中國海外諾信國際控股有限公司

CHINA OVERSEAS NUOXIN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00464)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

RESULTS HIGHLIGHTS

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Operating results		
Revenue	**248,787**	190,285
Gross profit	**19,850**	5,467
Net loss	**(11,381)**	(22,916)
Per share data	***HK cents***	*HK cents*
Basic loss per share	**(2.554)**	(5.142)
Net assets per share	**28.1**	39.1
Financial position	***HK$'000***	*HK$'000*
Cash	**49,928**	80,316
Net Cash (Cash and bank deposits less interest bearing borrowings)	**9,761**	30,162
Total assets	**397,281**	388,518
Net assets	**125,312**	174,397
Financial ratio		
Gross profit margin	**8.0%**	2.9%
Net loss to revenue	**(4.6%)**	(12.0%)
Return on equity	**(9.1%)**	(13.1%)
Net cash to equity	**7.8%**	17.3%

INTERIM RESULTS

The Board (the "**Board**") of directors (the "**Directors**") of China Overseas Nuoxin International Holdings Limited (the "**Company**") is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2019 (the "**current period**") together with the comparative figures for the corresponding period last year (the "**last corresponding period**") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**248,787**	190,285
Cost of sales		**(228,937)**	(184,818)
Gross profit		**19,850**	5,467
Other income, gains and losses		**3,314**	8,056
Distribution costs		**(3,964)**	(3,348)
Administrative expenses		**(29,663)**	(31,652)
Finance costs		**(983)**	(914)
Loss before taxation	*6*	**(11,446)**	(22,391)
Income tax	*7*	**65**	(525)
Loss for the period attributable to owners of the Company		**(11,381)**	(22,916)
Other comprehensive expenses			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(9,823)**	(12,882)

		For the six months ended 30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Total comprehensive expenses for the period attributable to owners of the Company		**(21,204)**	(35,798)
Loss per share *(HK cents)*	*8*		
– Basic		**(2.554)**	(5.142)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	*10*	**94,864**	99,822
Prepaid lease payments		**–**	3,082
Right-of-use assets	*10*	**6,599**	–
Deposits paid for acquisition of property, plant and equipment		**1,665**	1,845
		103,128	104,749
Current assets			
Inventories		**95,362**	90,462
Trade and bills receivables	*11*	**127,654**	101,116
Deposits, prepayments and other receivables		**21,201**	18,712
Tax recoverable		**8**	8
Bank balances and cash		**49,928**	83,957
		294,153	294,255
Current liabilities			
Trade payables	*12*	**103,415**	80,797
Accruals and other payables		**20,692**	18,425
Contract liabilities		**12,437**	9,147
Loans from related parties	*13*	**71,345**	70,045
Lease liabilities		**2,046**	–
Bank borrowings		**40,167**	54,828
Tax liabilities		**5,835**	4,040
		255,937	237,282
Net current assets		**38,216**	56,973

	Notes	As at **30 September** **2019** **(Unaudited)** ***HK$'000***	As at 31 March 2019 (Audited) *HK$'000*
Total assets less current liabilities		**141,344**	161,722
Non-current liabilities			
Lease liabilities		**1,702**	–
Deferred tax liabilities		**14,330**	15,254
Net assets		**125,312**	146,468
Capital and reserves			
Share capital	*14*	**446**	446
Share premium and reserves		**124,866**	146,022
Total equity		**125,312**	146,468

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. General Information

The Company was incorporated in the Cayman Islands on 10 November 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 16 June 2005. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its ultimate holding company is Luckever Holdings Limited, a company incorporated in the British Virgin Islands. The registered office and principal place of business of the Company is at Office 810, Unit 1908, 19/F., 9 Queen's Road Central, Central, Hong Kong.

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

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

Pursuant to special resolutions passed by the shareholders at an extraordinary general meeting of the Company held on 27 May 2019, the name of Company has changed from Kenford Group Holdings Limited to China Overseas Nuoxin International Holdings Limited. The change of name became effective on 31 May 2019.

2. Basis of Preparation and Principal Accounting Policies

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

The condensed consolidated financial statements have been prepared on the historical cost basis except for leasehold land and buildings, which are measured at revalued amounts.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019.

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

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

Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

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

2.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

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 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 or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

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.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straightline basis over the lease term.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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 in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Lease liabilities

At the commencement date of a lease, the Group recognizes 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;

- amounts expected to be paid under residual value guarantees;

- the exercise price of a purchase option reasonably certain to be exercised by the Group; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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.

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.

