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

(formerly known as Kenford Group Holdings Limited 建福集團控股有限公司)
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00464

2020
Annual Report

Contents

Corporate Information

BOARDS OF DIRECTORS

Executive Directors

Mr. Gao Jianbo
Ms. Cai Dongyan
Mr. Zhang Huijun
Ms. Pauline Lam
Mr. Lin Liangyong *(appointed as Director: Note 1)*

Non-Executive Director

Mr. Kwok Kai Hing Daniel *(resigned as Director: Note 1)*

Independent Non-Executive Directors

Mr. Fung Chi Kin *(resigned as Director: Note 1)*
Mr. Han Dengpan *(resigned as Director: Note 2)*
Mr. Chan Ka Yin *(appointed as Director: Note 2 and resigned as Director: Note 3)*
Mr. Huang Zhiwei
Mr. Lam Yick Man *(appointed as Director: Note 1)*
Mr. Hu Zhigang *(appointed as Director: Note 3)*

COMPANY SECRETARY

Mr. Ong King Keung *(resigned: Note 4)*
Mr. Shiu Wing Yan *(appointed: Note 4)*

AUDIT COMMITTEE

Mr. Han Dengpan *(resigned as chairman: Note 2)*
Mr. Fung Chi Kin *(resigned as member: Note 1)*
Mr. Chan Ka Yin *(appointed as chairman: Note 2 and resigned as chairman: Note 3)*
Mr. Huang Zhiwei
Mr. Lam Yick Man *(appointed as member: Note 1 and appointed as chairman: Note 3)*
Mr. Hu Zhigang *(appointed as member: Note 3)*

NOMINATION COMMITTEE

Mr. Fung Chi Kin *(resigned as chairman: Note 1)*
Mr. Han Dengpan *(appointed as chairman: Note 1 and resigned as chairman: Note 2)*
Mr. Chan Ka Yin *(appointed as chairman: Note 2 and resigned as chairman: Note 3)*
Mr. Huang Zhiwei
Mr. Lam Yick Man *(appointed as member: Note 1)*
Mr. Hu Zhigang *(appointed as chairman: Note 3)*

REMUNERATION COMMITTEE

Mr. Fung Chi Kin *(resigned as chairman: Note 1)*
Mr. Han Dengpan *(appointed as chairman: Note 1 and resigned as chairman: Note 2)*
Mr. Chan Ka Yin *(appointed as chairman: Note 2 and resigned as chairman: Note 3)*
Mr. Huang Zhiwei
Mr. Zhang Huijun
Mr. Lam Yick Man *(appointed as member: Note 1)*
Mr. Hu Zhigang *(appointed as chairman: Note 3)*

Note 1: with effect from 10 April 2019
Note 2: with effect from 28 June 2019
Note 3: with effect from 24 April 2020
Note 4: with effect from 27 May 2020

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Office 810, Unit 1908, 19/F,
9 Queen's Road Central,
Central, Hong Kong
Telephone: (852) 3892 5999
Facsimile: (852) 3892 5998
Email: Info@co-nuoxin.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
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

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

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

For the year ended 31 March	2020 HK$'000	2019 HK$'000
Operating result		
Revenue	**450,800**	415,358
Gross profit	**28,722**	20,989
Net loss	**(40,071)**	(54,335)
Per share data	**HK cents**	HK cents
Basic loss per share	**(8.992)**	(12.192)
Net assets per share	**21.943**	32.866
Financial position	**HK$'000**	HK$'000
Cash and bank deposits	**31,060**	83,957
Total assets	**329,739**	399,004
Net assets	**97,788**	146,468
Financial ratio		
Gross profit margin	**6.4%**	5.1%
Net loss to revenue	**(8.9%)**	(13.1%)
Return on equity	**(41.0%)**	(37.1%)
Net cash to equity	**N/A**	19.9%
Net gearing ratio	**20.6%**	N/A

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 2020.

BUSINESS OVERVIEW

The business environment for the financial year of 2019/2020 had been very challenging for most of electrical appliance manufacturers. While global economic prospects have improved modestly in the second and third quarter of 2019, we were able to achieve increase in revenue in the second and third quarter of 2019 when compared with the same period in last financial year. The increase was mainly attributable to the launch of new models in the second quarter of 2019 and the double-digit growth from the European markets, which was a welcome surprise.

During the financial year, certain factors in Mainland China, such as the labour shortage, increasing production costs and the Government's policy adjustments, had made the Group's business to maintain at a comparable level as last year an uphill task. Nevertheless, the price of material cost were relative stable, especially the packaging materials, plastic resins and copper, which had a limited relief on the Group's financial performance.

For the year ended 31 March 2020, the Group's revenue amounted to HK$450,800,000, representing an increase of 8.5% compared to that of last financial year. Loss attributable to equity holders of the Company amounted to HK$40,071,000 representing a decrease of 26.3% 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 2020.

FUTURE PROSPECTS

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

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

APPRECIATION

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

By Order of the Board

Gao Jianbo
Chairman

Hong Kong, 29 June 2020

COMPANY PROFILE

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

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

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

For international marketing, the Group leverages the annual Hong Kong Electronics Fair Autumn Edition held every October to increase brand awareness of the Group and promote its products.

FINANCIAL REVIEW

During the year ended 31 March 2020, the Group had recorded a turnover of HK$450,800,000 (2019: HK$415,358,000), an increase of approximately 8.5% from the previous financial year. The increase in turnover was mainly attributable to the increase of demand from our overseas customers, especially Japan, Netherlands, Russia and Korea. However, the trade tension between China and the US invariably impacted the China economy. Along with growing financial stress, China's economic growth slowed to 6.1% in 2019, hitting the slowest pace in 30 years, which directly dampened the demand for electrical haircare appliances in the mainland China, thereby partially affected the Group's sales.

During the financial year, the Group reported a gross profit of HK$28,722,000 (2019: HK$20,989,000), representing a gross profit margin of approximately 6.4% (2019: 5.1%). The increase was mainly due to restructuring and upgrade of the automation in production line and depreciation in Renminbi during the year, all of which drove production costs downwards.

The Group recorded continuous loss for the years ended 31 March 2020 and 2019. The management of the Group concluded there was impairment indication and conducted a review of the recoverable amount of the property, plant and equipment and right-of-use assets and determined the recoverable amount of these assets. Based on the result of the assessment, management of the Group determined that the recoverable amounts of these assets was lower than their carrying amounts. An impairment of HK$5,632,000 on property, plant and equipment (2019: HK$14,440,000) and an impairment loss of HK$2,708,000 on right-of-use assets had been recognised.

As a result of the above factors, loss before taxation for the year ended 31 March 2020 was HK$40,079,000 (2019: HK$54,196,000), representing a decrease of 26.0% against the previous financial year. Expressed proportionately as a percentage of revenue, distribution costs and administrative expenses were about 1.5% and 12.8% respectively for the year ended 31 March 2020 as compared to 1.5% and 15.8% in the last corresponding year. In dollars term, administrative expenses was HK$57,683,000, representing a decrease of 12.0% when compared to that in the previous financial year. The decrease was mainly due to the decrease in directors' salaries and bonus.

Loss for the year was HK$40,071,000, representing a decrease of 26.3% when compared to loss of HK$54,335,000 in the last financial year.

Basic loss per share for the year amounted to HK8.992 cents, representing a decrease of 26.2% when compared to loss of HK12.192 cents in the last financial year.

During the year ended 31 March 2020, no dividend had been declared and paid (2019: Nil).

BUSINESS REVIEW

Market Review

During the financial year, the world-wide economic was largely impacted by the Sino-US trade tensions especially in the last quarter of 2019. Furthermore, the outbreak of the COVID-19 pandemic had been hitting the economy of both China and the world-wide even harder as many businesses had to temporarily lock down their operations amid tighten quarantine rules. Amidst this challenging market environment, the demand for the Group's haircare products in the European market, especially, French and Netherlands showed promising growth of 83% and 49%, respectively. The stronger demand enabled the Group to increase its turnover contribution from the European market to 49.3% for the year ended 31 March 2020 from 47.5% in the last financial year.

Whereas the turnover contribution from the Asian market decreased slightly to 39.2% during this financial year from 39.3% in the last financial year. The world-wide economy was largely impacted by the Sino-US trade tensions and the COVID-19 pandemic, both directly dampened the demand for electrical haircare appliances in the Mainland China, the turnover contribution decreased to 8.8% in this financial year from 14.5% in the last financial year. However, as some new models had been launched during the year, the order from Japanese and Korean market were increased that boosted their turnover contributions to 15.5% and 5.4% respectively for the financial year compared to 11.7% and 4.3% respectively in the last financial year.

Most of the Group's customers are famous global brands. Our five major customers accounted for approximately 87.1% and 81.1% of the Group's total turnover in the current financial year and the previous financial year, respectively.

Operation Review

The operating environment was still very tough for all PRC based manufacturers. During the financial year, the Group had faced various operating challenges similar to those of other manufacturers in the Mainland China, such as the decline in the domestic demand, higher operations costs and general expenses as a result of the increase of overtime and labour costs due to labour shortages in Guangdong province. But amidst the macroeconomic uncertainty, depreciation in Renminbi, stabilizing prices of metal commodities, such as copper, lead, and aluminium alloys, had provided limited relief to the cost pressures on the Group.

As always the Group pursued relentlessly strict controls over materials purchase cost, rational investment in machinery and manpower and rigorous product quality control so as to boost production capacity and efficiency and alleviate the pressure from shortage of production line workers, eliminate wastes and ultimately reduce costs.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had approximately HK$31,060,000 cash and bank deposits (2019: HK$83,957,000). The decrease in cash and bank deposits was mainly attributable to cash used in operating activities and partial repayment of loans from related parties. Its net current assets as at 31 March 2020 amounted to approximately HK$20,293,000 (2019: HK$56,973,000). Current ratio of the Group as at 31 March 2020 was 1.1 (2019: 1.2).

As at 31 March 2020, the Group had aggregate banking facilities of HK$93,400,000 (2019: HK$98,400,000), of which HK$51,211,000 (2019: HK$54,828,000) had been used. The borrowings comprised trade finance facilities of HK$51,211,000 (2019: HK$54,828,000). The borrowings due within one year amounted to HK$51,211,000 (2019: HK$54,828,000). The bank borrowings carried interest rates ranging from HIBOR/LIBOR plus 1.8% to 2.0% (2019: 1.8% to 2.25%) or 1% (2019: 1%) below Prime Rate.

As at 31 March 2020, the Group's net gearing ratio was approximately 20.6% (2019: net cash). This was calculated by dividing the net amount of borrowings (including bank borrowings after deduction of cash and cash equivalents) by total equity attributable to owners of the Company as at 31 March 2020.

