,471 | 33,188 |
| Tax recoverable | | 126 | – |
| Bank and cash balances | | 12,967 | 12,362 |
| | | 112,867 | 163,619 |
| Current liabilities | | | |
| Trade payables | 12 | 23,413 | 53,831 |
| Accruals and other payables | | 7,883 | 9,218 |
| Contract liabilities | | 10,691 | 10,961 |
| Loans from related parties | 13 | 920 | – |
| Lease liabilities | | 3,803 | 3,917 |
| Bank borrowings and overdrafts | | 22,252 | 26,349 |
| | | 68,962 | 104,276 |
| Net current assets | | 43,905 | 59,343 |
| Total assets less current liabilities | | 58,822 | 76,737 |

Condensed Consolidated Statement of Financial Position

| | <i>Notes</i> | As at 30 September 2022 (Unaudited) HK\$'000 | As at 31 March 2022 (Audited) HK\$'000 |
|--------------------------------|--------------|---------------------------------------------------------------------|----------------------------------------------------|
| Non-current liabilities | | | |
| Lease liabilities | | 4,477 | 6,302 |
| | | 4,477 | 6,302 |
| Net assets | | 54,345 | 70,435 |
| Capital and reserves | | | |
| Share capital | 14 | 446 | 446 |
| Reserves | | 53,899 | 69,989 |
| Total equity | | 54,345 | 70,435 |

Condensed Consolidated Statement of Changes in Equity

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 | Accumulated Loss HK\$'000 | Total HK\$'000 |
|----------------------------------------------------------|------------------------------|------------------------------|-------------------------------|--------------------------------------------------|------------------------------------|---------------------------------|-------------------|
| At 1 April 2022 (audited) | 446 | 63,099 | 942 | – | 4,812 | 1,136 | 70,435 |
| Loss for the period | – | – | – | – | – | (19,154) | (19,154) |
| Other comprehensive income for the period | – | – | – | – | 3,064 | – | 3,064 |
| Total comprehensive income/ (expenses) for the period | – | – | – | – | 3,064 | (19,154) | (16,090) |
| At 30 September 2022 (unaudited) | 446 | 63,099 | 942 | – | 7,876 | (18,018) | 54,345 |

| | Share capital HK\$'000 | Share premium HK\$'000 | Merger reserve HK\$'000 | Properties revaluation reserve HK\$'000 | Translation reserve HK\$'000 | Accumulated Loss HK\$'000 | Total HK\$'000 |
|----------------------------------------------------------|------------------------------|------------------------------|-------------------------------|--------------------------------------------------|------------------------------------|---------------------------------|-------------------|
| At 1 April 2021 (audited) | 446 | 63,099 | 942 | 51,110 | 8,949 | (37,239) | 87,307 |
| Loss for the period | – | – | – | – | – | (13,069) | (13,069) |
| Other comprehensive income for the period | – | – | – | – | 3,175 | – | 3,175 |
| Total comprehensive income/ (expenses) for the period | – | – | – | – | 3,175 | (13,069) | (9,894) |
| At 30 September 2021 (unaudited) | 446 | 63,099 | 942 | 51,110 | 12,124 | (50,308) | 77,413 |

Condensed Consolidated Statement of Cash Flows

| | For the six months ended 30 September | |
|--------------------------------------------------------------------------------------|------------------------------------------|---------------------------------|
| | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| Net cash generated from/(used in) operating activities | 1,709 | (4,631) |
| Investing activities | | |
| Acquisition of property, plant and equipment | (287) | (505) |
| Deposits paid for acquisition of property, plant and equipment | (728) | (530) |
| Other investing cash flows | 8 | 12 |
| Net cash used in investing activities | (1,007) | (1,023) |
| Financing activities | | |
| New bank borrowings raised | 34,424 | 39,173 |
| Repayment of bank borrowings | (37,736) | (40,902) |
| Loans from related parties | 920 | 3,900 |
| Other financing cash flows | (577) | (264) |
| Net cash (used in)/generated from financing activities | (2,969) | 1,907 |
| Net decrease in cash and cash equivalents | (2,267) | (3,747) |
| Cash and cash equivalents at beginning of period | 12,362 | 27,987 |
| Effect of foreign exchange rate changes | 2,872 | 1,278 |
| Cash and cash equivalents at end of period, represented by bank and cash balances | 12,967 | 25,518 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 10 November 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 16 June 2005. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its immediate holdings company is China Yuen Capital Limited (“**CYC**”), a company incorporated in the British Virgin Islands; its ultimate holding company is Luckever Holdings Limited, a company incorporated in the British Virgin Islands. The principal place of business of the Company is at 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 design, manufacture and sale of electrical haircare appliances.

These unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), and all values are rounded to nearest thousand unless otherwise stated.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

Certain new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) have been issued by the HKICPA. The Directors considered that the adoption of those new HKFRSs which are effective for the accounting periods beginning on 1 April 2022 will not have any material impact on the preparation and presentation of the results and financial conditions of the current period and previous periods. For the HKFRSs that are not yet effective nor have not been early adopted, the Group is in the process of making an assessment of the potential impact of the newly issued HKFRSs.

