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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the "Board") of directors (the "Director(s)") of Ruixin International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2023, together with the comparative figures for the corresponding period and selected explanatory notes as set out below.

RESULTS OVERVIEW

For the six months ended 30 June 2023 (the "Reporting Period"), the Group reported revenue of approximately HK$56.2 million, representing a decrease of approximately 54.8% as compared with approximately HK$124.3 million for the six months ended 30 June 2022 (the "Corresponding Period").

Loss for the Reporting Period increased to approximately HK$34.8 million from approximately HK$25.4 million for the Corresponding Period. The increase in the loss for the Reporting Period was mainly due to the increase in the operating loss for the electronic products business, which may be attributed to, among others, (i) the decrease in revenue mainly due to the rapid advancement in the industry and certain orders were lost as the Group's products were unable to meet the new specifications of those customers; (ii) the decrease in gross profit mainly due to additional compensations made to certain customers for their rework charges to modify the Group's products to meet their requirements; and (iii) one-off expenses in administrative costs to safeguard the disclosure of the Group's knowhow to its competitors.

Other than the imputed interest expenses on convertible notes and shareholder loans which arose as a result of accounting treatment under the provisions of the applicable accounting standards, the Group made a loss of approximately HK$25.5 million for the Reporting Period, as compared with a loss of approximately HK$15.7 million for the Corresponding Period.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Revenue	**56,156**	124,326
Gross profit	**146**	8,541
Loss for the period	**(34,785)**	(25,357)
Imputed interest expenses on convertible notes	**(8,391)**	(9,687)
Imputed interest expenses on loans from a substantial shareholder	**(918)**	–
Loss for the period before imputed interest expenses on convertible notes and loans from a substantial shareholder	**(25,476)**	(15,670)

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**56,156**	124,326
Cost of sales		**(56,010)**	(115,785)
Gross profit		**146**	8,541
Other income		**62**	165
Distribution costs		**(7,031)**	(10,632)
Administrative expenses		**(18,283)**	(13,624)
Impairment loss on right-of-use assets		**(285)**	–
Finance costs	*4*	**(9,394)**	(9,803)
Loss before taxation		**(34,785)**	(25,353)
Income tax expense	*5*	**–**	(4)
Loss for the period attributable to owners of the Company	*6*	**(34,785)**	(25,357)
Loss per share (in Hong Kong cents)	*8*		(Restated)
Basic and diluted		**(41.40)**	(30.18)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(34,785)**	(25,357)
Other comprehensive income (expenses) for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**289**	(707)
Total comprehensive expenses for the period attributable to owners of the Company	**(34,496)**	(26,064)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	**30 June 2023** ***HK$'000*** **(Unaudited)**	31 December 2022 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	*9*	**92**	16
Right-of-use assets		**–**	–
Rental deposits		**144**	144
		236	160
Current assets			
Inventories		**13,763**	8,495
Trade receivables	*10*	**15,630**	22,444
Prepayments, deposits and other receivables		**8,768**	23,122
Bank balances and cash		**5,539**	6,449
		43,700	60,510
Current liabilities			
Trade payables	*11*	**5,752**	2,085
Lease liabilities		**925**	907
Other payables and accruals		**20,527**	18,927
Loans from a substantial shareholder		**29,856**	23,022
		57,060	44,941
Net current (liabilities) assets		**(13,360)**	15,569
Total assets less current liabilities		**(13,124)**	15,729
Non-current liabilities			
Lease liabilities		**210**	475
Loans from a substantial shareholder		**–**	2,841
Convertible notes	*12*	**127,433**	119,042
		127,643	122,358
		(140,767)	(106,629)
Capital and reserves			
Share capital	*13*	**8,402**	8,402
Reserves		**(149,169)**	(115,031)
		(140,767)	(106,629)

Notes:

1. BASIS OF PREPARATION

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

Going concern basis

In preparing the condensed consolidated financial statements, the Directors have given consideration to the future liquidity of the Group.

The Group incurred a loss of approximately HK$34,785,000 for the Reporting Period, and had net current liabilities of approximately HK$13,360,000, net liabilities of approximately HK$140,767,000 and bank balances and cash of approximately HK$5,539,000 as at 30 June 2023. However, as at 30 June 2023, if the loans from a substantial shareholder was excluded from current liabilities, the Group would have net current assets of approximately HK$16,496,000 and a current ratio of approximately 1.6 times, indicating that in principle its current assets are sufficient to cover its debt and payables due within one year. The Group had no bank borrowings, and the outstanding convertible notes and the shareholder loans accounted for approximately 85.2% of total liabilities as at 30 June 2023. Excluding the outstanding convertible notes and the shareholder loans, the Group would have been in net assets of approximately HK$16,522,000. As the convertible notes holder is a substantial shareholder 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 outstanding convertible notes and repay the shareholder loans upon maturity causing the Company insolvent.