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 2020. 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 2020 (2019: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group's 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 has been no material exchange risk in this respect. To manage fluctuation of the Renminbi, the Group has been able to manage 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.

During the year, the Group did not commit to any financial instruments for hedging purposes.

CONTRACTUAL AND CAPITAL COMMITMENTS

As at 31 March 2020, the Group had capital commitments of HK$1,065,000 (2019: HK$1,530,000).

CONTINGENT LIABILITIES

As at 31 March 2020, the Group had no material contingent liabilities (2019: Nil).

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2020, the Group had a total workforce of 1,513 (2019: 1,570) including 27 employees (2019: 29) in Hong Kong. Employee costs, including directors' emoluments, amounted to HK$137,294,000 for the year ended 31 March 2020 (2019: HK$135,272,000). 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 2020.

SIGNIFICANT INVESTMENTS HELD

Except for investments in its subsidiaries, during the year ended 31 March 2020, the Group did not hold any significant investment in equity interest in any other company.

PROSPECTS

In the past, the Group had overcome different external challenges such as SARS in 2003 and financial crises in 2008. In view of the outbreak of COVID-19 pandemic, the Group has closely communicated with its customers to understand and accommodate their situation and provides different solutions to overcome this challenge. Meanwhile, the Group is internally preparing for the recovery of post pandemic period. Even though certain orders in the second quarter of 2020 may be delayed and the settlement period of certain trade receivables may be prolonged, but based on currently available information and according to recent discussions with customers, it is expected that the total orders in 2020/2021 from customers will have slight impact as compared to 2019/2020. The Group will strive to develop and procure more orders to maintain a steady business growth for the Group. At the same time, the Group has been exploring opportunities, to expand and diversity its business and activities, with a view to create new sources of income and to maximize the return to the Company and the shareholders in the long run.

The board of the Company herein present the annual report and the audited consolidated financial statements (the "**Financial Statements**") of the Group for the year ended 31 March 2020.

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 36 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the year.

A discussion of the Group's business and financial performance for the year ended 31 March 2020 is set out in the section "Management Discussion and Analysis" of this annual report.

An analysis of the Group's performance for the year by geographical location is set out in Note 6 to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2020.

CONNECTED TRANSACTIONS

During the year, the Company had certain loans (the "**Loans**") from its related parties, namely China Yuen Capital Limited ("**CYC**"), Mr. Tam Chi Sang ("**Mr. Tam**") and Mr. Lam Wai Ming ("**Mr. Lam**"). The Loans are unsecured, interest free and repayable within one year from the drawn down date, and are provided to the Group via various instalments during the period from November 2017 to March 2020 for its general working capital. The details of the Loans are set out in Note 23 to the Financial Statements.

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

Save as disclosed above, the Company did not enter into any transactions which constitute non-exempt connected transactions within the meaning of the Listing Rules during the year ended 31 March 2020.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 43 of this annual report.

The Directors have resolved not to declare the payment of final dividend in respect of the year ended 31 March 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 15 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 27 and 28 to the Financial Statements.

RESERVES

Details of the movements in the reserves of the Group during the year are set out on page 45 of this annual report.

DIRECTORS

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

Executive Directors
Mr. Gao Jianbo
Ms. Cai Dongyan
Mr. Zhang Huijun
Ms. Pauline Lam
Mr. Lin Liangyong *(appointed as Director: Note 1)*

Non-Executive Director
Mr. Kwok Kai Hing Daniel *(resigned as Director: Note 1)*

Independent Non-Executive Directors
Mr. Fung Chi Kin *(resigned as Director: Note 1)*
Mr. Han Dengpan *(resigned as Director: Note 2)*
Mr. Chan Ka Yin *(appointed as Director: Note 2 and resigned as Director: Note 3)*
Mr. Huang Zhiwei
Mr. Lam Yick Man *(appointed as Director: Note 1)*
Mr. Hu Zhigang *(appointed as Director: Note 3)*

Note 1: with effect from 10 April 2019
Note 2: with effect from 28 June 2019
Note 3: with effect from 24 April 2020

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' AND OFFICERS' INDEMNITY

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

MANAGEMENT CONTRACTS

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

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

As at 31 March 2020, none of the Directors or chief executives of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register maintained by the Company under Section 352 of the SFO; or as notified to the Company and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules.

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

As at 31 March 2020, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long position in the shares of the Company

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

Note:

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

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

Save as disclosed above, as at 31 March 2020, 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 are 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 exercised 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 28 to the Financial Statements.

There was no option granted under the new Share Option Scheme for the year ended 2020 and 2019.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUFFICIENCY OF PUBLIC FLOAT

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

FIVE YEARS FINANCIAL SUMMARY

A summary of the assets and liabilities and the results of the Group for the last five financial years is set out on pages 99 and 100 of this annual report.

RELATED PARTY TRANSACTIONS

Details of the information in relation to the related party transactions of the Group during the year is set out on Note 32 to the Financial Statements.

PRE-EMPTIVE RIGHTS

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

TAXATION OF HOLDERS OF SHARES

(a) Hong Kong

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

(b) Cayman Islands

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

(c) Professional tax advice recommended

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 87.1% of the total sales for the year and sales to the largest customer included therein amounted to approximately 50.7%.

Purchases from the Group's five largest suppliers accounted for approximately 24.8% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 5.7%.

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

ENVIRONMENTAL POLICIES

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

COMPLIANCE WITH LAWS AND REGULATION

For the year ended 31 March 2020, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

COMPETING INTEREST

Save and except for interests in the Group, none of the Directors nor their respective associates (as defined under the Listing Rules) had any interest in any other companies as at 31 March 2020 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 2020, except for the deviation from the CG Code A.6.7. The Company has published its corporate governance report, details of which are set out on pages 22 to 37 of this annual report.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the AGM of the Company to be held on Friday, 28 August 2020, the register of members of the Company will be closed from Monday, 24 August 2020 to Friday, 28 August 2020 (both days inclusive). 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 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 at 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, 21 August 2020.

AUDITORS

The financial statements of the Company have been audited by Deloitte Touche Tohmatsu who retire and being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company.

On behalf of the Board
CHINA OVERSEAS NUOXIN INTERNATIONAL HOLDING LIMITED

Zhang Huijun
Executive Director
Hong Kong, 29 June 2020

DIRECTORS

Executive Directors

Mr. Gao Jianbo, aged 49, joined the Group in March 2019. Mr. Gao is currently an executive Director and the Chairman of the Board. Mr. Gao holds a degree of postdoctoral fellow at the Party School of the CPC Central Committee and a degree of Doctor in Communication of the Beijing University of Posts and Telecommunications. He is currently the chairman of China Overseas Energy Group Co., Ltd.* (中海外能源集團有限公司) and the chairman of China Overseas Smart City Group Co., Ltd.* (中海外智慧城市集團有限公司). He was the Vice President of the 5th council of the China Satellite Positioning Association. He has led dozens of national natural science funds, national and municipal scientific research projects, and has won several National Science and Technology Progress Award consecutively, and was awarded the title of Zhongguancun Entrepreneurship Star and the Annual Leader Entrepreneur Award of China's satellite navigation and location service industry in 2012.

Ms. Cai Dongyan, aged 44, joined the Group in August 2017. Ms. Cai is currently an executive Director and the Chief Executive Officer of the Company. Ms. Cai worked at Shanghai Shenmei Beverage and Food Co., Ltd.* (上海申美飲料食品有限公司) from July 1998 to December 1999, Motorola Paging Products Company* (摩托羅拉尋呼產品公司) from 2000 to 2001, 3M China Limited* (3M中國有限公司) from 2001 to 2006 and Minnesota Mining Production (Shanghai) International Trade Co., Ltd* (明尼蘇達礦業製造(上海)國際貿易有限公司) from 2009 to 2016. Ms. Cai obtained an undergraduate diploma majoring in hotel management at Shanghai Jiao Tong University in 1998. Ms. Cai is the spouse of Mr. Hao Yiming, one of the directors of China Yuen Capital Limited, the controlling Shareholder of the Company.

Mr. Zhang Huijun, aged 38, joined the Group in August 2017. Mr. Zhang is currently an executive Director and a member of the Remuneration Committee of the Company. Mr. Zhang has around 6 years of management experience. From 2006 to 2009, Mr. Zhang served as the trade investment manager of Tsingshan Holding Group Shanghai International Trading Co., Ltd. * (青山控股集團上海國際貿易有限公司). From 2010 to 2012, Mr. Zhang served as the project manager of Pt. Modern Group Indonesia. Mr. Zhang completed three years studies majoring in Taxation at Hunan Tax College* (湖南稅務高等專科學校) in 2002.

Ms. Pauline Lam, aged 37, joined the Group in August 2017. Ms. Lam is currently an executive Director of the Company. Ms. Lam worked at China Point Enterprises Limited from 2006 to 2011, and her last position was sales and merchandising manager. From 2013 to 2017, she worked at TAG Aviation Asia Limited and her last position was senior client responsible manager. Ms. Lam obtained a bachelor's degree in business administration from Pepperdine University in California of the United States in December 2004. Ms. Lam had been appointed as executive director of Hang Tai Yue Group Holdings Limited (Stock Code: 8081) with effect from 13 August 2018.

Mr. Lin Liangyong, aged 39, joined the Group in April 2019. Mr. Lin is currently an executive Director of the Company. Mr. Lin graduated from Shanxi University of Finance and Economics with a bachelor's degree in finance. He is currently the general manager of the Gold Zhongnan Investment Development Co., Ltd. * (金中南投資發展有限公司) of Shenzhen. He served as the sub-branch manager of Taikoo City Sub-branch of Industrial and Commercial Bank of China (Shenzhen branch), the assistant to the general manager of the credit approval department of Bank of Beijing Co., Ltd. (Shenzhen branch). He has 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 41, has been an independent non-executive Director of the Company since April 2019. Mr. Lam is also serving as the chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration Committee. Mr. Lam obtained a master of corporate governance from The Hong Kong Polytechnic University and a bachelor of business administration from Lingnan University. He is also a member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Lam is currently a deputy financial controller of a private company. He has over 14 years of experience in auditing and financial management and regulatory compliance matters gained from various international accounting firms, both listed and private companies.

Mr. Huang Zhiwei, aged 70, has been an independent non-executive Director of the Company since August 2017. Mr. Huang is also serving as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Huang has over 14 years of management experience. He served as the chief executive of Shanghai branch of Bank of China (中國銀行上海市分行) from 2003 to 2007. From 2007 to 2013, he worked as the president and chief executive of Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司). Mr. Huang also serves as the chairman of The Jiangsu Chamber of Commerce in Shanghai (上海市江蘇商會) since 2009 and as an independent non-executive director of China Yu Tian Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, (stock code: 8230)) since 2013.

