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 2021

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 2021.

RESULTS OVERVIEW

For the year ended 31 December 2021 (the "Reporting Period"), the Group reported revenue of approximately HK$303.5 million, representing a decrease of 15.3% as compared with approximately HK$358.5 million for the year ended 31 December 2020 (the "Corresponding Period").

Loss for the Reporting Period decreased to approximately HK$54.2 million from approximately HK$56.4 million for the Corresponding Period. Loss attributable to owners of the Company was approximately HK$54.2 million for the Reporting Period as compared with approximately HK$56.4 million for the Corresponding Period. The decrease in the loss for the Reporting Period was mainly due to, among others, (i) the decrease in impairment loss on right-of-use assets for the Reporting Period; (ii) the net gain on disposal of property, plant and equipment in the Reporting Period but not in the Corresponding Period; and (iii) the decrease in the operating loss for the Reporting Period, which is partly offset by, among others, the increase in imputed interest expenses on convertible notes and impairment loss on property, plant and equipment for the Reporting Period. The decrease in the operating loss for the Reporting Period was mainly due to, among others, the reduction in administrative expenses and cost control measures. During the Reporting Period, the electronic products business changed its mode of operation from manufacturing and trading to trading of electronic parts and components in response and realigning to the quick market needs from customers amid the ongoing Covid-19 pandemic. As a result, the risk and uncertainty in supply chain disruptions were reduced.

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$36.3 million for the Reporting Period, as compared with a loss of approximately HK$40.5 million for the Corresponding Period.

FINANCIAL HIGHLIGHTS

	2021	2020
	HK$'000	*HK$'000*
Revenue	**303,491**	358,522
Gross profit	**13,321**	21,888
Loss for the year	**(54,151)**	(56,383)
Imputed interest expenses on convertible notes	**(17,854)**	(15,861)
Loss for the year before imputed interest expenses on convertible notes	**(36,297)**	(40,522)

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the Reporting Period (2020: nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	**2021**	2020
		HK$'000	*HK$'000*
Revenue	*3*	**303,491**	358,522
Cost of sales		**(290,170)**	(336,634)
Gross profit		**13,321**	21,888
Other income		**4,743**	2,813
Distribution costs		**(14,120)**	(15,788)
Administrative expenses		**(34,593)**	(41,455)
Impairment loss on property, plant and equipment		**(3,086)**	(2,365)
Impairment loss on right-of-use assets		**(1,612)**	(5,211)
Impairment loss on trade receivables		**(329)**	–
Reversal of impairment loss on trade receivables		**–**	170
Finance costs	*4*	**(18,250)**	(16,435)
Loss before taxation		**(53,926)**	(56,383)
Taxation	*5*	**(225)**	–
Loss for the year attributable to owners of the Company	*6*	**(54,151)**	(56,383)
Loss per share	*8*		
Basic and diluted *(HK cents)*		**(6.45)**	(6.71)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	HK$'000	*HK$'000*
Loss for the year	**(54,151)**	(56,383)
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**405**	1,106
Total comprehensive expenses for the year attributable to owners of the Company	**(53,746)**	(55,277)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	**2021** ***HK$'000***	2020 *HK$'000*
Non-current assets			
Property, plant and equipment		**2,108**	9,551
Right-of-use assets		**–**	–
Rental deposits		**515**	323
		2,623	9,874
Current assets			
Inventories		**21,257**	49,905
Trade receivables	*9*	**68,828**	135,666
Prepayments, deposits and other receivables		**11,032**	17,303
Deposits in other financial institutions		**–**	7
Bank balances and cash		**9,248**	7,806
		110,365	210,687
Current liabilities			
Trade payables	*10*	**20,505**	99,816
Lease liabilities		**1,811**	3,111
Other payables and accruals		**15,242**	17,556
Loans from a substantial shareholder		**3,383**	8,917
Convertible notes	*11*	**156,782**	–
		197,723	129,400
Net current (liabilities) assets		**(87,358)**	81,287
Total assets less current liabilities		**(84,735)**	91,161
Non-current liabilities			
Employee benefits		**–**	75
Lease liabilities		**604**	1,014
Loans from a substantial shareholder		**17,263**	–
Convertible notes	*11*	**–**	138,928
		17,867	140,017
		(102,602)	(48,856)
Capital and reserves			
Share capital	*12*	**168,035**	168,035
Reserves		**(270,637)**	(216,891)
		(102,602)	(48,856)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 31 March 2022.