Nonetheless, the Company believes that the Group's bank balances and cash of approximately HK$5,539,000 as at 30 June 2023 are on the low side. To improve its liquidity, the Group has signed the shareholder loan agreements with Mr. Li (as defined on page 14 of this announcement). However, economic uncertainties and the Covid-19 pandemic have affected the transfer of the shareholder loans. During the Reporting Period, total amount of shareholder loans received by the Group was approximately HK$3,434,000. Subsequent to the Reporting Period, the amount of shareholder loans received by the Group was approximately HK$2,376,000. As at the date of this announcement, Mr. Li has transferred part of the 2021 Shareholder Loans (as defined on page 15 of this announcement) in the amount of approximately HK$10,269,000 to the Group. According to Mr. Li based on the latest communication and the Letter of Undertaking (as defined on page 14 of this announcement), he remains committed to the remaining shareholder loans and expects to advance the Remaining 2021 HK Shareholder Loan (as defined on page 14 of this announcement) according to the Revised Schedule (as defined on page 14 of this announcement). In addition, to improve the financial position and support future development of the Group, the Company's financial advisor has been assisting the Company in exploring avenues to raise funds by equity financing. Subject to availability and market conditions, the Board hopes to conduct equity fund raising on acceptable terms by 31 December 2023.

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 cash flows, the grant of the Remaining 2021 HK Shareholder Loan according to the Revised Schedule and the proposed equity fund raising, 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 condensed 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 economic uncertainties, the progress in the grant of the Remaining 2021 HK Shareholder Loan, cash flows generated from operations and the outcome of the proposed equity fund raising will affect the liquidity and going concern of the Group. For further details, please refer to the paragraphs headed "Business and Financial Review" in Management Discussion and Analysis on pages 14 to 17 of this announcement. 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 and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

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

HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The Group has not applied any new or revised HKFRSs that are not yet effective for the current interim period.

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

3. REVENUE AND SEGMENT INFORMATION

As set out in the Company's annual report for the year ended 31 December 2022 (the "2022 Annual Report"), the Group is principally engaged in the manufacturing and trading of electronic and electrical parts and components. During the year ended 31 December 2021, 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.

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

4. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Imputed interest expenses on convertible notes *(Note 12)*	**8,391**	–
Provision for imputed interest and imputed interest expenses on convertible notes *(Note 12)*	**–**	9,687
Imputed interest expenses on loans from a substantial shareholder	**918**	–
Interest expense on lease liabilities	**85**	116
	9,394	9,803

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	**–**	–
The People's Republic of China Enterprise Income Tax	**–**	4
	–	4

Under the two-tiered profits tax rates regime in Hong Kong, 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 six months ended 30 June 2023 and 2022, 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 six months ended 30 June 2023 and 2022 as the Group has no assessable profits arising in Hong Kong for both reporting periods.

Under the Law of the People's Republic of China (the "PRC" or "China") 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.

Under the Law of Vietnam on Corporate Income Tax (the "Vietnam Corporate Tax"), the tax rate of the subsidiary registered in Vietnam is 20%. No provision for the Vietnam Corporate Tax has been made for the six months ended 30 June 2023 and 2022 as the Vietnam subsidiary has no assessable profits for both reporting periods.

6. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**(2)**	(6)
Provision for write-down of inventories (included in cost of sales)	**–**	4,121
Reversal of impairment loss on inventories (included in cost of sales)	**(165)**	–
Depreciation of property, plant and equipment	**16**	381
Write-offs of property, plant and equipment	**–**	6
Net exchange (gain) loss	**(43)**	345

7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK$34,785,000 (six months ended 30 June 2022: approximately HK$25,357,000) and the weighted average number of approximately 84,017,000 (six months ended 30 June 2022: approximately 84,017,000, as adjusted to reflect the effect of the Share Consolidation as defined in note 13(a)) ordinary shares in issue during the six months ended 30 June 2023.

For the six months ended 30 June 2023 and 2022, the diluted loss per share is the same as the basic loss per share.

The computation of diluted loss per share for the six months ended 30 June 2023 and 2022 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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group spent approximately HK$91,000 (six months ended 30 June 2022: approximately HK$18,000) on addition of leasehold improvements and others.

