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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 2021**

RESULTS HIGHLIGHTS

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Operating results		
Revenue	148,350	193,997
Gross profit	11,247	23,027
Net loss	(13,069)	(2,115)
Per share data	HK cents	HK cents
Basic loss per share	(2.933)	(0.475)
Net assets per share	17.4	22.9
Financial position	HK\$'000	HK\$'000
Cash	25,518	25,567
Net Cash (Bank and cash balances less interest bearing borrowings)	N/A	N/A
Total assets	289,335	352,080
Net assets	77,413	102,217
Financial ratio		
Gross profit margin	7.6%	11.9%
Net loss to revenue	(8.8%)	(1.1%)
Return on equity	(16.9%)	(2.1%)
Net gearing ratio	5.4%	13.1%

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 2021 (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

		For the six months ended 30 September	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	148,350	193,997
Cost of sales		(137,103)	(170,970)
Gross profit		11,247	23,027
Other income, gains and losses		3,834	2,100
Distribution costs		(1,485)	(2,895)
Administrative expenses		(25,571)	(23,438)
Finance costs		(264)	(890)
Loss before taxation	6	(12,239)	(2,096)
Income tax expenses	7	(830)	(19)
Loss for the period attributable to owners of the Company		(13,069)	(2,115)
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		3,175	6,544
Total comprehensive (expenses)/income for the period attributable to owners of the Company		(9,894)	4,429
Loss per share (HK cents)	8		
— Basic		(2.933)	(0.475)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	98,904	97,640
Right-of-use assets		3,877	2,939
Deposits paid for acquisition of property, plant and equipment		1,593	1,772
		104,374	102,351
Current assets			
Inventories		67,616	69,550
Trade and bills receivables	11	65,623	74,790
Deposits, prepayments and other receivables		26,204	18,110
Bank and cash balances		25,518	27,987
		184,961	190,437
Current liabilities			
Trade payables	12	55,318	55,794
Accruals and other payables		33,218	32,127
Contract liabilities		8,419	7,492
Loans from related parties	13	61,995	58,095
Lease liabilities		549	163
Bank borrowings		29,732	31,461
Tax liabilities		5,178	3,564
		194,409	188,696
Net current (liabilities)/assets		(9,448)	1,741
Total assets less current liabilities		94,926	104,092

		As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Non-current liabilities			
Lease liabilities		378	–
Deferred tax liabilities		17,135	16,785
		<u>17,513</u>	<u>16,785</u>
Net assets		<u>77,413</u>	<u>87,307</u>
Capital and reserves			
Share capital	<i>14</i>	446	446
Reserves		76,967	86,861
Total equity		<u>77,413</u>	<u>87,307</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 buildings in the People’s Republic of China (“**PRC**”), which are measured at revalued amounts.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2021.

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 2021 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.

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	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Europe	92,275	102,789
Asia	50,046	74,802
North and South America	4,148	13,718
Australia	1,646	2,595
Africa	235	93
	<u>148,350</u>	<u>193,997</u>

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories recognised as expenses	135,140	171,132
Depreciation of property, plant and equipment	1,326	1,283
Depreciation of right-of-use assets	185	43
Interests on lease liabilities	11	18
Interests on bank borrowings	253	872
Total staff costs (including Directors' remuneration)	44,836	50,185
Allowance for inventories	2,480	–
Net foreign exchange loss	2,009	3,798
	<u>2,009</u>	<u>3,798</u>

7. INCOME TAX EXPENSES

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current Tax:		
— Hong Kong Profits Tax	(830)	—
— PRC Enterprise Income Tax (“EIT”)	—	(248)
— Over provision in prior years	—	229
	<u>(830)</u>	<u>(19)</u>

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2020: 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 2020: 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	
	2021	2020
	(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>(13,069)</u>	<u>(2,115)</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 (HK cents)	<u>(2.933)</u>	<u>(0.475)</u>

There was no diluted loss per share for the six months ended 30 September 2021 and 2020 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 2021 (six month ended 30 September 2020: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment at a cost of approximately HK\$505,000 (six months ended 30 September 2020: HK\$1,865,000). There was no material disposal of property, plant and equipment during six months ended 30 September 2021 and 2020.

