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

2022
ANNUAL REPORT

Contents

Corporate Information

BOARDS OF DIRECTORS

Executive Directors

Mr. Zhang Huijun *(Chairman)* (appointed as Chairman on 25 January 2022)
Ms. Cai Dongyan *(Chief Executive Officer)*
Ms. Pauline Lam
Mr. Lin Liangyong
Mr. Gao Jianbo (resigned on 25 January 2022)

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

For the year ended 31 March	2022 HK$'000	2021 HK$'000
Operating result		
Revenue	**265,758**	365,837
Gross profit	**15,721**	31,387
Net loss	**(11,466)**	(24,428)
Per share data	**HK cents**	HK cents
Basic and diluted loss per share	**(2.57)**	(5.48)
Net assets per share	**15.81**	19.59
Financial position	**HK$'000**	HK$'000
Bank and cash balances	**12,362**	27,987
Total assets	**181,013**	292,788
Net assets	**70,435**	87,307
Financial ratio		
Gross profit margin	**5.9%**	8.6%
Net loss to revenue	**(4.3%)**	(6.7%)
Return on equity	**(16.3%)**	(28.0%)
Net gearing ratio	**19.9%**	4.0%

Chairman's Statement

On behalf of the board (the "**Board**") of directors (the "**Directors**"), I am pleased to present the audited consolidated financial results of China Overseas Nuoxin International Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2022.

BUSINESS OVERVIEW

Many challenges remain to be addressed in 2021/2022, such as the continuing global COVID-19 pandemic, slow economic recovery and new concerns, such as the Russian-Ukrainian War and inflation, have also emerged around the global peace and prosperity. The world is still in a very difficult chapter. Nevertheless, the Group was strongly determined to keep up with times and to seek for opportunities under the vigorously changing circumstances. During this difficult period, we had been working hard to reduce the loss of the Group, thanks to our team, proudly united as we are, and our solid business foundation.

Although our Group had recorded a net loss during the financial period, the management had all along monitored the situation closely and had taken into considerations the necessary short-term measures to maintain the normal operations of the business and to retain the business relationships with our important customers.

On 31 December 2021, the Group completed the disposal of the entire share capital of Sky Ocean Group Limited (the "**Disposed Company**") (the "**Disposal**"), an indirectly wholly-owned subsidiary of the Company, for a consideration HK$72,400,000 with a gain of approximately HK$15,904,000. The Disposal represented a continuity of the Group's cost-cutting strategy to strip its loss-making business, to focus on its current business and hence enhance its overall performance and prospect. The Directors were therefore of the view that the Disposal would help to improve the financial performance of the Group in long term. In addition, as the major assets of the Disposed Company were the properties located in the PRC, the Directors considered that the Disposal enabled the Company to realise the value in the properties at a fair market value.

For the year ended 31 March 2022, the Group's revenue amounted to HK$265,758,000, representing a decrease of 27.4% compared to that of the last financial year. Loss attributable to equity holders of the Company amounted to HK$11,466,000, representing a decrease of 53.1% compared to that of the last financial year.

The Board does not recommend the declaration of payment of a final dividend in respect of the year ended 31 March 2022.

FUTURE PROSPECTS

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

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

APPRECIATION

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

By Order of the Board

Zhang Huijun
Chairman

Hong Kong, 29 June 2022

COMPANY PROFILE

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

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

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

FINANCIAL REVIEW

During the year ended 31 March 2022, the Group recorded a revenue of approximately HK$265,758,000 (2021: HK$365,837,000), a decrease of approximately 27.4% from the last financial year. The decrease in revenue was mainly due to the persistence of COVID-19 pandemic, which continued to rampage in the global economy, the lock down measures of foreign countries and the cancellation of international flight, of which negatively affected the cross-border delivery, thereby affecting the Group's sales.

During the financial year, the Group reported a gross profit of approximately HK$15,721,000 (2021: HK$31,387,000), representing a gross profit margin of approximately 5.9% (2021: 8.6%). The decrease was mainly due to the increase in material costs, especially electronic and metal related components and overhead costs as well as the absence of government subsidies of approximately HK$4,000,000 recorded in the last financial year as compared to the current financial year.

The Group recorded continuous loss for the years ended 31 March 2022 and 2021. The management of the Group concluded there was impairment indication and conducted a review of the recoverable amounts of the property, plant and equipment, right-of-use assets and prepayments and determined the recoverable amount of these assets. Based on the result of the assessment, the management of the Group determined that the recoverable amounts of these assets were lower than their carrying amounts. An impairment loss of approximately HK$19,000 on property, plant and equipment, approximately HK$2,602,000 on right-of-use assets and approximately HK$3,994,000 on prepayments (2021: an impairment loss of approximately HK$2,658,000 on property, plant and equipment) had been recognised.

As a result of the above factors, loss before taxation for the year ended 31 March 2022 was approximately HK$11,466,000 (2021: HK$24,328,000), representing a decrease of 52.9% against the previous financial year. The significant decrease was mainly due to the gain on disposal of subsidiaries of approximately HK$15,904,000. When compared with the revenue, distribution costs and administrative expenses were approximately 1.1% and 16.9% of the revenue respectively, for the year ended 31 March 2022 as compared to approximately 2.1% and 12.2% in the last financial year. In dollar term, administrative expenses was approximately HK$44,857,000, representing a minor increase of 0.6% when compared to that in the last financial year. Such increase was caused by the increased legal and professional fee and PRC government management fee.

Loss for the year was approximately HK$11,466,000, representing a decrease of approximately 53.1% when compared to loss of approximately HK$24,428,000 in the last financial year.

Basic loss per share for the year amounted to HK2.57 cents, representing a decrease of approximately 53.1% when compared to loss of HK5.48 cents in the last financial year.

During the year ended 31 March 2022, no dividend was declared and paid (2021: Nil).

BUSINESS REVIEW

Market Review

The continuous emergence of new series of COVID variants during the financial year, the variation in vaccination rollout globally and a new series of travel and transportation restrictions had contributed consequential impact to the differences in the economic recovery. In addition, there were high demand in various raw materials which caused the breakdown of a number of supply chains and led to rising costs and global inflationary pressures. Energy crises and international political dynamics had further hampered the pace of the recovery of the world economy. As a result, the Group recorded significantly lower revenue by 27.4% as compared to that of last financial year.

After more than two years since the outbreak of COVID-19, the pandemic has impacted the global business environment and the livelihood of people and caused a widespread global supply chain disruption. The Group's projects had been adversely affected due to severe supply chain shortage as well as constraint on manpower resources and our export sales volume was therefore significantly affected. Nevertheless, during the financial year, some countries had been gradually reopening borders with caution due to high vaccination rate, such as Italy and Hungary. Our revenue to these countries had increased by 113% and 11% respectively, when compared to last financial year.

Most of the Group's customers are famous global brands. Our five major customers accounted for approximately 72.1% and 80.5% of the Group's total revenue in the current financial year and the previous financial year, respectively.

Operation Review

The operating environment was still very tough for all PRC-based manufacturers. During the financial year, the Group had faced various operating challenges similar to those of other manufacturers in the Mainland China, such as the shortage in shipping containers, which has caused drastic disruptions to the supply chain worldwide. The manufacturing industry was not immune, and business plans of the Group's domestic and overseas suppliers have also been affected. This has led to a tightened supply of both imported and domestic materials, which caused the average price of raw materials significantly high during the year.

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2022, the Group had approximately HK$12,362,000 bank and cash balances (2021: HK$27,987,000). The decrease in bank and cash balances was mainly attributable to the repayment of bank borrowings. The net current assets as at 31 March 2022 amounted to approximately HK$59,343,000 (2021: HK$1,741,000). Current ratio of the Group as at 31 March 2022 was approximately 1.6 (2021: 1.0).

As at 31 March 2022, the Group had aggregate banking facilities of HK$53,400,000 (2021: HK$83,400,000), of which approximately HK$26,349,000 (2021: HK$31,461,000) had been used. The borrowings comprised of trade finance facilities of approximately HK$25,564,000 (2021: HK$31,461,000) and bank overdrafts of approximately HK$785,000 (2021: Nil). The borrowings and overdrafts due within one year amounted to approximately HK$26,349,000 (2021: HK$31,461,000). The bank borrowings and overdrafts carried interest rates ranging from HIBOR/LIBOR plus 1.8% to 2.0% (2021: 1.8% to 2.0%) or 1% (2021: 1%) below Prime Rate and 8% over Prime Rate (2021: N/A), respectively.

As at 31 March 2022, the Group's net gearing ratio was approximately 19.9% (2021: 4.0%). This was calculated by dividing the net amount of borrowings (including bank borrowings and overdrafts after deduction of cash and cash equivalents) by total equity attributable to owners of the Company as at 31 March 2022. The increase was mainly due to the decrease in total equity resulted from the loss incurred during the financial year.

The Group has adopted a prudent financial and surplus funds management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 March 2022. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the sufficient financial resources are available in order to meet its funding requirements and commitment timely.

CHARGES ON ASSETS

The Group had no charges on assets as at 31 March 2022 (2021: Nil).

FOREIGN EXCHANGE EXPOSURE

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

CONTRACTUAL AND CAPITAL COMMITMENTS

As at 31 March 2022, the Group had capital commitments of approximately HK$1,089,000 (2021: HK$823,000).

CONTINGENT LIABILITIES

As at 31 March 2022, the Group had no material contingent liabilities (2021: Nil).

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2022, the Group had a total workforce of 776 (2021: 1,223) including 24 employees (2021: 28) in Hong Kong. Employee costs, including directors' emoluments, amounted to approximately HK$86,290,000 for the year ended 31 March 2022 (2021: HK$106,334,000). The Group's remuneration policy is underscored by the principle of awarding equitable packages to employees, incentive-based where applicable, with remunerations being performance-oriented and market-competitive. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, the Group offers other staff benefits including share option schemes, performance-based bonuses, provident fund contributions and medical insurance coverage.

DIVIDENDS

The Directors do not recommend the declaration of the payment of a final dividend for the year ended 31 March 2022.

SIGNIFICANT INVESTMENTS HELD

Except for investments in its subsidiaries, during the year ended 31 March 2022, the Group did not hold any significant investment in equity interest in any other company.

SIGNIFICANT DISPOSAL

Disposal of Sky Ocean Group Limited, an indirectly wholly-owned subsidiary of the Company, a connected transaction under the Listing Rules

On 25 August 2021, Mr. Lam Wai Ming ("**Mr. Lam**") (a connected person of the Company at the subsidiary level) and Kenford Industrial Company Limited ("**Kenford Industria**l") (an indirectly wholly-owned subsidiary of the Company) entered into the sale and purchase agreement, pursuant to which, Kenford Industrial agreed to sell and Mr. Lam agreed to purchase the entire shares capital of Sky Ocean Group Limited ("**Sky Ocean**") (an indirectly wholly-owned subsidiary of the Company), for a consideration of HK$72.4 million (the "**Disposal**"). The said transaction was completed on 31 December 2021. The transaction constituted 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 transaction is subject to the reporting, announcement, circular and shareholders' approval requirements pursuant to Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). For details, please refer to the Company's announcement dated 25 August 2021 and 31 December 2021, respectively; and circular dated 21 September 2021.

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 global logistics issues, 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, we believe that the COVID-19 pandemic and raw materials price fluctuations remain as key factors affecting the economy and overall business outlook. The Group anticipates an upsurge in raw material costs and fluctuating market consumption patterns and we will closely monitor the situation. We will protect our business fundamentals and maintain our agility, vigilance and discipline whilst continuing to adapt to the changing dynamics in customer behavior, channels and the market arena. The Group remains cautious but optimistic, and is confident in our team and corporate values to capture the foreseeable recover.

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

The board of the Company herein presents the annual report and the audited consolidated financial statements (the "**Financial Statements**") of the Group for the year ended 31 March 2022.

PRINCIPAL ACTIVITIES

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

A fair review of the Group's business and financial performance for the year ended 31 March 2022 is set out in the section "Management Discussion and Analysis" on pages 5 to 8 of this annual report.

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as otherwise disclosed in this annual report, no important events affecting the Company have occurred since 31 March 2022 and up to the date of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2022.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the reporting year, the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

On 25 August 2021, Mr. Lam and Kenford Industrial entered into the sale and purchase agreement, pursuant to which, Kenford Industrial agreed to sell and Mr. Lam agreed to purchase the entire share capital of Sky Ocean, for a consideration of HK$72.4 million. The said transaction was completed on 31 December 2021. The transaction constituted 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 transaction is subject to the reporting, announcement, circular and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

On 25 August 2021, Dongguan Kenford Electrical Appliance Co., Ltd.* (東莞建福電器有限公司) ("**Dongguan Kenford**") (an indirectly wholly-owned subsidiary of the Company) and Dongguan Kario Electrical Appliance Co., Ltd.* (東莞家利來電器有限公司) ("**Dongguan Kario**") (an indirectly wholly-owned subsidiary of Sky Ocean and a connected person of the Company at the subsidiary level after completion of the disposal of Sky Ocean) entered into a lease agreement, pursuant to which Dongguan Kario as the lessor will lease back certain disposed properties (the "**Properties**") to Dongguan Kenford as the lessee, for a monthly rent of RMB250,000 from 1 January 2022 to 31 March 2024 (the "**Lease**"). Pursuant to HKFRS 16, the Properties will be treated as right-of-use assets with the aggregate consideration of RMB6.75 million and the transaction contemplated under the lease agreement will be recognised as the acquisition of right-of-use assets which will constitute a one-off connected transaction of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules. The lease agreement is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

On 25 August 2021, Kenford Industrial and Dongguan Kario entered into the purchasing agreement, pursuant to which Dongguan Kario agreed to sell and Kenford Industrial agreed to purchase electrical haircare products from 1 January 2022 to 31 March 2024 on market price and normal commercial terms on OEM basis subject to the annual caps of HK$30.50 million, HK$70.25 million and HK$63.25 million for the three years ended 31 March 2024, respectively.

The following table sets out the annual cap for continuing connected transactions of the Group in the reporting year and the actual transaction amounts for continuing connected transactions of the Group in the reporting year:

	2022	
	Actual amount (HK$'000)	**Annual Cap (HK$'000)**
Purchasing agreement — Purchasing of electrical haircare products	**2,883**	**30,500**

This purchasing agreement is subject to reporting, annual review and announcement requirement but is exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.55 of the Listing Rules, the Directors, including the independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and in note 36 to the consolidated financial statements, and have confirmed that the purchasing agreement was approved by the Board and:

(a) was entered into in the ordinary and usual course of business of the Group;

(b) was conducted on normal commercial terms;

(c) was entered into in accordance with the agreements governing such transactions, on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole; and

(d) did not exceed HK$30.5 million for the reporting year.