(b) *Basis of preparation*

As at 31 December 2021, the Group had net current liabilities and net liabilities of approximately HK$87,358,000 and HK$102,602,000, respectively, and incurred a net loss of approximately HK$54,151,000 and had net cash outflows from operating activities of approximately HK$13,262,000 during the year ended 31 December 2021. Subsequent to the Reporting Period, the sole holder of the Group's convertible notes in the principal amount of HK$158,400,000 with a maturity date of 31 January 2022 had undertaken not to demand any repayment from the Group before 31 January 2023 (details set out in note 11 to the consolidated financial statements in this announcement), which is included in current liabilities as at 31 December 2021. However, the Group had bank balances and cash of approximately HK$9,248,000, while its trade payables, lease liabilities and other payables and accruals were approximately HK$20,505,000, HK$1,811,000 and HK$15,242,000, 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 2022, 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 carrying amounts of the Group's assets to their net recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. 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 amendments to HKFRSs issued by the HKICPA.

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the 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.

New and amendments to 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 Contracts and related Amendments[3]
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative information[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle[2]

[1] Effective for annual periods beginning on or after 1 April 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023
[4] Effective for annual periods beginning on or after a date to be determined

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

Revenue represents revenue (net of discounts and sales related taxes) arising on manufacturing and trading of electronic and electrical parts and components and is recognised at a point in time.

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. During the Reporting Period, the Group changed its mode of operation to 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 as the Group's resources are integrated and no discrete operating segment financial information is available.

(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 2021	Year ended 31 December 2020	**As at 31 December 2021**	As at 31 December 2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**222,033**	196,700	**10**	22
Elsewhere in the PRC	**57,515**	143,760	**2,000**	9,320
Asia Pacific	**15,812**	11,074	**98**	209
Others	**8,131**	6,988	**–**	–
Total	**303,491**	358,522	**2,108**	9,551

Note: Non-current assets excluded financial instruments.

(b) *Information about major customers*

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2021	2020
	HK$'000	*HK$'000*
Customer A	**129,759**	107,886
Customer B *(note)*	**–**	44,425

Note: Contributed less than 10% of total revenue during the year ended 31 December 2021.

4. Finance costs

	2021 *HK$'000*	2020 *HK$'000*
Imputed interest expenses on convertible notes *(note 11)*	**17,854**	15,861
Interest expense on lease liabilities	**396**	574
	18,250	16,435

5. Taxation

	2021 *HK$'000*	2020 *HK$'000*
Current tax:		
Hong Kong Profits Tax	**–**	–
The PRC Enterprise Income Tax	**225**	–
	225	–

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 2021 and 2020, 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%.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2021 and 2020 as the Group has no assessable profits arising in Hong Kong for both reporting periods.

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 for the year ended 31 December 2020 as the PRC subsidiary of the Company has sufficient tax losses brought forward to set off against assessable profits.

Under the Law of Vietnam on Corporate Income Tax, the tax rate of the subsidiary registered in Vietnam is 20% (2020: 20%). No provision for the Corporate Income Tax has been made for the years ended 31 December 2021 and 2020 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:

	2021	2020
	HK$'000	*HK$'000*
Cost of inventories recognised as expenses	**280,710**	336,634
Provision for write-down of inventories (included in cost of sales)	**9,460**	–
Staff costs	**23,970**	28,391
Depreciation of property, plant and equipment	**2,585**	10,472
Auditor's remuneration	**888**	882
Net exchange loss	**658**	1,561
Net loss on disposals of property, plant and equipment	**–**	5
Write-offs of property, plant and equipment	**11**	75

7. Dividends

No dividend was paid or proposed for the year ended 31 December 2021, nor has any dividend been proposed since the end of the year ended 31 December 2021 (2020: 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$54,151,000 (2020: HK$56,383,000) and the weighted average number of approximately 840,174,000 (2020: 840,174,000) ordinary shares in issue during the year ended 31 December 2021.

