**RUIXIN INTERNATIONAL HOLDINGS LIMITED**
**瑞鑫國際集團有限公司**
*(Incorporated in Bermuda with limited liability)*
**(Stock Code: 724)**

# FINAL RESULTS
# FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "Board") of directors (the "Director(s)") of Ruixin International Holdings Limited (the "Company") hereby announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019.

## RESULTS OVERVIEW

For the year ended 31 December 2019 (the "Reporting Period"), the Group reported revenue of approximately HK$332.7 million, representing a decrease of 25.4% as compared with approximately HK$445.9 million for the year ended 31 December 2018 (the "Corresponding Period").

Loss for the Reporting Period decreased to approximately HK$60.3 million from approximately HK$85.9 million for the Corresponding Period. Loss attributable to owners of the Company was approximately HK$60.3 million for the Reporting Period as compared with approximately HK$85.9 million for the Corresponding Period. The decrease in loss was mainly due to, among others, (i) the decrease in operating loss in the Reporting Period; and (ii) the decrease in imputed interest expenses on convertible notes in the Reporting Period, which was partly offset by the impairment loss on right-of-use assets. The decrease in operating loss in the Reporting Period was mainly due to the reduction in loss from the electronic products business as a result of, among others, the drop in cost and revenue was not in the same scale amid uncertainties arising from the continuation and escalation of the trade war during the Reporting Period although the first round of agreement was signed in January 2020.

The imputed interest expenses on convertible notes (the "Non-cash Item") arose as a result of accounting treatment under the provisions of the applicable accounting standards and was of non-cash nature. Before the Non-cash Item, the Group made a loss of approximately HK$46.3 million for the Reporting Period, as compared with a loss of approximately HK$68.9 million for the Corresponding Period.

## FINANCIAL HIGHLIGHTS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue | **332,743** | 445,933 |
| Gross profit | **18,842** | 2,187 |
| Loss for the year | **(60,282)** | (85,881) |
| Imputed interest expenses on convertible notes | **(14,014)** | (16,941) |
| **Loss for the year before imputed interest expenses on convertible notes** | **(46,268)** | (68,940) |

## FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the Reporting Period (2018: nil).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2019*

| | Notes | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| Revenue | 3 | **332,743** | 445,933 |
| Cost of sales | | **(313,901)** | (443,746) |
| Gross profit | | **18,842** | 2,187 |
| Other income | | **3,456** | 327 |
| Distribution costs | | **(17,041)** | (21,782) |
| Administrative expenses | | **(49,896)** | (48,135) |
| Share of results of joint ventures | | **(13)** | (1,359) |
| Impairment loss on trade receivables | | **(19)** | (178) |
| Finance costs | 4 | **(15,611)** | (16,941) |
| Loss before taxation | | **(60,282)** | (85,881) |
| Taxation | 5 | **–** | – |
| Loss for the year attributable to owners of the Company | 6 | **(60,282)** | (85,881) |
| **Loss per share** | 8 | | |
| | | | (Restated) |
| Basic and diluted *(HK cents)* | | **(7.17)** | (12.36) |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2019*

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year | **(60,282)** | (85,881) |
| Other comprehensive (expenses) income for the year | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| Exchange differences arising on translation of foreign operations | **(415)** | 388 |
| **Total comprehensive expenses for the year attributable to owners of the Company** | **(60,697)** | (85,493) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2019*

| | Notes | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **21,758** | 20,321 |
| Right-of-use assets | | **–** | – |
| Interests in joint ventures | | **1,212** | 1,225 |
| Rental deposits | | **872** | – |
| Deposit for acquisition of property, plant and equipment | | **446** | – |
| | | **24,288** | 21,546 |
| **Current assets** | | | |
| Inventories | | **57,941** | 67,371 |
| Trade receivables | *9* | **134,585** | 90,083 |
| Prepayments, deposits and other receivables | | **12,987** | 4,354 |
| Deposits in other financial institutions | | **7** | 446 |
| Bank balances and cash | | **11,201** | 30,724 |
| | | **216,721** | 192,978 |
| **Current liabilities** | | | |
| Trade payables | *10* | **92,784** | 27,300 |
| Lease liabilities | | **2,019** | – |
| Other payables and accruals | | **11,015** | 7,839 |
| Loans from a substantial shareholder | | **827** | – |
| Amount due to a joint venture | | **2,433** | 2,453 |
| | | **109,078** | 37,592 |
| **Net current assets** | | **107,643** | 155,386 |
| **Total assets less current liabilities** | | **131,931** | 176,932 |

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Employee benefits | | **34** | 15 |
| Lease liabilities | | **286** | – |
| Loans from a substantial shareholder | | **2,123** | – |
| Convertible notes | *11* | **123,067** | 109,053 |
| | | **125,510** | 109,068 |
| **Net assets** | | **6,421** | 67,864 |
| **Capital and reserves** | | | |
| Share capital | *12* | **168,035** | 168,035 |
| Reserves | | **(161,614)** | (100,171) |
| **Total equity** | | **6,421** | 67,864 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2019*

## 1. Statement of compliance and basis of preparation

### *(a) Statement of compliance*

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs"), amendments and Interpretations ("Int(s)") (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated and have been approved for issue by the Board on 27 March 2020.