Mr. Huang obtained a postgraduate qualification in international finance from Nanjing University (南京大學) in the PRC in June 2000. He obtained the senior economist qualification in December 2008 granted by Jiangsu Department of Personnel (江蘇省人事廳) and the qualification for independent director from Shanghai Stock Exchange in 2015.

Mr. Hu Zhigang, aged 70, has been the independent non-executive Director of the Company since April 2020. Mr. Hu is also serving as the Chairman of the Remuneration Committee and Nomination Committee, a member of the Audit Committee. Mr. Hu graduated from Nanjing Normal University with a bachelor's degree in economic management. He also obtained a degree of master of public administration from University of Canberra in Australia. He served as the vice president of China Real Estate Association, the deputy director and the director of Nanjing Real Estate Administration, the deputy secretary of Nanjing Real Estate Administration Committee and the deputy director and member of working committee of Nanjing Xianlin University Town Management Committee. He has gained more than 30 years of extensive experience in real estate market management in the PRC.

* *For Identification purpose only*

SENIOR MANAGEMENT

Mr. Lam Wai Ming, aged 61, 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 as well as supervising production, sales and marketing functions of the Group. Mr. Lam has over 39 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. Tam Chi Sang, aged 60, joined the Group in July 1991. Mr. Tam is currently the Director of the major subsidiaries of the Company. Mr. Tam is responsible for supervision and management of the purchasing, quality control, engineering and design functions of the Group. Mr. Tam has over 39 years of experience in the electrical appliances industry. At present, Mr. Tam is the Director of The Hong Kong Electrical Appliance Industries Association from 2018-2020.

Mr. Kwong Pak Chuen, Patrick, aged 59, joined the Group in June 1999 and is the Senior Engineering Manager of the Group. Mr. Kwong is the Head of Engineering, Design and Research and Development Departments. Mr. Kwong graduated from The University of Warwick with a Master Degree of Science in Engineering Business Management. Mr. Kwong has over 34 years of experience in project engineering, product development and research and development for small household electrical appliances, such as haircare appliances and kitchen ware products.

Mr. Yeung Kin Wing, **Ramo**, aged 50, joined the Group in June 1998 and is the Operation Manager of the Group. Mr. Yeung is responsible for the overall production management of the factories in PRC. Mr. Yeung has obtained a Bachelor Degree of Business Administration from Lincoln University and a National Diploma in Engineering from Business and Technical Education Council. Mr. Yeung has over 29 years of experience in manufacturing industry.

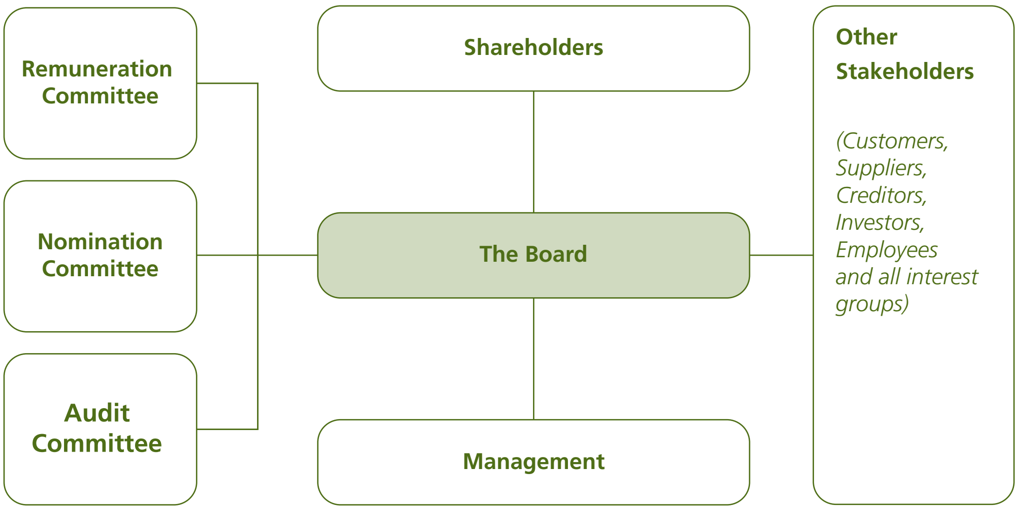
COMPANY SECRETARY

Mr. Shiu Wing Yan, aged 51, 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 20 years of experience in the company secretarial field.

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 2020, except for the deviation from the CG Code A.6.7. This corporate governance report contains the detailed explanations on the Company's practices in compliance with the applicable CG Code provisions and the considered reasons for such deviations.

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



DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. Upon specific enquiry by the Company, all the Directors have confirmed that they fully complied with the required standards as set out in the Model Code throughout the financial year ended 31 March 2020.

BOARD OF DIRECTORS

Board functions

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

Board composition

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

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

During the financial year ended 31 March 2020, 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 2020 were as follows:

Name of Directors	Board Meetings	Remuneration Committee meetings	Nomination Committee meetings	Audit Committee meetings	Shareholders' General Meeting
Executive Directors					
Mr. Gao Jianbo	9/10	N/A	N/A	N/A	1/2
Ms. Cai Dongyan	7/10	N/A	N/A	N/A	0/2
Mr. Zhang Huijun	10/10	3/3	N/A	N/A	2/2
Ms. Pauline Lam	10/10	N/A	N/A	N/A	1/2
Mr. Lin Liangyong *(appointed as Director: Note 1)*	5/9	N/A	N/A	N/A	0/2
Non-Executive Director					
Mr. Kwok Kai Hing Daniel *(resigned as Director: Note 1)*	N/A	N/A	N/A	N/A	N/A
Independent Non-Executive Directors					
Mr. Fung Chi Kin *(resigned as Director: Note 1)*	N/A	N/A	N/A	N/A	N/A
Mr. Han Dengpan *(resigned as Director: Note 2)*	6/6	2/2	2/2	1/1	N/A
Mr. Chan Ka Yin *(appointed as Director: Note 2 and resigned as Director: Note 3)*	2/3	N/A	N/A	1/1	0/1
Mr. Huang Zhiwei	5/10	3/3	3/3	2/2	0/2
Mr. Lam Yick Man *(appointed as Director: Note 1)*	9/9	2/2	2/2	2/2	1/2
Mr. Hu Zhigang *(appointed as Director: Note 3)*	N/A	N/A	N/A	N/A	N/A

Note 1: with effect from 10 April 2019
Note 2: with effect from 28 June 2019
Note 3: with effect from 24 April 2020

BOARD OF DIRECTORS (Continued)

Board, Board committees and general meetings (Continued)

CG Code A.1.1 stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. In compliance with the CG code, there were in total 10 board meetings held during the financial year ended 31 March 2020. 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 24 of this corporate governance report.

CG Code A.6.7 stipulates that, independent non-executive Directors and other non-executive Directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Two independent non-executive Directors, Mr. Huang Zhiwei and Mr. Chan Ka Yin, did not attend the annual general meeting of the Company held on 23 August 2019 due to other business engagements.

Notices were given at least 14 days in advance for each of the regular Board meeting 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 separate and should not be performed by the same individual. Mr. Gao Jianbo served as the chairman of the Board throughout the year and is responsible for formulating the strategies and policies of the business development of the Group, providing leadership and overseeing the functioning of the Board. During the year, Ms. Cai Dongyan served as the chief executive officer attending to the Group's overall business development and implementation of the Group's policies. The functions and responsibilities between the chairman and the chief executive are clearly segregated. This segregation of roles ensures reinforcement of their independent, responsibility and accountability.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' TRAINING

Every newly appointed Director of the Company will receive a comprehensive, formal and tailored induction package to ensure that the Director has a proper understanding of the Company's operation and business and the relevant statues, common laws, the Listing Rules, legal and regulatory requirements and governance policies. The company secretary also provides updates on 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 2019 to 31 March 2020 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. Gao Jianbo	✓	✓	✓
Ms. Cai Dongyan	✓	✓	✓
Mr. Zhang Huijun	✓	✓	✓
Ms. Pauline Lam	✓	✓	✓
Mr. Lin Liangyong *(appointed as Director: Note 1)*	✓	✓	✓
Non-Executive Director			
Mr. Kwok Kai Hing Daniel *(resigned as Director: Note 1)*	✓	✓	✓
Independent Non-Executive Directors			
Mr. Fung Chi Kin *(resigned as Director: Note 1)*	N/A	N/A	N/A
Mr. Han Dengpan *(resigned as Director: Note 2)*	N/A	N/A	N/A
Mr. Chan Ka Yin *(appointed as Director: Note 2 and resigned as Director: Note 3)*	✓	✓	✓
Mr. Huang Zhiwei	✓	✓	✓
Mr. Lam Yick Man *(appointed as Director: Note 1)*	✓	✓	✓
Mr. Hu Zhigang *(appointed as Director: Note 3)*	N/A	N/A	N/A

Note 1: With effect from 10 April 2019
Note 2: With effect from 28 June 2019
Note 3: With effect from 24 April 2020

REMUNERATION COMMITTEE

Remuneration Committee functions

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

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

The principal duties of the Remuneration Committee are:

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

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

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

Remuneration Committee composition

The Remuneration Committee comprises three independent non-executive Directors namely, Mr. Hu Zhigang, Mr. Huang Zhiwei 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 2020, the Remuneration Committee had met twice 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 resignation, 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 2020 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 2020 and the relevant record of individual attendance of the members of the Remuneration Committee, on a named basis, are shown in the table under the heading "Board, Board committees and general meetings" on pages 24 and 25 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 11 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 been 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. Huang Zhiwei 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 2020, 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 2020 and the relevant record of individual attendance of the members of the Nomination Committee, on a named basis, are shown in the table under the heading "Board, Board committees and general meetings" on pages 24 and 25 of this corporate governance report.

AUDITORS' REMUNERATION

During the financial year ended 31 March 2020, the Company engaged Deloitte Touche Tohmatsu as the external auditors of the Company to perform audit and non-audit services. The audit fee was approximately HK$1,200,000 and other non-audit service fee was approximately HK$26,000 for the year ended 31 March 2020.

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. Huang Zhiwei 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 2020, 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 2019 prior to recommending them to the Board for approval;

— to review the interim results for the six months ended 30 September 2019 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 2019 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 2020 and the relevant record of individual attendance of the members of the Audit Committee, on a named basis, are shown in the table under the heading "Board, Board committees and general meetings"on pages 24 and 25 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 2020 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 Office 810, Unit 1908, 19/F, 9 Queen's Road Central, Central, 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 Office 810, Unit 1908, 19/F, 9 Queen's Road Central, Central, Hong Kong, or at any address notified by the Company from time to time and for the attention of the Chairman of the Board or the Company Secretary. Upon receipt of the enquiry(ies), the Company would reply as soon as possible.