For the years ended 31 December 2021 and 2020, 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 2021 and 2020 did not assume the exercise of the Company's share options as the exercise prices of those share options were higher than the average market price for shares. The computation of diluted loss per share for the years ended 31 December 2021 and 2020 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 (2020: 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:

	2021	2020
	HK$'000	*HK$'000*
Current	**57,357**	126,303
Overdue:		
– within 3 months	**758**	9,363
– 4 - 6 months	**2,285**	–
– 7 - 12 months	**8,428**	–
	68,828	135,666

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:

	2021	2020
	HK$'000	*HK$'000*
Current	**20,482**	87,024
Overdue:		
– within 3 months	**23**	12,792
	20,505	99,816

11. Convertible notes

On 16 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 2021 and 2020 are set out below:

Date of issue	:	16 November 2009
Original principal amount	:	HK$950,400,000
Date of modification	:	31 December 2018
Remaining principal amount	:	HK$158,400,000
Coupon rate	:	Nil
Conversion price	:	HK$0.22 per share
Conversion period	:	The period commencing from the date of modification of the convertible notes and ending on the maturity date
Collaterals	:	Nil
Maturity date	:	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% (2020: 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 in 2019 (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) 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.

Subsequent to the year ended 31 December 2021, the remaining convertible notes (the "Remaining CN") with an aggregate principal amount of HK$158,400,000 is matured on 31 January 2022 (the "Maturity Date"). The Company is in the process of discussing with Mr. Li to alter the terms of the Remaining CN for a fourth time (the "Proposed Alteration of CN Terms"). In the meantime, the Company has received an irrevocable letter of undertaking (the "Letter of Undertaking") dated 13 January 2022 from Mr. Li. According to the Letter of Undertaking, Mr. Li has irrevocably undertaken in favour of the Company that before the Proposed Alteration of CN Terms comes into effect, he will not, among others, request the Company to repay the principal amount of the Remaining CN and to pay any default interest and other related sums within one year from the Maturity Date. For details, please refer to the announcement of the Company dated 14 January 2022.

Movements of the liability and equity components of the convertible notes for the years ended 31 December 2021 and 2020 are set out below:

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
As at 1 January 2020	123,067	41,814	164,881
Imputed interest charged to the consolidated statement of profit or loss *(note 4)*	15,861	–	15,861
As at 31 December 2020 and 1 January 2021	138,928	41,814	180,742
Imputed interest charged to the consolidated statement of profit or loss *(note 4)*	17,854	–	17,854
As at 31 December 2021	156,782	41,814	198,596

As at 31 December 2021, the principal amount of convertible notes remained outstanding is HK$158,400,000 (2020: HK$158,400,000).

12. Share capital

	Number of shares '000	HK$'000
Authorised ordinary shares of HK$0.20 (2020: HK$0.20) each:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	3,000,000	600,000
Issued and fully paid ordinary shares of HK$0.20 (2020: HK$0.20) each:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	840,174	168,035

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.

14. Event after the Reporting Period

Subsequent to the year ended 31 December 2021, the Company has received the Letter of Undertaking in relation to the Remaining CN. Details are set out in note 11 to the consolidated financial statements in this announcement and the announcement of the Company dated 14 January 2022.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The auditor's opinion on the Group's consolidated financial statements for the year ended 31 December 2021 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, as at 31 December 2021, the Group had net current liabilities and net liabilities of approximately HK$87,358,000 and HK$102,602,000, respectively, and incurred a net loss of approximately HK$54,151,000 and had net cash outflows from operating activities of approximately HK$13,262,000 during the year ended 31 December 2021. 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 and non-current liabilities as current assets and current liabilities respectively. 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 decrease of approximately 15.3% in revenue from approximately HK$358.5 million in the Corresponding Period to approximately HK$303.5 million in the Reporting Period. In the first half of 2021, there was an increase of approximately 6.0% in revenue as compared to the same period in 2020 due to the change of mode of operation from manufacturing and trading to trading of electronic parts and components in order to response and realign to the quick market needs from customers. However, in the second half of 2021, the shortage of wafer, which is one of the main components of our electronic products, resulted in supply shortage of goods to our customers, and thus a drop of approximately 32.1% in revenue as compared to the same period in 2020.