ZHONGHUI ANDA CPA Limited, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditors of the Company have reviewed the above mentioned continuing connected transactions and confirmed to the Board that:

(1) nothing has come to their attention that may cause it to believe that these transactions have not been approved by the Board;

(2) for the transactions involved the provision of goods or services by the Group, nothing has come to their attention that may cause them to believe that these transactions were not, in all material respects, in accordance with the pricing policy of the Group;

(3) nothing has come to their attention that may cause them to believe that these transactions were not entered into, in all material respects, in accordance with the relevant agreements governing these transactions; and

(4) nothing has come to their attention that may cause them to believe that these transactions have exceeded their respective annual caps for such transactions.

ZHONGHUI ANDA CPA Limited have issued their unqualified letter containing their findings and conclusions in respect of the Group's continuing connected transactions and a copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company had complied with the disclosure requirements under Chapter 14A of the Listing Rules throughout the Reporting Period.

Save as disclosed above, the Group has not entered into any connected transaction during the reporting year that is not fully exempted under Chapter 14A of the Listing Rules. The material related party transactions entered into by the Group during the reporting year, as disclosed in note 36 to the consolidated financial statements (except for the remuneration of the Directors) did not constitute connected transactions (as defined under the Listing Rules).

Save as disclosed above, the Company did not enter into any transactions which constitute non-exempt connected transactions within the meaning of the Listing Rules during the year ended 31 March 2022.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2022 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 66 of this annual report.

The Directors have resolved not to declare the payment of final dividend in respect of the year ended 31 March 2022.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

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

RESERVES

Details of the movements in the reserves of the Group during the year are set out on page 68 of this annual report.

DIRECTORS

The Directors who held office during the year and up to the date of this report are:

Executive Directors
Mr. Zhang Huijun *(Chairman)* (appointed as Chairman on 25 January 2022)
Ms. Cai Dongyan *(Chief Executive Officer)*
Ms. Pauline Lam
Mr. Lin Liangyong
Mr. Gao Jianbo (resigned on 25 January 2022)

Independent Non-Executive Directors
Mr. Lam Yick Man
Mr. Hu Zhigang
Mr. Zhang Jiayou

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

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Biographical details of the existing Directors and the senior management of the Group are set out on pages 20 to 22 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTEREST AND CONTROLLING SHAREHOLDERS' INTEREST IN TRANSACTIONS, AGREEMENTS OR CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' AND OFFICERS' INDEMNITY

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

MANAGEMENT CONTRACTS

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

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

As at 31 March 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules.

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

As at 31 March 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 Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long position in the shares of the Company

Name of substantial shareholders	Capacity and Nature of Interest	Number of Shares held	Approximate percentage of issued Shares
China Yuen Capital Limited *(Note 1)*	Beneficial owner	253,132,500	56.80%
China Investment International Limited *(Note 1)*	Interest of controlled corporation	253,132,500	56.80%
Asia Glory Management Group Limited *(Note 1)*	Interest of controlled corporation	253,132,500	56.80%
Luckever Holdings Limited *(Note 1)*	Interest of controlled corporation	253,132,500	56.80%
Li Yuelan *(Note 1)*	Interest of controlled corporation	253,132,500	56.80%
Liu Xuezhong *(Note 1)*	Interest of controlled corporation	253,132,500	56.80%
Special Opportunity Private Equity Investment Fund No. 2* (特殊機遇私募投資基金2號)	Beneficial owner	50,575,000	11.35%
Special Opportunity Private Equity Investment Fund No. 3* (特殊機遇私募投資基金3號)	Beneficial owner	44,500,000	9.99%
Donghai International Financial Holdings Company Limited *(Note 2)*	Security interest in Shares	227,332,500	51.01%
東海證券股份有限公司 *(Note 2)*	Security interest in Shares	227,332,500	51.01%

Note:

(1) China Yuen Capital Limited is owned as to 100% by China Investment International Limited, which is owned as to 100% by Asia Glory Management Group Limited, which in turn is owned as to 100% by Luckever Holdings Limited. Luckever Holdings Limited is owned as to 60.87% by Mr. Liu Xuezhong and 39.13% by Ms. Li Yuelan (the spouse of Mr. Liu Xuezhong). By virtue of the SFO, each of China Investment International Limited, Asia Glory Management Group Limited, Luckever Holdings Limited, Mr. Liu Xuezhong and Ms. Li Yuelan was taken to be interested in the 253,132,500 Shares held by China Yuen Capital Limited.

(2) 東海證券股份有限公司 is the 100% immediate holding company of Donghai International Financial Holdings Company Limited. By virtue of the SFO, 東海證券股份有限公司 is taken to be interested in the 227,332,500 Shares held by Donghai International Financial Holdings Company Limited.

Save as disclosed above, as at 31 March 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 Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

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

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

(a) Purpose

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

(b) Who may join

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

(i) any full-time or part-time employee of the Company and/or any subsidiary of the Company;

(ii) any director (including executive, non-executive and independent non-executive director) of the Company and/or any subsidiary of the Company; and

(iii) any consultant or adviser (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any subsidiary of the Company who, at the sole determination of the Board, have contributed or will contribute to the Company and/or any subsidiary of the Company.

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

(c) Subscription price and acceptance period

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

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

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

(iii) the nominal value of a Share.

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

(d) Maximum number of Shares available for subscription

(1) The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group which provide for the grant of options to acquire or subscribe for Shares must not exceed such number of Shares as shall represent 30% of the issued share capital of the Company from time to time. No Options may be granted under the Share Option Scheme if this will result in such limit being exceeded;

(2) Subject to Paragraph d (1) above, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the issued share capital of the Company as at the Adoption Date (the "Scheme Mandate Limit") unless Shareholders' approval has been obtained pursuant to Paragraphs d (3) or d (4) below. Any options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group shall not be counted for the purpose of calculating the Scheme Mandate Limit;

(3) Subject to Paragraph d (1) above, the Board may seek approval by Shareholders in general meeting to renew the Scheme Mandate Limit and the Company must send a circular to the Shareholders containing the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules. However, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group in these circumstances must not exceed 10% of the issued share capital of the Company at the date of approval of the renewed limit (the "renewed Scheme Mandate Limit"). Options previously granted under the Share Option Scheme and any other share option schemes of the Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes of the Group and exercised options) will not be counted for the purpose of calculating the renewed Scheme Mandate Limit;

(4) Subject to Paragraph d (1) above, the Board may seek separate Shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit or the renewed Scheme Mandate Limit as referred to in Paragraphs d (2) or d (3) above (as the case may be) provided that the options in excess of the Scheme Mandate Limit or the renewed Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by the Company before such approval is sought and the Company must issue a circular to the Shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to such Eligible Participants with an explanation as to how the terms of the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

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

(e) Maximum entitlement of each eligible participant

(1) The total number of Shares issued and to be issued upon exercise of the Options granted to each Eligible Participant (including both exercised and outstanding Options under the Share Option Scheme) in any 12-month period must not exceed 1% of the issued share capital of the Company. Where any further grant of Options to an Eligible Participant would result in the total number of Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the issued share capital of the Company as at the date of such further grant, such further grant shall be subject to the approval of the Shareholders at a general meeting with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting.

(2) Any grant of Options to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by all of the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee).

(3) Where Options are proposed to be granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of Options will result in the total number of Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of the Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000, such grant of Options must be subject to the approval of the Shareholders taken on a poll at general meeting. In addition, the date of the Board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the Subscription Price only under paragraph c. The Grantee, his associates and all core connected persons of the Company must abstain from voting in such general meeting (except that any Grantee, his associate or core connected person may vote against the proposed grant provided that his intention to do so has been stated in the relevant circular to the Shareholders).

(f) Term of the Share Option Scheme

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

(g) Grant of Share Option

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

There was no option granted under the new Share Option Scheme for the year ended 2022 and 2021.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, as at the latest practicable date prior to the printing of this report, the Company has maintained sufficient public float of its issued shares as required under the Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

FIVE YEARS FINANCIAL SUMMARY

A summary of the assets and liabilities and the results of the Group for the last five financial years is set out on pages 115 and 116 of this annual report.

RELATED PARTY TRANSACTIONS

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

PRE-EMPTIVE RIGHTS

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

TAXATION OF HOLDERS OF SHARES

The Directors are not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

(a) Hong Kong

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The duty is charged at the current rate of 0.13% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of shares. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

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

(c) Professional tax advice recommended

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 72.1% of the total sales for the year and sales to the largest customer included therein amounted to approximately 33.8%.

Purchases from the Group's five largest suppliers accounted for approximately 26.3% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 6.7%.

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

ENVIRONMENTAL POLICIES

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

COMPLIANCE WITH LAWS AND REGULATION

For the year ended 31 March 2022, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

COMPETING INTEREST

Save and except for interests in the Group, none of the Directors nor their respective associates (as defined under the Listing Rules) had any interest in any other companies or businesses as at 31 March 2022 which may, directly or indirectly, compete with the Group's business.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 March 2022. The Company has published its corporate governance report, details of which are set out on pages 47 to 62 of this annual report.

On 1 January 2022, the amendments to the Corporate Governance Code (the "**New CG Code**") came into effect and the requirements under the New CG Code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of the shareholders and investors.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 22 August 2022 to Thursday, 25 August 2022 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the forthcoming annual general meeting. During such period no transfer of shares of the Company will be registered and no shares will be allotted and issued. In order to be eligible to attend and vote at the 2022 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 19 August 2022.

AUDITORS

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

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

On behalf of the Board
CHINA OVERSEAS NUOXIN INTERNATIONAL HOLDINGS LIMITED

Zhang Huijun
Chairman
Hong Kong, 29 June 2022

DIRECTORS

Executive Directors

Mr. Zhang Huijun, aged 40, joined the Group in August 2017. Mr. Zhang is currently an executive Director, chairman of the Board and a member of the remuneration committee of the Company. Mr. Zhang has around 8 years of management experience. From 2006 to 2009, Mr. Zhang served as the trade investment manager of Tsingshan Holding Group Shanghai International Trading Co., Ltd. * (青山控股集團上海國際貿易有限公司). From 2010 to 2012, Mr. Zhang served as the project manager of Pt. Modern Group Indonesia. Mr. Zhang completed three years studies majoring in Taxation at Hunan Tax College* (湖南稅務高等專科學校) in 2002.

Ms. Cai Dongyan, aged 46, joined the Group in August 2017. Ms. Cai is currently an executive Director and the chief executive officer of the Company. Ms. Cai worked at Shanghai Shenmei Beverage and Food Co., Ltd.* (上海申美飲料食品有限公司) from July 1998 to December 1999, Motorola Paging Products Company* (摩托羅拉尋呼產品公司) from 2000 to 2001, 3M China Limited* (3M中國有限公司) from 2001 to 2006 and Minnesota Mining Production (Shanghai) International Trade Co., Ltd* (明尼蘇達礦業製造(上海)國際貿易有限公司) from 2009 to 2016. Ms. Cai obtained an undergraduate diploma majoring in hotel management at Shanghai Jiao Tong University in 1998. Ms. Cai is the spouse of Mr. Hao Yiming, one of the directors of China Yuen Capital Limited, the controlling Shareholder of the Company.

Ms. Pauline Lam, aged 39, joined the Group in August 2017. Ms. Lam is currently an executive Director. Ms. Lam worked at China Point Enterprises Limited from 2006 to 2011, and her last position was sales and merchandising manager. From 2013 to 2017, she worked at TAG Aviation Asia Limited and her last position was senior client responsible manager. Ms. Lam obtained a bachelor's degree in business administration from Pepperdine University in California of the United States in December 2004. Ms. Lam was an executive director of Hang Tai Yue Group Holdings Limited, a company listed on the GEM Board of the Stock Exchange (Stock Code: 8081) from 2018 to 2021.

Mr. Lin Liangyong, aged 41, joined the Group in April 2019. Mr. Lin is currently an executive Director. Mr. Lin graduated from Shanxi University of Finance and Economics with a bachelor's degree in finance. He is currently the general manager of the Gold Zhongnan Investment Development Co., Ltd. * (金中南投資發展有限公司) of Shenzhen. He served as the sub-branch manager of Taikoo City Sub-branch of Industrial and Commercial Bank of China (Shenzhen branch), the assistant to the general manager of the credit approval department of Bank of Beijing Co., Ltd. (Shenzhen branch). He had worked in the domestic banking system for more than 14 years and has extensive experience in financial management and risk control.

DIRECTORS (Continued)

Independent Non-Executive Directors

Mr. Lam Yick Man, aged 43, joined the Group in April 2019. Mr. Lam is currently an independent non-executive Director, chairman of the audit committee of the Company, a member of the nomination committee and the remuneration committee of the Company Mr. Lam has been the executive Director of Rich Goldman Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 00070) since July 2021. Mr. Lam obtained a master of corporate governance from The Hong Kong Polytechnic University and a bachelor of business administration from Lingnan University. He is also a member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. He has over 16 years of experience in auditing and financial management and regulatory compliance matters gained from various international accounting firms, both listed and private companies.

Mr. Hu Zhigang, aged 72, joined the Group in April 2020. Mr. Hu is currently an independent non-executive Director, the chairman of the remuneration committee and nomination committee of the Company and a member of the audit committee of the Company. Mr. Hu graduated from Nanjing Normal University with a bachelor's degree in economic management. He also obtained a degree of master of public administration from University of Canberra in Australia. He served as the vice president of China Real Estate Association, the deputy director and the director of Nanjing Real Estate Administration, the deputy secretary of Nanjing Real Estate Administration Committee and the deputy director and member of working committee of Nanjing Xianlin University Town Management Committee. He has gained more than 30 years of extensive experience in real estate market management in the PRC.

Mr. Zhang Jiayou, aged 50, joined the Group in December 2020. Mr. Zhang is currently an independent non-executive Director, a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Zhang obtained his bachelor degree in Oil and Gas Geological Exploration from the China University of Petroleum in July 1997 and obtained a Qualification Certificate of Specialty and Technology issued by the China Petrochemical Corporation in December 2002. He has over 23 years of experience in research, evaluation, and acquisition in oil and gas projects, minerals projects and other asset projects. Between 1997 and 2003, Mr. Zhang worked in a subsidiary of China Petrochemical Corporation. He then worked in Energy Science Service & Consulting Associates from 2005 until 2011 and Pearl Oriental Oil Limited (currently known as CHK Oil Limited, the shares of which are listed on the Stock Exchange) (stock code: 632) between 2011 and 2017.