INVESTOR RELATIONS

The Board recognises the importance of maintaining on-going communications with shareholders and investors for the performance of the Company and establishes different communicate 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 2020. 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

By a special resolution passed at the extraordinary general meeting of the Company held on 27 May 2019, the Memorandum of Association and the Articles of Association of the Company have been amended and restated to, among others, reflect the change of Company name, details of which is set out on page 37 of this annual report.

Save as disclosed above, there has been no significant change in the Company's constitutional documents during the financial year ended 31 March 2020 and up to the date of this report.

DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 March 2020, 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, Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 38 to 42 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 2020, 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 requirement.

Credit risk

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

INTERNAL CONTROL

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

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

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

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

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

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

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

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

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

INTERNAL CONTROL (Continued)

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

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

MANAGEMENT FUNCTIONS

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

COMPANY SECRETARY

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

Mr. Ong took not less than 15 hours of relevant professional training during the year ended 31 March 2020.

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.

CHANGES IN COMPANY NAME AND AMENDMENTS AND RESTATEMENT OF CONSTITUTIONAL DOCUMENTS

By a special resolution passed at the extraordinary general meeting of the Company held on 27 May 2019, the English name of the Company was changed from "Kenford Group Holdings Limited" to "China Overseas Nuoxin International Holdings Limited" and the dual foreign name in Chinese of the Company was changed from "建福集團控股有限公司" to "中國海外諾信國際控股有限公司", and the Memorandum of Association and the Articles of Association of the Company have been amended and restated to reflect the above change of Company name. The change of name became effective on 31 May 2019.

ENVIRONMENTAL PROTECTION

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

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

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

LOOKING FORWARD

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

Deloitte. 德勤

TO THE SHAREHOLDERS OF CHINA OVERSEAS NUOXIN INTERNATIONAL HOLDINGS LIMITED
(FORMERLY KNOWN AS KENFORD GROUP HOLDINGS LIMITED)
(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 43 to 98, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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 ("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 MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

KEY AUDIT MATTER (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment loss of property, plant and equipment and right-of-use assets	
We identified the impairment loss of property, plant and equipment and right-of-use assets as a key audit matter due to its significance to the consolidated financial statements as a whole and significant judgments exercised by management of the Group in determining the recoverable amount of the Group's cash-generating unit ("CGU") of sales of electrical haircare products business to which the asets belong. As disclosed in notes 15 and 16 to the consolidated financial statements, the management of the Group conducted a review of the recoverable amount of the Group's CGU of sales of electrical haircare products business. The carrying amounts of property, plant and equipment and right-of-use assets are allocated to the CGU of sales of electrical haircare products business for impairment assessment. Management's impairment review process requires reviewing the assumptions and estimates, including budgeted revenue, gross profit margin and growth rates in the cash flow projections could materially affect the value-in-use of the Group's CGU of sales of electrical haircare products business. Based on the result of the assessment, management of the Group determined that an impairment loss of HK$5,632,000 on property, plant and equipment and HK$2,708,000 on right-of-use assets has been recognised in profit or loss for the year ended 31 March 2020 respectively. Further details of the impairment assessment are set out in notes 4, 15 and 16.	Our procedures in relation to impairment loss of property, plant and equipment and right-of-use assets included: • Obtaining an understanding of the key controls over the assessment of impairment loss of property, plant and equipment and right-of-use assets; • Assessing the reasonableness of the estimation of cash flows projections of the Group, and evaluating the appropriateness of management's underlying assumptions, including budgeted revenue, gross profit margin and growth rates, with reference to the historical performance of the Group and sales orders on hand; and • Checking the mathematical accuracy of the value-in-use calculation.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 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 AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 solely to you, as a body, in accordance with our agreed terms of engagement, 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

From the matter communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Del Rosario, Faith Corazon.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29 June 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5	**450,800**	415,358
Cost of sales		**(422,078)**	(394,369)
Gross profit		**28,722**	20,989
Other income and gains	7	**6,995**	13,248
Distribution costs		**(6,543)**	(6,367)
Administrative expenses		**(57,683)**	(65,546)
Finance costs	8	**(1,923)**	(2,192)
Impairment losses on financial assets under expected credit loss model, net of reversal		**(1,307)**	112
Impairment loss recognised in respect of property, plant and equipment	15	**(5,632)**	(14,440)
Impairment loss recognised in respect of right-of-use assets	16	**(2,708)**	–
Loss before taxation		**(40,079)**	(54,196)
Income tax credit (expense)	9	**8**	(139)
Loss for the year attributable to owners of the Company	10	**(40,071)**	(54,335)
Other comprehensive expense			
Items that will not be reclassified to profit or loss:			
(Loss) gain on revaluation of leasehold land and buildings		**(26)**	2,056
Income tax credit (income tax expense) relating to item that will not be reclassified		**6**	(450)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(8,589)**	(10,366)
Other comprehensive expense for the year		**(8,609)**	(8,760)
Total comprehensive expense for the year attributable to owners of the Company		**(48,680)**	(63,095)
Basic loss per share (HK cents)	14	**(8.992)**	(12.192)

Consolidated Statement of Financial Position

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	15	**87,696**	99,822
Prepaid lease payments	17	**–**	3,082
Right-of-use assets	16	**2,781**	–
Deposits paid for acquisition of property, plant and equipment		**1,846**	1,845
		92,323	104,749
Current assets			
Inventories	18	**106,470**	90,462
Trade receivables	19	**78,305**	101,116
Deposits, prepayments and other receivables		**21,581**	18,712
Tax recoverable		**–**	8
Bank balances and cash	20	**31,060**	83,957
		237,416	294,255
Current liabilities			
Trade payables	21	**71,490**	80,797
Accruals and other payables		**28,107**	18,425
Contract liabilities	22	**5,403**	9,147
Loans from related parties	23	**54,245**	70,045
Lease liabilities	24	**2,088**	–
Bank borrowings	25	**51,211**	54,828
Tax liabilities		**4,579**	4,040
		217,123	237,282
Net current assets		**20,293**	56,973
Total assets less current liabilities		**112,616**	161,722
Non-current liabilities			
Deferred tax liabilities	26	**14,180**	15,254
Lease liabilities	24	**648**	–
		14,828	15,254
Net assets		**97,788**	146,468
Capital and reserves			
Share capital	27	**446**	446
Share premium and reserves		**97,342**	146,022
Total equity		**97,788**	146,468

The consolidated financial statements on pages 43 to 98 were approved and authorised for issue by the Board of Directors on 29 June 2020 and are signed on its behalf by:

Gao Jianbo
DIRECTOR

Zhang Huijun
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Properties revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits (accumulated loss) HK$'000	Total HK$'000
At 1 April 2018	446	63,099	942	46,173	17,308	81,595	209,563
Loss for the year	–	–	–	–	–	(54,335)	(54,335)
Other comprehensive income (expense) for the year	–	–	–	1,606	(10,366)	–	(8,760)
Total comprehensive income (expense) for the year	–	–	–	1,606	(10,366)	(54,335)	(63,095)
At 31 March 2019 and 1 April 2019	446	63,099	942	47,779	6,942	27,260	146,468
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(40,071)**	**(40,071)**
Other comprehensive expense for the year	**–**	**–**	**–**	**(20)**	**(8,589)**	**–**	**(8,609)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(20)**	**(8,589)**	**(40,071)**	**(48,680)**
At 31 March 2020	**446**	**63,099**	**942**	**47,759**	**(1,647)**	**(12,811)**	**97,788**

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(40,079)**	(54,196)
Adjustments for:		
Depreciation of property, plant and equipment	**3,100**	5,526
Depreciation of right-of-use assets	**1,536**	–
Amortisation of prepaid lease payments	**–**	91
Impairment loss recognised in respect of property, plant and equipment	**5,632**	14,440
Impairment loss recognised in respect of right-of-use assets	**2,708**	–
Gain on disposal of property, plant and equipment	**–**	(23)
Bank interest income	**(45)**	(80)
Impairment loss on financial assets under expected credit loss model, net of reversal	**1,307**	(112)
Write-down of (reversal of write-down of) inventories	**1,973**	(156)
Interest expense on bank borrowings	**1,839**	2,192
Interest expense on lease liabilities	**84**	–
Operating cash flows before movements in working capital	**(21,945)**	(32,318)
Increase in inventories	**(19,386)**	(26,222)
Decrease in trade receivables	**19,339**	7,612
Increase in deposits, prepayments and other receivables	**(3,429)**	(2,067)
(Decrease) increase in trade payables	**(7,430)**	28,289
Increase in accruals and other payables	**10,588**	5,607
Decrease in contract liabilities	**(3,744)**	(1,716)
Net cash used in operations	**(26,007)**	(20,815)
Income tax refunded (paid)	**835**	(64)
NET CASH USED IN OPERATING ACTIVITIES	**(25,172)**	(20,879)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(2,299)**	(12,874)
Proceeds from disposal of property, plant and equipment	**–**	23
Deposits paid for acquisition of property, plant and equipment	**(1,331)**	(117)
Interests received	**45**	80
NET CASH USED IN INVESTING ACTIVITIES	**(3,585)**	(12,888)
FINANCING ACTIVITIES		
New bank borrowings raised	**135,131**	147,350
Repayment of bank borrowings	**(138,748)**	(150,184)
Advance from related parties	**4,200**	66,000
Repayment to related parties	**(20,000)**	–
Interests paid on bank borrowings	**(1,839)**	(2,192)
Interest paid on lease liabilities	**(84)**	–
Repayment of lease liabilities	**(1,421)**	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(22,761)**	60,974
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(51,518)**	27,207
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**83,957**	58,072
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,379)**	(1,322)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR represented by bank balances and cash	**31,060**	83,957

1. GENERAL

China Overseas Nuoxin International Holdings Limited (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 is at Office 810, Unit 1908, 19/F, 9 Queen's Road Central, Central, Hong Kong.

The Company's immediate holding company and intermediate holding company are China Yuen Capital Limited ("CYC") and China Investment International Limited, respectively.

The Company is an investment holding company. The principal activities of its subsidiaries are design, manufacture and sale of electrical haircare products.

The functional currency of the Company is United States dollars ("US$"). For the purpose of the preparation of the consolidated financial statements and convenience of the financial statements users, the results and financial position of the Company and its subsidiaries (collectively referred to as the "Group") are presented in Hong Kong dollars ("HK$").

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs and the interpretation in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with termination options.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 "Leases" (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4%.