Taxation

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 right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.2 Transition and summary of effects arising from initial application of HKFRS 16

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 January 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 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. 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;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	HK$'000 **(Unaudited)**
Operating lease commitments as at 31 March 2019	3,266
Lease liabilities discounted at relevant incremental borrowing rate	3,165
Less:	
Leases with lease term ending within 12 months from the date of initial application	(3,165)
Lease liabilities as at 1 April 2019	–

The carrying amounts of the Group's right-of-use assets comprise the following:

	HK$'000
	(Unaudited)
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 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.

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increased/ (Decreased) ***HK$'000*** **(Unaudited)**
Non-current assets	
Increase in right-of-use assets	3,082
Decrease in prepaid lease payments	(3,082)
	–

3. Revenue

Revenue represents the amounts received and receivable from sale of electrical haircare products.

4. Seasonality of Operations

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

5. Segment Information

Information reported to the executive directors of the Company, being the chief operating decision maker for the purposes of resources allocation and assessment of performance of a single reportable and operating segment, which is the design, manufacture and sale of electrical haircare appliances, focuses on revenue analysis by geographic location of customers.

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Europe	**122,366**	95,520
Asia	**86,729**	62,155
North and South America	**37,981**	28,378
Africa	**754**	2,445
Australia	**957**	1,787
	248,787	190,285

6. Loss before Taxation

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories recognised as expenses	**229,684**	185,016
Depreciation of property, plant and equipment	**1,491**	2,549
Depreciation of right-of-use assets	**452**	–
Amortisation of prepaid lease payments	**–**	46
Total staff costs (including directors' remuneration)	**72,525**	70,529
Reversal of allowance for inventories	**(747)**	(198)
Net foreign exchange (gain)/loss	**(1,139)**	417

7. Income Tax

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PRC Enterprise Income tax:		
– Current tax	**273**	15
– Over-provision in prior years	**(338)**	–
	(65)	15
Hong Kong Profits Tax:		
– Current tax	**–**	510
Income tax	**(65)**	525

8. Loss per Share

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the purposes of calculating basic loss per share (Loss for the period attributable to owners of the Company)	**(11,381)**	(22,916)
	Number of shares	
	'000	*'000*
Number of ordinary shares for the purposes of calculating basic loss per share	**445,646**	445,646
Basic loss per share *(HK cents)*	**(2.554)**	(5.142)

There was no diluted loss per share for the six months ended 30 September 2019 and 2018 as there was no potential ordinary share issued during the respective periods.

9. Dividends

The Directors have resolved not to declare the payment of an interim dividend for the six months ended 30 September 2019 (six month ended 30 September 2018: Nil).

10. Property, Plant and Equipment and right-of-use assets

During the current interim period, the Group acquired property, plant and equipment at a cost of approximately HK$2,574,000 (six months ended 30 September 2018: HK$9,533,000).

During the current interim period, the Group entered into new lease agreements for the use of office premises for an average of 2 years. The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognized approximately HK$4,157,000 of right-of-use asset and same amount of lease liabilities.

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

11. Trade and Bills Receivables

	30 September 2019	31 March 2019
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**125,942**	101,365
Less: Loss allowance	**(571)**	(571)
	125,371	100,794
Bills receivables	**2,283**	322
Total trade and bills receivables	**127,654**	101,116

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

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

	30 September 2019 (Unaudited) ***HK$'000***	31 March 2019 (Audited) *HK$'000*
Within 60 days	**80,890**	49,532
61 – 120 days	**39,633**	39,903
121 – 365 days	**6,717**	11,643
Over 365 days	**414**	38
	127,654	101,116

12. Trade Payables

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

	30 September 2019 (Unaudited) ***HK$'000***	31 March 2019 (Audited) *HK$'000*
Within 60 days	**62,458**	65,187
61 – 120 days	**33,591**	11,483
121 – 365 days	**5,952**	2,806
Over 365 days	**1,414**	1,321
	103,415	80,797

13. Loans from Related Parties

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

	30 September 2019 (Unaudited) ***HK$'000***	31 March 2019 (Audited) *HK$'000*
China Yuen Capital Limited ("**CYC**")	**13,745**	10,045
Mr. Tam Chi Sang and Mr. Lam Wai Ming	**57,600**	60,000
	71,345	70,045

Notes:

(a) CYC is the controlling shareholder of the Company.

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

14. Share Capital

	Number of share ***'000***	**Nominal value** ***HK$'000***
Ordinary shares of HK$0.001 each		
Authorised:		
At 1 April 2018, 30 September 2018, 1 April 2019 and 30 September 2019	**1,000,000**	**1,000**
Issued and fully paid:		
At 1 April 2018, 30 September 2018, 1 April 2019 and 30 September 2019	**445,646**	**446**

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group's turnover for the six months ended 30 September 2019 (the "**current period**") was HK$248,787,000, which represented an increase of 30.7% from HK$190,285,000 during the corresponding period last year (the "**last corresponding period**"). The increase was mainly due to the increase in orders for low-end products from the European and Asian markets.