### *(b) Basis of preparation*

During the year ended 31 December 2019, the Group incurred a net loss of approximately HK$60,282,000 and had net cash outflows from operating activities of approximately HK$952,000 during the year ended 31 December 2019.

As at 31 December 2019, the Group had bank balances and cash of approximately HK$11,201,000, while its trade payables, lease liabilities and other payables and accruals were approximately HK$92,784,000, HK$2,019,000 and HK$11,015,000, respectively, which will be due in the coming twelve months from the end of the Reporting Period, and the Group's ability to meet these liquidity requirements depends on its ability to generate sufficient net cash inflows from future operations and/or other sources. These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of these circumstances and after reviewing the Group's cash flow projection for the year ending 31 December 2020, the Directors have given consideration to the future liquidity and performance of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern, including:

(i) funds to be financed from a substantial shareholder to meet its financial obligations and maintain sufficient operating cash flows as and when they fall due for the foreseeable future; and

(ii) the Group is expected to generate cash flows from its operations.

Accordingly, the Directors consider that the Group will have sufficient working capital to meet its financial obligations as they fall due for at least the next twelve months from the end of the Reporting Period and accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their net recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in the consolidated financial statements.

## 2. Principal accounting policies

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

In the current year, the Group has applied for the first time the following new and amendments to HKFRSs issued by the HKICPA.

| | |
|---|---|
| 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 other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

***Impacts on adoption of HKFRS 16 Leases***

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

*The Group as lessee*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 (except for lease of low value assets and lease with remaining lease term of twelve months or less as at 1 January 2019). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 12.85%.

The Group recognises right-of-use assets and measures them at their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application (i.e. 1 January 2019).

The following table summarises the impact of transition to HKFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

| | **Carrying amount previously reported at 31 December 2018**<br>*HK$'000* | **Impact on adoption of HKFRS 16**<br>*HK$'000* | **Carrying amount as restated at 1 January 2019**<br>*HK$'000* |
|---|---|---|---|
| Right-of-use assets | – | 14,173 | 14,173 |
| Lease liabilities | – | (14,919) | (14,919) |
| Accumulated losses | (2,592,216) | (746) | (2,592,962) |

*Note:* As at 1 January 2019, right-of-use assets were measured at an amount equal to carrying amount as if HKFRS 16 had been applied since the commencement date of the lease. Any difference between the right-of-use assets and the lease liabilities was recognised as an adjustment to the opening balance of accumulated losses.

The following table summarises the impact on transition to HKFRS 16 on accumulated losses at 1 January 2019.

| | **Accumulated losses**<br>*HK$'000* |
|---|---|
| Balance at 31 December 2018, as originally stated | (2,592,216) |
| Adoption of HKFRS 16 | (746) |
| Balance at 1 January 2019 as restated | (2,592,962) |

Starting from 1 January 2019, in the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected.

Differences between operating lease commitment as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

| | *HK$'000* |
|---|---|
| Operating lease commitment disclosed as at 31 December 2018 | 25,462 |
| Less: Short-term leases and other leases with remaining lease term ending on or before 31 December 2019 | (8,423) |
| Less: Leases of low-value assets exempted from recognition | (16) |
| Less: Contracts committed but not yet commenced at 1 January 2019 | (52) |
| | 16,971 |
| Discounting using the incremental borrowing rate at 1 January 2019 | (2,052) |
| Lease liabilities as at 1 January 2019 | 14,919 |
| Current portion | 6,983 |
| Non-current portion | 7,936 |
| | 14,919 |

*Practical expedients applied*

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on assessments on whether leases are onerous by applying HKAS 37 immediately before the date of initial application as an alternative to performing on impairment review;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

***New and revised HKFRSs issued 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 Contract[2] |
| Amendments to HKFRS 3 | Definition of a Business[4] |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform[1] |
| 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[1] |
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting[1] |

[1] *Effective for annual periods beginning on or after 1 January 2020*
[2] *Effective for annual periods beginning on or after 1 January 2021*
[3] *Effective for annual periods beginning on or after a date to be determined*
[4] *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*

The Directors anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

## 3. Revenue and segment information

Information reported to the Directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods delivered. The Group is principally engaged in the manufacturing and trading of electronic and electrical parts and components. The Group's operation is attributable to a single reportable and operating segment under HKFRS 8 and no segment information is presented. No operating segments have been aggregated in arriving at the reportable segment of the Group.

Revenue represents revenue arising on manufacturing and trading of electronic and electrical parts and components and is recognised at a point in time.

### *(a) Geographical information*

The Group's operation is mainly located in Hong Kong and the People's Republic of China (the "PRC" or "China"). However, the external customers of the Group are located world-wide, such as Hong Kong, the PRC and Asia Pacific etc.