The Company is seeking and exploring business opportunities in Vietnam to improve the prospect of the Group. Ruixin International Engineering Vietnam Company Limited ("RIEV"), the Company's indirect wholly owned subsidiary in Vietnam, 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, as reported in the annual report of the Company for the year ended 31 December 2020 (the "2020 Annual Report"). The cooperation framework agreement has expired on 31 October 2021, and as at the date of this announcement, as far as the Company is aware, the parties have not entered into a formal legally binding agreement.

The Company's convertible notes in the outstanding principal amount of HK$158.4 million with a conversion price of HK$0.22 per share have matured on 31 January 2022. The Company is in the process of discussing with the noteholder, Mr. Li Weimin, a substantial shareholder (as defined in the Listing Rules) of the Company, to alter the terms of the convertible notes for a fourth time. In the meantime, the Company has received an irrevocable letter of undertaking dated 13 January 2022 from Mr. Li. According to the Letter of Undertaking, Mr. Li has irrevocably undertaken in favour of the Company that before the Proposed Alteration of CN Terms comes into effect, he will not, among others, request the Company to repay the outstanding principal amount of the convertible notes and to pay any default interest and other related sums within one year from the Maturity Date. For further details, please refer to the announcement of the Company dated 14 January 2022. For the Reporting Period, given that the Maturity Date is less than twelve months, the convertible notes were reclassified as current liabilities in the consolidated financial statements.

The Company, through one of its indirect wholly-owned subsidiaries in Hong Kong, has signed a loan agreement each in 2019 (the "2019 HK Shareholder Loan") and 2021 (the "2021 HK Shareholder Loan") with Mr. Li for an unsecured and non-interest bearing loan of HK$20 million for a term of two years, respectively. As at the date of this announcement, the Company has received the full amount of the 2019 HK Shareholder Loan, and the amount of the 2021 HK Shareholder Loan received by the Company is approximately HK$0.3 million. The amount of the 2021 HK Shareholder Loan that remains outstanding is approximately HK$19.7 million (the "Remaining 2021 HK Shareholder Loan"). During the Reporting Period, the maturity date of the 2019 HK Shareholder Loan has been extended for another two years to October 2023. Subsequent to the Reporting Period, the schedule for granting the Remaining 2021 HK Shareholder Loan has been revised to by end-June 2022 for the remaining first drawdown of approximately HK$7.7 million, by end-December 2022 for the second drawdown of HK$6.0 million and by end-June 2023 for the third drawdown of HK$6.0 million (the "Revised Schedule").

RIEV has 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) in 2019 (the "2019 Vietnam Shareholder Loan", together with the 2019 HK Shareholder Loan, the "2019 Shareholder Loans") and VND5.0 billion (equivalent to approximately HK$1.7 million) in 2021 (the "2021 Vietnam Shareholder Loan", together with the 2021 HK Shareholder Loan, the "2021 Shareholder Loans"; together with the 2019 Vietnam Shareholder Loan, the "Vietnam Shareholder Loans") for a term of one year, respectively. As far as the Company is aware, RIEV has received the full amount of the 2019 Vietnam Shareholder Loan by February 2021. As at the date of this announcement, the amount of the 2021 Vietnam Shareholder Loan received by RIEV is approximately VND3.0 billion (equivalent to approximately HK$1.0 million) and the amount that remains outstanding is approximately VND2.0 billion (equivalent to approximately HK$0.7 million) ("the Remaining 2021 Vietnam Shareholder Loan", together with the Remaining 2021 HK Shareholder Loan, the "Remaining 2021 Shareholder Loans"). The maturity dates of the Vietnam Shareholder Loans have been extended to August 2022 and February 2023, respectively.

