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中國海外諾信國際控股有限公司

CHINA OVERSEAS NUOXIN INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 00464)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

RESULTS HIGHLIGHTS

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Operating results		
Revenue	193,997	248,787
Gross profit	23,027	19,850
Net loss	(2,115)	(11,381)
Per share data	HK cents	HK cents
Basic loss per share	(0.475)	(2.554)
Net assets per share	22.9	28.1
Financial position	HK\$'000	HK\$'000
Cash	25,567	49,928
Net Cash (Cash and bank deposits less interest bearing borrowings)	N/A	9,761
Total assets	352,080	397,281
Net assets	102,217	125,312
Financial ratio		
Gross profit margin	11.9%	8.0%
Net loss to revenue	(1.1%)	(4.6%)
Return on equity	(2.1%)	(9.1%)
Net cash to equity	N/A	7.8%
Net gearing ratio	13.1%	N/A

INTERIM RESULTS

On behalf of the Board of Directors (the “**Board**”), I am pleased to present the unaudited interim results of China Overseas Nuoxin International Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2020 (the “**current period**”) together with the comparative figures for the corresponding period last year (the “**last corresponding period**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	For the six months ended	
		30 September	2019
		2020	2019
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	3	193,997	248,787
Cost of sales		(170,970)	(228,937)
Gross profit		23,027	19,850
Other income, gains and losses		2,100	3,314
Distribution costs		(2,895)	(3,964)
Administrative expenses		(23,438)	(29,663)
Finance costs		(890)	(983)
Loss before taxation	6	(2,096)	(11,446)
Income tax (expenses) credit	7	(19)	65
Loss for the period attributable to owners of the Company		(2,115)	(11,381)
Other comprehensive income (expenses)			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		6,544	(9,823)
Total comprehensive income (expenses) for the period attributable to owners of the Company		4,429	(21,204)
Loss per share (HK cents)			
— Basic	8	(0.475)	(2.554)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	93,812	87,696
Right-of-use assets		2,904	2,781
Deposits paid for acquisition of property, plant and equipment		1,692	1,846
		98,408	92,323
Current assets			
Inventories		85,868	106,470
Trade and bills receivables	11	122,082	78,305
Deposits, prepayments and other receivables		20,155	21,581
Bank balances and cash		25,567	31,060
		253,672	237,416
Current liabilities			
Trade payables	12	95,647	71,490
Accruals and other payables		31,688	28,107
Contract liabilities		8,217	5,403
Loans from related parties	13	54,895	54,245
Lease liabilities		646	2,088
Bank borrowings		38,908	51,211
Tax liabilities		4,775	4,579
		234,776	217,123
Net current assets		18,896	20,293
Total assets less current liabilities		117,304	112,616
Non-current liabilities			
Lease liabilities		–	648
Deferred tax liabilities		15,087	14,180
		15,087	14,828
Net assets		102,217	97,788
Capital and reserves			
Share capital	14	446	446
Share premium and reserves		101,771	97,342
Total equity		102,217	97,788

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. GENERAL INFORMATION

China Overseas Nuoxin International Holdings Limited (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 ultimate holding company is Luckever Holdings Limited, a company incorporated in the British Virgin Islands. The registered office and 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 condensed consolidated financial statements have been prepared on the historical cost basis except for leasehold land and buildings, which are measured at revalued amounts.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2020.

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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.

5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, 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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Europe	102,789	122,366
Asia	74,802	86,729
North and South America	13,718	37,981
Australia	2,595	957
Africa	93	754
	<u>193,997</u>	<u>248,787</u>

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	Six months ended 30 September	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
Cost of inventories recognised as expenses	171,132	229,684
Depreciation of property, plant and equipment	1,283	1,491
Depreciation of right-of-use assets	43	452
Interests on lease liabilities	18	17
Interests on bank borrowings	872	966
Total staff costs (including Directors' remuneration)	50,185	72,525
(Reversal of) inventories	–	(747)
Net foreign exchange loss (gain)	3,798	(1,139)
	<u>3,798</u>	<u>(1,139)</u>

7. INCOME TAX (EXPENSES) CREDIT

	Six months ended 30 September	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
PRC Enterprise Income Tax:		
Current tax	(248)	(273)
Over provision in prior years	229	338
	<u>(19)</u>	<u>65</u>

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2019: 16.5%) of the estimated assessable profits for the period.

Under the Law of the PRC on EIT (the “EIT” Law) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 September 2019: 25%).