Information about the Group's revenue from external customers is presented based on the location of customers and information about its non-current assets is presented based on the location of assets as detailed below:

| | **Revenue from external customers** | | **Non-current assets** | |
|---|---|---|---|---|
| | **Year ended 31 December 2019** | Year ended 31 December 2018 | **As at 31 December 2019** | As at 31 December 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | **167,698** | 174,510 | **1,390** | 1,402 |
| Elsewhere in the PRC | **126,027** | 205,703 | **21,688** | 19,590 |
| Asia Pacific | **29,682** | 49,357 | **338** | 554 |
| Others | **9,336** | 16,363 | **–** | – |
| Total | **332,743** | 445,933 | **23,416** | 21,546 |

*Note:* Non-current assets excluded financial instruments.

***(b) Information about major customers***

During the year ended 31 December 2019, there was a Group's individual customer who contributed revenue of approximately HK$86,814,000 (2018: HK$82,458,000), which accounted for more than 10% to the total revenue of the Group.

## 4. Finance costs

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Imputed interest expenses on convertible notes *(note 11)* | **14,014** | 16,941 |
| Interest expense on lease liabilities | **1,597** | – |
| | **15,611** | 16,941 |

## 5. Taxation

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2019 and 2018 as the Group has no assessable profits arising in Hong Kong for both reporting periods.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the years ended 31 December 2019 and 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

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 subsidiary registered in the PRC is 25% from 1 January 2008 onwards. No provision for the PRC Enterprise Income Tax has been made as the PRC subsidiary of the Company has sufficient tax losses brought forward to set off against current year's assessable profit during the year ended 31 December 2019. For the year ended 31 December 2018, no provision for the PRC Enterprise Income Tax has been made as the PRC subsidiary of the Company was in loss-making position and accordingly did not have any assessable profit.

Under the Law of Vietnam on Corporate Income Tax, the tax rate of the subsidiary registered in Vietnam is 20% (2018: 20%). No provision for the Corporate Income Tax has been made for the years ended 31 December 2019 and 2018 as the subsidiary of the Company has no assessable profits for both reporting periods.

## 6. Loss for the year

Loss for the year has been arrived at after charging (crediting):

| | **2019**<br>***HK$'000*** | 2018<br>*HK$'000* |
|---|---|---|
| Cost of inventories recognised as expenses | **306,341** | 435,408 |
| Reversal of impairment loss on inventories (included in cost of sales) | **(118)** | – |
| Impairment loss on inventories (included in cost of sales) | **1,692** | 8,338 |
| Staff costs | **30,418** | 28,496 |
| Depreciation of property, plant and equipment | **11,567** | 11,255 |
| Depreciation of right-of-use assets (included in administrative expenses) | **1,568** | – |
| Depreciation of right-of-use assets (included in cost of sales) | **5,986** | – |
| Impairment loss on right-of-use assets (included in administrative expenses) | **2,081** | – |
| Auditor's remuneration | **868** | 835 |
| Net exchange loss | **–** | 698 |

## 7. Dividends

No dividend was paid or proposed for the year ended 31 December 2019, nor has any dividend been proposed since the end of the year ended 31 December 2019 (2018: nil).

## 8. Loss per share

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$60,282,000 (2018: HK$85,881,000) and the weighted average number of approximately 840,174,000 (2018: 694,859,000, as adjusted to reflect the effect of the Share Consolidation as defined in note 12(c) to the consolidated financial statements in this announcement) ordinary shares in issue during the year ended 31 December 2019.

For the years ended 31 December 2019 and 2018, the diluted loss per share is the same as the basic loss per share.

The computation of diluted loss per share for the years ended 31 December 2019 and 2018 did not assume the exercise of the Company's share options as the exercise prices of the share options were higher than the average market price for shares. The computation of diluted loss per share for the years ended 31 December 2019 and 2018 did not assume the conversion of the Company's outstanding convertible notes as the conversion of convertible notes would result in a decrease in loss per share.

## 9. Trade receivables

The Group allows an average credit period of 30 to 120 days (2018: 30 to 120 days) to its trade customers.

The following is an ageing analysis of trade receivables, net of impairment, presented based on the due date at the end of the reporting periods:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current | **129,787** | 83,192 |
| Overdue: | | |
| – within 3 months | **4,798** | 6,887 |
| – 4-6 months | **–** | 4 |
| | **4,798** | 6,891 |
| | **134,585** | 90,083 |

## 10. Trade payables

The following is an ageing analysis of trade payables presented based on the due date at the end of the reporting periods:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current | **92,766** | 24,142 |
| Overdue: | | |
| – within 3 months | **18** | 1,310 |
| – 4-6 months | **–** | 1,848 |
| | **92,784** | 27,300 |

## 11. Convertible notes

On 19 November 2009, the Company issued unsecured convertible notes for the partial settlement of the consideration for the acquisition of CITIC Logistics (International) Company Limited (liquidated). Details of the transaction are set out in the Company's circular dated 16 October 2009. The sole holder of the convertible notes, Mr. Li Weimin ("Mr. Li"), is a substantial shareholder of the Company.