* *For Identification purpose only*

SENIOR MANAGEMENT

Mr. Lam Wai Ming, aged 63, joined the Group in January 1989. Mr. Lam is currently the Director of the major subsidiaries of the Company. Mr. Lam is responsible for the overall management, planning and development of the major subsidiaries. Mr. Lam has over 41 years of experience in the electrical appliances industry. He holds an Executive Master of Business Administration from City University of Hong Kong. Mr. Lam received the Asia Pacific Entrepreneurship Awards ("**APEA**") — Outstanding Entrepreneur Awards from Enterprise Asia on 4 July 2011. Mr. Lam was the President of The Hong Kong Electrical Appliance Industries Association ("**HKEAIA**") from 2016–2018.

Mr. Yeung Kin Wing, **Ramo**, aged 52, joined the Group in June 1998 and is the Operation Manager of the Group. Mr. Yeung is responsible for the overall production management of the factory in PRC. Mr. Yeung has obtained a Bachelor Degree of Business Administration from Lincoln University and a National Diploma in Engineering from Business and Technical Education Council. Mr. Yeung has over 31 years of experience in manufacturing industry.

COMPANY SECRETARY

Mr. Shiu Wing Yan, aged 53, was appointed as the company secretary with effect from 27 May 2020. Mr. Shiu is an associate member of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries & Administrators in the United Kingdom) and The Hong Kong Institute of Chartered Secretaries. He has more than 22 years of experience in the company secretarial field.

The Board presents its Environmental, Social and Governance Report (the "**ESG Report**") for the year ended 31 March 2022 (the "**Year 2022**").

1. COMPANY PROFILE

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

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

2. REPORTING FRAMEWORK

The ESG Report is prepared in compliance with the Environmental, Social and Governance (the "**ESG**") Reporting Guide under Appendix 27 of the Listing Rules, and will be published annually.

3. SCOPE OF REPORT

This ESG Report focuses on the ESG performance of the Group in the Year 2022 in respect of the Group's haircare appliances manufacturing subsidiary in the People's Republic of China ("**PRC**"), namely, Dongguan Kenford, which is the Group's sole production facility.[1] The disclosures in this ESG Report focus on the policies and performance of the operations of this manufacturing plant in relation to four environmental aspects and eight social aspects.

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

1 By considering the production facility, namely, Dongguan Kario has ceased to be a subsidiary of the Group since 31 December 2021 and its revenue contribution to the Group is insignificant, the relevant ESG performance and data is not covered in this ESG Report. Due to this material change in operation of production facilities, the relevant data may not be able to directly compare with the data of Year 2021.

4. GOVERNANCE STRUCTURE

Board's oversight of ESG issues

The Board is committed to maintaining a sustainable development of its business as well as supporting the long-term sustainability of the environment and communities where the Group operates and continually enhances investment value to stakeholders through proper and effective internal control systems and ESG risk management measures throughout its operations. The Board considers ESG-related risks and opportunities as part of the Group's overall strategic formulation, and the significant ESG impact caused by daily operations and businesses. The Board maintains oversight of and approves the identification and assessment of ESG issues and confirms that to the best of its knowledge, this ESG Report addresses material topics related to the operations of the Group and fairly presents its ESG performance and impacts.

The Board has delegated the Group's management to supervise ESG-related issues and work of the Group. The Group's management is responsible for monitoring and reviewing the compliance with local laws and regulations with regards to ESG-related issues. The Group's management is also responsible for establishment of sustainability strategies, policies and measures to implement sustainability initiatives, provide sustainability reporting and prepare the ESG Report.

Board's ESG management approach and strategy for material ESG-related issues

In order to better understand the opinions and expectations of different stakeholders on the ESG issues, materiality assessment is conducted annually. The Group ensures various platforms and channels of communication are used to reach, listen and respond to its key stakeholders. Through communication with the stakeholders, the Group is able to understand their expectations and concerns. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the impacts of the business decisions.

The Group has evaluated the materiality in ESG aspects through the following steps: (i) identification of ESG issues by the Group; (ii) key ESG areas prioritisation with stakeholder engagement; and (iii) validation and determining material ESG issues based on the results of communication with the stakeholders.

Engaging these steps can enhances the understanding of the degree of importance of the Group's stakeholders to each material ESG issue, which enable the Board to plan the sustainable development direction more comprehensively in the future.

4. GOVERNANCE STRUCTURE (Continued)

Board reviews progress made against ESG-related goals and targets

The Group will closely review from time to time for the performance and implementation progress of the goals and targets. If the progress falls short of expectation or changes of business operations, it may be necessary to make changes and communicate about the goals and targets with key stakeholders such as employees, customers and suppliers.

The Board has set future strategic goals to enable the Group to develop a realistic path and focus on development direction for achieving its visions. The Group's management will carefully examine the attainability of the targets which should be weighed against the Group's philosophy and goals.

5. REPORTING PRINCIPLES

This ESG Report is based on the following four reporting principles:

Materiality: Stakeholder engagement and materiality assessment were conducted to identify material ESG issues, and to ensure that these issues are addressed in the report.

Quantitative: Data presented in this ESG Report have been collected prudently. Please refer to the environmental and social performance data for standards and methodologies used for calculation of key performance indicators.

Balance: Both positive and negative sides of the performance have been presented in a transparent manner.

Consistency: Unless otherwise stated, the disclosures, data collection and calculation methods have remained consistent throughout the years to facilitate comparability over time.

6. STAKEHOLDER ENGAGEMENT

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

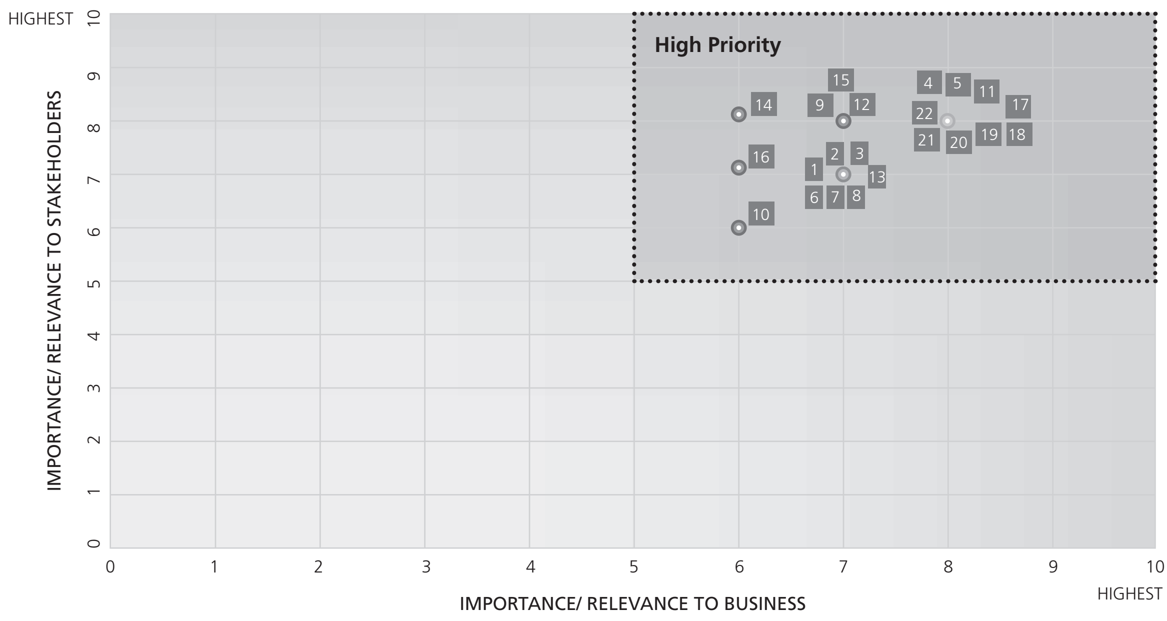
Stakeholders	Appeals and expectations for the Group	Communication and Response
Shareholders	• Financial results • Corporate transparency • Sound risk management and internal control	• Improvement in profitability • Regular information disclosure • Optimising risk management and internal control
Government	• Compliance with laws and regulations • Pay taxes according to law	• Continuously strengthen corporate compliance management to ensure compliance for the operation of the Group • Pay taxes in a full and timely manner
Investors	• Implement corporate governance and create value • Information disclosure	• Optimise corporate governance and continuously improve corporate value • Release operating data in due course, set up investor hotline
Customers	• Product quality • Protection of consumers' rights and interests • Customer information security	• Customer satisfaction survey • Handling customer complaints and products return • Customer privacy protection
Employees	• Reasonable salary and welfare • Employee promotion and development • Occupational health and safety • Care of employees	• Competitive remuneration package • Transparent promotion channel • Conduct regular occupational health and safety awareness training for staff • Accommodation provided for employees
Suppliers	• Integrity cooperation • Business ethics and credibility	• Establish a responsible supply chain • Fulfillment of obligations under any contract in accordance with laws
Community	• Serve the community	• Proactively carry out and participate in charitable donation and social welfare activities
Public	• Environmental protection • Response to climate change • Establish a resource saving and environmental protection mechanism in work process	• Classify and recycle hazardous waste • Utilise low-carbon energy • Environmental and energy-saving equipment was put into use

7. MATERIALITY ASSESSMENT

In the Year 2022, the Company undertook its annual materiality assessment exercise. This involved conducting interviews and/or surveys with internal and external stakeholders to identify "material issues" and reflect the environmental, social and operational issues which have the most significant impacts on the Company's business and the relevant issues which are of concern to the stakeholders.

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

The Group's materiality matrix of ESG issues in the Year 2022:



Environmental

1. GHG emissions
2. Energy consumption
3. Water consumption
4. Waste
5. Saving energy measures
6. Use of raw materials and packaging materials
7. Impact of climate change
8. Use of chemicals

Social

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

Operating practices

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

8. CORPORATE GOVERNANCE REPORT

You can refer to the detailed information of the Corporate Governance Report on pages 47 to 62 of this annual report.

9. ENVIRONMENTAL

9.1. Emissions

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

During the Year 2022, Dongguan Kenford does not own any vehicle or facility that involve gaseous fuel consumption and air emissions. Hence, no nitrogen oxides (**"NO_X"**), sulphur oxides ("**SO_X**") and particulate matter ("**PM**") are generated.

Environmental Indicators	Year 2022	Year 2021
Air Emissions (Note 1)		
NO_X (kg)	**N/A**	286.67
SO_X (kg)	**N/A**	0.38
PM (kg)	**N/A**	28.39

Note 1: During the Year 2021, air emissions were mainly generated from the use of motor vehicles owned by Dongguan Kario, which has ceased to be a subsidiary of the Group since 31 December 2021, and is excluded from the reporting scope in the Year 2022.

Reduction target of air emissions intensity

Environmental Indicators	Reduction Target	Baseline Year	Status
NO_X intensity	N/A	N/A	N/A
SO_X intensity	N/A	N/A	N/A
PM intensity	N/A	N/A	N/A

9. ENVIRONMENTAL (Continued)

9.1. Emissions (Continued)

The major sources of GHG emissions included consumption of purchased electricity, diesel for forklifts, water and paper waste disposal for the operation of the Group's production facility. The key environmental indicators of GHG generated by the Group's operation during Year 2022 are shown in the table below:

Environmental Indicators	Year 2022	Year 2021
GHG Emissions (Note 1)		
Total GHG emissions (kg of carbon dioxide equivalent ("**Kg of CO_{2e}**")) (Note 2)	**2,801,772**	5,969,925
GHG emissions per unit produced (Kg of CO_{2e})	**1.09**	1.31
Direct emissions (Scope 1) (Kg of CO_{2e})	**11,121**	75,357
Indirect emissions (Scope 2) (Kg of CO_{2e}) (Note 3)	**2,703,281**	5,793,261
Other indirect emissions (Scope 3) (Kg of CO_{2e}) (Note 3)	**87,370**	101,307

Note 1: GHG emissions (direct and indirect) can be divided into the following three separate areas:

Scope 1: Direct GHG emissions from the gasoline and diesel oil consumed by forklifts and motor vehicles owned or controlled by the relevant company;

Scope 2: Indirect GHG emissions resulting from purchased or acquired electricity, heating, cooling and steam consumed within the relevant company; and

Scope 3: Other indirect GHG emissions resulting from water consumed and paper waste disposed at landfills.

Note 2: GHG emissions decreased significantly during the Year 2022 due to the exclusion of the production facility, Dongguan Kario.

Note 3: The emission factors used to calculate the GHG emissions are sourced from the Ministry of Ecology and Environment of People's Republic of China (2019).

Reduction target of GHG emissions intensity

Environmental Indicators	Reduction Target	Baseline Year	Status
GHG emission intensity (Scope 1)	Reduce 3% by Year 2026	2022	In progress
GHG emission intensity (Scope 2)	Reduce 3% by Year 2026	2022	In progress
GHG emission intensity (Scope 3)	Reduce 3% by Year 2026	2022	In progress

Production activities create the majority of the Group's GHG emissions. The Group is committed to reduce air and GHG emissions associated with its operations and minimise its environmental impact. The Group has introduced environmental protection awareness into its daily operations. Staff and workers are encouraged to minimise consumption of energy including switch off light and turn off the air-conditioning after office and working hours or after the usage and paper wastage. Environmental protection and energy-saving equipments have been installed in various workplaces including but not limited to office, production floor and employee dormitory, in order to reduce energy consumption. The production facility is certified with ISO14001:2015 Environmental Management System.

9. ENVIRONMENTAL (Continued)

9.1. Emissions (Continued)

It is the Group's policy to strive for reducing wastes in its operations. The Group closely monitors the level of waste disposed of its production facility in the PRC and has adopted a series of reduction measures. Non-hazardous wastes from the factory includes packaging materials for product, paper for office use and kitchen waste. The factory has made their best effort to minimising the impact on the environment by using environmentally friendly raw materials and components in the Bills of Material for producing finished goods to reduce the environmental impacts of production and waste management of these raw materials.

The Group always handles waste with care and strives to discover means to achieve waste recycling. In order to promote green living habits, factory regularly organises training seminars on waste management and has provided waste separation facilities with "Recyclable", "Non-recyclable" and "Hazardous" labels for classification of different types of solid wastes. Hazardous wastes including scrap paint bucket and activated carbon, oily wipes and waste oil slag are stored in specific waste warehouses and to be collected and treated by qualified companies engaged by the Group.

The key environmental indicators of waste generated by the Group's operation during Year 2022 are shown in the table below:

Environmental Indicators	Year 2022	Year 2021
Waste		
Non-hazardous waste generated in total (kg) (Note 1)	**30,700**	36,000
Non-hazardous waste generated per unit produced (kg)	**0.0119**	0.0079
Hazardous waste generated in total (kg) (Note 2)	**2,466**	2,300
Hazardous waste generated per unit produced (kg)	**0.0010**	0.0005

Note 1: Non-hazardous waste was reduced in Year 2022 due to the exclusion of the production facility, Dongguan Kario and the decreased in quantities of unit produced.