The Group incurred a loss of approximately HK$54.2 million for the Reporting Period, and had net current liabilities of approximately HK$87.4 million, net liabilities of approximately HK$102.6 million and bank balances and cash of approximately HK$9.2 million as at 31 December 2021. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Company's auditor expressed a disclaimer of opinion on the consolidated financial statements of the Group for the Reporting Period. Because of the significance of material uncertainties relating to the Group's ability to continue as a going concern, the auditors have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion (the "Disclaimer of Opinion"). In all other respects, in the opinion of the Company's auditor, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

However, as at 31 December 2021, if the convertible notes and the amount of Vietnam Shareholder Loans received (the current portion of loans from a substantial shareholder) were classified as non-current liabilities, the Group would have net current assets of approximately HK$72.8 million and a current ratio of approximately 2.9 times, indicating that in principle its current assets are sufficient to cover its current debt (excluding the convertible notes and the amount of Vietnam Shareholder Loans received) and other payables due within one year. Moreover, the Group would have seen a significant drop of approximately 68.9% year-on-year in its current liabilities (excluding the convertible notes and the loans from a substantial shareholder) with trade payables, lease liabilities, other payables and accruals reducing by approximately 79.5%, 41.9% and 13.6% to approximately HK$20.5 million, HK$1.8 million and HK$15.2 million as at 31 December 2021 from approximately HK$99.8 million, HK$3.1 million and HK$17.6 million as at 31 December 2020, respectively. The Group had no bank borrowings and the convertible notes accounted for approximately 72.7% of total liabilities as at 31 December 2021. Excluding the convertible notes, the Group would have been in net assets. While the Maturity Date has passed, the Letter of Undertaking has provided the Company with the timing to discuss with the noteholder and extend the Maturity Date for a fourth time. Furthermore, as the convertible notes holder is a substantial shareholder (as defined in the Listing Rules) of the Company and providing shareholder loans to support its continuous operation, the Company believes that the convertible notes holder will not request the Company to redeem the convertible notes upon maturity causing the Company insolvent.

Nonetheless, the Company believes that the Group's bank balances and cash of approximately HK$9.2 million as at 31 December 2021 remain on the low side, albeit an improvement from approximately HK$7.8 million as at 31 December 2020. To improve its liquidity, the Group has signed the 2019 and 2021 Shareholder Loans agreements with Mr. Li. The Covid-19 pandemic has affected the transfer of the 2019 and 2021 Shareholder Loans. During the Reporting Period, the amount of the 2019 Shareholder Loans and the 2021 Shareholder Loans received by the Group was approximately HK$10.8 million and HK$0.9 million, respectively. Subsequent to the Reporting Period, the Company has received the Remaining 2019 HK Shareholder Loan of approximately HK$2.7 million and the amount of the 2021 HK Shareholder Loan received by the Company is approximately HK$0.3 million. As at the date of this announcement, Mr. Li has managed to transfer the full amount of the 2019 Shareholder Loans and part of the 2021 Shareholder Loans in the amount of approximately HK$1.3 million to the Group despite the ongoing Covid-19 pandemic. During the Reporting Period, the Group saw a significant decrease in trade payables, lease liabilities, and other payables and accruals, but mainly because the amount of shareholder loans received (approximately HK$11.7 million) and proceeds from disposal of property, plant and equipment (approximately HK$7.0 million) exceeded net cash used in operating activities (approximately HK$13.3 million) and the repayment of lease liabilities (approximately HK$3.7 million), bank balances and cash went up by approximately HK$1.4 million.

Based on the information currently available to the Board, the Directors and the audit committee of the Company (the "Audit Committee") are of the view that with the amount of shareholder loans received subsequent to the Reporting Period, internally generated cashflows and the grant of the Remaining 2021 HK Shareholder Loan according to the Revised Schedule, the Group will have sufficient working capital to meet its financial obligations as they fall due for the next twelve months from the end of the Reporting Period. Accordingly, the consolidated financial statements for the Reporting Period have been prepared on a going concern basis.