In the opinion of the directors of the Company, the aggregate carrying amount of the Group's 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 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
Trade receivables	66,177	72,499
Less: Loss allowance	<u>(830)</u>	<u>(351)</u>
	65,347	72,148
Bills receivables	<u>276</u>	<u>2,642</u>
Total trade and bills receivables	<u>65,623</u>	<u>74,790</u>

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 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
Within 60 days	35,572	72,299
61–120 days	26,543	515
121–365 days	1,452	531
Over 365 days	<u>2,056</u>	<u>1,445</u>
	<u>65,623</u>	<u>74,790</u>

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 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
Within 60 days	26,461	37,615
61–120 days	21,266	8,496
121–365 days	4,301	5,384
Over 365 days	3,290	4,299
	<u>55,318</u>	<u>55,794</u>

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 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
China Yuen Capital Limited (“CYC”)	<i>(a)</i>	21,995	18,095
Mr. Lam Wai Ming	<i>(b)</i>	40,000	40,000
		<u>61,995</u>	<u>58,095</u>

Notes:

(a) CYC is the Company’s immediate holding company. During the Current Period, the loan of HK\$18,095,000 (2020: HK\$14,245,000) brought forward from 31 March 2021 was extended for one year and a new loan of HK\$3,900,000 (2020: HK\$650,000) was raised such that both loan amounts are repayable within one year from 31 March 2021.

(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).

14. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 (2020: HK\$0.001) each At 1 April 2020, 31 March 2021, 1 April 2021 and 30 September 2021	<u>1,000,000</u>	<u>1,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.001 (2020: HK\$0.001) each At 1 April 2020, 31 March 2021, 1 April 2021 and 30 September 2021	<u>445,646</u>	<u>446</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group's turnover for Current Period was approximately HK\$148,350,000, which represents a decrease of approximately 23.5% from HK\$193,997,000 during the Last Corresponding Period. The decrease was mainly due to the persistent COVID-19 pandemic, which adversely affected the demand of the Group's products from customers of the European and Asian markets.

Gross profit for the Current Period amounted to approximately HK\$11,247,000, which represented a decrease of approximately 51.2% from approximately HK\$23,027,000 in the Last Corresponding Period. Gross profit over revenue ("**Gross Profit Margin**") during the Current Period was approximately 7.6% compared to 11.9% in the Last Corresponding Period, which represented a decrease of 4.3 percentage points. The decrease was mainly caused by the increase in material costs, especially electronic and metal related components, and overhead costs; and the absence of government subsidies of approximately HK\$4,000,000 recorded in the Last Corresponding Period as compared to the Current Period.

Net loss for the Current Period was approximately HK\$13,069,000, which represented an increase of approximately 517.9% from approximately HK\$2,115,000 in the Last Corresponding Period.

Basic loss per share was HK2.933 cents, which represented an increase of 517.5% from a loss per share of HK0.475 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 2021 (six months ended 30 September 2020: 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 PRC, with its products mainly sold on original design manufacturing (ODM) and original equipment manufacturing (OEM) base.

In the first half of 2021, the ongoing COVID-19 pandemic has continuously dampened consumer sentiment in the global retail market. Even though the global economic activities are gradually increasing because of the increasing global vaccination rate, companies from all sectors still concern about the business environment and continuously monitor and adjust their business approaches with caution. The retail industry in particular was suffering from huge hit as a result of the epidemic consumers sentiment. 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 72% and 79% 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. As the COVID-19 pandemic continues to ravage the economy, rising raw material costs, tight overseas transportation and appreciation of the renminbi, market conditions remain challenging. However, the Group's continued efforts to optimise its product mix, focus on high margin products and expansion in scale advantage mitigated the negative effects of the intensified market competition.