Note 2: Hazardous waste was increased due to the use of different components of products as compare with Year 2021.

Reduction target of hazardous and non-hazardous wastes produced intensity

Environmental Indicators	Reduction Target	Baseline Year	Status
Non-hazardous waste produced intensity	Reduce 3% by Year 2026	2022	In progress
Hazardous waste produced intensity	Reduce 3% by Year 2026	2022	In progress

The Group recognises the importance of achieving environmental sustainability as it relates to its products and operations. The Group strictly complies with national and local laws and regulations relating to environmental protection and pollutant emissions during its course of operation, including the Environmental Protection Law of the PRC （中華人民共和國環境保護法）. In the Year 2022, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have significant impact. In addition, in the Year 2022, there was no report of fines or non-monetary sanctions as a result of non-compliance of the relevant laws and regulations.

9. ENVIRONMENTAL (Continued)

9.2. Use of resources

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

The key environmental indicators of resources consumption by the Group's operation during Year 2022 are shown in the table below:

Environmental Indicators	Year 2022	Year 2021
Use of resources (Note 1)		
Electricity consumption (kWh)	**5,312,008**	11,383,888
Diesel consumption (kWh) (Note 2 and 3)	**45,489**	282,095
Petrol consumption (kWh) (Note 2 and 3)	**N/A**	18,801
Gas consumption (kWh) (Note 2 and 3)	**N/A**	2,179
Total energy consumption (kWh)	**5,357,497**	11,686,963
Energy consumption per unit produced (kWh)	**2.08**	2.57
Water consumption in total (m^3)	**140,925**	168,205
Water consumption per unit produced (m^3)	**0.05**	0.04

Note 1: Energy and water consumption decreased significantly during the Year 2022 due to the exclusion of the production facility, Dongguan Kario.

Note 2: The conversion factor used to calculate the units to kWh are sourced from the Energy Statistics Manual issued by the International Energy Agency.

Note 3: Diesel consumption was generated from fuel combustion by forklifts. As no motor vehicle was owned by Dongguan Kenford, there was no petrol and gas consumption in the Year 2022.

Reduction target of energy and water consumption intensity

Environmental Indicators	Reduction Target	Baseline Year	Status
Energy consumption intensity	Reduce 3% by Year 2026	2022	In progress
Water consumption intensity	Reduce 5% by Year 2026	2022	In progress

Environmental Indicators	Year 2022	Year 2021
Packaging material consumption (Note 1)		
Total packaging material (paper) used for finished products (kg)	**800,000**	1,242,000
Amount of packaging material (paper) per unit produced (kg)	**0.311**	0.273
Total packaging material (plastic) used for finished products (kg)	**18,000**	25,000
Amount of packaging material (plastic) per unit produced (kg)	**0.007**	0.005

Note 1: The packaging materials used for finished products have decreased significantly during the Year 2022 due to the exclusion of the production facility, Dongguan Kario.

The Group recognises that manufacturing activities are heavily dependent on the consumption of energy and resources and thus values the efficient energy and water usage. The water consumption is attributed to its plant and staff dormitories and canteen. In general, the Group has not come across any difficulties in sourcing water as and when required. The Group understands the importance of water resources and will continue to encourage, participate, and improve water usage efficiency.

9. ENVIRONMENTAL (Continued)

9.2. Use of resources (Continued)

A series of environmental friendly policies have been adopted by the Group, and at the same time, efforts have been made in energy conservation and emission reduction in order to control and reduce the discharge of pollutants. The Group has adopted a series of initiatives and measures for efficient energy use and energy conservation in the following areas:

(1) Installing new environmental protection and energy-saving equipments for various workplaces including but not limited to office and production floor, in order to reduce effectively the electricity consumption caused by the use of such equipments;

(2) Using environmentally friendly raw materials and components in the Bills of Material for producing finished goods to reduce the environmental impacts of production and waste management of these raw materials;

(3) Some of the lighting at the office building, production workshops and staff dormitories has installed LEDs, which consume less electricity;

(4) Raising awareness among staff of the need to conserve electricity by turning off lights, computers and air conditioners during non-office hours in order to reduce the electricity consumption;

(5) Installing "Air (Heat Pump) Hot Water Heater" central system in the dormitories for the employees' daily use to improve energy efficiency;

(6) Employing electronic business process work flow management system and use double-sided printing and double-sided copying to reduce paper consumption;

(7) Using video or telephone conferencing system to communicate with customers/overseas colleague so as to minimise use of public/private transport systems;

(8) Appointing qualified recycling companies to handle all of the Group's hazardous and non-hazardous wastes;

(9) Installing water purification system to avoid burdening the city's drainage system; and

(10) Reminding staff to use water properly, keep the water tap off when not in use and to treasure water resources to save consumption of water.

9. ENVIRONMENTAL (Continued)

9.3. The Environment and Natural Resources

The Group's manufacturing site in Dongguan, PRC, has obtained ISO 14001:2015 certification, which is a standard pertaining to environmental management systems. The Group has developed Environmental Manual（環境手冊）on minimising its significant impact on the environment and natural resources and ensuring compliance with the environmental management systems.

ISO 14001 environmental management system certificate and IQNet recognised certificate, which are valid from 8 June 2021 to 9 August 2024 obtained by Dongguan Kenford

(Awarded since August 2018)

During the Year 2022, there is no significant impact on the environment and natural resources from the operations of the Group, in particular, the Dongguan manufacturing plant.

The Group strictly regulates the manufacturing process of its business to ensure the compliance with local environmental laws and regulations. In the Year 2022, there was no case of material non-compliance with the Environmental Protection Law of the PRC（中華人民共和國環境保護法）and other relevant laws and regulations.

9. ENVIRONMENTAL (Continued)

9.4. Climate Change

Awareness over climate change continues to grow and is one of the most discussed topics among companies. The Group is no exception, having increasing concerns over the potential impact from climate change on the Group's business and operation.

In accordance with the reporting framework developed by the Task Force on Climate-related Financial Disclosures, there are two major categories of climate-related risks, physical and transition risks which may impact businesses. Physical risks are risks related to physical impacts of climate change which can be driven by events such as floods and typhoons (acute risks) or longer-term shifts in climate patterns such as sustained high temperatures and sea level rise (chronic risks). Transition risks are risks related to the transition to a lower-carbon economy, which may entail policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change.

The Group regularly reviews global and local government policies, regulatory updates and market trends to identify potential climate-related risks which may have impact on the Group's business operation. The Group will immediately develop a response plan when necessary such as changing the business strategy and modifying the development plan in order to reduce the negative impacts of such climate-related risks.

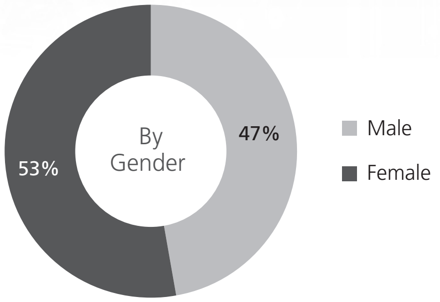
The Group will continuously incorporate sustainable practices in its business operations and prepare and maintain sufficient resources for managing identified climate-related risks and studying the potential remediation measures.

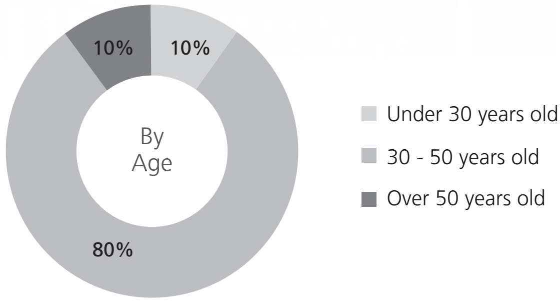
During the Year 2022, there is no climate-related risk, including physical and transitional risks, which have significant impact to the Group.

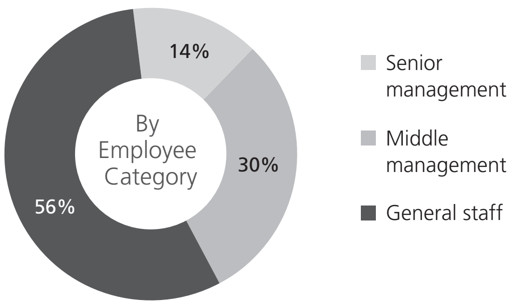
10. SOCIAL

10.1. Employment

As at 31 March 2022, all of the employees of Dongguan Kenford are full-time employees located in the PRC. The distribution of workforce by different categories is as follows:







10. SOCIAL (Continued)

10.1. Employment (Continued)

As at 31 March 2022, the turnover rates of employees of Dongguan Kenford by different categories are as follows:

	Turnover rate (Note 1)
By Gender	
Male	0.5%
Female	1.3%
By Age	
Under 30 years old	2%
30–50 years old	0.9%
Over 50 years old	–
By Geographical Location	
PRC	1%

Note 1: The employee turnover rate is calculated based on the number of employees who cease employment in each category during the Year 2022 divided by the average number of employees in that category.

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

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

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

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

10. SOCIAL (Continued)

10.1. Employment (Continued)

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

In the Year 2022, the Group strictly complies with the Labour Law of the PRC（中華人民共和國勞動法）, the Labor Contract Law of the PRC（中華人民共和國勞動合同法）, Hong Kong's Employment Ordinance（僱傭條例）and other relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have significant impact. In addition, there was no report of heavy fines or sanctions as the result of non-compliance with relevant laws and regulations.

10.2. Health and Safety

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

The Group was not aware of any material non-compliance with the relevant laws and regulations including the Law of the PRC on Work Safety（中華人民共和國安全生產法）and the Regulations on Work-Related Injury Insurance of the PRC（中華人民共和國工傷保險條例）that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards in the Year 2022. There were no work-related fatalities reported for the three years ended 31 March 2020, 2021 and 2022. There were 7 work-related injuries and the number of days lost due to work injury was 162 days during the Year 2022.

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

(1) Posting equipment safety procedures/signage and operation instructions in both the office(s) and workshops;

(2) Providing appropriate protection equipment for employees whose duties involve relatively higher risks;

(3) Acquiring appropriate and adequate fire equipment and first aid supplies;

(4) Establishing designated outdoor smoking area;

(5) Setting up designated warehouse for hazardous materials;

(6) Organising regular health and safety training courses and fire and evacuation drills; and

(7) Arranging regular medical checkups for all workers.

10. SOCIAL (Continued)

10.2. Health and Safety (Continued)

Fire and evacuation drills held in Dongguan Kenford

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

In an effort to prevent and control the spread of the COVID-19 pandemic, in particular, the spread of new COVID-19 variant (e.g Omicron), the Group has been closely monitoring and following the policies and advice from local government and strictly implementing numerous protective and control measures at its workplaces to safeguard the hygiene and safety of the employees, which include:

(1) Establishing a contingency working team, reporting to administration manager, to evaluate the level of impact of the COVID-19 to resume production; coordinate the purchasing of protective equipment and cleaning supplies; organise disinfection programme at workplace; and introduce policies and guidelines for epidemic prevention and control and maintain communication with employees timely;

(2) Establishing three fixed mandatory body temperature screening and disinfection working points, a mobile body temperature checking and disinfection working point;

(3) Setting up new temporary employee catering area and using partitions to separate tables in order to ensure employees can have a safe meal;

10. SOCIAL (Continued)

10.2. Health and Safety (Continued)

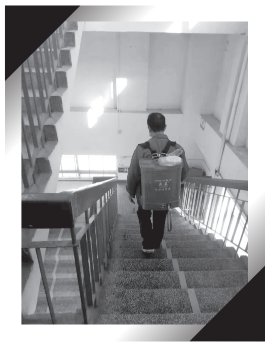
(4) Conducting regular cleaning and disinfection of offices, production premises, staff canteen and dormitory;

(5) Providing disposable protective face masks for its employees daily and hand sanitizer at washroom;

(6) Providing COVID-19 training on safety production for all staff;

(7) Maintaining a register of employees for their mandatory travel declaration within 14 days; and

(8) Any employees who have travelled from specified high risk places within 14 days are required compulsory quarantine and provide health certificate before returning to work.


Disinfection is performed in Dongguan Kenford regularly

Health advice on protection against infection by COVID-19 at the entrance to staff canteen

10. SOCIAL (Continued)

10.2. Health and Safety (Continued)

Disinfection zone for delivery packages

COVID-19 compulsory test instructed by the government

10.3. Development and Training

The Group has developed Employee Skill Training Program （員工技能培訓管制程序） to standardise the content of staff training. In the Year 2022, the Group provides suitable training courses for staff at different working stages and in different functional departments. There are various training programs include but not limited to: (i) occupational safety and health training; (ii) 6S lean manufacturing training; (iii) basic understanding and the requirements of ISO 9001:2015, ISO 14001:2015 and C-TPAT ; (iv) safe handling of chemical; (v) waste management training; and (vi) usage and importance of personal protective equipment, etc. Besides, the Group organises induction training for new recruits to provide them with guidelines for job specification. The Group provides training and education for its employees by means of offering opportunities to attend seminars either organised by external parties or in-house trainers.

10. SOCIAL (Continued)

10.3. Development and Training (Continued)

During the Year 2022, the percentage of employees trained and the average training hours completed per employee are as follows:

	Year 2022
Percentage of employees trained (Note 1)	100%
Percentage of employees trained by gender (Note 2)	
Male	47%
Female	53%
Percentage of employees trained by employee category (Note 2)	
Senior management	12%
Middle management	31%
General staff	57%
Average training hours completed per employee (Note 3)	1 hour
Average training hours completed per employee by gender (Note 4)	
Male	1 hour
Female	1 hour
Average training hours completed per employee by employee category (Note 4)	
Senior management	1 hour
Middle management	1 hour
General staff	2 hours

Note 1: Percentage of employees trained is calculated by dividing the number of employees who took part in training by the number of employees.

Note 2: Percentage of employees trained by category is calculated based on the number of employees trained in each category during the Year 2022 divided by the number of employees who took part in training.

Note 3: Average training hours per employee is calculated by dividing the total number of training hours by the number of employees.

Note 4: Average training hours by categories is calculated by dividing the total number of training hours for such category by the number of employees in the corresponding category.

10. SOCIAL (Continued)

10.4. Labour Standards

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

The Group prohibits the use of child labour and forced labour under all circumstances. To prevent hiring child labour, human resources department performs background checks and strictly verifies identity documents of potential new employees during the recruitment process to ensure that the candidates are not under the legal working age. If any child labour is identified, the employment contract will be terminated immediately, human resources department will contact their parents and take them back home.