Gross profit for the current period amounted to HK$19,850,000, which represented an increase of 263.1% from HK$5,467,000 in the last corresponding period. Gross profit margin during the current period was 8.0% compared to 2.9% in the last corresponding period. The increase was mainly caused by the gradual decline of overall prices of raw materials from the peak level, which helped reducing the production cost of the Group and mitigating the pressure on gross profit margin.

Net loss for the current period was HK$11,381,000, which represented a decrease of 50.3% from HK$22,916,000 in the last corresponding period.

Basic loss per share was HK2.554 cents, which represented a decrease of 50.3% from a loss per share of HK5.142 cents in the last corresponding period.

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

BUSINESS REVIEW

Market Review

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

In the first half of 2019, due to the ongoing Sino-US trade tensions and the slowdown in China's economic growth, consumers' interest in high-end products has been reduced, they are more prone to buying more low-end products, which has made the business environment more complicated. However, leveraging its long-term relationship with customers and high-quality products, the Group has maintained a strong position as one of the key global suppliers in the electronic haircare appliances segment. Its predominant revenue stream still has hair dryers leading the way followed by hair straighteners, airbrushes, curling tongs and curling brushes. In addition, we have been re-engineering our manufacturing processes and our supply chain processes for cost saving purpose.

During the current period, the Group continued to face strong pressure from customers requesting price reductions for mature products even though the production costs was slightly decreased due to depreciation of Renminbi.

However, testimony to the Group's quality is that most of its customers are renowned global brands, as its five major customers have accounted for approximately 86% and 76% of its total turnover during the current period and the last corresponding period, respectively. The Group believes that the European and Asian markets will remain the major geographic revenue contributors in the coming years.

Operations Review

Mainland China remains the Group's major production center. Similar to other manufacturers in Mainland China, the Group has faced a series of operating challenges, such as the slow recovery in China market and the difficulties in recruiting production line operators. However, it is expected that the overall prices of raw material will continue to decline and stay at the low levels, coupled with the Group's continued efforts to optimise its product mix, focus on high margin products and expand its scale advantage in order to mitigate the negative effects of intensified market competition. Therefore, the Group believe the gross profit margin will continue to improve in the second half of 2019.

Shortage of labour continues to be a serious issue in China, leading to a significant increase in labour costs and subsequently a heavy burden on the entire manufacturing process and operational efficiency. As such, the Group has employed a two-pronged approach to maintain its profitability. On the one hand, the Group has continued to streamline its production processes as well as to adjust its sales strategy by focusing on niche markets and eliminating relatively low margin products. On the other hand, the Group is continuing to allocate more resources to upgrade and automate its manufacturing process. Towards this end, it has strived to improve production efficiency, eliminating waste of resources and, ultimately, reducing costs.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had approximately HK$49,928,000 in cash and bank deposits as at 30 September 2019 (31 March 2019: HK$83,957,000). The Group's net current assets were approximately HK$38,216,000 (31 March 2019: HK$56,973,000). The current ratio was 1.1 (31 March 2019: 1.2). The net cash position after deducting all interest-bearing borrowings was HK$9,761,000 (31 March 2019: HK$29,129,000) and the net cash to equity ratio was 7.8% (31 March 2019: 19.9%).

The Group had aggregate banking facilities of HK$98,400,000 (31 March 2019: HK$98,400,000), of which HK$40,167,000 (31 March 2019: HK$54,828,000) was used. The borrowings comprised trade finance facilities of HK$40,167,000 (31 March 2019: HK$54,828,000) with maturity due within one year. The bank borrowings carry interest at rates ranging from HIBOR/LIBOR plus 1.8% to 2.25% (31 March 2019: 1.8% to 2.25%) or 1% (31 March 2019: 1%) below the prime rate.

As at 30 September 2019, the gearing ratio of the Group which was calculated by dividing total bank borrowings with total equity attributable to owners of the Company, was 32.1% (31 March 2019: 37.4%).

The Group has maintained a healthy liquidity position and has continuously monitored its financial resources to ensure sufficient funding to meet working capital and capital expenditure requirements.

FOREIGN EXCHANGE EXPOSURE

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

CONTRACTUAL AND CAPITAL COMMITMENTS

As at 30 September 2019, the Group had capital commitments of HK$915,000 (31 March 2019: HK$1,530,000).