10. TRADE RECEIVABLES

The Group allows an average credit period of 30 to 120 days (31 December 2022: 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:

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current	**15,559**	22,398
Overdue:		
– within 3 months	**71**	46
	15,630	22,444

11. TRADE PAYABLES

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

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current	**5,714**	1,762
Overdue:		
– within 3 months	**38**	323
	5,752	2,085

12. CONVERTIBLE NOTES

As at 30 June 2023 and 31 December 2022, the principal amount of convertible notes that remained outstanding was HK$158,400,000. On 14 November 2014, the Company and the convertible notes holder 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 then 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 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 then 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 the convertible notes holder 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 then 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 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 then 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 the convertible notes holder 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 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.

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.

As a result of the Capital Reorganisation (as defined in Note 13(c)) in 2022 and under the terms and conditions of the convertible notes, the conversion price of the outstanding convertible notes was adjusted from HK$0.22 per share to HK$2.20 per New Share (as defined in Note 13(c)) with effect from the close of business in Hong Kong on 8 November 2022.

On 11 August 2022, 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 outstanding convertible notes with an aggregate principal amount of HK$158,400,000 would be extended from 31 January 2022 to 31 January 2025; and (ii) the adjusted conversion price of HK$2.20 per New Share would be further adjusted to the conversion price of HK$1.00 per New Share. On 7 November 2022, the relevant ordinary resolution was duly passed at the special general meeting. On 10 November 2022, the extension of the maturity date and the adjustment of the adjusted conversion price of the outstanding convertible notes became effective. For details, please refer to the announcements of the Company dated 11 August 2022, 7 November 2022 and 10 November 2022, as well as the circular of the Company dated 14 October 2022 and the 2022 Annual Report. Based on the conversion price of HK$1.00 per share, the outstanding convertible notes with an aggregate principal amount of HK$158,400,000 will be convertible into 158,400,000 ordinary shares of HK$0.10 each.

The extension of the maturity date and the adjustment of the adjusted 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. The carrying values of liability component and equity component of the convertible notes immediately before modification were approximately HK$158,400,000 and HK$41,814,000 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$105,843,000 and HK$5,644,000 respectively. These caused an increase of approximately HK$52,557,000 in other reserve in the consolidated statement of changes in equity, a transfer of approximately HK$47,743,000 between other reserve and accumulated losses, and a transfer of a net amount of approximately HK$36,170,000 between the convertible notes reserve and accumulated losses with no profit or loss impact during the year ended 31 December 2022.

The imputed interest charged on the convertible notes for the six months ended 30 June 2023 amounted to approximately HK$8,391,000 (six months ended 30 June 2022: approximately HK$9,687,000 (including the provision for imputed interest expenses on convertible notes for the period from 1 February 2022 to 30 June 2022)).

13. SHARE CAPITAL

	Number of shares *'000*	*HK$'000*
Authorised ordinary shares of HK$0.10 (31 December 2022: HK$0.10) each:		
At 1 January 2022	3,000,000	600,000
Share consolidation *(Note a)*	(2,700,000)	–
Share subdivision *(Note c)*	5,700,000	–
At 31 December 2022 and 30 June 2023	6,000,000	600,000
Issued and fully paid ordinary shares of HK$0.10 (31 December 2022: HK$0.10) each:		
At 1 January 2022	840,174	168,035
Share consolidation *(Note a)*	(756,157)	–
Capital reduction *(Note b)*	–	(159,633)
At 31 December 2022 and 30 June 2023	84,017	8,402

Notes:

(a) On 7 November 2022, the relevant special resolution was duly passed at the special general meeting and every ten issued and unissued ordinary shares with a par value of HK$0.20 each in the share capital of the Company were consolidated into one ordinary share with a par value of HK$2.00 each (each a "Consolidated Share") (the "Share Consolidation") with effect from 9 November 2022.

(b) On 7 November 2022, the relevant special resolution was duly passed at the special general meeting and the par value of each issued Consolidated Share was reduced from HK$2.00 to HK0.10 by cancelling the paid-up capital of the Company to the extent of HK$1.90 on each issued Consolidated Share and any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation was cancelled (the "Capital Reduction") with effect from 9 November 2022.

(c) On 7 November 2022, the relevant special resolution was duly passed at the special general meeting and each authorised but unissued Consolidated Share with a par value of HK$2.00 was subdivided into twenty new share (the "New Share(s)") of the Company with a par value of HK$0.10 each (the "Share Subdivision", and together with the Share Consolidation and the Capital Reduction, the "Capital Reorganisation") with effect from 9 November 2022. Such New Shares rank *pari passu* in all respects with each other.