8. LOSS PER SHARE

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

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the purposes of calculating basic loss per share (Loss for the period attributable to owners of the Company)	<u>(2,115)</u>	<u>(11,381)</u>
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	<u>445,646</u>	<u>445,646</u>
Basic loss per share (<i>HK cents</i>)	<u>(0.475)</u>	<u>(2.554)</u>

There was no diluted loss per share for the six months ended 30 September 2020 and 2019 as there was no potential ordinary share issued during the respective periods.

9. DIVIDENDS

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30 September 2020 (six month ended 30 September 2019: Nil).

10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired property, plant and equipment at a cost of approximately HK\$1,865,000 (six months ended 30 September 2019: HK\$2,574,000). There was no material disposal of property, plant and equipment during six months ended 30 September 2019 and 2020.

Lease liabilities of HK\$646,000 are recognized with related lease properties under right-of-use assets with aggregate cost of HK\$4,157,000, which are fully impaired as at 31 March 2020. The lease agreement do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

In the opinion of the directors of the Company, the aggregate carrying amount of the Group's leasehold land and buildings as at the end of the current interim period that is carried at revalued amounts does not differ significantly from their estimated fair value. Consequently, no revaluation surplus or deficit has been recognised in the current interim period.

11. TRADE AND BILLS RECEIVABLES

The credit periods granted by the Group ranged from 14 to 90 days. For those major customers, a credit term up to 120 days from the invoice date is allowed.

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Trade receivables	122,129	78,663
Less: Loss allowance	(977)	(977)
	121,152	77,686
Bills receivables	930	619
Total trade and bills receivables	122,082	78,305

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 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Within 60 days	86,577	29,752
61 – 120 days	32,907	44,116
121 – 365 days	2,303	4,201
Over 365 days	295	236
	122,082	78,305

12. TRADE PAYABLES

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

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Within 60 days	66,314	33,437
61 – 120 days	23,329	18,126
121 – 365 days	3,085	12,134
Over 365 days	2,919	7,793
	95,647	71,490

13. LOANS FROM RELATED PARTIES

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

		30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
	<i>Notes</i>		
CYC	<i>(a)</i>	14,895	14,245
Mr. Tam Chi Sang and Mr, Lam Wai Ming	<i>(b)</i>	40,000	40,000
		54,895	54,245

Notes:

- (a) China Yuen Capital Limited (“CYC”) is the controlling shareholder of the Company.
- (b) Each of Mr. Tam Chi Sang and Mr. Lam Wai Ming is a director of certain subsidiaries of the Company.

14. SHARE CAPITAL

	Number of share '000	Normal value HK\$'000
Ordinary shares of HK\$0.001 each		
Authorised: At 1 April 2019, 30 September 2019, 1 April 2020 and 30 September 2020	<u>1,000,000</u>	<u>1,000</u>
Issued and fully paid: At 1 April 2019, 30 September 2019, 1 April 2020 and 30 September 2020	<u>445,646</u>	<u>446</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group's turnover for the six months ended 30 September 2020 (the “**current period**”) was HK\$193,997,000, which represents a decrease of 22.0% from HK\$248,787,000 during the corresponding period last year (the “**last corresponding period**”). The decrease was mainly due to the outbreak of COVID-19 which led to decrease in orders received from the North and South American, European and Asian markets.

Gross profit for the current period amounted to HK\$23,027,000, which represented an increase of 16.0% from HK\$19,850,000 in the last corresponding period. Gross profit over revenue (“**gross profit margin**”) during the current period was 11.9% compared to 8.0% in the last corresponding period. The increase was mainly caused by the increase in sales of new and high-end products with higher average selling prices and margin.

Net loss for the current period was HK\$2,115,000, which represented a decrease of 81.4% from HK\$11,381,000 in the last corresponding period.

Basic loss per share was HK0.475 cents, which represented a decrease of 81.4% from a loss per share of HK2.554 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 2020 (six months ended 30 September 2019: 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 in Dongguan PRC, with its products mainly sold on original design manufacturing (ODM) and original equipment manufacturing (OEM) base.

In the first half of 2020, the business environment was heavily affected by the COVID-19 and the rising tension between China and the United States. The pandemic has spread widely all over the world and the global economy has been hit by the outbreak. The social distancing measures and city-wide lockdown in different countries have imposed huge impacts on all walks of life. The retail industry in particular was suffering from huge hit as resulted by the epidemic prevention measures. The Group is no exception. Nonetheless, with the long partnerships with our customers and profound financial risk management, the Group has minimized the 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, the Group will closely communicate with the customers to understand and accommodate their situation and provide different solutions to overcome this challenge.