As always, the Group relentlessly strives for 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 puts extra efforts on 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\$25,518,000 in bank and cash balances as at 30 September 2021 (31 March 2021: HK\$27,987,000). The Group's net current liabilities were approximately HK\$9,448,000 (31 March 2021: net current assets HK\$1,741,000). The current ratio was 1.0 (31 March 2021: 1.0).

The Group had aggregate banking facilities of approximately HK\$83,400,000 (31 March 2021: HK\$83,400,000), of which approximately HK\$29,732,000 (31 March 2021: HK\$31,461,000) was utilized. The borrowings comprised trade finance facilities of approximately HK\$29,732,000 (31 March 2021: HK\$31,461,000) 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 2021: 1.8% to 2.0%) or 1% (31 March 2021: 1%) below the prime rate.

As at 30 September 2021, the Group's net gearing ratio was approximately 5.4% (31 March 2021: 4.0%). 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 2021.

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 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 2021, the Group had capital commitments of HK\$1,723,000 (31 March 2021: HK\$823,000).

CONTINGENT LIABILITIES

As at 30 September 2021, the Group had no material contingent liabilities (31 March 2021: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2021, the Group employed 24 staff in Hong Kong (30 September 2020: 29) and a total work force of 1,079 people (30 September 2020: 1,222) inclusive of all its staff and workers in China. For the Current Period, the total staff costs (including Directors' remuneration) were approximately HK\$44,836,000 (Last Corresponding Period: HK\$50,185,000) and the decrease in staff costs was mainly attributable to the decrease in the size of the 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 scheme, 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 businesses will face several key challenges. These include sluggish demand due to the COVID-19 pandemic, pressure from shortage of skilled labour in Mainland China 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 ahead.

Although the COVID-19 pandemic is generally under control in China, the global economy suffered immeasurable adverse impact given the uncertainties in respect of the epidemic prevention and control outside China. In addition, the implementation of the policy of electricity supply control in China will have an additional impact on the supply of raw materials and decrease the production capacity. In light of the complicated domestic and global economic conditions, the Group will continue to optimize and recalibrate the composition of raw materials supply, while identifying new suppliers to secure a sufficient supply.

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

As at 30 September 2021, 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 2021 (six months ended 30 September 2020: 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 2021.

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 2021.

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.

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 announcement and the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2021.

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.

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.

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.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

The Disposal of the Entire Issued Share Capital in Sky Ocean Group Limited (the “Disposal”)

On 25 August 2021 (after trading hours of the Stock Exchange), Mr. Lam Wai Ming, (the “**Purchaser**”) and Kenford Industrial Company Limited, (the “**Vendor**”) (an indirectly wholly-owned subsidiary of the Company) entered into the sale and purchase agreement (“**Sale and Purchase Agreement**”), pursuant to which, the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital in Sky Ocean Group Limited (the “**Disposed Company**”), for a consideration of HK\$72.4 million. Completion is subject to the fulfilment or waiver (as the case maybe) of the disposal conditions. Upon completion, the Disposed Company will cease to be a subsidiary of the Company.

The transaction contemplated under the Sale and Purchase Agreement constitutes a major transaction of the Company as one or more of the applicable percentage ratios in respect of the Sale and Purchase Agreement are more than 25% but are less than 75%. Accordingly, the Disposal is subject to the reporting, announcement, circular and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules. The Purchaser is a director of certain subsidiaries of the Company. Accordingly, the Purchaser is a connected person of the Company at the subsidiary level and the transaction contemplated under the Sale and Purchase Agreement will constitute a connected transaction of the Company. For further details of the above transactions, please refer to the Company's announcement dated 25 August 2021 and the Circular dated 21 September 2021.

As at the date of this announcement, the Disposal was not completed.

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
Executive Director

Hong Kong, 29 November 2021

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. Lam Yick Man and Mr. Zhang Jiayou.

Website: www.co-nuoxin.com