	At 1 April 2019
	HK$'000
Operating lease commitments disclosed as at 31 March 2019	3,266
Lease liabilities discounted at relevant incremental borrowing rates	3,165
Less: termination option not reasonably certain not to be exercised	(2,682)
Leases with lease term ending within 12 months from the date of initial application	(483)
Lease liabilities as at 1 April 2019	–

The carrying amount of the Group's right-of-use assets for own use as at 1 April 2019 comprises the following:

	Right-of-use assets
	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	–
Reclassified from prepaid lease payments (Note)	3,082
	3,082

Note: Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, prepaid lease payments amounting to HK$3,082,000 was reclassified to right-of-use assets.

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets. In the opinion of the directors of the Company, the discounting effect at transition was insignificant and not adjusted to refundable rental deposits paid.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 "Leases" (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported as at 31 March 2019 HK$'000	Adjustment HK$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK$'000
Non-current Assets			
Right-of-use assets	–	3,082	3,082
Prepaid lease payments	3,082	(3,082)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

As a lessor

The Group did not entered into lease as a lessor at the date of initial application of HKFRS 16 on 1 April 2019 and hence no impacts of applying HKFRS 16 as a lessor on the Group's consolidated statement of financial position as at 1 April 2019. The Group applied HKFRS 16 to the leases entered during the year and there was no material impact on the consolidated statement of financial position as at 31 March 2020 and its consolidated statement of profit or loss and other comprehensive income and cash flows for the year ended 31 March 2020.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[6]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[5]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[5]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2022
6 Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to HKFRSs and the revised Conceptual Framework mentioned below, the directors of the Group anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 and HKAS 8 "Definition of Material" (Continued)

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the consolidated financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to Reference to the Conceptual Framework in the HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual periods beginning on or after 1 April 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 "Financial Instrument". In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Property, plant and equipment

Property, plant and equipment other than buildings in the PRC are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the PRC held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of buildings in the PRC is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on revaluation of such buildings in the PRC is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment loss on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets 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 the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporates assets are allocated to relevant cash-generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of impairment loss that would otherwise have been allocated to the asset is allocated pro rata to other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease modifications (Continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 April 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Leasehold land (prior to 1 April 2019)

Interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessor (upon application if HKFRS 16 in accordance with traditions in note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

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 added to the cost of those assets until such time as the assets are substantially ready for their 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.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of "translation reserve".

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and 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 temporary 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 profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition of assets and liabilities in a transaction that affect neither the taxable profit nor the accounting profit.

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 differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 amounts of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs to completion and costs necessary to make the sale.

Retirement benefits costs

Payments to Mandatory Provident Fund Schemes (the "MPF Schemes") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/ initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, deposits and other receivables and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always assesses lifetime ECL for trade receivables. The ECL on these financial assets are assessed individually and are estimated by applying a probability-weighted estimate of the credit loss for each debtor. The probability-weighted estimate of the credit loss is determined based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the end of each reporting period, including time value of money where appropriate.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, accruals and other payables, loans from related parties and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Revenue recognition from sale of electrical haircare products with no alternative use

Under HKFRS 15.35(c), control of an asset is transferred over time when 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 of performance completed to date, or otherwise at a point in time upon customer obtains control of that asset. Significant judgment is required in determining whether the terms of the Group's contracts with customers create an enforceable right to payment for the Group in respect of performance completed to date. The Group has considered the contractual terms with the relevant customers, the laws that apply to the relevant contracts for sale of electrical haircare products with no alternative use and the opinion from external legal counsel. Based on the assessment of the directors of the Company, the terms of these sales contracts do not create an enforceable right to payment to the Group in respect of performance completed to date. Accordingly, revenue associated with sale of electrical haircare products with no alternative use is considered to be performance obligation satisfied at a point in time.

Key sources of estimation uncertainty

The following are 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.

Estimated impairment loss of property, plant and equipment and right-of-use assets

In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including budgeted revenue, gross profit margin or the growth rates in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 March 2020, the carrying amounts of property, plant and equipment and right-of-use assets are HK$87,696,000 (2019: HK$99,822,000) and HK$2,781,000 (2019: N/A), after taking into account the impairment losses of HK$5,632,000 (2019: HK$14,440,000) and HK$2,708,000 (2019: N/A) in respect of property, plant and equipment and right-of-use assets that have been recognised in profit or loss. Details of the impairment loss of property, plant and equipment and right-of-use assets are disclosed in note 15.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Allowance for inventories

The Group performed monthly inventory count to identify defective or obsolete inventories. Management of the Group determined the provision for slow-moving inventories based on inventory ageing which is by applying a certain percentage to the inventories aged over a specific period of time and applied judgment to make specific provision for long-aged inventories. Management of the Group also applied judgment in determining the estimated selling price less cost to sell based on historical experience of selling products and expectation of future sales based on current market conditions and available information. At 31 March 2020, the carrying amount of inventories was HK$106,470,000 (2019: HK$90,462,000). Write-down of inventories of approximately HK$1,973,000 (2019: Reversal of write-down of inventory HK$156,000) was made during the year ended 31 March 2020.

Provision of ECL on trade receivables

The Group assesses lifetime ECL on trade receivables on individual basis. The estimation on ECL is required in assessing probability-weighted estimate of the credit loss which is based on Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the end of each reporting period. If there is a significant increase in credit risk on the customers of the Group since initial recognition, additional ECL may be required.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 35 and 19, respectively.

5. REVENUE

Revenue represents amounts received and receivable from sale of electrical haircare products which are recognised at a point of time. The geographical information of revenue from sales of electrical haircare products is disclosed in note 6.

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

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

Transaction price allocated to the remaining performance obligation for contracts with customers

As at 31 March 2020 and 2019, contracts with customers with unsatisfied performance obligations have original expected durations of one year or less. As permitted under HKFRS 15, the transaction prices allocated to these unsatisfied performance obligations are not disclosed.

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, 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 PRC.

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

	Revenue from external customers		**Non-current assets**	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Europe	**222,132**	197,132	**–**	–
Asia	**176,717**	163,352	**92,323**	104,749
North and South America	**47,483**	47,761	**–**	–
Australia	**3,028**	4,358	**–**	–
Africa	**1,440**	2,755	**–**	–
	450,800	415,358	**92,323**	104,749

Information about major customers

Revenue from customers of the year and the corresponding year contributing over 10% of the total sales of the Group are as follows:

	2020	2019
	HK$'000	HK$'000
Customer A	**228,469**	166,179
Customer B	**57,502**	64,133
Customer C	**49,485**	N/A*

* For the year ended 31 March 2019, Customer C did not contribute over 10% of the total sales of the Group.

7. OTHER INCOME AND GAINS

	2020 HK$'000	2019 HK$'000
Other income:		
Bank interest income	**45**	80
Compensation received in respect of cancelled orders	**377**	1,661
Income from sale of mould	**3,767**	8,804
Written off of other payables	**–**	336
Sales of samples	**389**	840
Penalty from vendors for bad quality or late delivery	**397**	453
Rental income	**277**	–
Sundry income	**1,030**	690
	6,282	12,864
Other gains:		
Net foreign exchange gain	**713**	361
Gain on disposal of property, plant and equipment	**–**	23
	713	384
Total other income and gains	**6,995**	13,248

8. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank borrowings	**(1,839)**	(2,192)
Interest on lease liabilities	**(84)**	–
	(1,923)	(2,192)

9. INCOME TAX CREDIT (EXPENSE)

	2020 HK$'000	2019 HK$'000
PRC Enterprise Income Tax:		
Current tax	**–**	–
Over (under) provision in prior years	**8**	(139)
	8	(139)

9. INCOME TAX CREDIT (EXPENSE) (Continued)

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

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

Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax regime of the estimated assessable profit for both years. No Hong Kong Profits Tax has been provided in the consolidated financial statements 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 income tax (credit) expense for the year is reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 **HK$'000**	2019 HK$'000
Loss before taxation	**(40,079)**	(54,196)
Taxation at the tax rate of 25% (2019: 25%)	**(10,020)**	(13,549)
Tax effect of expenses not deductible for tax purposes	**67**	830
Tax effect of income not taxable for tax purposes	**(1,263)**	(36)
Tax effect of tax exemptions granted (note)	**1,823**	1,417
(Over) under provision in prior years	**(8)**	139
Tax effect of deductible temporary differences not recognised	**2,085**	3,610
Tax effect of tax losses not recognised	**7,296**	7,567
Tax effect of utilisation of tax losses previously not recognised	**(4)**	(38)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1**	(8)
Others	**15**	207
Income tax (credit) expense	**(8)**	139

Note: Amount mainly represents the tax effect of the 50% of assessable profit/loss of a wholly-owned subsidiary of the Company, Kenford Industrial Company Limited ("Kenford Industrial"), which is exempted under Departmental Interpretation and Practice Notes No. 21 (Revised 2009) issued by the Inland Revenue Department of Hong Kong in respect of claiming 50% of manufacturing profit/loss as offshore profit/loss.

10. LOSS FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,238**	1,202
Amortisation of prepaid lease payments	**N/A**	91
Depreciation of right-of-use assets	**1,536**	N/A
Depreciation of property, plant and equipment	**3,100**	5,526
Write-down of (reversal of write-down of) inventories (Note)	**1,973**	(156)
Directors' emoluments (note 11)	**2,707**	2,391
Other staff costs:		
Salaries and allowances	**129,499**	127,152
Retirement benefits schemes contributions	**5,088**	5,729
Total staff costs	**137,294**	135,272
Costs of inventories recognised as expenses (included write-down of (reversal of write-down of) inventories)	**422,078**	394,369
Minimum lease payments in respect of rented properties	**N/A**	3,259

Note: During the year ended 31 March 2019, certain inventories provided for allowance in previous years were sold. Reversal of write-down of inventories HK$156,000 was recognised and included in cost of sales.

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

The emoluments paid or payable to each of the directors for the year are as follows:

Year ended 31 March 2020

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000 (note i)	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors					
Gao Jianbo	550	–	–	17	567
Cai Dongyan	565	–	–	17	582
Zhang Huijun	565	–	–	17	582
Pauline Lam	565	–	–	17	582
Lin Liangyong (note v)	94	–	–	5	99
Non-executive director					
Kwok Kai Hing Daniel (note ii)	2	–	–	–	2
Independent non-executive directors					
Chan Ka Yin (note vii)	73	–	–	–	73
Han Dengpan (note iv)	24	–	–	–	24
Fung Chi Kin (note iii)	6	–	–	–	6
Huang Zhiwei	96	–	–	–	96
Lam Yick Man (note vi)	94	–	–	–	94
Total	2,634	–	–	73	2,707

Year ended 31 March 2019

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000 (note i)	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors					
Gao Jianbo (note viii)	6	–	–	–	6
Cai Dongyan	600	–	–	21	621
Zhang Huijun	600	–	–	18	618
Pauline Lam	600	–	–	18	618
Non-executive director					
Kwok Kai Hing Daniel (note ii)	96	–	–	–	96
Independent non-executive directors					
Han Dengpan (note iv)	96	–	–	–	96
Fung Chi Kin (note iii)	240	–	–	–	240
Huang Zhiwei	96	–	–	–	96
Total	2,334	–	–	57	2,391

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS (Continued)

Notes:

(i) The performance and discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

(ii) Mr. Kwok Kai Hing Daniel resigned as the non-executive director of the Company on 10 April 2019.