3. REVENUE

Revenue represents the net amounts received and receivable from sale of electrical haircare appliances, which are recognised at a point in time.

4. SEASONALITY OF OPERATIONS

The Group on average experiences higher sales in the second and third quarters of the financial year, compared to other quarters in the financial year, due to the increased retail demand for its products during the Christmas holiday and the Chinese New Year period. The Group anticipates this demand by increasing its production to build up inventories during the second quarter of the financial year. Those built-up inventories still held at the end of the interim reporting period are sold off in the third quarter of the financial year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

5. SEGMENT INFORMATION

Information reported to the executive Directors, being the chief operating decision maker for the purposes of resources allocation and assessment of performance of a single reportable and operating segment, which is the design, manufacture and sale of electrical haircare appliances.

Revenue associated with the sale of products are recognised at the point in time when control of the promised goods has been transferred to the customers. The point in time when control transfers to the customer depends on the contractually agreed upon shipping terms, but typically occurs once the product has been shipped. Transportation and handling activities that occur before the customers obtain control over the relevant goods are considered as fulfilment activities.

The Group's revenue from external customers by geographical location of customers irrespective of the origin of the goods is as follows:

| | Six months ended 30 September | |
|-------------------------|------------------------------------------|---------------------------------|
| | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| Europe | 56,207 | 92,275 |
| Asia | 41,322 | 50,046 |
| North and South America | 7,287 | 4,148 |
| Australia | 3,456 | 1,646 |
| Africa | – | 235 |
| | 108,272 | 148,350 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

| | Six months ended 30 September | |
|----------------------------------------------------------|----------------------------------|---------------------------------|
| | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| Cost of inventories recognised as expenses | 105,113 | 135,140 |
| Depreciation of property, plant and equipment | 23 | 1,326 |
| Depreciation of right-of-use assets | 2,013 | 185 |
| Interests on lease liabilities | 188 | 11 |
| Interests on bank borrowings | 352 | 253 |
| Total staff costs (including Directors' remuneration) | 40,994 | 44,836 |
| Allowance for inventories | 737 | 2,480 |
| Net foreign exchange loss | 3,625 | 2,009 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

7. INCOME TAX EXPENSES

| | Six months ended 30 September | |
|-------------------------|----------------------------------|---------------------------------|
| | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| Current Tax: | | |
| — Hong Kong Profits Tax | — | (830) |
| | <hr/> | <hr/> |
| | — | (830) |

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% (six months ended 30 September 2021: 25%).

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2021: 16.5%) of the estimated assessable profits for the period.

No Hong Kong Profits Tax has been provided in the condensed 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 the current period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

| | Six months ended 30 September | |
|----------------------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| Loss for the period attributable to owners of the Company for the purposes of calculating basic loss per share | (19,154) | (13,069) |
| | Number of shares | |
| | '000 | '000 |
| Weighted average number of ordinary shares for the purposes of calculating basic loss per share | 445,646 | 445,646 |
| Basic loss per share (HK cents) | (4.298) | (2.933) |

There was no diluted loss per share for the six months ended 30 September 2022 and 2021 as there was no potential ordinary share issued during the respective periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

9. DIVIDENDS

The Directors have resolved not to declare the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment at a cost of approximately HK\$287,000 (six months ended 30 September 2021: HK\$505,000). There was no material disposal of property, plant and equipment during six months ended 30 September 2022 and 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

11. TRADE AND BILLS RECEIVABLES

The credit periods granted by the Group ranged from 14 to 95 days. For those major customers, a credit term up to 120 days from the invoice date is allowed.

| | 30 September 2022 (Unaudited) HK\$'000 | 31 March 2022 (Audited) HK\$'000 |
|-----------------------------------|-----------------------------------------------------------|-------------------------------------------|
| Trade receivables | 38,569 | 47,971 |
| Less: Loss allowance | (837) | (503) |
| | 37,732 | 47,468 |
| Bills receivables | 3,871 | 1,592 |
| Total trade and bills receivables | 41,603 | 49,060 |

The aging analysis of trade and bills receivables, net of allowance for bad and doubtful debts, presented based on invoice date at the end of the reporting period, which approximates to the respective date of revenue recognition, is as follows:

| | 30 September 2022 (Unaudited) HK\$'000 | 31 March 2022 (Audited) HK\$'000 |
|---------------|-----------------------------------------------------------|-------------------------------------------|
| 0 to 60 days | 30,052 | 20,269 |
| 61–120 days | 8,399 | 26,339 |
| 121–365 days | 688 | 134 |
| Over 365 days | 2,464 | 2,318 |
| | 41,603 | 49,060 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

12. TRADE PAYABLES

The credit periods on purchases of goods ranged from 30 to 120 days. The ageing analysis of trade payables presented based on the date of receipts of goods at the end of the reporting period is as follows:

| | 30 September 2022 (Unaudited) HK\$'000 | 31 March 2022 (Audited) HK\$'000 |
|---------------|-----------------------------------------------------------|-------------------------------------------|
| 0 to 60 days | 12,992 | 22,760 |
| 61–120 days | 6,460 | 23,728 |
| 121–365 days | 2,304 | 4,717 |
| Over 365 days | 1,657 | 2,626 |
| | 23,413 | 53,831 |