Details of the Group's convertible notes outstanding as at 31 December 2019 and 2018 are set out below:

| | | **2019** | 2018 |
|---|---|---|---|
| Date of issue | : | **19 November 2009** | 19 November 2009 |
| Original principal amount | : | **HK$950,400,000** | HK$950,400,000 |
| Date of modification | : | **31 December 2018** | 31 December 2018 |
| Remaining principal amount | : | **HK$158,400,000** | HK$158,400,000 |
| Coupon rate | : | **Nil** | Nil |
| Conversion price | : | **HK$0.22 per share** | HK$0.011 per share |
| Conversion period | : | **The period commencing from the date of modification of the convertible notes and ending on the maturity date** | The period commencing from the date of modification of the convertible notes and ending on the maturity date |
| Collaterals | : | **Nil** | Nil |
| Maturity date | : | **31 January 2022** | 31 January 2022 |

Subject to the occurrence of an event of default (as defined in the terms and conditions of the convertible notes), the convertible notes may be redeemed in amounts of HK$100,000 or integral multiples thereof at the option and in the absolute discretion of the Company on any business day prior to the maturity date by giving not less than seven days notice to the holder of the convertible notes.

The convertible notes contain two components, liability and equity components. The equity component is presented in equity under the heading of convertible notes reserve. The effective interest rate of the liability component of the convertible notes is 12.85% (2018: 12.85%) per annum. The liability and equity components of the convertible notes were measured at fair values at the date of modification and the valuation was determined by an independent valuer.

On 14 November 2014, the Company and Mr. Li entered into a deed of variation, pursuant to which it was agreed that, subject to the fulfillment of conditions precedent, (i) the maturity date of the outstanding convertible notes with an aggregate principal amount of HK$302,400,000 would be extended from 15 November 2014 to 31 December 2016; and (ii) the original conversion price of HK$0.12 per share would be adjusted to the conversion price of HK$0.035 per share. Save for the above alterations, all other terms and conditions of the outstanding convertible notes remained unchanged. On 9 January 2015, the relevant ordinary resolution was duly passed at the special general meeting and the extension of the maturity date and the adjustment of the conversion price of the outstanding convertible notes became effective. For details, please refer to the announcements of the Company dated 14 November 2014, 17 November 2014 and 9 January 2015, as well as the circular of the Company dated 19 December 2014 and the Company's annual report for the year ended 31 December 2015.

Convertible notes of the Company with an aggregate principal amount of HK$42,000,000 were converted into 1,199,999,998 ordinary shares of HK$0.01 each at a conversion price of HK$0.035 per share on 4 June 2015.

On 14 December 2016, the Company and Mr. Li entered into a deed of further variation, pursuant to which it was agreed that, subject to the fulfillment of conditions precedent, the maturity date of the outstanding convertible notes with an aggregate principal amount of HK$260,400,000 would be extended from 31 December 2016 to 31 January 2019. Save for the above alteration, all other terms and conditions of the outstanding convertible notes remained unchanged. On 16 January 2017, the relevant ordinary resolution was duly passed at the special general meeting and the extension of the maturity date of the outstanding convertible notes became effective. For details, please refer to the announcements of the Company dated 14 December 2016 and 16 January 2017, as well as the circular of the Company dated 29 December 2016 and the Company's annual report for the year ended 31 December 2017.

On 12 November 2018, the Company and Mr. Li entered into a deed of further variation, pursuant to which it was agreed that, subject to the fulfillment of conditions precedent, (i) the maturity date of the remaining convertible notes with an aggregate principal amount of HK$158,400,000 would be extended from 31 January 2019 to 31 January 2022; and (ii) the conversion price of HK$0.035 per share would be adjusted to the conversion price of HK$0.011 per share. Save for the above alterations, all other terms and conditions of the remaining convertible notes remained unchanged. On 28 December 2018, the relevant ordinary resolution was duly passed at the special general meeting. On 31 December 2018, the extension of the maturity date and the adjustment of the conversion price of the remaining convertible notes became effective. For details, please refer to the announcements of the Company dated 12 November 2018, 28 December 2018 and 31 December 2018, as well as the circular of the Company dated 11 December 2018 and the Company's annual report for the year ended 31 December 2018.

The extension of the maturity date and the adjustment of the conversion price resulted in the extinguishment of the financial liability of the convertible notes and related equity component and the recognition of new financial liability and equity components. On 31 December 2018, the carrying values of liability component and equity component of the convertible notes immediately before the modification were approximately HK$157,541,000 and HK$47,690,000 respectively. According to a valuation report issued by an independent valuer not connected with the Group, the fair values of the new liability component and equity component immediately following the modification are approximately HK$109,053,000 and HK$41,814,000 respectively. These caused an increase of approximately HK$47,743,000 (net of the transaction costs of approximately HK$745,000) in other reserve in the consolidated statement of changes in equity, a transfer of approximately HK$32,871,000 between other reserve and accumulated losses, and a transfer of a net amount of approximately HK$5,876,000 between the convertible notes reserve and accumulated losses with no profit or loss impact during the year ended 31 December 2018.