The Group strictly complies with the Law on the Protection of Minors of the PRC（中華人民共和國未成年人保護法）, the Provisions on the Prohibition of Using Child Labor（禁止使用童工規定）, Hong Kong's Employment Ordinance（僱傭條例）and other relevant laws and regulations. In the Year 2022, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to prohibiting the Group from employing child and forced labour. In addition, there was no report of heavy fines or sanctions as the result of non-compliance with relevant laws and regulations.

11. OPERATING PRACTICES

11.1. Supply Chain Management

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

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

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

11. OPERATING PRACTICES (Continued)

11.1. Supply Chain Management (Continued)

In the Year 2022, the number of suppliers by geographical region is as follows:

	Number of suppliers
Hong Kong	40
Mainland China	159
Taiwan	1

11.2. Product Responsibility

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

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

ISO 9001 quality management system certification
which is valid from 18 April 2022 to 21 May 2025 obtained by Dongguan Kenford

(Awarded since December 2001)

11. OPERATING PRACTICES (Continued)

11.2. Product Responsibility (Continued)

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

The Group values positive relationships with its customers and always maintains constant communications with them. The Group has established Customer Satisfaction Survey Procedures（客戶滿意度調查程序）and Customer Complaint Handling Procedures（客戶投訴處理程序）to provide guidance on handling customers' feedback, suggestions, comments and complaints in relation to products and services.

During the Year 2022, there was no product recall due to safety and health reasons and no complaint related to product and service was received.

The Group places strong emphasis on data privacy and confidentiality of personal data and therefore puts great effort to protect all confidential data related to the Group's business, financial and customer information. The Group has established internal documentation management policies which outline data privacy requirements and procedures for employees to handle confidential information, including but not limited to products and technical specifications, customer information, personal data and trade secrets. Employees must sign a confidentiality agreement and are provided with ongoing training to maintain their awareness on their duties of protecting personal and business data.

The Group recognises the importance of intellectual property protection, therefore, it is dedicated to protecting and enforcing the Group's own intellectual property rights as well as the intellectual property rights of third party. The Group will ensure terms in relation to intellectual property rights are included in the cooperation agreements between the Group and its business partners.

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

11. OPERATING PRACTICES (Continued)

11.3. Anti-corruption

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

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

(1) Management — Management must be conversant with relevant anti-commercial bribery and integrity policies, such as the Prevention of Bribery Ordinance of Hong Kong（香港特別行政區防止賄賂條例）and the Criminal Law of the PRC（中華人民共和國刑法）, in order to lead the Group's operating activities, strengthen supervision, and make improvements if loopholes are found.

(2) Procurement and Sales and Marketing Staff — Given the nature of their work, the Group has provided anticorruption education and held thorough cases discussions with its procurement and sales and marketing staff to stress the importance of tackling corruption.

(3) Accounting Personnel — The Group strives to instill a sense of integrity among accounting staff, as well as increase their understanding of the seriousness of falsifying accounts. Internal and external audits serve as an effective deterrent and are among the means by which fraud and other unscrupulous activities can be detected.

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

The Group provides anti-corruption education and training (through webcast and circulation of e-training materials) to its directors and staff on a regular basis to raise their awareness towards ethical and corruption issues.

In the Year 2022, the Group was not aware of any material non-compliance with the relevant laws and regulations.

12. COMMUNITY INVESTMENT

Contributing to society and working together to build a better environment are integral components of corporate social responsibility.

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

Staff participated in healthcare and medical volunteer services organised by local officials

13. REPORTING ACCESS

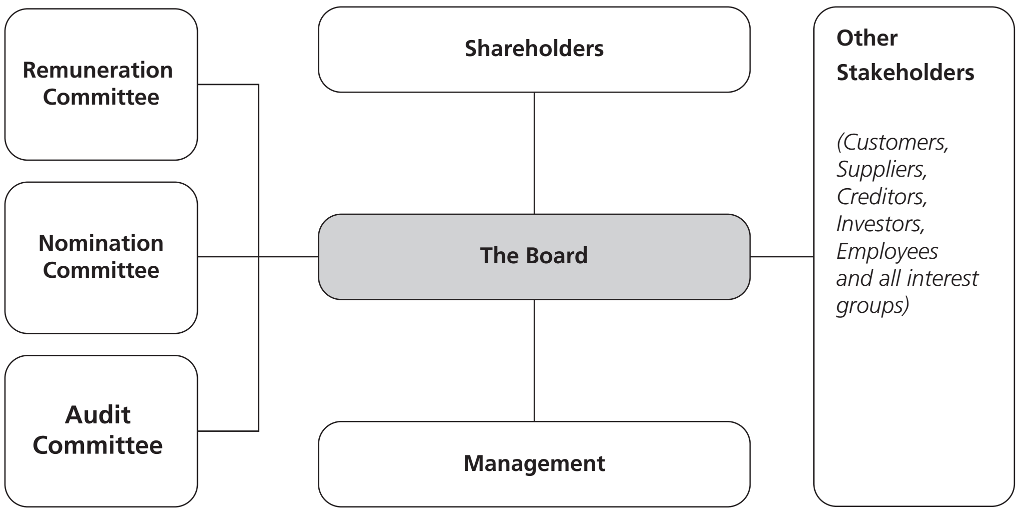
This ESG Report is prepared in both English and Chinese languages. In case of any inconsistency, the English text of this ESG Report shall prevail over the Chinese text.

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

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the CG Code as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 March 2022. This corporate governance report contains the detailed explanations on the Company's practices in compliance with the applicable CG Code provisions and the considered reasons for such deviations.

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



DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Upon specific enquiry by the Company, all the Directors have confirmed that they fully complied with the required standards as set out in the Model Code throughout the financial year ended 31 March 2022.

BOARD OF DIRECTORS

Board functions

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

Board composition

The Board of Directors of the Company comprised seven Directors, of which four were executive Directors, namely, Mr. Zhang Huijun (Chairman), Ms. Cai Dongyan (Chief Executive Officer), Ms. Pauline Lam and Mr. Lin Liangyong; and three were independent non-executive Directors, namely, Mr. Lam Yick Man, Mr. Hu Zhigang and Mr. Zhang Jiayou. The biographical details of the existing Directors of the Company and the relationships among them as at the date of this report are set out in the "Directors' and Senior Management's Profile" section on pages 20 to 22 of this annual report. Save as disclosed in this annual report, none of the Directors has any business, financial, family or material relationship with each other and the Company.

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

During the financial year ended 31 March 2022, the Board complied at all times with the requirements of the Listing Rules including: (i) the number of independent non-executive Directors representing at least one-third of the Board; and (ii) one of the independent non-executive Directors being a professional accountant. Each of the independent non-executive Directors has presented an annual confirmation of independence to the Company pursuant to rule 3.13 of the Listing Rules. The Company considered all of the independent non-executive Directors to be independent.

Board delegation

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

BOARD OF DIRECTORS (Continued)

Board, Board committees and general meetings

The total number of the meetings and the individual attendance of each Director in person at each of the meetings during the financial year ended 31 March 2022 were as follows:

Name of Directors	Board Meetings	Remuneration Committee meetings	Nomination Committee meetings	Audit Committee meetings	Shareholders' General Meeting
Executive Directors					
Mr. Zhang Huijun	6/6	1/1	N/A	N/A	1/1
Ms. Cai Dongyan	4/6	N/A	N/A	N/A	1/1
Ms. Pauline Lam	4/6	N/A	N/A	N/A	1/1
Mr. Lin Liangyong	4/6	N/A	N/A	N/A	1/1
Mr. Gao Jianbo (resigned on 25 January 2022)	5/6	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. Lam Yick Man	6/6	1/1	2/2	2/2	1/1
Mr. Hu Zhigang	6/6	1/1	2/2	2/2	1/1
Mr. Zhang Jiayou	6/6	1/1	2/2	2/2	1/1

BOARD OF DIRECTORS (Continued)

Board, Board committees and general meetings (Continued)

CG Code A.1.1 stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. In compliance with the CG code, there were in total 6 board meetings held during the financial year ended 31 March 2022. The Board believes that the fairness and effectiveness for the decision making on the business needs are adequately ensured. The relevant Directors' attendance is shown on page 49 of this corporate governance report.

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

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

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

Corporate Governance Functions

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

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

5. to review the Company's compliance with the code and disclosure in this corporate governance report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' TRAINING

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

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. A summary of trainings received by Directors from 1 April 2021 to 31 March 2022 according to the records provided by the Directors is as follows:

	Type of trainings		
Directors	**Seminars and/or conferences and/or forums**	**Corporate events or visits**	**Reading**
Executive Directors			
Mr. Zhang Huijun	✓	✓	✓
Ms. Cai Dongyan	✓	✓	✓
Ms. Pauline Lam	✓	✓	✓
Mr. Lin Liangyong	✓	✓	✓
Mr. Gao Jianbo (resigned on 25 January 2022)	✓	✓	✓
Independent Non-Executive Directors			
Mr. Lam Yick Man	✓	✓	✓
Mr. Hu Zhigang	✓	✓	✓
Mr. Zhang Jiayou	✓	✓	✓

REMUNERATION COMMITTEE

Remuneration Committee functions

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

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

The principal duties of the Remuneration Committee are:

— to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

— to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; and

— to make recommendations to the Board on the remuneration of non-executive Directors.

Remuneration Committee composition

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

Remuneration Committee Meetings

During the financial year ended 31 March 2022, the Remuneration Committee had met one times to discuss the following matters:

— to review and give comment to the overall remuneration policy and remuneration packages of the Group;

— to review and give comment to the basic salary of the executive Directors and senior management of the Group;

— to review and give comment to the performance and the performance bonus of the executive Directors of the Company;

— to note the fact that no compensation had been paid to the executive Directors and senior management of the Group in relation to their resignations, if any; and

— to recommend the remuneration packages and approving the terms of service contracts of the executive Directors and senior management of the Group for the financial year ended 31 March 2022 prior to recommending them to the Board for determination.

REMUNERATION COMMITTEE (Continued)

Remuneration Committee Meetings (Continued)

The details of the number of the Remuneration Committee meetings held during the financial year ended 31 March 2022 and the relevant record of individual attendance of the members of the Remuneration Committee, on a named basis, are shown in the table under the heading "Board, Board committees and general meetings" on page 49 of this corporate governance report.

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

NOMINATION COMMITTEE

Nomination Committee functions

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

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

The principal duties of the Nomination Committee are:

— to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

— to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

— to assess the independence of the independent non-executive Directors; and

— to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors, succession planning for Directors in particular the chairman and chief executive officer and the policy concerning the diversity of Board members.

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

NOMINATION COMMITTEE (Continued)

Nomination Committee composition

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

Nomination Committee meetings

During the financial year ended 31 March 2022, the Nomination Committee had met two times to discuss the following matters:

— determine the policy for nomination of directors;

— to consider the structure, size, and composition of the Board;

— to consider no new Board member be nominated and introduced to the Board; and

— to consider the re-election of the Directors of the Company at the annual general meeting of the Company.

The details of the number of the Nomination Committee meetings held during the financial year ended 31 March 2022 and the relevant record of individual attendance of the members of the Nomination Committee, on a named basis, are shown in the table under the heading "Board, Board committees and general meetings" on page 49 of this corporate governance report.

AUDITORS' REMUNERATION

During the financial year ended 31 March 2022, the Company engaged ZHONGHUI ANDA CPA Limited as the external auditors of the Company to perform audit and non-audit services. The audit fee was approximately HK$660,000 and other non-audit service fee was approximately HK$70,000 for the year ended 31 March 2022. The non-audit services included taxation service and service for major disposal transaction of Sky Ocean Group.

AUDIT COMMITTEE

Audit Committee functions

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

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

AUDIT COMMITTEE (Continued)

Audit Committee composition

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

Audit Committee meetings

During the financial year ended 31 March 2022, the Audit Committee had met two times to discuss the following matters:

— to review the final results of the Group for the year ended 31 March 2021 prior to recommending them to the Board for approval;

— to review the interim results for the six months ended 30 September 2021 of the Group prior to recommending them to the Board for approval;

— to review the selection and appointment of the external auditors of the Company for the financial year ended 31 March 2022 prior to recommending them to the Board for approval and the Board had agreed with the Audit Committee's view on this matter;

— to discuss with the Group's external auditors any significant or unusual items reflected in interim and annual reports;

— to discuss with the management the systems of internal control and risk management and ensure that management has discharged its duty to have effective systems; and

— to review the internal audit and risk management functions and reports of the Group.

The details of the number of the Audit Committee meetings held during the financial year ended 31 March 2022 and the relevant record of individual attendance of the members of the Audit Committee, on a named basis, are shown in the table under the heading "Board, Board committees and general meetings" on page 49 of this corporate governance report.

As at the date of this corporate governance report, the Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and has discussed auditing, internal control, risk management and financial reporting matters including the review of audited consolidated financial statements of the Group for the financial year ended 31 March 2022 in conjunction with the Group's external auditors.

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meeting

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

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

Directing Enquiries to the Board

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

INVESTOR RELATIONS

There was no change in the constitutional documents of the Company during the Year.

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

To strengthen the investors' relationship, the Company provides different ways for investors to access the soft and hard copies of the Company's information. The printed copies of this annual report in both English and Chinese languages will be dispatched to the Shareholders of the Company by the end of July 2022. Shareholders can obtain corporate communications free of charge by notice in writing to the Company Secretary of the Company. This annual report in both English and Chinese language is also available on the following websites:

(a) www.hkex.com.hk

(b) www.co-nuoxin.com

DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 March 2022, and confirm that the financial statements give a true view of the financial positions and results of the Group as at the date and for the year of the date ended, and are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The statement of the external auditors of the Company, ZHONGHUI ANDA CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 63 to 65 of this annual report.

INTERNAL AUDIT

The Company has set up an internal audit department since February 2008. The Audit Committee has met with the internal auditor and discussed with the Board about the internal control report. The Board also through the Audit Committee conducted reviews of the effectiveness of the systems of internal control and risk management of the Group twice for the financial year ended 31 March 2022, which cover all material controls, including strategic, financial, operational and compliance controls. The Audit Committee considers the systems effective and adequate.

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

The internal audit department's primary responsibilities include:

1. Strategic audit includes assessing the threats and opportunities that influence the Company's development. The Company's business environment is affected by economic and political conditions globally.

2. Financial audit includes ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use as well as for publication, ensuring compliance with relevant legislation and regulations, and implementing credit risk management. The Directors are responsible for overseeing the preparation of accounts for the financial year to ensure such accounts give a true and fair view of the state of affairs of the Group. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. As at the date of this corporate governance report, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern required to be disclosed.

3. Operational audit includes: (i) maintaining and ensuring compliance with ISO9001 under the family of ISO9000, a series of international standards on quality management and quality assurance developed by the International Organization for Standardization, for the quality control of the Group's production; (ii) maintaining and implementing a sound network system to avoid computer viruses or other system malfunctions; and (iii) maintaining a team of staff for product development. The Group has been maintaining product liability insurance for most types of the Group's products against possible claims relating to personal injury or property damage arising from the use of the products manufactured by the Group.