13. LOANS FROM RELATED PARTIES

The amounts are unsecured, interest-free and repayable within one year from the drawn down date.

| | <i>Notes</i> | 30 September 2022 (Unaudited) HK\$'000 | 31 March 2022 (Audited) HK\$'000 |
|------------------|--------------|-----------------------------------------------------------|-------------------------------------------|
| CYC | (a) | 920 | – |
| Mr. Lam Wai Ming | (b) | – | – |
| | | 920 | – |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

13. LOANS FROM RELATED PARTIES (Continued)

Notes:

- (a) CYC is the Company's immediate holding company. During the Current Period, new loans in the total sum of HK\$920,000 were raised.

During the year ended 31 March 2022, the loans in the total sum of HK\$26,445,000 were set off by the Disposal (as defined at note 17 to the condensed consolidated financial statements below). Please refer to note 17 to the condensed consolidated financial statements for details.

- (b) Mr. Lam Wai Ming ("Mr. Lam") is the key management personnel of the Group. During the year ended 31 March 2022, the loans in the total sum of HK\$40,000,000 were set off by the Disposal (as defined at note 17 to the condensed consolidated financial statements below). Please refer to note 17 to the condensed consolidated financial statements for details.

14. SHARE CAPITAL

| | Number of shares '000 | Nominal value HK\$'000 |
|-----------------------------------------------------------------------|-----------------------------|------------------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.001 (2021: HK\$0.001) each | | |
| At 1 April 2021, 31 March 2022, 1 April 2022 and 30 September 2022 | 1,000,000 | 1,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.001 (2021: HK\$0.001) each | | |
| At 1 April 2021, 31 March 2022, 1 April 2022 and 30 September 2022 | 445,646 | 446 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

15. CAPITAL COMMITMENTS

| | 30 September 2022 (Unaudited) HK\$'000 | 31 March 2022 (Audited) HK\$'000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------|
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements | 1,478 | 1,089 |

16. RELATED PARTY TRANSACTIONS

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

| | 30 September 2022 (Unaudited) HK\$'000 | 31 March 2022 (Audited) HK\$'000 |
|---------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------|
| Balances with its related parties: | | |
| Deposits and prepayments to companies controlled by Mr. Lam included in deposits, prepayments and other receivables | 5,498 | 25,544 |
| Trade payables to a company controlled by Mr. Lam included in trade payables | (558) | – |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

16. RELATED PARTY TRANSACTIONS (Continued)

| | Six months ended 30 September | |
|-----------------------------------------------------------|------------------------------------------|---------------------------------|
| | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| Transactions with its related parties: | | |
| Purchase from a company controlled by Mr. Lam | 26,453 | — |
| Sales of raw materials to a company controlled by Mr. Lam | 1,370 | — |
| Rent paid to a company controlled by Mr. Lam | 1,730 | — |

Key management personnel emoluments

Key management personnel are those persons having the 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 emoluments during the Current Period were as follows:

| | Six months ended 30 September | |
|------------------------------------|------------------------------------------|---------------------------------|
| | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
| — Basic salaries and allowances | 995 | 1,517 |
| — Retirement benefit contributions | 25 | 56 |
| | 1,020 | 1,573 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

17. DISPOSAL OF SUBSIDIARIES

On 31 December 2021, the Group completed the disposal of its 100% equity interest in a subsidiary, Sky Ocean Group Limited, and its subsidiaries to Mr. Lam, at a total consideration of HK\$72,400,000 (the "**Disposal**"). A net gain on disposal of subsidiaries of HK\$15,904,000 was recognised in the consolidated statement of profit or loss for the year ended 31 March 2022. The gain on disposal of subsidiaries are summarised as follows:

Net assets at the date of disposal were as follows:

| | HK\$'000 |
|----------------------------------------------------------------------------------|---------------|
| Property, plant and equipment | 97,995 |
| Right-of-use assets | 2,973 |
| Inventories | 6,582 |
| Trade receivables | 4,831 |
| Deposits, prepayments and other receivables | 7,409 |
| Bank and cash balances | 1,085 |
| Trade payables | (9,915) |
| Accruals and other payables | (11,222) |
| Contract liabilities | (365) |
| Loans from a related party | (12,639) |
| Tax liabilities | (4,607) |
| Deferred tax liabilities | (16,968) |
| Net assets disposed of | 65,159 |
| Release of foreign currency translation reserve | (8,663) |
| Gain on disposal of subsidiaries | 15,904 |
| Total consideration | 72,400 |
| Satisfied by: | |
| Cash | 5,955 |
| Setting off against loans from related parties <i>(note 13(a) and (b))</i> | 66,445 |
| | 72,400 |
| Net cash inflow arising on disposal for the year ended 31 March 2022: | |
| Cash consideration received | 5,955 |
| Bank and cash balances disposed of | (1,085) |
| | 4,870 |