Convertible notes of the Company with an aggregate principal amount of HK$102,000,000 were converted into 2,914,285,714 ordinary shares of HK$0.01 each at a conversion price of HK$0.035 per share on 31 December 2018.

As a result of the Share Consolidation (as defined in note 12(c) to the consolidated financial statements in this announcement) and under the terms and conditions of the convertible notes, the conversion price of the outstanding convertible notes was adjusted from HK$0.011 per share to HK$0.22 per share with effect from the close of business in Hong Kong on 22 May 2019. Based on the adjusted conversion price of HK$0.22 per share, the outstanding convertible notes with an aggregate principal amount of HK$158,400,000 will be convertible into 720,000,000 ordinary shares of HK$0.20 each.

Movements of the liability and equity components of the convertible notes for the years ended 31 December 2019 and 2018 are set out below:

| | **Liability component** | **Equity component** | **Total** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2018 | 242,015 | 78,400 | 320,415 |
| Conversion into shares of the Company *(note 12(b))* | (101,415) | (30,710) | (132,125) |
| Derecognition of original liability/equity component upon modification of terms of convertible notes | (157,541) | (47,690) | (205,231) |
| Recognition of new liability/equity component upon modification of terms of convertible notes | 109,053 | 41,814 | 150,867 |
| Imputed interest charged to the consolidated statement of profit or loss *(note 4)* | 16,941 | – | 16,941 |
| At 31 December 2018 and 1 January 2019 | 109,053 | 41,814 | 150,867 |
| Imputed interest charged to the consolidated statement of profit or loss *(note 4)* | 14,014 | – | 14,014 |
| At 31 December 2019 | 123,067 | 41,814 | 164,881 |

As at 31 December 2019, the principal amount of convertible notes remained outstanding is HK$158,400,000 (2018: HK$158,400,000).

## 12. Share capital

| | Number of shares '000 | HK$'000 |
|---|---|---|
| Authorised ordinary shares of HK$0.20 (2018: HK$0.01) each: | | |
| At 1 January 2018 | 30,000,000 | 300,000 |
| Increase in authorised share capital *(note a)* | 30,000,000 | 300,000 |
| At 31 December 2018 and 1 January 2019 | 60,000,000 | 600,000 |
| Share consolidation *(note c)* | (57,000,000) | – |
| At 31 December 2019 | 3,000,000 | 600,000 |
| Issued and fully paid ordinary shares of HK$0.20 (2018:HK$0.01) each: | | |
| At 1 January 2018 | 13,889,199 | 138,892 |
| Issue of new shares upon conversion of convertible notes *(note b)* | 2,914,286 | 29,143 |
| At 31 December 2018 and 1 January 2019 | 16,803,485 | 168,035 |
| Share consolidation *(note c)* | (15,963,311) | – |
| At 31 December 2019 | 840,174 | 168,035 |

*Notes:*

(a) On 28 December 2018, the authorised share capital of the Company increased from HK$300,000,000 divided into 30,000,000,000 ordinary shares of HK$0.01 each to HK$600,000,000 divided into 60,000,000,000 ordinary shares of HK$0.01 each by the creation of additional 30,000,000,000 new ordinary shares of HK$0.01 each which ranked *pari passu* with the existing ordinary shares of HK$0.01 each in all respects upon allotment and issue.

(b) On 31 December 2018, convertible notes of the Company with an aggregate principal amount of HK$102,000,000 were converted into 2,914,285,714 new ordinary shares of HK$0.01 each at a conversion price of HK$0.035 per share. These new ordinary shares of HK$0.01 each issued ranked *pari passu* with other ordinary shares of HK$0.01 each then in issue in all aspects. Details of the convertible notes are set out in note 11 to the consolidated financial statements in this announcement.

(c) On 22 May 2019, an ordinary resolution was duly passed at the special general meeting and every twenty issued and unissued ordinary shares with a par value of HK$0.01 each in the share capital of the Company were consolidated into one ordinary share with a par value of HK$0.20 each (each a "Consolidated Share") (the "Share Consolidation") with effect from 23 May 2019. Such Consolidated Shares rank *pari passu* in all respects with each other.

## 13. Contingent liability

On 15 July 2009, one of the subsidiaries of Classic Line International Limited ("Classic Line"), a former subsidiary of the Company, has been and is the subject of a judgement (in the amount of US$13.5 million) obtained in a United States court in an action in respect of damages allegedly arising out of use of fire lighters sold by the subsidiary of Classic Line. The Company is one of the co-defendants in the case. On 28 September 2009, the Company entered into an agreement to dispose of the entire equity interest in Classic Line and the disposal was completed on 31 October 2009.