14. 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 condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The electronic products business reported a decrease of approximately 54.8% in revenue from approximately HK$124.3 million in the Corresponding Period to approximately HK$56.2 million in the Reporting Period. The decrease in revenue was mainly a result from the rapid advancement in the industry and certain orders were lost as the Group's products were unable to meet the new specifications of those customers. The decrease in gross profit was mainly due to additional compensations made to certain customers for their rework charges to modify the Group's products to meet their requirements.

As at 30 June 2023 and the date of this announcement, the principal amount of the convertible notes (the "Convertible Notes") that remains outstanding is HK$158.4 million (the "Outstanding Convertible Notes") convertible into 158,400,000 ordinary shares of HK$0.10 each at a conversion price of HK$1.00 per share and the maturity date is 31 January 2025. As part of the measures to improve its financial position, the Company entered into the deed of further variation with the holder of the Outstanding Convertible Notes (the "Noteholder") on 11 August 2022 to alter certain terms and conditions of the Outstanding Convertible Notes (the "Alteration of Terms"). The Alteration of Terms has become effective on 10 November 2022. For details about the Alteration of Terms and its financial impact, please refer to note 12 to the condensed consolidated financial statements in this announcement and the 2022 Annual Report.

As set out in the 2022 Annual Report, the Company, through one of its indirect wholly-owned subsidiaries in Hong Kong, has signed a loan agreement in 2021 with Mr. Li Weimin ("Mr. Li", a substantial shareholder (as defined in the Listing Rules) of the Company) for an unsecured and non-interest bearing loan of HK$20 million for a term of two years (the "2021 HK Shareholder Loan"). As at the date of this announcement, the amount of the 2021 HK Shareholder Loan received by the Company is approximately HK$8.6 million and the amount that remains outstanding is approximately HK$11.4 million (the "Remaining 2021 HK Shareholder Loan"). According to the letter of undertaking (the "Letter of Undertaking") dated 28 March 2023 (as set out in the 2022 Annual Report) and the latest communication with Mr. Li, the Company shall receive the remaining second drawdown of approximately HK$5.4 million by end-September 2023 and the third drawdown of HK$6.0 million by end-March 2024 (the "Revised Schedule"). The Company will continue to seek further extension of the Hong Kong shareholder loans from Mr. Li.

Ruixin International Engineering Vietnam Company Limited ("RIEV") has signed a loan agreement each in 2021 (the "2021 Vietnam Shareholder Loan", together with the 2021 HK Shareholder Loan, the "2021 Shareholder Loans") and 2023 (the "2023 Vietnam Shareholder Loan", together with the 2021 HK Shareholder Loan, the "Shareholder Loans") with Mr. Li for an unsecured and non-interest bearing loan of VND5.0 billion (equivalent to approximately HK$1.7 million) for a term of one year, respectively. As far as the Company is aware, RIEV has received the full amount of the 2021 Vietnam Shareholder Loan by January 2023. As at the date of this announcement, total amount of the 2023 Vietnam Shareholder Loan received by RIEV is approximately VND1.3 billion (equivalent to approximately HK$0.5 million) and the amount that remains outstanding is approximately VND3.7 billion (equivalent to approximately HK$1.2 million). RIEV will continue to seek further extension of the Vietnam shareholder loans from Mr. Li.

The Group incurred a loss of approximately HK$34.8 million for the Reporting Period, and had net current liabilities of approximately HK$13.4 million, net liabilities of approximately HK$140.8 million and bank balances and cash of approximately HK$5.5 million as at 30 June 2023. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

However, as at 30 June 2023, if the current portion of shareholder loans was excluded from current liabilities, the Group would have net current assets of approximately HK$16.5 million and a current ratio of approximately 1.6 times, indicating that in principle its current assets are sufficient to cover its debt and payables due within one year. The Group had no bank borrowings, and the Outstanding Convertible Notes and the shareholder loans accounted for approximately 85.2% of total liabilities as at 30 June 2023. Excluding the Outstanding Convertible Notes and the shareholder loans, the Group would have been in net assets of approximately HK$16.5 million. As the Noteholder is a substantial shareholder of the Company and providing shareholder loans to support its continuous operation, the Company believes that the Noteholder will not request the Company to redeem the Outstanding Convertible Notes and repay the shareholder loans upon maturity causing the Company insolvent.

Nonetheless, the Company believes that the Group's bank balances and cash of approximately HK$5.5 million as at 30 June 2023 are on the low side. To improve its liquidity, the Group has signed the shareholder loan agreements with Mr. Li. However, economic uncertainties and the Covid-19 pandemic have affected the transfer of the shareholder loans. During the Reporting Period, total amount of shareholder loans received by the Group was approximately HK$3.4 million. Subsequent to the Reporting Period, the amount of shareholder loans received by the Group was approximately HK$2.4 million. As at the date of this announcement, Mr. Li has transferred part of the 2021 Shareholder Loans in the amount of approximately HK$10.3 million to the Group.