CONTINGENT LIABILITIES

As at 30 September 2019, the Group had no material contingent liabilities (31 March 2019: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2019, the Group employed 26 staff in Hong Kong (30 September 2018: 29) and a total work force of approximately 1,627 (30 September 2018: 1,589) inclusive of all its staff and workers in China. For the current period, the total staff costs (including Directors' remuneration) were HK$72,525,000 (the corresponding period: HK$70,529,000). The Group's remuneration policy is underscored by the principle of awarding equitable packages to employees, incentive-based where applicable, with remuneration being performance-oriented and market-competitive. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, the Group offers other staff benefits including share option schemes, performance-based bonuses, provident fund contributions and medical insurance coverage.

OUTLOOK AND PROSPECTS

With reference to the existing principal haircare appliances businesses, the Group anticipates that the business will be confronted with several key challenges. These include sluggish demand due to weak consumer sentiment and business environment, the pressure from customers to lower its selling price, a shortage of skilled labour in Mainland China, the shorter product life cycles of consumer electronic products as well as volatile capital markets and currency fluctuations. At the same time, the predictability of future sales orders received is comparatively low which presents difficulties in planning the allocation of resources.

Facing political and economic uncertainties, the Group's short to medium term performance may be affected by macroeconomic factors affecting China and global markets, including the slowdown in economic growth and the potential negative sentiment that may arise from trade tensions between China and the United States. Nevertheless, the Group has intention to set up a representative office in Cambodia to explore production potential and partnerships in geographical locations outside mainland China with the aim to expand our production capacity and product and customer mix.

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

SHARE CAPITAL

During the six months ended 30 September 2019, the listed shares of HK$0.001 each in the share capital of the Company (the "**Shares**") was 445,646,000 Shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

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

INTERIM DIVIDENDS

The Board has resolved not to declare payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

EVENTS AFTER THE CURRENT PERIOD

Further to the voluntary announcement of the Company dated 23 August 2019, the Board wishes to announce that the Company has completed the acquisition of the entire equity interests in Shanghai Tingxin Internet Financial Information Service Co., Ltd.*（上海霆信互聯網金融信息服務有限公司）("**Shanghai Tingxin**") on 29 October 2019, which is principally engaged in the e-commerce business in the PRC (the "**Acquisition**"). The Acquisition is in line with the business development strategies and planning of the Group, offer good opportunities to the Group to expand its business scope to e-commerce business, which includes but not limited to the business of online platform for pre-sale and group purchase. The Board is of the view that the Acquisition will bring new business opportunities to the Company.

As none of the applicable percentage ratios in respect of the Acquisition are more than 5%, the Acquisition is not subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Following the completion of the Acquisition, Shanghai Tingxin is now an indirect wholly-owned subsidiary of the Company.

Save as above, the Group has no other significant events after the current period up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Board, the Company has complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2019, except for the deviation from the CG Code A.6.7 as explained below.

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. Independent non-executive Directors, Mr. Chan Ka Yin and Mr. Huang Zhiwei, did not attend the annual general meeting of the Company held on 23 August 2019 due to other business engagements.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted procedures governing directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Upon specific enquiries to all Directors by the Company, all Directors have confirmed that they fully complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2019.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 29 April 2005 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules published on both the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are, inter alia, to review and supervise the financial reporting process, risk management and internal control system of the Group, to review the financial statements focusing particularly on (i) any changes in accounting policies and practices of the Group; (ii) the compliance with accounting standards and (iii) the compliance with the legal requirements, as well as to review the Company's annual reports and interim reports.

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

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Chan Ka Yin, Mr. Huang Zhiwei and Mr. Lam Yick Man. Mr. Chan Ka Yin was appointed as the chairman of the Audit Committee. None of the Audit Committee members are members of the former or existing auditors of the Company.

The Audit Committee has discussed with the management the accounting principles and policies adopted by the Group, and reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2019.

REMUNERATION COMMITTEE

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

The Remuneration Committee comprises three independent non-executive Directors namely, Mr. Chan Ka Yin, Mr. Huang Zhiwei and Mr. Lam Yick Man and one executive Director, Mr. Zhang Huijun. Mr. Chan Ka Yin was appointed as chairman of the Remuneration Committee.

NOMINATION COMMITTEE

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

The Nomination Committee comprises three Independent non-executive Directors namely, Mr. Chan Ka Yin, Mr. Huang Zhiwei and Mr. Lam Yick Man. Mr. Chan Ka Yin was appointed as the chairman of the Nomination Committee.

INTERNAL AUDIT

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

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

RISK MANAGEMENT

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

INTERNAL CONTROL

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

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

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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

APPRECIATION

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

By Order of the Board
CHINA OVERSEAS NUOXIN INTERNATIONAL HOLDINGS LIMITED
Zhang Huijun
Director

Hong Kong, 28 November 2019

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