Based on the legal advice received by the Company, the Directors considered that the Company has valid grounds in opposing the enforcement of any judgement of the said case against the Company, if obtained, in Hong Kong and Bermuda. Accordingly, no provision has been made in the consolidated financial statements.

## EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The auditor's opinion on the Group's consolidated financial statements for the year ended 31 December 2019 is as follows:

### Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Disclaimer of Opinion

***Material uncertainties relating to going concern***

As explained in note 1 to the consolidated financial statements in this announcement, the Group incurred a net loss of approximately HK$60,282,000 and had net cash outflows from operating activities of approximately HK$952,000 during the year ended 31 December 2019. As at 31 December 2019, the Group had bank balances and cash of approximately HK$11,201,000, while its trade payables, lease liabilities and other payables and accruals were approximately HK$92,784,000, HK$2,019,000 and HK$11,015,000, respectively, which will be due in the coming twelve months from the end of the Reporting Period. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the Group's plans and measures to mitigate its liquidity pressure and to improve its financial performance as set out in note 1 to the consolidated financial statements in this announcement. The successful outcomes of the abovementioned plans and measures are subject to multiple uncertainties.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in note 1 to the consolidated financial statements in this announcement, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets as current assets. The effects of these adjustments have not been reflected in the consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

The electronic products business reported a drop of approximately 25.4% in revenue from approximately HK$445.9 million in the Corresponding Period to approximately HK$332.7 million in the Reporting period. The tariff battle between China and the United States remained and became severer during the Reporting Period which affected the revenue generated by the Group although the first round of agreement was signed in January 2020. Attributable to effective cost control, the gross profit for the electronic products business during the Reporting Period was approximately HK$18.8 million, which was an increase from approximately HK$2.2 million in the Corresponding Period.

The Company is seeking and exploring business opportunities in Vietnam to improve the prospect of the Group. During the Reporting Period, Phoenix Asia Pacific Investment Company Limited ("PAPI"), the Company's indirect wholly owned subsidiary in Vietnam, signed and executed a consulting service contract in the amount of US$45,000. PAPI has expanded its business scope to construction and related services, and general trading, besides management consulting services. Subsequent to the Reporting Period, PAPI has signed a non-binding cooperation framework agreement with the main contractor of an offshore wind power project in Vietnam for subcontracting part of the project including procurement, installation, logistics, local labor supply and management, custom clearance and government coordination etc.. As at the date of this announcement, as far as the Company is aware, the parties have not yet entered into a formal legally binding agreement.

On 23 April 2019, the Company announced the proposed Share Consolidation on the basis that every twenty (20) issued and unissued existing ordinary shares of the Company with a par value of HK$0.01 each would be consolidated into one (1) consolidated share of the Company with a par value of HK$0.20 each. The relevant ordinary resolution was duly passed at the special general meeting of the Company on 22 May 2019 and the Share Consolidation became effective on 23 May 2019. As a result of the Share Consolidation and under the terms and conditions of the convertible notes, the conversion price of the outstanding convertible notes was adjusted from HK$0.011 to HK$0.22 per share with effect from the close of business in Hong Kong on 22 May 2019 and the outstanding convertible notes in the principal amount of HK$158.4 million will be convertible into 720,000,000 consolidated shares. For details, please refer to the announcements of the Company dated 23 April 2019 and 22 May 2019, as well as the circular of the Company dated 6 May 2019. As at 31 December 2019 and the date of this announcement, the principal amount of convertible notes that remained outstanding was HK$158.4 million with a conversion price of HK$0.22 per share and the maturity date is 31 January 2022.

As at 31 December 2019, the Group had bank balances and cash of approximately HK$11.2 million and net assets of approximately HK$6.4 million, though its net current assets were approximately HK$107.6 million with a current ratio of 2.0 times. The Company believes the Group will need to improve its cash and financial position. To mitigate the liquidity risk, during the Reporting Period, the Company, through one of its indirect wholly-owned subsidiaries in Hong Kong, has signed a loan agreement with Mr. Li Weimin, a substantial shareholder of the Company, for an unsecured and non-interest bearing loan of HK$20.0 million for a term of two years. PAPI has also signed a loan agreement with Mr. Li for an unsecured and non-interest bearing loan of VND7.3 billion (equivalent to approximately HK$2.5 million) for a term of one year (together, the "Shareholder Loans"). As at the date of this announcement, total amount of the Shareholder Loans received by the Company is approximately HK$3.3 million and as far as the Company is aware, that for PAPI is approximately VND2.5 billion (equivalent to approximately HK$0.9 million). Amid the impact from the coronavirus outbreak, the progress in the advance of the Shareholder Loans and cash flows generated from operations will affect the liquidity and going concern of the Group.