Most of the Group's customers are renowned global brands. The five major customers have accounted for approximately 79% and 86% 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 difficulties in recruiting production line operators. Market conditions remained fraught with challenges as the COVID-19 pandemic continues to ravage economies and Sino-US trade war tensions worsen. However, the Group's continued efforts to optimise its product mix, focus on high margin products and expand its scale advantage is able to mitigate the negative effects of intensified market competition. Therefore, the Group believes the gross profit margin will continue to improve in the second half of 2020.

As always 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 production capacity and efficiency and alleviate the pressure from shortage of production line workers, eliminate wastes and ultimately reduce costs.

On the other hand, 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 achieved a long term relationship with its customers.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had approximately HK\$25,567,000 in cash and bank deposits as at 30 September 2020, (31 March 2020: HK\$31,060,000). The Group's net current assets were approximately HK\$18,896,000 (31 March 2020: HK\$20,293,000). The current ratio was 1.1 (31 March 2020: 1.1).

The Group had aggregate banking facilities of HK\$83,400,000 (31 March 2020: HK\$93,400,000), of which HK\$38,908,000 (31 March 2020: HK\$51,211,000) was used. The borrowings comprised trade finance facilities of HK\$38,908,000 (31 March 2020: HK\$51,211,000) 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 2020: 1.8% to 2.0%) or 1% (31 March 2020: 1%) below the prime rate.

As at 30 September 2020, the Group's net gearing ratio was approximately 13.1%. (31 March 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 30 September 2020.

The Group has maintained a healthy liquidity position and has continuously monitored 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 risk in this respect. To manage the fluctuation of the Renminbi exchange rate, the Group has successfully generated revenue in Mainland China to hedge Renminbi receipts and payments on an ongoing basis. All of the Group's bank loan facilities have been denominated in Hong Kong dollars and carry interest at floating rates.

CONTRACTUAL AND CAPITAL COMMITMENTS

As at 30 September 2020, the Group had capital commitments of HK\$718,000 (31 March 2020: HK\$1,065,000).

CONTINGENT LIABILITIES

As at 30 September 2020, the Group had no material contingent liabilities (31 March 2020: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2020, the Group employed 29 staff in Hong Kong (30 September 2019: 26) and a total work force of approximately 1,222 (30 September 2019: 1,627) inclusive of all its staff and workers in China. For the current period, the total staff costs (including Directors' remuneration) were HK\$50,185,000 (the corresponding period: HK\$72,525,000) and the decrease in staff costs was mainly attributable to decrease in total work force. 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 schemes, performance-based bonuses, provident fund contributions and medical insurance coverage.

OUTLOOK AND 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 COVID-19 and the Sino-US trade war will continue to pose challenges to all industries. Although the Group's prospects remains uncertain, the management team deeply believes that opportunities and challenges exist side-by-side. In terms of market demand, the "Stay-at-home Economy" was stimulated during the pandemic and consumers are more willing to buy haircare appliances to style their hair at home.

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 maximize the return to the Company and its shareholders in the long run.

SHARE CAPITAL

During the six months ended 30 September 2020, 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 period.

INTERIM DIVIDENDS

The Board has resolved not to declare payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

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 2020, except for the deviation from the CG Code A.6.7 explained in the following relevant section.

Code Provision 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. Executive Directors, Mr. Gao Jianbo, Ms. Cai Dongyan, and Ms Pauline Lam, and independent non-executive Director, Mr. Huang Zhiwei, did not attend the annual general meeting of the Company held on 28 August 2020 due to other business engagements.

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 of the Company (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 2020.

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. 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.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Hu Zhigang, Mr. Huang Zhiwei and Mr. Lam Yick Man. 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 2020.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “**Remuneration Committee**”) was established for the purpose of (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 of the Company; (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 three independent non-executive Directors namely, Mr. Hu Zhigang, Mr. Huang Zhiwei and Mr. Lam Yick Man and one executive Director, Mr. Zhang Huijun. Mr. Hu Zhigang was appointed as chairman of the Remuneration Committee.

NOMINATION COMMITTEE

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.

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

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.

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.

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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at Website: www.co-nuoxin.com under “Announcement/Circular”. The interim report will be dispatched to the shareholders and published on the above websites in due course.

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
Director

Hong Kong, 27 November 2020

As at the date hereof, the Board of the Company comprises five executive Directors, namely Mr. Gao Jianbo, Ms. Cai Dongyan, Mr. Zhang Huijun, Ms. Pauline Lam and Mr. Lin Liangyong, and three independent non-executive Directors, namely Mr. Hu Zhigang, Mr. Huang Zhiwei and Mr. Lam Yick Man.