However, the Company wishes to highlight that the successful outcome of the aforementioned is subject to multiple uncertainties, as amid the impact from the ongoing Covid-19 pandemic, the progress in the advance of the Remaining 2021 HK Shareholder Loan and cash flows generated from operations will affect the liquidity and going concern of the Group. As reported in the 2020 Annual Report, the Covid-19 pandemic has caused severe disruptions to economic activities worldwide and created significant uncertainties in the current business environment. According to Mr. Li, his business and source of funds are mainly in Vietnam. The Covid-19 pandemic have affected and delayed his business projects and cash flows in Vietnam, and accordingly the transfer of the 2019 and 2021 Shareholder Loans to the Group. However, Mr. Li has overcome difficulties and advanced the full amount of the 2019 Shareholder Loans and part of the 2021 Shareholder Loans to the Group as at the date of this announcement. According to Mr. Li based on the latest communication, he remains committed to the outstanding shareholder loans and expects to advance the Remaining 2021 HK Shareholder Loan according to the Revised Schedule. The Company will monitor the development of the Covid-19 pandemic and maintain continuous communication with Mr. Li in respect of the Remaining 2021 Shareholder Loans.

The Audit Committee has critically reviewed the management's position concerning the Disclaimer of Opinion and agreed with the management's position. The auditor reported to and discussed with the Audit Committee about going concern and the Disclaimer of Opinion with details as set out in note 1 to the consolidated financial statements in this announcement and the Extract From Independent Auditor's Report on page 15 of this announcement. For more details about the going concern basis of the Group and the Disclaimer of Opinion, please refer to note 1 to the consolidated financial statements in this announcement and the Extract From Independent Auditor's Report on page 15 of this announcement. Apart from the shareholder loans, the Company has made a request to its bank in Hong Kong for a commercial loan but its request was declined by the bank due to the loss-making position of the Group. The Company has also tried but not able to raise funds form the market on acceptable terms as at the date of this announcement. The Group will continue to seek other source of funding to 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 2021, the Group had bank balances and cash of approximately HK$9.2 million (2020: HK$7.8 million). The Group's current ratio (measured as total current assets to total current liabilities) was 0.6 time (2020: 1.6 times).

As at 31 December 2021, the Company had outstanding zero coupon convertible notes due on 31 January 2022 with an aggregate principal amount of HK$158.4 million (2020: HK$158.4 million) and a conversion price of HK$0.22 (2020: HK$0.22) per share. The Company is in the process of discussing with the noteholder, Mr. Li, a substantial shareholder (as defined in the Listing Rules) of the Company, to alter the terms of the convertible notes for a fourth time. In the meantime, the Company has received an irrevocable letter of undertaking dated 13 January 2022 from Mr. Li. According to the Letter of Undertaking, Mr. Li has irrevocably undertaken in favour of the Company that before the Proposed Alteration of CN Terms comes into effect, he will not, among others, request the Company to repay the outstanding principal amount of the convertible notes and to pay any default interest and other related sums within one year from the Maturity Date. Details are set out in the paragraphs headed "Business and Financial Review" in the Management Discussion and Analysis on pages 16 to 19 of this announcement and note 11 to the consolidated financial statements in this announcement.

As at 31 December 2021, the Group had no outstanding bank borrowings (2020: nil) and loans from a substantial shareholder of approximately HK$20,646,000 (2020: HK$8,917,000) 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 2021 and 2020.

As at 31 December 2021, the Group had no capital expenditure commitments (2020: nil).

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 2021, the Group did not have any assets pledged (2020: 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 2021, the Group had 35 (2020: 469) full time employees in Hong Kong, the PRC (including 429 subcontractor's staff for the outsourced production of electronic products as at 31 December 2020, but nil as at 31 December 2021 due to a change in the mode of operation from manufacturing and trading to trading of electronic and electrical parts and components) and Vietnam. Total staff costs (including Directors' remuneration) for the Reporting Period amounted to approximately HK$24.0 million (2020: HK$28.4 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

The global economic recovery faces multiple challenges as the Covid-19 pandemic enters its third year, according to the International Monetary Fund (the "IMF"). The rapid spread of the Omicron variant has led to renewed mobility restrictions, increased labour shortages and financial market volatility. Supply disruptions still weigh on activity and are contributing to higher inflation, adding to pressure from strong demand and elevated food and energy prices. Moreover, record debt and rising inflation constrain the ability of many countries to address renewed disruptions. The IMF projected global growth to slow from 5.9% in 2021 to 4.4% in 2022, half a percentage point lower than previously forecast, mainly because of significant downgrades for the United States and China. In the case of the United States, the downgrade reflects lower prospect of legislating the Build Back Better fiscal package, an earlier withdrawal of extraordinary monetary accommodation and continued supply disruptions. China's downgrade reflects continued retrenchment of the real estate sector and a weaker-than-expected recovery in private consumption. Global growth may further weaken to 3.8% in 2023.