The Company's auditor has issued a disclaimer of opinion on the basis of material uncertainty relating to the going concern of the Group. For the going concern issue of the Group and the disclaimer of opinion by the Company's auditor, please refer to note 1 to the consolidated financial statements in this announcement and the Extract From Independent Auditor's Report on page 20 of this announcement. The Group has been considering various alternatives including the sourcing of funds to more permanently improve its cash and financial position.

**Liquidity, Financial Resources and Capital Structure**

The Group mainly finances its business operations with internally generated cash flows and other sources.

As at 31 December 2019, the Group had bank balances and cash of approximately HK$11.2 million (2018: HK$30.7 million). The Group's current ratio (measured as total current assets to total current liabilities) was 2.0 times (2018: 5.1 times).

As at 31 December 2019, the Company had outstanding zero coupon convertible notes due on 31 January 2022 with an aggregate principal amount of HK$158.4 million (2018: HK$158.4 million) and a conversion price of HK$0.22 (2018: HK$0.011) per share. During the Reporting Period, as a result of the Share Consolidation and under the terms and conditions of the convertible notes, the conversion price was adjusted from HK$0.011 per share to HK$0.22 per share. Based on the adjusted conversion price of HK$0.22 per share, the outstanding convertible notes with an aggregate principal amount of HK$158.4 million will be convertible into 720,000,000 shares. Details are set out in notes 11 and 12 to the consolidated financial statements in this announcement and the paragraphs headed "Business and Financial Review" in the Management Discussion and Analysis on pages 21 and 22 of this announcement.

As at 31 December 2019, the Group had no outstanding bank borrowings (2018: nil) and loans from a substantial shareholder of approximately HK$2,950,000 (2018: nil) which is unsecured, non-interest bearing and repayable on maturity. The gearing ratio, which is calculated by total interest bearing borrowings to total equity, was nil as at 31 December 2019 and 2018.

As at 31 December 2019, the Group had capital expenditure commitments of approximately HK$191,000 (2018: nil) in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements.

**Significant Investments**

The Group did not have any significant investments during the Reporting Period.

**Material Acquisitions and Disposals of Subsidiaries and Associated Companies**

The Group did not have any material acquisitions or disposals of subsidiaries and associated companies during the Reporting Period.

**Charge on Group's Assets**

As at 31 December 2019, the Group did not have any assets pledged (2018: nil).

**Foreign Exchange Exposures**

The Group mainly earns revenue and incurs costs in Hong Kong dollars, U.S. dollars and Renminbi ("RMB"). The management is aware of the possible exchange rate exposure resulted from the fluctuation of RMB against the Hong Kong dollars and will closely monitor its impact on the performance of the Group to determine if any hedging policy is necessary. With regard to the U.S. dollars, foreign exchange exposure would be minimal so long as the Hong Kong SAR Government's policy to peg the Hong Kong dollars to the U.S. dollars remains in effect.

**Contingent Liability**

Details of the contingent liability of the Group are set out in note 13 to the consolidated financial statements in this announcement.

### Employee and Remuneration Policy

As at 31 December 2019, the Group had 367 (2018: 522) full time employees in Hong Kong, the PRC (including 321 (2018: 478) subcontractor's staff for the outsourced production of electronic products) and Vietnam. Total staff costs (including Directors' remuneration) for the Reporting Period amounted to approximately HK$30.4 million (2018: HK$28.5 million). The employees are remunerated with reference to the qualification, experience, responsibility and performance of the individual, the performance of the Group and the market practices. Apart from the basic remuneration package, the mandatory provident fund scheme, the central provident scheme in the PRC and the state pension scheme in Vietnam, the Company also operates a share option scheme based on which the Board may, at its discretion, grant options to eligible employees of the Group.

## FUTURE OUTLOOK

According to the International Monetary Fund (the "IMF"), after a mark slowdown last year, global economic activity is expected to moderately strengthen in 2020. In its January 2020 forecast, the IMF projected that global growth, estimated at 2.9% in 2019, will increase to 3.3% in 2020 (before accounting for the impact from the coronavirus outbreak) and inch up further to 3.4% in 2021. Market sentiment has been boosted by tentative signs that manufacturing activity and global trade are bottoming out, a broad-based shift toward accommodative monetary policy, intermittent favorable news on U.S.-China trade negotiations, and diminished fears of a no-deal Brexit. The early signs of stabilization could persist, leading to favorable dynamics between still-resilient consumers spending and improved business spending. The projected recovery in global growth, however, is seen as fragile and shallow. Downside risks remain prominent which could derail the short-term global recovery including further spread of the coronavirus, rising geopolitical tensions (notably between the U.S. and Iran), intensifying social unrest, and further worsening of relations between the U.S. and its trading partners.