(iii) Mr. Fung Chi Kin resigned as the independent non-executive director of the Company on 10 April 2019.

(iv) Mr. Han Dengpan resigned as the independent non-executive director of the Company on 28 June 2019.

(v) Mr. Lin Liangyong was appointed as the executive director of the Company on 10 April 2019.

(vi) Mr. Lam Yick Man was appointed as the independent non-executive director of the Company on 10 April 2019.

(vii) Mr. Chan Ka Yin was appointed as the independent non-executive director of the Company on 28 June 2019 and resigned on 24 April 2020.

(viii) Mr. Gao Jianbo was appointed as the executive director of the Company on 28 March 2019.

The executive directors' emoluments are for their services in connection with the management of the affairs of the Company and the Group, while the emoluments for non-executive director and independent non- executive directors and the fees for the executive directors are for their services as directors of the Company.

During both years, no emolument was paid by the Group to the directors of the Company as compensation for loss of office or an inducement to join or upon joining the Group. None of the directors had waived or agreed to waive any emoluments in both years.

12. EMPLOYEES' EMOLUMENTS

During the year ended 31 March 2020, of the five individuals with the highest emoluments in the Group, three (2019: none) is/are director(s) of the Company whose emoluments are presented in the disclosures in note 11 above.

The emoluments of the remaining two (2019: five) individuals are as follows:

	2020	2019
	HK$'000	HK$'000
Salaries, allowances and other benefits	**2,923**	12,383
Retirement benefits schemes contributions	**36**	84
	2,959	12,467

12. EMPLOYEES' EMOLUMENTS (Continued)

The number of the highest paid employees who are not the directors of the company whose remuneration fell within the following band is as follows:

	2020 No. of employees	2019 No. of employees
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	1	2
HK$1,500,001 to HK$2,000,000	1	1
HK$7,000,001 to HK$7,500,000	–	1
	2	5

During both years, no emolument was paid by the Group to any of the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

During the years ended 31 March 2020 and 2019, no dividend has been recognised as distribution and paid.

No dividend has been proposed by the directors of the Company since the end of the reporting period (2019: nil).

14. LOSS PER SHARE

Loss

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

	2020 HK$'000	2019 HK$'000
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	(40,071)	(54,335)

Number of shares

	'000	'000
Number of ordinary shares for the purpose of basic loss per share	445,646	445,646

No diluted loss per share is presented as there were no potential ordinary shares outstanding during both years or at the end of the respective reporting periods.

15. 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 2018	101,578	34,504	54,818	37,672	7,031	81,402	317,005
Additions	–	3,139	7,754	1,562	–	1,048	13,503
Disposal	–	–	(744)	(50)	–	–	(794)
Revaluation decrease	(257)	–	–	–	–	–	(257)
Exchange realignment	(6,734)	(1,603)	(1,807)	(1,119)	(143)	(379)	(11,785)
At 31 March 2019	94,587	36,040	60,021	38,065	6,888	82,071	317,672
Additions	–	297	1,084	572	–	1,641	3,594
Revaluation decrease	(2,172)	–	–	–	–	–	(2,172)
Exchange realignment	(6,619)	(1,111)	(1,243)	(935)	(140)	(332)	(10,380)
At 31 March 2020	85,796	35,226	59,862	37,702	6,748	83,380	308,714
Comprising:							
At cost	–	35,226	59,862	37,702	6,748	83,380	222,918
At valuation – 2020	85,796	–	–	–	–	–	85,796
	85,796	35,226	59,862	37,702	6,748	83,380	308,714
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS							
At 1 April 2018	–	32,882	49,683	36,754	6,579	79,714	205,612
Charge for the year	2,316	958	1,024	533	163	532	5,526
Elimination for disposal	–	–	(744)	(50)	–	–	(794)
Elimination for revaluation	(2,313)	–	–	–	–	–	(2,313)
Impairment loss recognised in profit or loss	–	3,720	6,349	1,889	287	2,195	14,440
Exchange realignment	(3)	(1,520)	(1,526)	(1,061)	(141)	(370)	(4,621)
At 31 March 2019	–	36,040	54,786	38,065	6,888	82,071	217,850
Charge for the year	2,209	39	565	61	–	226	3,100
Elimination for revaluation	(2,146)	–	–	–	–	–	(2,146)
Impairment loss recognised in profit or loss	–	249	3,469	499	–	1,415	5,632
Exchange realignment	(63)	(1,102)	(858)	(923)	(140)	(332)	(3,418)
At 31 March 2020	–	35,226	57,962	37,702	6,748	83,380	221,018
CARRYING VALUES							
At 31 March 2020	85,796	–	1,900	–	–	–	87,696
At 31 March 2019	94,587	–	5,235	–	–	–	99,822

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account their estimated residual values, at the following rates per annum:

Buildings in the PRC	The shorter of the lease terms of the land use rights on which the buildings are located or 50 years
Leasehold improvements	The shorter of the lease terms or 5 years
Plant and machinery	10%–20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%
Moulds	20%

The Group recorded continuous loss for the years ended 31 March 2020 and 2019. 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, plant, property and equipment and right-of-use assets as disclosed in note 16 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 plant, property and equipment of HK$93,328,000 (2019: HK$114,262,000) and right-of-use assets of HK$5,489,000.

The recoverable amount of the CGU has been determined based on a value-in-use calculation. The calculation uses cash flow projections based on the financial budgets approved by management covering a 5-year period with an average growth rate of 0.7% (2019: 2%), and a discount rate of 15% (2019: 14%). Cash flows beyond the 5-year period are extrapolated using zero (2019: zero) growth rate. Other key assumption 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$5,632,000 (2019: HK$14,440,000) on property, plant and equipment has been recognised in profit or loss for the year ended 31 March 2020. The impairment loss amount for property, plant and equipment and right-of-use assets has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of property, plant and equipment and right-of-use assets is not reduced below the highest of its fair value less cost of disposal, its value in use and zero.

The buildings located in the PRC were measured at fair value with details set out below. Management of the Group believes that the costs of disposal of such buildings are insignificant and accordingly, no impairment loss has been recognised.

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement of the Group's buildings in the PRC

The buildings in the PRC were valued on 31 March 2020 and 2019 by qualified valuers from an independent firm not connected to the Group, LCH (Asia-Pacific) Surveyors Limited, using replacement cost method.

The fair value of the buildings located in the PRC has been determined using the replacement cost method that reflects the cost to a market participant required currently to construct assets of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The Group's buildings in the PRC at revalued amount are categorised into level 3 of the fair value hierarchy.

The following table shows the valuation techniques used in the determination of fair value and unobservable inputs used in the valuation model.

Description	Fair value		Valuation techniques	Unobservable inputs	Significant inputs	Relationship of unobservable inputs to fair value
	2020 **HK$'000**	2019 HK$'000				
Industrial buildings in the PRC	**85,796**	94,587	Replacement cost method	Replacement cost per square meter	RMB1,100 to RMB3,400 (2019: RMB1,100 to RMB3,300) per square meter	The higher the replacement cost, the higher the fair value
				Building age factor	60% (2019: 62%) for buildings acquired in 1999 79% (2019: 81%) for buildings acquired in 2009	The younger the building age factor, the higher the fair value

There was no transfer into or out of Level 3 during the year.

Had the buildings in the PRC been carried at cost less accumulated depreciation and accumulated impairment losses, their carrying values would have been HK$36,421,000 (2019: HK$40,791,000).

16. RIGHT-OF-USE ASSETS

	Leasehold lands	Leased properties	Total
	HK$'000	HK$'000	HK$'000
COST			
As at 1 April 2019	3,082	–	3,082
Additions	–	4,157	4,157
Exchange realignment	(216)	–	(216)
At 31 March 2020	2,866	4,157	7,023
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS			
As at 1 April 2019	–	–	–
Provided for the year	87	1,449	1,536
Impairment loss recognised for the year	–	2,708	2,708
Exchange realignment	(2)	–	(2)
At 31 March 2020	85	4,157	4,242
CARRYING VALUES			
At 31 March 2020	2,781	–	2,781
Expense relating to leases with lease terms end within 12 months of the date of initial application of HKFRS 16			646
Total cash outflow for leases			2,151

The Group leases office premises for its operations. Lease contracts are entered into for fixed term of two years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Details of the lease maturity analysis of lease liabilities are set out in notes 24 and 35.

Restrictions or covenants on leases

Lease liabilities of HK$2,736,000 are recognised with related leased properties under right-of-use assets with aggregate cost of HK$4,157,000, which are fully impaired as at 31 March 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16. RIGHT-OF-USE ASSETS (Continued)

Impairment assessment

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

For the purpose of the impairment assessment of the right-of-use assets, the Group allocates these assets to the Group's CGU of sales of electrical haircare products business since the management of the Group considers that it is not possible to estimate their recoverable amounts individually. Details of the impairment assessment are disclosed in note 15.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU is lower than the carrying amount. Based on the value-in-use calculation, an impairment loss of HK$2,708,000 on right-of-use assets has been recognised in profit or loss for the year ended 31 March 2020.

17. PREPAID LEASE PAYMENTS

	2019 HK$'000
Leasehold land outside Hong Kong	3,082

Upon the application of HKFRS 16 on 1 April 2019, the prepaid lease payments is reclassified to right-of-use assets. Details of the application of HKFRS 16 are disclosed in note 2.

18. INVENTORIES

	2020 **HK$'000**	2019 HK$'000
Raw materials	**35,055**	26,812
Work in progress	**57,695**	28,137
Finished goods	**13,720**	35,513
	106,470	90,462

19. TRADE RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Trade receivables	**79,282**	101,687
Less: loss allowance	**(977)**	(571)
Total trade receivables	**78,305**	101,116

As at 1 April 2018, trade receivables from contracts with customers amounted to HK$107,798,000.

As at 31 March 2020, total bills receivables amounting to HK$619,000 (31 March 2019: HK$322,000) 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.

The credit terms normally granted by the Group range from 14 days to 90 days. For those major customers, a credit term up to 120 days from the invoice date would be allowed.