The IMF forecast is conditional on adverse health outcomes declining to low levels in most countries by end-2022, assuming vaccination rates improve worldwide and therapies become more effective. Risks overall are to the downside and the outlook could be even worse, if the emergence of deadlier variant prolongs the pandemic, supply disruptions are exacerbated, central banks have to take firmer action to quell inflation or geopolitical tensions and social unrest intensify. According to the World Trade Organisation, the crunch in global supply chains will continue longer than originally thought and may persistently marginalise developing countries risked squeezing by higher transaction costs. According to the IMF, the shift towards goods consumption overloaded global supply chain networks during the pandemic, compounded by pandemic-related impediments to transportation and staffing, as well as by the inherently fragile nature of just-in-time logistics and lean inventories. The resulting disruption to global trade led to shortages and higher prices for imported consumer goods. Global trade is expected to moderate in 2022 and 2023, in line with the overall pace of economic expansion.

Generally speaking in 2021, China sustained the continuous and steady recovery of the national economy and maintained the leading position in economic growth and epidemic prevention and control in the world with major indicators reaching the expected targets, according to the NBS statement. Entering into 2022, however, the external environment is more complicated and uncertain, and the domestic economy is under the triple pressure of demand contractions, supply shock and weakening expectations. China's gross domestic product expanded by 4.0% in the fourth quarter of 2021, the slowest pace in 18 months and bringing the full-year growth rate to 8.1% in 2021. The recovery has been losing steam since the second half of 2021 after growing by 18.3% in the first quarter of 2021. According to the IMF, China's recovery is well advanced, but it lacks balance and momentum has slowed. The slowdown is attributed to the rapid withdrawal of policy support, the lagging recovery of consumption amid recurrent Covid-19 outbreaks despite a successful vaccination campaign, and slowing real estate investment following policy efforts to reduce leverage in the property sector.

The IMF has cut its forecast for China's economic growth in 2022 from 5.6% to 4.8%, reflecting disruptions caused by the pandemic and pressure on the property sector. The IMF warned that disruption in the housing sector has served as a prelude to a broader slowdown in China, which will affect global prospects, principally via spillovers to commodity exporters and emerging markets. With a strict zero-Covid strategy leading to recurrent mobility restrictions and deteriorating prospects for construction sector employment, private consumption is likely to be lower than anticipated. In a sign of continued concerns among consumers, China's retail sales added just 1.7% in December 2021, the slowest rate in 14 months. Amid repeated Covid-19 outbreaks, the official manufacturing PMI was close to a contraction between 50.1 to 50.3 from December 2021 to February 2022. While an escalation in stimulus policies is highly anticipated, analysts have urged policy makers to roll out measures to develop domestic markets and expertise in preparation for escalating rivalry with the United States this year, including more technological containment and decoupling attempts, with possible flow on effects for exports. (Reference is made to the IMF documents and reports, and reports in the Financial Times and the South China Morning Post.)

As the shortage of wafer together with price increase in the upstream manufacturers in the electronic industry is expected to continue in the coming year which give uncertainties in both supply and demand of the electronic products business, the year of 2022 will be a very difficult time. The Group will take extra caution in responding to the change in the market and customers' demand and strengthen cost control measures to ensure its competitiveness.

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.

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.

Moreover, under the Code Provision A.5.1 of the CG Code, the Company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Following the resignation of Ms. Liu Yanfang as an independent non-executive Director and the chairman and a member of the nomination committee of the Company (the "Nomination Committee") with effect from 1 January 2020, the number of independent non-executive Directors is reduced to two and the Nomination Committee comprises all the two independent non-executive Directors. An independent non-executive Director would serve as the chairman of each Nomination Committee meeting. Subsequent to the Reporting Period, Ms. Li Yang, the chairman of the Board, was appointed as a member and the chairman of the Nomination Committee with effect from 9 March 2022, as set out in the Company's announcement dated 9 March 2022.

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 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 2021 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, 31 March 2022

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