China's economy grew by 6.1% in 2019, the lowest rate since 1990 though meeting the government's target range of between 6.0% and 6.5%. According to a report dated 17 January 2020 in the financial times (the "FT"), the growth rate disappointed analysts' expectations and revealed an economy under pressure from weak consumer spending, rising unemployment and problems in the financial system despite a truce in the painful U.S.-China trade war. The question looming over China's economy in 2020 is whether the damage of the trade dispute has largely run its course, or as some experts fear, domestic troubles in banking, manufacturing and property have yet to take full effect. Before accounting for the impact from the coronavirus outbreak, the IMF projected that growth in China will inch down to 6.0% in 2020 and 5.8% in 2021. According to the IMF, the envisaged partial rollback of past tariffs and pause in additional tariff hikes as part of a "Phase One" trade deal with the U.S. is likely to alleviate near-term cyclical weakness. However, unresolved disputes on broader U.S.-China economic relations as well as needed domestic financial regulatory strengthening are expected to continue weighing on activity.

According to reports by the IMF in February 2020, the coronavirus, a human tragedy, is disrupting economic activity in China as production has been halted and mobility around affected regions limited. Spillovers to other countries are likely, and a wider and more protracted outbreak or lingering uncertainty about contagion could intensify supply chain disruptions and depress confidence more persistently, making the global impact more severe. While the impact of the epidemic continued to unfold and the uncertainties were too great to permit reliable forecasting, the IMF assumed in its baseline scenario that China's economy would return to normal in the second quarter and 2020 growth for China would be 5.6% while global growth would be 3.2%. A Reuters poll predicted China's annual growth in the first quarter of 2020 to slump to 4.5% from 6.0% in the previous quarter. Chinese manufacturing activity plunged to an all-time low in February 2020, with the official manufacturing purchasing managers' index falling to 35.7 from 50.0 in January 2020 and 50.2 in December 2019. The outbreak has severally hit the manufacturing sector, as many factories remain relatively labour intensive in China. The collapse in manufacturing activity confirmed fears over the impact on the Chinese economy and showed the severity of the problem faced by China in restarting its economy (according to reports dated 31 January 2020, 14, 19 and 29 February 2020 in the South China Morning Post and 29 February 2020 in the FT).

With the signing of the first round of the trade agreement between China and the United States in January 2020, it is expected to reduce uncertainties in the market. However, the outbreak and continuing of the coronavirus in early 2020 worsened the world economy. Business activities in the world have been greatly affected. China, Japan and South Korea, where many of the Group's customers and suppliers of the electronic products business are located, have reported huge number of confirmed cases of the disease. It is expected to have adverse impact on the supplies of raw materials and the demands of products from customers in the first half of 2020. The Group will take extra caution in observing the development of both the tariff battle and the coronavirus, and respond to the change in the market from time to time in order to minimize its impact on the Group.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance. During the Reporting Period, the Company has applied the principles of and complied with the code provisions ("Code Provision(s)") set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules except for the following deviations:

Under the Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The duties and responsibilities of the chief executive were shared among the members of the Board during the Reporting Period. In view of the size of operation of the Group, the Board considers that it will be suitable for implementing the Company's strategies under this arrangement. The Board shall review this arrangement from time to time to ensure appropriate and timely action is taken to meet changing circumstances. Following the resignation of Mr. Wang Zhaofeng as an executive Director and the chairman of the Board (the "Chairman") with effect from 24 June 2019, the duties and responsibilities of the Chairman were shared among the members of the Board. Subsequent to the Reporting Period, Ms. Li Yang was appointed as an executive Director and the Chairman on 22 January 2020.

Moreover, under the Code Provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. Since the duties and responsibilities of the Chairman were shared among the members of the Board following the resignation of Mr. Wang Zhaofeng, there was no chairman to hold such meeting during the Reporting Period. However, the independent non-executive Directors could communicate with the Company directly at any time through other means (such as telephone or email) to give their opinions and share their views on the Company's affairs. The Company would arrange to set up follow-up meetings with the independent non-executive Directors, whenever necessary.

Furthermore, under the Code Provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Mr. Ho Chi Fai, an independent non-executive Director, is not appointed for a specific term but his directorship is subject to retirement by rotation and re-election in accordance with the bye-laws of the Company (the "Bye-laws") and the Listing Rules. Under the Bye-laws, one-third of the directors shall retire from office by rotation at each annual general meeting. According to the Listing Rules, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Directors will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making process are regulated in a proper and prudent manner.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code for the Reporting Period.

## AUDIT COMMITTEE REVIEW

The audit committee of the Company has reviewed with the management the Group's consolidated financial statements for the Reporting Period, including the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters, in conjunction with the auditors of the Company.

## PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at http://www.irasia.com/listco/hk/ruixin and the website of the Stock Exchange. The Company's annual report for the year ended 31 December 2019 will be despatched to the shareholders of the Company and will be available at the above websites in due course.

By order of the Board
**Ruixin International Holdings Limited**
**Li Yang**
*Chairman*

Hong Kong, 27 March 2020

*As at the date of this announcement, the Board comprises Ms. Li Yang (Chairman), Mr. Lam Yat Keung, Mr. Huang Hanshui and Mr. Yang Junjie as executive Directors; and Mr. Ho Chi Fai and Mr. Zhang Jue as independent non-executive Directors.*