19. TRADE RECEIVABLES (Continued)

The following is an aged analysis of trade receivables (net of loss allowance) presented based on the invoice date at the end of the reporting period, which approximates the respective revenue recognition dates.

	2020	2019
	HK$'000	HK$'000
0–60 days	**29,752**	49,532
61–120 days	**44,116**	39,903
121–365 days	**4,201**	11,643
Over 365 days	**236**	38
	78,305	101,116

The Group applies simplified approach to provide for ECL of trade receivables prescribed by HKFRS 9. To measure the ECL, trade receivables have been assessed individually. Details of the assessment are set out in note 35.

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$9,929,000 (2019: HK$22,218,000) which are past due as at the reporting date. Out of the past due balances, HK$1,409,000 (2019: HK$40,000) has been past due 90 days or more and is not considered as in default since the directors of the Company are of the opinion that the balances are still considered fully recoverable due to the management's historical experience on the settlement pattern or record from these debtors. Other than bills receivables, the Group does not hold any collateral over these balances.

20. BANK BALANCES AND CASH

The bank balances carry interests at market rates ranging from 0.01%–0.3% (2019: 0.01%–1.1%) per annum.

21. TRADE PAYABLES

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	2020	2019
	HK$'000	HK$'000
0–60 days	**33,437**	65,187
61–120 days	**18,126**	11,483
121–365 days	**12,134**	2,806
Over 365 days	**7,793**	1,321
	71,490	80,797

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

22. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Advances received in relation to sales of electrical haircare products	**5,403**	9,147

As at 1 April 2018, contract liabilities for advances received in relation to sales of electrical haircare products amounted to HK$10,863,000.

Contract liabilities in relation to sales of electrical haircare products represent the advance payments received from the customers upon accepting the orders, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

For the contract liabilities as at 1 April 2019 and 2018, the entire balance is recognised as revenue to profit or loss during the years ended 31 March 2020 and 2019.

23. LOANS FROM RELATED PARTIES

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

	Notes	2020 HK$'000	2019 HK$'000
CYC	(a)	**14,245**	10,045
Mr. Tam Chi Sang and Mr. Lam Wai Ming	(b)	**40,000**	60,000
		54,245	70,045

Notes:

(a) CYC is the Company's immediate holding company. During the year ended 31 March 2020, the loan of HK$10,045,000 (2019: HK$4,045,000) brought forward from 31 March 2019 (2019: 31 March 2018) was extended for one year and a new loan of HK$4,200,000 (2019: HK$6,000,000) was raised such that both loan amounts are repayable within one year from the end of the reporting period.

(b) Mr. Tam Chi Sang and Mr. Lam Wai Ming are key management personnel of the Company.

24. LEASE LIABILITIES

	2020 HK$'000
Lease liabilities payable:	
Within one year	**2,088**
Within a period of more than one year but not more than two years	**648**
	2,736
Less: Amount due for settlement with 12 months shown under current liabilities	**(2,088)**
Amount due for settlement after 12 months shown under non-current liabilities	**648**

25. BANK BORROWINGS

	31.3.2020 HK$'000	31.3.2019 HK$'000
Carrying amount of unsecured bank borrowings repayable within one year which contain a repayment on demand clause and shown under current liabilities	**51,211**	54,828

The Group's bank borrowings carry interest at variable rate of Hong Kong Interbank Offered Rate ("HIBOR") + 1.8% to 2% or 1% below Prime Rate (2019: HIBOR + 1.8% to 2.25% or 1% below Prime Rate). The range of effective interest rates is from 2.88% to 4.43% (2019: from 2.81% to 4.82%). The Group entered into several banking facilities with banks in Hong Kong. The banking facilities are guaranteed by personal guarantees from Mr. Tam Chi Sang and Mr. Lam Wai Ming, the key management personnel as at 31 March 2020 and 2019.

26. 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 2018	15,855
Charge to other comprehensive income	450
Exchange realignment	(1,051)
At 31 March 2019	15,254
Credit to other comprehensive income	**(6)**
Exchange realignment	**(1,068)**
At 31 March 2020	**14,180**

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$35,228,000 (2019: HK$58,183,000) 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$141,391,000 (2019: HK$112,223,000) and temporary difference arising from impairment loss on property, plant and equipment and right of use assets of HK$54,070,000 (2019: HK$45,730,000) 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$59,116,000 (2019: HK$41,844,000) that will expire in various dates within five years up to 2024 (2019: 2023). All other tax losses may be carried forward indefinitely.

27. SHARE CAPITAL

	Number of shares '000	Nominal value HK$'000
Ordinary shares of HK$0.001 each:		
Authorised:		
At 1 April 2018, 31 March 2019 and 31 March 2020	1,000,000	1,000
Issued and fully paid:		
At 1 April 2018, 31 March 2019 and 31 March 2020	445,646	446

28. SHARE OPTION SCHEME

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

Under the Scheme, the Board may, at its absolute discretion, offer to grant options to any employee, executive and officer of the Group, any director (including non-executive director and independent non-executive director) and any adviser, consultant, supplier, customer 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.

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

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

29. RETIREMENT BENEFITS SCHEMES

The Group currently participates in MPF Schemes for all qualifying employees of the Group in Hong Kong. The Group follows the minimum contribution requirement of 5% of eligible employees' relevant aggregated income with a cap of HK$1,500 per month. The assets of the MPF Schemes are held separately from those of the Group, in funds under the control of the trustees.

29. RETIREMENT BENEFITS SCHEMES (Continued)

The employees of the PRC wholly owned subsidiaries of the Group are required to participate in a defined contribution retirement benefit plan organised by the local municipal government in the PRC under which the subsidiaries and the employees are required to make monthly contributions to the plan calculated at 16% of the employees' average monthly salary in the preceding year. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. No forfeited contribution may be used by the employers to reduce the existing level of contributions.

The Group's contributions to the retirement benefits schemes charged to profit or loss amounted to approximately HK$5,161,000 (2019: HK$5,786,000).

30. CAPITAL COMMITMENTS

	2020	2019
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,065**	1,530

31. OPERATING LEASES

The Group as lessor

All of the properties held for rental purposes have committed lessees for the next 2.5 years.

Minimum lease payments receivable on leases are as follows:

	2020
	HK$'000
Within one year	**391**
In the second year	**391**
In the third year	**195**
	977

The Group as leasee

At the end of the reporting period, the Group has future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019
	HK$'000
Within one year	1,550
In the second to fifth year	1,716
	3,266

Operating lease payments represent rental payable by the Group for certain of its office premises. Leases were negotiated for terms ranging from one to two years and rental is fixed over the lease terms.

32. RELATED PARTY TRANSACTIONS

Other than disclosed in note 23, the Group does not have any material related party transactions for both years.

Compensation of key management personnel

The remuneration of members of key management during the year are as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries and allowances	**3,503**	12,383
Retirement benefits schemes contributions	**39**	84
	3,542	12,467

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, totalling 4 individuals (2019: 5 individuals).

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Interest payable HK$'000	**Lease liabilities** HK$'000	**Bank borrowings** HK$'000	**Loans from related parties** HK$'000	**Total** HK$'000
At 31 March 2018	–	–	57,662	4,045	61,707
Financing cash flows (Note)	(2,192)	–	(2,834)	66,000	60,974
Finance costs recognised	2,192	–	–	–	2,192
At 31 March 2019	–	–	54,828	70,045	124,873
Financing cash flows (Note)	(1,839)	(1,505)	(3,617)	(15,800)	(22,761)
Finance costs recognised	1,839	84	–	–	1,923
New leases entered	–	4,157	–	–	4,157
At 31 March 2020	**–**	**2,736**	**51,211**	**54,245**	**108,192**

Note: The financing cash flows represented the net amount of cash outflows for bank borrowings, repayments of lease liabilities, advance from/repayment to related parties and payment of finance costs.

34. CAPITAL RISK 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 lease liabilities, loans from related parties and bank borrowings disclosed in notes 24, 23 and 25 and equity attributable to owners of the Company, comprising share capital and reserves. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as addition to new borrowings and repayment of existing debts.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 **HK$'000**	2019 HK$'000
Financial assets		
Amortised cost	**111,066**	189,302
Financial liabilities		
Amortised cost	**188,324**	211,628

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, deposits and other receivables, bank balances and cash, trade payables, accruals and other payables, loans from related parties, lease liabilities, and bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

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

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

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

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	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB") against US$	**159**	384	**5,042**	6,058
HK$ against US$	**54,315**	77,430	**88,613**	101,635

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

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

	Amount due from group entities		Amount due to group entities	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$ against RMB	**47,329**	38,936	**272**	11,315

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in RMB against US$ and HK$ against RMB and all other variables are held constant. 5% (2019: 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% (2019: 5%) change in RMB against US$ and HK$ against RMB. A positive number below indicates increase in post-tax loss for the year where RMB strengthens 5% (2019: 5%) against US$ and HK$ strengthens 5% (2019: 5%) against RMB. For a 5% (2019: 5%) weakening of RMB against US$ and HK$ against RMB, there would be an equal and opposite impact on the post-tax loss for the year and the balances below would be negative.

	2020 **HK$'000**	2019 HK$'000
Increase (decrease) in post-tax loss for the year	**(1,582)**	(823)

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.

Interest rate risk

The Group is exposed to fair value interest rate in relation to the Group's lease liabilities. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and financial liabilities at variable rates, namely bank balances and variable-rate bank borrowings, which mainly concentrate on the fluctuation of HIBOR or Prime Rate.

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.

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk (Continued)

The directors of the Company consider the Group's exposure to interest rate risk of bank balances as a result of the change of market interest rate is insignificant and thus no sensitivity analysis is presented.

Sensitivity analysis

The sensitivity analysis below is determined based on the exposure to interest rates for the variable-rate bank borrowings at the end of the reporting period. It is prepared assuming the amount of liability outstanding at the end of the reporting period is outstanding for the whole year. A 25 basis points (2019: 25 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2019: 25 basis points) higher/lower and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately HK$107,000 (2019: HK$114,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

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

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of the reporting period.

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group uses an internal credit rating system to assess the potential customer's credit quality and defines credit limits by customer. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group applies simplified approach on trade receivable to provide for ECL prescribed by HKFRS 9. To measure the ECL, trade receivables have been assessed individually.

The Group has concentration of credit risk as 79% (2019: 73%) and 94% (2019: 93%) of the total trade receivables are due from the Group's largest customer and the five largest customers respectively.

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Deposits and other receivables

For other receivables and deposits, the management of the Group makes periodic individual assessment on the recoverability of these balances based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables. Based on assessment by the management of the Group, the ECL for other receivables and deposits is insignificant.