INTERNAL AUDIT (Continued)

The internal audit department's other responsibilities include:

1. reviewing the work-flow and the implementation status of the Group's policies and procedures of all functional departments;

2. reviewing the compliance status on rules and regulations that are applicable to the Group;

3. reviewing those areas of concern identified by the Audit Committee or the management of the Company;

4. reporting significant issues related to the processes for controlling the activities of the Group, including potential improvements to those processes and providing information concerning such issues to the Audit Committee of the Company;

5. issuing periodic reports to the Audit Committee and the Board summarising the results of audit activities and substantive follow-up of audit recommendations; and

6. investigating suspected fraudulent activities within the Group.

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

RISK MANAGEMENT

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

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

Foreign currency risk

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

Interest rate risk

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

RISK MANAGEMENT (Continued)

Liquidity risk

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

Credit risk

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

INTERNAL CONTROL

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

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

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

1. an organisation structure with defined responsibility, proper segregation of duties and appropriately delegated authority;

2. policies and procedures relating to financial control, internal control and risk management that can identify, assess, measure and control risks effectively and efficiently;

3. operational and financial budgeting and forecasting systems which facilitate performance measurement, including regular budgeting analysis;

4. clear rules and guidelines which empower the review and approval of major capital and current expenditures;

5. strict internal procedures and controls enabling the handling and dissemination of inside information; and

6. developing a whistleblowing policy that encourages employees to report any incidents of fraud, corruption, theft or misconduct in confidence and a fearless working environment.

INTERNAL CONTROL (Continued)

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group complies with requirements of SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

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

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

MANAGEMENT FUNCTIONS

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

COMPANY SECRETARY

Mr. Shiu Wing Yan ("Mr. Shiu") was appointed as the company secretary on 27 May 2020. The biographical details of Mr. Shiu are set out under the section headed "Directors' and Senior Management's Profile" section on pages 20 to 22 of this annual report.

Mr. Shiu took not less than 15 hours of relevant professional training during the year ended 31 March 2022 and had complied with Listing Rules 3.29.

DIVIDEND POLICY

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

— our earnings and financial condition;

— operating requirements;

— capital requirements; and

— other factors that our Directors may consider relevant.

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

BOARD DIVERSITY POLICY

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

NOMINATION POLICY

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

— The Company Secretary shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members;

— For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election or re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation;

— In order to provide information of the candidates nominated by the Board to stand for election or re-election at a general meeting, a circular will be sent to the shareholders. The name, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders; and

— The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election or re-election at any general meeting.

ENVIRONMENTAL PROTECTION

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

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

The details of the ESG Report are listed on pages 23 to 46 of this annual report.

LOOKING FORWARD

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of the shareholders and investors.

ZHONGHUI

TO THE SHAREHOLDERS OF CHINA OVERSEAS NUOXIN INTERNATIONAL HOLDINGS LIMITED
中國海外諾信國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Overseas Nuoxin International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 66 to 114, which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Inventories

Refer to Note 19 to the consolidated financial statements

The Group tested the amount of inventories for impairment. This impairment test is significant to our audit because the balance of inventories of HK$69,009,000 as at 31 March 2022 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

— Assessing the Group's procedures on ordering and holding of inventories;

— Evaluating the Group's impairment assessment;

— Assessing the marketability of the inventories;

— Assessing the ageing of the inventories;

— Assessing the net realisable values of the inventories; and

— Checking subsequent sales of the inventories.

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

Trade receivables

Refer to Note 20 to the consolidated financial statements

The Group tested the amount of trade receivables for impairment. This impairment test is significant to our audit because the balance of trade receivables of HK$49,060,000 as at 31 March 2022 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

— Assessing the Group's procedures on granting credit limits and credit periods to customers;

— Assessing the Group's relationship and transaction history with the customers;

— Evaluating the Group's impairment assessment;

— Assessing ageing of the debts;

— Assessing creditworthiness of the customers;

— Checking subsequent settlements from the customers; and

— Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

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

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Yeung Hong Chun
Audit Engagement Director
Practising Certificate Number P07374
Hong Kong, 29 June 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	7	**265,758**	365,837
Cost of sales		**(250,037)**	(334,450)
Gross profit		**15,721**	31,387
Other gains/(losses), net	9	**12,204**	(55)
Distribution costs		**(2,960)**	(7,778)
Administrative expenses		**(44,857)**	(44,568)
Gain on disposal of subsidiaries	34(b)	**15,904**	–
(Impairment loss)/reversal of impairment losses on trade receivables	20	**(222)**	626
Impairment loss on prepayments		**(3,994)**	–
Impairment loss on property, plant and equipment	16	**(19)**	(2,658)
Impairment loss on right-of-use assets		**(2,602)**	–
Loss from operations		**(10,825)**	(23,046)
Finance costs	10	**(641)**	(1,282)
Loss before tax		**(11,466)**	(24,328)
Income tax expenses	11	**–**	(100)
Loss for the year	12	**(11,466)**	(24,428)
Other comprehensive (expense)/income after tax:			
Items that will not be reclassified to profit or loss:			
(Loss)/gain on revaluation of properties		**(1,692)**	4,468
Deferred tax effect arising on revaluation of properties		**423**	(1,117)
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**4,526**	10,596
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**(8,663)**	–
Other comprehensive (expense)/income for the year, net		**(5,406)**	13,947
Total comprehensive expense for the year		**(16,872)**	(10,481)
Loss per share			
Basic and diluted (HK cents)	15	**(2.57)**	(5.48)

Consolidated Statement of Financial Position

At 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	16	**56**	97,640
Right-of-use assets	17	**7,593**	2,939
Deposits, prepayments and other receivables	21	**9,745**	1,772
		17,394	102,351
Current assets			
Inventories	19	**69,009**	69,550
Trade receivables	20	**49,060**	74,790
Deposits, prepayments and other receivables	21	**33,188**	18,110
Bank and cash balances	22	**12,362**	27,987
		163,619	190,437
Current liabilities			
Trade payables	23	**53,831**	55,794
Accruals and other payables		**9,218**	32,127
Contract liabilities	24	**10,961**	7,492
Loans from related parties	25	**–**	58,095
Lease liabilities	26	**3,917**	163
Bank borrowings and overdrafts	27	**26,349**	31,461
Tax liabilities		**–**	3,564
		104,276	188,696
Net current assets		**59,343**	1,741
Total assets less current liabilities		**76,737**	104,092
Non-current liabilities			
Deferred tax liabilities	28	**–**	16,785
Lease liabilities	26	**6,302**	–
		6,302	16,785
NET ASSETS		**70,435**	87,307
Capital and reserves			
Share capital	29	**446**	446
Reserves	33	**69,989**	86,861
TOTAL EQUITY		**70,435**	87,307

The consolidated financial statements on pages 66 to 114 were approved and authorised for issue by the Board of Directors on 29 June 2022 and are signed on its behalf by:

Zhang Huijun
DIRECTOR

Cai Dongyan
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

	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$'000	(Accumulated loss)/ retained profits HK$'000	Total HK$'000
At 1 April 2020	446	63,099	942	47,759	(1,647)	(12,811)	97,788
Loss for the year	–	–	–	–	–	(24,428)	(24,428)
Other comprehensive income for the year	–	–	–	3,351	10,596	–	13,947
At 31 March 2021	446	63,099	942	51,110	8,949	(37,239)	87,307
At 1 April 2021	**446**	**63,099**	**942**	**51,110**	**8,949**	**(37,239)**	**87,307**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(11,466)**	**(11,466)**
Other comprehensive expense for the year	**–**	**–**	**–**	**(1,269)**	**(4,137)**	**–**	**(5,406)**
Disposal of subsidiaries	**–**	**–**	**–**	**(49,841)**	**–**	**49,841**	**–**
At 31 March 2022	**446**	**63,099**	**942**	**–**	**4,812**	**1,136**	**70,435**

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Loss before tax		**(11,466)**	(24,328)
Adjustments for:			
Depreciation of property, plant and equipment		**1,941**	3,509
Depreciation of right-of-use assets		**1,401**	85
Impairment loss on property, plant and equipment		**19**	2,658
Impairment loss on right-of-use assets		**2,602**	–
Impairment loss on prepayments		**3,994**	–
Interest income		**(21)**	(25)
Gain on disposal of subsidiaries	34(b)	**(15,904)**	–
(Reversal of write-down of)/write-down of inventories		**(2,573)**	1,639
Interest on bank borrowings		**547**	1,255
Interest expense on lease liabilities		**94**	27
Loss allowance provision/(reversal of loss allowance) for trade receivables		**222**	(626)
Gain on early termination of the lease agreement		**–**	(1,617)
Operating loss before working capital changes		**(19,144)**	(17,423)
Change in inventories		**(3,468)**	35,281
Change in trade receivables		**20,677**	4,141
Change in deposits, prepayments and other receivables		**(34,127)**	3,471
Change in trade payables		**7,952**	(15,696)
Change in accruals and other payables		**(11,833)**	4,020
Change in contract liabilities		**3,834**	2,089
Cash (used in)/generated from operations		**(36,109)**	15,883
Income tax refunded/(paid)		**778**	(1,115)
Net cash (used in)/generated from operating activities		**(35,331)**	14,768
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(407)**	(2,873)
Deposits paid for acquisition of property, plant and equipment		**(1,174)**	(847)
Proceeds from disposal of subsidiaries		**4,870**	–
Interest received		**21**	25
Net cash generated from/(used in) investing activities		**3,310**	(3,695)
Cash flows from financing activities	34		
New bank borrowings raised		**77,768**	94,380
Repayment of bank borrowings		**(83,665)**	(114,130)
Advance from related parties		**20,989**	3,850
Repayment of lease liabilities		**(616)**	(956)
Lease interests paid		**(28)**	(27)
Interests paid on bank borrowings		**(547)**	(1,255)
Net cash generated from/(used in) financing activities		**13,901**	(18,138)
Net decrease in cash and cash equivalents		**(18,120)**	(7,065)
Effect of foreign exchange rate changes		**1,710**	3,992
Cash and cash equivalents at beginning of year		**27,987**	31,060
Cash and cash equivalents at end of year		**11,577**	27,987
Analysis of cash and cash equivalents			
Bank and cash balances	22	**12,362**	27,987
Bank overdrafts	27	**(785)**	–
		11,577	27,987

1. GENERAL INFORMATION

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

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

To the best knowledge of the Directors, as at 31 March 2022, China Yuen Capital Limited ("CYC"), a company incorporated in the British Virgin Islands, is the immediate holding company of the Company; Luckever Holdings Limited, a company incorporated in the British Virgin Islands, is the ultimate holding company of the Company.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 April 2021. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"), and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation

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

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

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

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

Foreign currency translation

(a) Functional and presentation currency

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation (Continued)

(c) Translation on consolidation

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

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

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

Property, plant and equipment

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

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

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

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

Leases

The Group as lessee

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

Leasehold lands	32 years
Buildings, plant and machinery	Over the lease term of 2 years to 3 years

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Recognition and derecognition of financial instruments

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

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

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

Financial assets

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

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

Financial assets at amortised cost

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

— the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

— the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss allowances for expected credit losses

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

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

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

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

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Borrowings

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trade and other payables

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

Equity instruments

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

Revenue from contracts with customers

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

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

— the customer simultaneously receives and consumes the benefits provided by the Group's performance;

— the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Other revenue

Interest income is recognised using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

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

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

(c) Termination benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

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

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

Government grants

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

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

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

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

Segment reporting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets

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

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

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

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

Provisions and contingent liabilities

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

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

Events after the reporting period

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

4. KEY ESTIMATES

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

(a) Impairment loss for bad and doubtful debts

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

(b) Allowance for slow-moving inventories

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

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

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

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign currency risk (Continued)

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

	Assets		Liabilities	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$ against US$	**26,774**	52,974	**30,272**	52,785
Renminbi ("RMB") against US$	**567**	203	**1,282**	3,801

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

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

	Amount due from group entities		Amount due to group entities	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$ against RMB	**–**	75,702	**44,741**	–

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in RMB against US$ and HK$ against RMB and all other variable are held constant. 5% (2021: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding denominated monetary items and adjusts their translation at the year end for a 5% (2021: 5%) change in RMB against US$ and HK$ against RMB. A positive number below indicates an increase in pre-tax loss for the year where RMB strengthens 5% (2021: 5%) against US$ and HK$ strengthens 5% (2021: 5%) against RMB. For a 5% (2021: 5%) weakening of RMB against US$ and HK$ against RMB, there would be an equal and opposite impact on the pre-tax loss for the year and the balances below would be negative.

	2022	2021
	HK$'000	HK$'000
Increase/(decrease) in pre-tax loss for the year	**2,273**	(3,605)

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

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

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

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

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

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 March 2022 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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

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

— internal credit rating;

— external credit rating (if available);

— actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

— actual or expected significant changes in the operating results of the borrower; and

— significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

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

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

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

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

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

(c) Liquidity risk

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

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

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 March 2022				
Trade payables	**53,831**	**–**	**–**	**53,831**
Accruals and other payables	**9,218**	**–**	**–**	**9,218**
Bank borrowings and overdrafts	**26,406**	**–**	**–**	**26,406**
Lease liabilities	**4,254**	**3,775**	**2,758**	**10,787**
	93,709	**3,775**	**2,758**	**100,242**
At 31 March 2021				
Trade payables	55,794	–	–	55,794
Accruals and other payables	32,127	–	–	32,127
Bank borrowings and overdrafts	31,536	–	–	31,536
Loans from related parties	58,095	–	–	58,095
Lease liabilities	164	–	–	164
	177,716	–	–	177,716

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Interest rate risk

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

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

(e) Categories of financial instruments

	2022 **HK$'000**	2021 HK$'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**63,759**	103,346
Financial liabilities:		
Financial liabilities at amortised cost	**89,398**	177,477

(f) Fair values

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

6. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

Description

	Fair value measurements using:			
Recurring fair value measurements:	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment				
Buildings — PRC	–	–	95,622	95,622
Total recurring fair value measurements	–	–	95,622	95,622

6. FAIR VALUE MEASUREMENTS (Continued)

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

Description

	Property, plant and equipment HK$'000
At 1 April 2021	**95,622**
Total gains or loss recognised in other comprehensive income	**(1,692)**
Depreciation	**(1,732)**
Disposal of subsidiaries	**(95,628)**
Exchange differences	**3,430**
At 31 March 2022	**–**

Description

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

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

6. FAIR VALUE MEASUREMENTS (Continued)

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

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

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

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

Level 3 fair value measurements

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

7. REVENUE

	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers and total revenue		
Sales of electrical haircare products	**265,758**	365,837

Disaggregation of revenue from contracts with customers:

	2022 HK$'000	2021 HK$'000
Major products:		
Sales of hair dryer	**166,265**	277,213
Sales of hair straightener	**42,454**	44,112
Sales of air brush	**31,412**	25,379
Others	**25,627**	19,133
	265,758	365,837

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

Sales of electrical haircare products

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

The Group generally allows a credit period ranging from 14 to 95 days for their trade receivables with terms that are common within the industry and are not considered financing arrangements. The Group negotiates with customers to provide a portion of upfront payments upon acceptance of orders. The advance payments received by the Group for goods is recognised as a contract liability until the goods have been delivered to the customer.