Bank balances

The management of the Group considers that the credit risks bank balances are limited because liquid funds are deposited in banks with high credit ratings assigned by international credit-rating agencies. The Group assessed 12-month ECL individually by reference to probability of default, loss given default by the relevant credit rating grades published by international credit rating agencies and concluded that the ECL is insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

Financial assets	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts 2020 HK$'000	2019 HK$'000
Amortised cost						
Trade receivables	19	N/A	Low risk	Lifetime ECL (note)	**65,090**	38,572
			Watch list	Lifetime ECL (note)	**13,378**	63,064
			Loss	Credit-impaired	**814**	51
					79,282	101,687
Deposits and other receivables		N/A	Low risk	12-month ECL	**1,701**	4,909
Bank balances	20	Aa3–Aa1	N/A	12-month ECL	**10,978**	64,033
		A3–A1	N/A	12-month ECL	**9,012**	15,112
		SG	N/A	12-month ECL	**10,307**	4,399

Note: As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The debtors are assessed individually by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position.

The estimated loss rates, ranged from 0.01% to 6.37% (2019: 0.1% to 3.8%), are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in Hong Kong and the general economic conditions of the countries and industry in which the debtors operate) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The rates are regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

There has been no change in the estimation techniques or significant assumptions made for both years.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime Ecl (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 April 2018	632	51	683
Changes due to financial instruments recognised as at 1 April 2018:			
Impairment losses reversed	(632)	–	(632)
New financial assets originated	520	–	520
At 31 March 2019	520	51	571
Changes due to financial instruments recognised as at 1 April 2019:			
Impairment losses reversed	(520)	(13)	(533)
New financial assets originated	163	1,677	1,840
Write-off	–	(901)	(901)
At 31 March 2020	163	814	977

Other than the concentration of credit risk on bank balances and trade receivable as disclosed above, the Group has no other significant concentration of credit risk.

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings and loans from related parties as a significant source of liquidity. At 31 March 2020, the Group has available unutilised overdraft and short-term bank loan facilities of approximately HK$42,189,000 (2019: HK$43,572,000). At 31 March 2020 and 2019, all the undrawn banking facilities are in floating rate without specific expiry terms. Details of the Group's bank borrowings are set out in note 25.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables

	Weighted average effective interest rate	On demand	Less than 1 year	Over 1 year	Total undiscounted cash flows	Total carrying amounts at 31.3.2020
	% per annum	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2020						
Trade payables	–	–	71,490	–	71,490	71,490
Accruals and other payables	–	–	11,378	–	11,378	11,378
Loans from related parties	–	–	54,245	–	54,245	54,245
Bank borrowings	3.84	51,211	–	–	51,211	51,211
Lease liabilities	4.00	–	2,159	654	2,813	2,736
		51,211	139,272	654	191,137	191,060

	Weighted average effective interest rate	On demand	Less than 1 year	Total undiscounted cash flows	Total carrying amounts at 31.3.2019
	% per annum	HK$'000	HK$'000	HK$'000	HK$'000
2019					
Trade payables	–	–	80,797	80,797	80,797
Accruals and other payables	–	–	5,958	5,958	5,958
Loans from related parties	–	–	70,045	70,045	70,045
Bank borrowings	3.62	54,828	–	54,828	54,828
		54,828	156,800	211,628	211,628

Bank borrowings with a repayable on demand clause are included in the "on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the counterparties will exercise their discretionary rights to demand immediate repayment and believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At 31 March 2020, the directors of the Company consider that the aggregate undiscounted principal and interest cash outflows of these bank borrowings is HK$51,703,000 (2019: HK$55,324,000) under the time band of "less than 1 year".

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2020 and 2019 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and paid up shares/ registered capital	Percentage of ownership interest attributable to the Company		Principal activities
			2020	2019	
Direct subsidiary					
Asia Pilot Development Limited	British Virgin Islands ("BVI")	US$1	**100%**	100%	Investment holding
Indirect subsidiaries					
Kenford Industrial	Hong Kong	HK$1,000,000	**100%**	100%	Design, manufacture and sale of electrical haircare products, electrical healthcare products and other small household electrical appliances
Kario Company Limited	Hong Kong	HK$10,000	**100%**	100%	Investment holding and trading
東莞家利來電器有限公司 Dongguan Kario Electrical Appliance Company Limited (note)	PRC	US$4,050,000	**100%**	100%	Design, manufacture and sale of electrical haircare products
Talent Star (China) Limited	Hong Kong	HK$1	**100%**	100%	Managerial services for group companies
Fame Motor Limited	Hong Kong	HK$1	**100%**	100%	Investment holding and trading
東莞建福電器有限公司 Dongguan Kenford Electrical Appliance Company Limited (note)	PRC	HK$21,600,000	**100%**	100%	Provision of contract processing services

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

At the end of the reporting period, the Company has two subsidiaries that are not material to the Group. These subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are either investment holding or inactive.

None of the subsidiaries had any debt securities subsisting at the end of year or at any time during the year.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of the financial position of the Company at the end of the reporting period is as follows:

	2020 **HK$'000**	2019 HK$'000
Non-current assets		
Interests in subsidiaries	**58**	58
Current assets		
Deposit	**429**	392
Amount due from subsidiaries	**64,044**	64,101
Cash and bank balances	**108**	265
	64,581	64,758
Current liabilities		
Other payables and accruals	**8,026**	3,064
Lease liabilities	**1,132**	–
Loan from a shareholder	**14,245**	10,045
	23,403	13,109
Net current assets	**41,178**	51,649
Net assets	**41,236**	51,707
Total assets less current liabilities	**41,236**	51,707
Non-current liabilities		
Lease liabilities	**485**	–
Capital and reserves		
Share capital	**446**	446
Share premium and reserves	**40,305**	51,261
Total equity	**41,236**	51,707

Movement in the Company's reserves:

	Share premium HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 April 2018	63,099	(4,396)	58,703
Loss and total comprehensive expense for the year	–	(7,442)	(7,442)
At 31 March 2019	63,099	(11,838)	51,261
Loss and total comprehensive expense for the year	–	(10,956)	(10,956)
At 31 March 2020	63,099	(22,794)	40,305

38. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2020, the Group entered into new lease contracts for two years. On the lease commencement date, the Group recognised in aggregate of HK$4,157,000 of right-of-use assets and HK$4,157,000 of lease liabilities.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	**87,696**	99,822	111,393	100,651	176,169
Prepaid lease payments	**–**	3,082	3,398	3,163	3,442
Right-of-use assets	**2,781**	–	–	–	–
Deposits paid for acquisition of property, plant and equipment	**1,846**	1,845	2,533	1,873	969
Goodwill	**–**	–	–	–	1,403
	92,323	104,749	117,324	105,687	181,983
Current assets					
Inventories	**106,470**	90,462	65,057	60,792	72,633
Trade receivables	**78,305**	101,116	112,569	142,547	117,765
Deposits, prepayments and other receivables	**21,581**	18,712	17,112	12,872	13,673
Tax recoverable	**–**	8	584	1,816	794
Investments held for trading	**–**	–	–	5,909	5,458
Bank balances and cash	**31,060**	83,957	58,072	106,707	104,003
	237,416	294,255	253,394	330,643	314,326
Assets classified as held for sale	**–**	–	–	53,080	–
	237,416	294,255	253,394	383,723	314,326
Current liabilities					
Trade payables	**71,490**	80,797	53,904	65,159	60,759
Accruals and other payables	**28,107**	18,425	24,516	32,784	20,326
Contract liabilities	**5,403**	9,147	–	–	–
Loans from related parties	**54,245**	70,045	4,045	–	–
Provision for onerous contract	**–**	–	–	–	442
Lease liabilities	**2,088**	–	–	–	–
Bank borrowings	**51,211**	54,828	57,662	49,811	46,998
Tax liabilities	**4,579**	4,040	4,541	5,287	5,682
	217,123	237,282	144,668	153,041	134,207
Net current assets	**20,293**	56,973	108,726	230,682	180,119
Total assets less current liabilities	**112,616**	161,722	226,050	336,369	362,102
Non-current liabilities					
Provision for onerous contract	**–**	–	–	–	–
Deferred tax liabilities	**14,180**	15,254	15,855	12,465	14,781
Lease liabilities	**648**	–	–	–	–
	14,828	15,254	15,855	12,465	14,781
Net assets	**97,788**	146,468	210,195	323,904	347,321
Capital and reserves					
Share capital	**446**	446	446	446	446
Share premium and reserves	**97,342**	146,022	209,749	323,458	346,875
Total equity	**97,788**	146,468	210,195	323,904	347,321

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000 (Note)	HK$'000 (Note)	HK$'000 (Note)
Revenue	**450,800**	415,358	429,684	495,390	522,851
Cost of sales	**(422,078)**	(394,369)	(384,463)	(415,912)	(455,665)
Gross profit	**28,722**	20,989	45,221	79,478	67,186
Other income, gains and losses	**6,995**	13,248	2,683	6,653	1,543
Distribution costs	**(6,543)**	(6,367)	(6,544)	(6,752)	(7,327)
Administrative expenses	**(57,683)**	(65,546)	(70,931)	(83,372)	(71,613)
Finance costs	**(1,923)**	(2,192)	(1,443)	(1,392)	(1,313)
Impairment loss recognised in respect of property, plant and equipment	**(5,632)**	(14,440)	(7,143)	(14,146)	(10,001)
Impairment loss recognised in respect of right-of-use assets	**(2,708)**	–	–	–	–
Impairment loss recognised in respect of goodwill	**–**	–	–	(1,403)	–
Impairment losses on financial assets under expected credit loss model, net of reversal	**(1,307)**	112	–	–	–
Loss before taxation	**(40,079)**	(54,196)	(38,157)	(20,934)	(21,525)
Income tax credit (expense)	**8**	(139)	(784)	(1,286)	(1,012)
Loss for the year attributable to owners of the Company	**(40,071)**	(54,335)	(38,941)	(22,220)	(22,537)
Other comprehensive (expense) income					
Items that will not be reclassified to profit or loss:					
(Loss) gain on revaluation of leasehold land and buildings	**(26)**	2,056	4,332	6,256	1,598
Income tax relating to item that will not be reclassified	**6**	(450)	(1,082)	2,638	(79)
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	**(8,589)**	(10,366)	16,949	(10,091)	(8,439)
Other comprehensive expense for the year	**(8,609)**	(8,760)	20,199	(1,197)	(6,920)
Total comprehensive expense for the year attributable to owners of the Company	**(48,680)**	(63,095)	(18,742)	(23,417)	(29,457)
Basic loss per share (HK cents)	**(8.992)**	(12.192)	(8.738)	(4.986)	(5.069)
Diluted loss per share (HK cents)	**(8.992)**	(12.192)	(8.738)	(4.986)	(5.062)

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