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

8. SEGMENT INFORMATION

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

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Europe	**148,135**	184,357	**–**	–
Asia	**105,162**	149,472	**17,394**	102,351
North and South America	**8,991**	26,562	**–**	–
Australia	**3,234**	1,354	**–**	–
Africa	**236**	4,092	**–**	–
	265,758	365,837	**17,394**	102,351

Information about major customers

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

	2022	2021
	HK$'000	HK$'000
Customer A	**89,796**	166,016
Customer B	**38,779**	42,535
Customer C	**10,657***	57,860
Customer D	**33,072**	–

* Revenue from this customer did not exceed 10% of total revenue in the respective year. This amount was shown for comparative purpose.

9. OTHER GAINS/(LOSSES), NET

	2022 HK$'000	2021 HK$'000
Bank interest income	21	25
Compensation received in respect of cancelled orders	3,971	1,026
Income from sale of mould	3,349	1,554
Sales of samples	1,139	1,158
Penalty from vendors for bad quality or late delivery	156	1,101
Government grant	885	1,536
Net foreign exchange loss	(211)	(8,787)
Design income	2,439	–
Gain on early termination of the lease agreement	–	1,617
Sundry income	455	715
	12,204	(55)

10. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on bank borrowings	547	1,255
Interest on lease liabilities	94	27
	641	1,282

11. INCOME TAX EXPENSES

	2022 HK$'000	2021 HK$'000
PRC Enterprise Income Tax		
Provision for the year	–	(116)
Over provision in prior years	–	16
	–	(100)

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

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

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

The reconciliation between the income tax expenses and the product of loss before tax multiplied by the PRC enterprise income tax rate is as follows:

	2022 HK$'000	2021 HK$'000
Loss before tax	(11,466)	(24,328)
Tax at the tax rate of 25% (2021: 25%)	(2,867)	(6,082)
Tax effect of expenses not deductible for tax purposes	1,232	1,286
Tax effect of income not taxable for tax purposes	(5,451)	(404)
Tax effect of tax exemptions granted (note)	–	2,393
Over provision in prior years	–	(16)
Tax effect of deductible temporary differences not recognised	496	664
Tax effect of tax loss not recognised	7,815	2,292
Tax effect of utilisation of tax losses not previously recognised	(1,225)	(33)
Income tax expense	–	100

Note:

The amount mainly represents the tax effect of the 50% of assessable profit/loss of a wholly-owned subsidiary of the Company, Kenford Industrial, which is exempted under Departmental Interpretation and Practice Notes No.21 issued by the Inland Revenue Department of Hong Kong in respect of claiming 50% of manufacturing profit/loss as offshore profit/loss. During the year ended 31 March 2022, the Group is not entitled to claiming 50% of manufacturing profit/loss as offshore profit/loss.

12. LOSS FOR THE YEAR

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

	2022 HK$'000	2021 HK$'000
Auditor's remuneration	660	695
Depreciation of right-of-use assets	1,401	85
Depreciation of property, plant and equipment	1,941	3,509
(Reversal of write-down of)/write-down of inventories (included in cost of inventories sold)	(2,573)	1,639
Cost of inventories sold	250,037	334,450
Directors' remuneration (note 13)		
As directors (independent non-executive Directors)	302	291
For management (executive Directors)	786	786
Retirement benefits contributions	40	45
	1,128	1,122
Staff costs (not including directors' emoluments)		
Salaries, bonus and allowances	78,693	101,314
Retirement benefits scheme contributions	6,469	3,898
	85,162	105,212
Total staff costs (including directors' emoluments)	86,290	106,334

Cost of inventories sold includes staff costs and depreciation of HK$55,812,000 (2021: HK$75,011,000) which are included in the amounts disclosed separately above.

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

(a) Directors' and chief executive's emoluments

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

	Director's fees HK$'000	Salaries and allowances HK$'000	Retirement benefit contributions HK$'000	Total HK$'000
For the year ended 31 March 2022				
Executive directors				
Gao Jianbo (note i)	150	–	8	158
Cai Dongyan	180	–	9	189
Zhang Huijun	180	–	9	189
Pauline Lam	180	–	9	189
Lin Liangyong	96	–	5	101
	786	–	40	826
Independent non-executive directors				
Lam Yick Man	96	–	–	96
Hu Zhigang (note iv)	96	–	–	96
Zhang Jiayo (note v)	110	–	–	110
	302	–	–	302
Total	1,088	–	40	1,128

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

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

	Directors' fees HK$'000	Salaries and allowances HK$'000	Retirement benefit contributions HK$'000	Total HK$'000
For the year ended 31 March 2021				
Executive directors				
Gao Jianbo (note i)	150	–	9	159
Cai Dongyan	180	–	10	190
Zhang Huijun	180	–	10	190
Pauline Lam	180	–	10	190
Lin Liangyong	96	–	6	102
	786	–	45	831
Independent non-executive directors				
Chan Ka Yin (note ii)	6	–	–	6
Huang Zhiwei (note iii)	72	–	–	72
Lam Yick Man	96	–	–	96
Hu Zhigang (note iv)	90	–	–	90
Zhang Jiayo (note v)	27	–	–	27
	291	–	–	291
Total	1,077	–	45	1,122

Notes:

(i) Mr. Gao Jianbo resigned as the executive director of the Company on 25 January 2022.

(ii) Mr. Chan Ka Yin resigned as the independent non-executive director of the Company on 24 April 2020.

(iii) Mr. Huang Zhiwei resigned as the independent non-executive director of the Company on 19 December 2020.

(iv) Mr. Hu Zhigang was appointed as the independent non-executive director of the Company on 24 April 2020.

(v) Mr. Zhang Jiayo was appointed as the independent non-executive director of the Company on 19 December 2020.

During the year, Mr. Gao Jianbo has agreed to waive his emoluments of HK$350,000 (2021: HK$450,000). Mr. Zhang Huijun, Ms. Cai Dongyan and Ms. Pauline Lam have agreed to waive their emoluments of HK$420,000 (2021: HK$420,000) respectively. Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any emoluments during the year.

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

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included nil (2021: nil) director whose emoluments are reflected in the analysis presented above. The emoluments of the remaining five (2021: five) individuals are set out below:

	2022 **HK$'000**	2021 HK$'000
Basic salaries and allowances	**3,142**	3,397
Retirement benefits contributions	**90**	87
	3,232	3,484

The emoluments fell within the following bands:

	2022 **Number of individuals**	2021 Number of individuals
Nil to HK$1,000,000	**4**	5
HK$1,000,001 to HK$1,500,000	**1**	–
	5	5

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

14. DIVIDENDS

The Directors did not recommend the payment of any dividend for the years ended 31 March 2022 and 2021.

15. LOSS PER SHARE

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

	2022	2021
	HK$'000	HK$'000
Loss:		
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	**(11,466)**	(24,428)

	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**445,646**	445,646

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

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings in the PRC HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
COST OR VALUATION							
At 1 April 2020	85,796	35,226	59,862	37,702	6,748	83,380	308,714
Additions	–	1,510	250	614	–	1,420	3,794
Revaluation increase	2,130	–	–	–	–	–	2,130
Exchange differences	7,696	2,264	2,944	1,476	165	444	14,989
At 31 March 2021 and 1 April 2021	95,622	39,000	63,056	39,792	6,913	85,244	329,627
Additions	–	387	46	37	–	83	553
Revaluation decrease	(3,445)	–	–	–	–	–	(3,445)
Disposal of subsidiaries	(95,628)	(31,583)	(37,906)	(17,941)	(2,467)	(5,640)	(191,165)
Exchange differences	3,451	1,031	1,300	665	70	195	6,712
At 31 March 2022	–	8,835	26,496	22,553	4,516	79,882	142,282
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS							
At 1 April 2020	–	35,226	57,962	37,702	6,748	83,380	221,018
Charge for the year	2,270	166	289	630	–	154	3,509
Eliminated for revaluation	(2,338)	–	–	–	–	–	(2,338)
Impairment loss recognised in profit or loss	–	1,392	–	–	–	1,266	2,658
Exchange differences	68	2,216	2,787	1,460	165	444	7,140
At 31 March 2021 and 1 April 2021	–	39,000	61,038	39,792	6,913	85,244	231,987
Charge for the year	1,732	38	157	6	–	8	1,941
Eliminated for revaluation	(1,753)	–	–	–	–	–	(1,753)
Impairment loss recognised in profit or loss	–	–	–	–	–	19	19
Disposal of subsidiaries	–	(31,226)	(35,927)	(17,910)	(2,467)	(5,640)	(93,170)
Exchange differences	21	1,023	1,228	665	70	195	3,202
At 31 March 2022	–	8,835	26,496	22,553	4,516	79,826	142,226
CARRYING AMOUNTS							
At 31 March 2022	–	–	–	–	–	56	56
At 31 March 2021	95,622	–	2,018	–	–	–	97,640

Had the building in the PRC been carried at cost less accumulated depreciation and accumulated impairment losses, their carrying values would have been HK$32,051,000 as at 31 March 2021.

17. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2022 HK$'000	2021 HK$'000
At 31 March:		
Right-of-use assets		
— Leasehold lands	–	2,939
— Buildings, plant and machinery	7,593	–
	7,593	2,939
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
— Less than 1 year	4,254	164
— Between 1 and 2 years	3,775	–
— Between 2 and 5 years	2,758	–
	10,787	164
Year ended 31 March:		
Depreciation charge of right-of-use assets		
— Leasehold lands	71	85
— Buildings	1,330	–
	1,401	85
Lease interests	94	27
Total cash outflow for leases	644	983
Additions to right-of-use assets	11,525	–

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

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

The Group recorded continuous loss for the years ended 31 March 2022 and 2021. The management of the Group concluded there was impairment indication and conducted a review of the recoverable amount of the property, plant and equipment and right-of-use assets.

For the purpose of impairment assessment, property, plant and equipment and right-of-use assets as disclosed in note 16 and note 17 respectively were allocated to the Group's cash generating unit of sales of electrical haircare products business ("CGU") since the management of the Group considers that it is not possible to estimate their recoverable amounts individually. The aggregate carrying amount of the CGU comprises property, plant and equipment of HK$75,000 (2021: HK$100,298,000) and right-of-use assets of HK$10,195,000 (2021: HK$2,939,000).

The recoverable amount of the CGU has been determined based on a value-in-use calculation. The calculation uses cash flow projections based on the financial budgets approved by the management covering a 5-year period with an average growth rate of 0.1% (2021: 3.2%), and a discount rate of 15% (2021: 15%). Cash flows beyond the 5-year period are extrapolated using 1% (2021: zero) growth rate. Other key assumptions for the value-in-use calculation relates to the estimation of cash inflows/outflows which include budgeted revenue, gross profit margin and growth rate during the forecast period, such estimation is based on the Group's historical performance, sales orders on hand and market trend.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU was less than the carrying amount. Based on the value-in-use calculation, an impairment loss of HK$19,000 (2021: HK$2,658,000) on property, plant and equipment and impairment loss of HK$2,602,000 (2021: nil) on right-of-use assets has been recognised in profit or loss for the year ended 31 March 2022. The impairment loss amount for property, plant and equipment and right-of-use assets has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of property, plant and equipment and right-of-use assets is not reduced below the highest of its fair value less cost of disposal, its value-in-use and zero.

As at 31 March 2021, the buildings located in the PRC (including in property, plant and equipment) were measured at fair value. The carrying value of leasehold lands located in the PRC (including in right-of-use assets) was supported by its fair value less cost of disposal. Accordingly, no impairment loss has been recognized for the year ended 31 March 2021.

19. INVENTORIES

	2022 **HK$'000**	2021 HK$'000
Raw materials	**23,752**	23,791
Work in progress	**33,155**	39,512
Finished goods	**12,102**	6,247
	69,009	69,550

20. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 14 to 95 days. For those major customers, a credit term up to 120 days from the invoice date would be allowed. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

	2022 **HK$'000**	2021 HK$'000
Trade receivables	**49,563**	75,141
Less: loss allowance	**(503)**	(351)
	49,060	74,790

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

	2022 **HK$'000**	2021 HK$'000
0 to 60 days	**20,269**	72,299
61 to 120 days	**26,339**	515
121 to 365 days	**134**	531
Over 1 year	**2,318**	1,445
	49,060	74,790

As at 31 March 2022, total bill receivables amounting to HK$1,592,000 (2021: HK$2,641,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

Reconciliation of loss allowance for trade receivables:

	2022 **HK$'000**	2021 HK$'000
At the beginning of the year	**351**	977
Allowance/(reversal of allowance) for the year	**222**	(626)
Disposal of subsidiaries	**(70)**	–
At the end of the year	**503**	351

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

	Current	1–30 days past due	31–60 days past due	61–120 days past due	121 days–1 year past due	Over 1 year past due	Total
At 31 March 2022							
Weighted average expected loss rate	**0%**	**0%**	**0%**	**0%**	**4%**	**23%**	
Receivable amount (HK$'000)	**35,436**	**5,534**	**5,444**	**329**	**773**	**2,047**	**49,563**
Loss allowance (HK$'000)	**–**	**–**	**–**	**1**	**29**	**473**	**503**
At 31 March 2021							
Weighted average expected loss rate	0%	0%	0%	0%	2%	19%	
Receivable amount (HK$'000)	68,654	2,879	817	515	531	1,745	75,141
Loss allowance (HK$'000)	–	–	–	1	12	338	351

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Included in non-current assets		
Rental deposits	**712**	–
Rental prepayments	**7,400**	–
Prepayments for property, plant and equipment	**1,633**	1,772
	9,745	1,772
Included in current assets		
Deposits	**1,205**	498
Prepayments	**26,475**	15,007
Other tax recoverable	**5,088**	2,036
Other receivables	**420**	569
	33,188	18,110
Total	**42,933**	19,882

22. BANK AND CASH BALANCES

The bank balances carry interests at market rates ranging from 0.001%–0.3% (2021: 0.001%–0.3%) per annum.

As at 31 March 2022, the bank and cash balance of the Group denominated in RMB amounted to HK$8,361,000 (2021: HK$5,292,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

23. TRADE PAYABLES

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

	2022 HK$'000	2021 HK$'000
0 to 60 days	**22,760**	37,615
61 to 120 days	**23,728**	8,496
121 to 365 days	**4,717**	5,384
Over 1 year	**2,626**	4,299
	53,831	55,794

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

24. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 March		
	2022	2021	2020
	HK$'000	HK$'000	HK$'000
Contract liabilities	**10,961**	7,492	5,403

	As at 31 March		
	2022	2021	2020
	HK$'000	HK$'000	HK$'000
Contract receivables (included in trade receivables)	**49,060**	74,790	78,305

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

	2022	2021
	HK$'000	HK$'000
— Year ended 31 March 2022	**N/A**	7,492
— Year ended 31 March 2023	**10,961**	–
	10,961	7,492

Year ended 31 March	**2022**	2021
	HK$'000	HK$'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	**7,492**	5,403

Significant changes in contract liabilities:

	2022	2021
	HK$'000	HK$'000
Increase due to operations in the year	**15,665**	23,802
Transfer of contract liabilities to revenue	**11,831**	21,713
Decrease due to disposal of subsidiaries (note 34(b))	**365**	–

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

25. LOANS FROM RELATED PARTIES

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

	Notes	2022 HK$'000	2021 HK$'000
CYC	(a)	–	18,095
Mr. Lam Wai Ming	(b)	–	40,000
		–	58,095

(a) CYC is the Company's immediate holding company. During the year ended 31 March 2022, the loan of HK$18,095,000 brought forward from 31 March 2021 and a new loan of HK$8,350,000 incurred during the year ended 31 March 2022 were set off by the Disposal (as defined at note 34(b) to the consolidated financial statements below). Please refer to note 34(b) to the consolidated financial statements for details.

(b) Mr. Lam Wai Ming is the key management personnel of the Group. The loans of HK$40,000,000 were set off by the Disposal (as defined at note 34(b) to the consolidated financial statements below). Please refer to note 34(b) and 36 to the consolidated financial statements for details.

26. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Within one year	4,254	164	3,917	163
In the second to fifth years, inclusive	6,533	–	6,302	–
	10,787	164		
Less: Future finance charges	(568)	(1)		
Present value of lease liabilities	10,219	163	10,219	163
Less: Amount due for settlement within 12 months (shown under current liabilities)			(3,917)	(163)
Amount due for settlement after 12 months			6,302	–

At 31 March 2022, the average effective borrowing rate was 4.0% (2021: 4.0%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

27. BANK BORROWINGS AND OVERDRAFTS

	2022 HK$'000	2021 HK$'000
Carrying amount of secured bank borrowings repayable within one year which contain a repayment on demand clause and shown under current liabilities	**25,564**	31,461
Bank overdrafts	**785**	–
	26,349	31,461

The range of average interest rates at 31 March was as follows:

	2022 HK$'000	2021 HK$'000
Carrying amount of secured bank borrowings repayable within one year which contain a repayment on demand clause and shown under current liabilities	**1.86% to 2.64%**	2.69% to 4.45%
Bank overdrafts	**13%**	–

The Group's bank borrowings and bank overdrafts carry interest at variable rate of London Interbank Offered Rate ("LIBOR") or Hong Kong Interbank Offered Rate ("HIBOR") + 1.8% to 2.0% or 1% below Prime Rate and 8% over Prime Rate (2021: bank borrowings carry interest at variable rate of LIBOR or HIBOR + 1.8% to 2.0% or 1% below Prime Rate). The Group entered into several banking facilities with banks in Hong Kong. Bank borrowings and overdrafts are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The secured bank borrowings and overdrafts are:

— guaranteed by personal guarantees from a key management personnel;

— guaranteed by related companies controlled by a key management personnel; and

— secured by certain properties owned by related companies controlled by a key management personnel.

28. DEFERRED TAXATION

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

	Revaluation of leasehold land and buildings
	HK$'000
At 31 March 2020	14,180
Charge to other comprehensive income	1,117
Exchange differences	1,488
At 31 March 2021	16,785
Credit to other comprehensive income	**(423)**
Disposal of subsidiaries	**(16,968)**
Exchange differences	**606**
At 31 March 2022	**–**

Under the PRC law, withholding tax is imposed on dividends declared to non-residents in respect of profits earned by subsidiaries in the PRC from 1 January 2008 onwards. Deferred tax liabilities have not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits earned by subsidiaries in the PRC amounting to HK$nil (2021: HK$30,457,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has unused tax losses of HK$105,102,000 (2021: HK$148,756,000) and temporary difference arising from impairment loss on property, plant and equipment and right-of-use assets of HK$19,170,000 (2021: HK$58,746,000) available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams. Included in unused tax losses are losses from certain subsidiaries operating in the PRC of HK$29,148,000 (2021: HK$45,709,000) that will expire in various dates within five years up to 2026 (2021: 2025). All other tax losses may be carried forward indefinitely.

29. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Authorised:		
Ordinary shares of HK$0.001 (2021: HK$0.001) each		
At 1 April 2020, 31 March 2021		
1 April 2021 and 31 March 2022	1,000,000	1,000
Issued and fully paid:		
Ordinary shares of HK$0.001 (2021: HK$0.001) each		
At 1 April 2020, 31 March 2021		
1 April 2021 and 31 March 2022	445,646	446

30. CAPITAL MANAGEMENT

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

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

31. SHARE OPTION SCHEME

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

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

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

31. SHARE OPTION SCHEME (Continued)

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

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

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 **HK$'000**	2021 HK$'000
Non-current assets		
Investment in subsidiaries	**58**	58
Current assets		
Amounts due from subsidiaries	**37,599**	64,044
Bank and cash balances	**54**	268
	37,653	64,312
Current liabilities		
Accruals and other payables	**2,254**	6,767
Loan from a shareholder	**–**	18,095
	2,254	24,862
Net current assets	**35,399**	39,450
Total assets less current liabilities	**35,457**	39,508
NET ASSETS	**35,457**	39,508
Capital and reserves		
Share capital	**446**	446
Reserves	**35,011**	39,062
TOTAL EQUITY	**35,457**	39,508

33. RESERVES

(a) Group

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

(b) Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2020	63,099	(22,794)	40,305
Loss and total comprehensive expense for the year	–	(1,243)	(1,243)
At 31 March 2021 and 1 April 2021	63,099	(24,037)	39,062
Loss and total comprehensive expense for the year	–	(4,051)	(4,051)
At 31 March 2022	63,099	(28,088)	35,011

(c) Nature and purpose of reserves

(i) Share premium account

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

(ii) Translation reserve

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

(iii) Property revaluation reserve

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

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

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

	Interest payable (included in other payable) HK$'000	Lease liabilities HK$'000	Bank borrowings HK$'000	Loans from related parties HK$'000	Total liabilities from financing activities HK$'000
At 1 April 2020	–	2,736	51,211	54,245	108,192
Changes in cash flows	(1,255)	(983)	(19,750)	3,850	(18,138)
Non-cash changes					
— interest charged	1,255	27	–	–	1,282
— others	–	(1,617)	–	–	(1,617)
At 31 March 2021 and 1 April 2021	–	163	31,461	58,095	89,719
Changes in cash flows	(547)	(644)	(5,897)	20,989	13,901
Non-cash changes					
— additions	–	11,525	–	–	11,525
— interest charged	547	94	–	–	641
— setting off against rental prepayments	–	(919)	–	–	(919)
— disposal of subsidiaries (note 34(b))	–	–	–	(12,639)	(12,639)
— setting off against loans from related parties (note 34(b))	–	–	–	(66,445)	(66,445)
At 31 March 2022	–	10,219	25,564	–	35,783

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) 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 Wai Ming, the key management personnel of the Group, 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. 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 (note 36)	15,904
Total consideration	72,400
Satisfied by:	
Cash	5,955
Setting off against loans from related parties (note 25(a) and (b))	66,445
	72,400
Net cash inflow arising on disposal:	
Cash consideration received	5,955
Bank and cash balances disposed of	(1,085)
	4,870

35. CAPITAL COMMITMENTS

	2022 HK$'000	2021 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	1,089	823

36. RELATED PARTY TRANSACTIONS

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

	2022 HK$'000	2021 HK$'000
Balances with its related parties:		
Deposits and prepayments to companies controlled by Mr. Lam Wai Ming included in deposits, prepayments and other receivables	25,544	–
Transactions with its related parties:		
Gain on disposal of subsidiaries from Mr. Lam Wai Ming (note 25(b) and note 34(b))	15,904	–
Purchase from a company controlled by Mr. Lam Wai Ming	2,883	–
Rent paid to a company controlled by Mr. Lam Wai Ming	912	–

Key management personnel emoluments

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

	2022 HK$'000	2021 HK$'000
Basic salaries and allowances	1,133	2,280
Retirement benefit contributions	18	52
	1,151	2,332

37. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Details of the Company's major subsidiaries at 31 March 2022 and 2021 are set out below:

Name of subsidiaries	Place of incorporation/ Registration/ operation	Issued and paid shares/ registered capital	Percentage of ownership interest attributable to the Company 2022	2021	Principal activities
Direct subsidiary					
Asia Pilot Development Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Indirect subsidiaries					
Kenford Industrial Company Limited	Hong Kong	HK$1,000,000	**100%**	100%	Design, manufacture and sale of electrical haircare products
Kario Company Limited (note 2)	Hong Kong	HK$10,000	**0%**	100%	Investment holding and trading
東莞家利來電器有限公司 Dongguan Kario Electrical Appliance Company Limited (note 1, 2 and 3)	PRC	US$4,050,000	**0%**	100%	Design, manufacture and sale of electrical haircare products
Talent Star (China) Limited (note 2)	Hong Kong	HK$1	**0%**	100%	Managerial services for group companies
Fame Motor Limited (note 2)	Hong Kong	HK$1	**0%**	100%	Investment holding and trading
東莞建福電器有限公司 Dongguan Kenford Electrical Appliance Company Limited (notes 1 and 3)	PRC	HK$27,980,600	**100%**	100%	Provision of contract processing services

Note:

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

2. These entities were subsidiaries of Sky Ocean Group Limited. These entities were disposed of on 31 December 2021 upon completion of disposal of Sky Ocean Group Limited. Please refer to notes 34(b) to the consolidated financial statements for details.

3. As at 31 March 2022, the bank and cash balances of the Group' subsidiary in the PRC denominated in RMB amounted to HK$7,803,000 (2021: HK$5,098,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 June 2022.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	**56**	97,640	87,696	99,822	111,393
Prepaid lease payments	**–**	–	–	3,082	3,398
Right-of-use assets	**7,593**	2,939	2,781	–	–
Deposits, prepayments and other receivables	**9,745**	1,772	1,846	1,845	2,533
	17,394	102,351	92,323	104,749	117,324
Current assets					
Inventories	**69,009**	69,550	106,470	90,462	65,057
Trade receivables	**49,060**	74,790	78,305	101,116	112,569
Deposits, prepayments and other receivables	**33,188**	18,110	21,581	18,712	17,112
Tax recoverable	**–**	–	–	8	584
Bank and cash balances	**12,362**	27,987	31,060	83,957	58,072
	163,619	190,437	237,416	294,255	253,394
Current liabilities					
Trade payables	**53,831**	55,794	71,490	80,797	53,904
Accruals and other payables	**9,218**	32,127	28,107	18,425	24,516
Contract liabilities	**10,961**	7,492	5,403	9,147	–
Loans from related parties	**–**	58,095	54,245	70,045	4,045
Lease liabilities	**3,917**	163	2,088	–	–
Bank borrowings and overdrafts	**26,349**	31,461	51,211	54,828	57,662
Tax liabilities	**–**	3,564	4,579	4,040	4,541
	104,276	188,696	217,123	237,282	144,668
Net current assets	**59,343**	1,741	20,293	56,973	108,726
Total assets less current liabilities	**76,737**	104,092	112,616	161,722	226,050
Non-current liabilities					
Deferred tax liabilities	**–**	16,785	14,180	15,254	15,855
Lease liabilities	**6,302**	–	648	–	–
	6,302	16,785	14,828	15,254	15,855
Net assets	**70,435**	87,307	97,788	146,468	210,195
Capital and reserves					
Share capital	**446**	446	446	446	446
Reserves	**69,989**	86,861	97,342	146,022	209,749
Total equity	**70,435**	87,307	97,788	146,468	210,195

Five Years Financial Summary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Note)	(Note)	(Note)
Revenue	**265,758**	365,837	450,800	415,358	429,684
Cost of sales	**(250,037)**	(334,450)	(422,078)	(394,369)	(384,463)
Gross profit	**15,721**	31,387	28,722	20,989	45,221
Other gains/(losses), net	**12,204**	(55)	6,995	13,248	2,683
Distribution costs	**(2,960)**	(7,778)	(6,543)	(6,367)	(6,544)
Administrative expenses	**(44,857)**	(44,568)	(57,683)	(65,546)	(70,931)
Gain on disposal of subsidiaries	**15,904**	–	–	–	–
(Impairment losses)/reversal of impairment losses on trade receivables	**(222)**	626	(1,307)	112	–
Impairment loss on prepayments	**(3,994)**	–	–	–	–
Impairment loss on property, plant and equipment	**(19)**	(2,658)	(5,632)	(14,440)	(7,143)
Impairment loss on right-of-use assets	**(2,602)**	–	(2,708)	–	–
Loss from operations	**(10,825)**	(23,046)	(38,156)	(52,004)	(36,174)
Finance costs	**(641)**	(1,282)	(1,923)	(2,192)	(1,443)
Loss before tax	**(11,466)**	(24,328)	(40,079)	(54,196)	(38,157)
Income tax (expenses)/credit	**–**	(100)	8	(139)	(784)
Loss for the year	**(11,466)**	(24,428)	(40,071)	(54,335)	(38,941)
Other comprehensive (expense)/ income after tax					
Items that will not be reclassified to profit or loss:					
(Loss)/gain on revaluation of properties	**(1,692)**	4,468	(26)	2,056	4,332
Deferred tax effect arising on revaluation of properties	**423**	(1,117)	6	(450)	(1,082)
Item that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations	**4,526**	10,596	(8,589)	(10,366)	16,949
Exchange differences reclassified to profit or loss on disposal of subsidiaries	**(8,663)**	–	–	–	–
Other comprehensive (expense)/ income for the year, net	**(5,406)**	13,947	(8,609)	(8,760)	20,199
Total comprehensive expense for the year	**(16,872)**	(10,481)	(48,680)	(63,095)	(18,742)
Loss per share					
Basic and diluted (HK cents)	**(2.57)**	(5.48)	(8.99)	(12.19)	(8.74)

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