Apart from the shareholder loans, during the Reporting Period, the Company has made a request to its bank in Hong Kong for a commercial loan but its request has been declined by the bank due to the loss-making position of the Group. To improve the financial position and support future development of the Group, the Company's financial advisor (the "FA") has been assisting the Company in exploring avenues to raise funds by equity financing. As at the date of this announcement, the Company has not been able to raise equity funds on acceptable terms probably due to the Group's financial position and market conditions. As informed by the FA and announced by the Company on 21 June 2023, Mr. Li has formally appointed professional advisers to explore ways and means to enhance the liquidity position and business prospect of the Company. In addition to continuing to provide financial support towards the business operation of the Company, Mr. Li has been soliciting not less than five potential investors to invest in the Company. Based on the proposals received by Mr. Li thus far, it is expected that that the amount of equity fund raising from the potential investors will be sufficient to settle a substantial amount of the Company's debt and provide the Company with additional working capital for its business operation. However, while the discussion with the potential investors are still on going, no legally binding term sheets and/or agreements have been entered into as at the date of this announcement. Subject to availability and market conditions, the Board hopes to conduct equity fund raising on acceptable terms by 31 December 2023. The Company is also in continuous discussion with the Noteholder on partial conversion of the Outstanding Convertible Notes. However, the Noteholder is advised of the likelihood that the conversion of the Outstanding Convertible Notes may render the Noteholder be obliged to make a general offer for the Company's shares as required under the Hong Kong Code on Takeovers and Mergers.

Based on the information currently available to the Board, the Directors and the Audit Committee are of the view that with the amount of shareholder loans received subsequent to the Reporting Period, internally generated cash flows, the grant of the Remaining 2021 HK Shareholder Loan according to the Revised Schedule and the proposed equity fund raising, 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 condensed 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 economic uncertainties, the progress in the grant of the Remaining 2021 HK Shareholder Loan, cash flows generated from operations and the outcome of the proposed equity fund raising will affect the liquidity and going concern of the Group.

As reported in the 2022 Annual Report, the Company understands from Mr. Li that economic uncertainties and the Covid-19 pandemic have affected and delayed his business projects and cash flows in Vietnam, and accordingly the transfer of the shareholder loans to the Group. The Group will maintain continuous communication with Mr. Li in respect of the remaining Shareholder Loans. According to Mr. Li based on the latest communication and the Letter of Undertaking, he remains committed to the remaining Shareholder Loans and expects to advance the Remaining 2021 HK Shareholder Loan according to the Revised Schedule. However, given the current uncertain economic environment, there may be further delays in the grant of the Remaining 2021 HK Shareholder Loan, and the Group's cash flows generated from operations may not turn out to be as projected. Furthermore, as the Group is currently registering net liabilities and loss making, there may be concerns among investors about the Company's viability and sustainability, which may reflect in the current low share price of the Company. Under such circumstances, the Company may or may not succeed in its proposed equity fund raising, even if the Company is willing to raise funds at prevailing market price or a discount. Irrespective of the outcome of the aforementioned, the Group will continue to seek other source of funding to improve its cash and financial position. For more details about the going concern basis of the Group, please refer to note 1 to the condensed consolidated financial statements in this announcement.

Liquidity, Financial Resources and Capital Structure

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

As at 30 June 2023, the Group had bank balances and cash of approximately HK$5.5 million (31 December 2022: approximately HK$6.4 million). The Group's current ratio (measured as total current assets to total current liabilities) was 0.8 times (31 December 2022: 1.3 times).

As at 30 June 2023, the Company had outstanding zero coupon convertible notes due on 31 January 2025 with an aggregate principal amount of HK$158.4 million (31 December 2022: HK$158.4 million) and a conversion price of HK$1.00 (31 December 2022: HK$1.00) per share.

As at 30 June 2023, the Group had no outstanding bank borrowings (31 December 2022: nil) and loans from a substantial shareholder of approximately HK$29,856,000 (31 December 2022: HK$25,863,000) 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 30 June 2023 and 31 December 2022.

As at 30 June 2023, the Group had no capital expenditure commitments (31 December 2022: 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 30 June 2023, the Group did not have any assets pledged (31 December 2022: 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 14 to the condensed consolidated financial statements in this announcement.

Employee and Remuneration Policy

As at 30 June 2023, the Group had 31 (30 June 2022: 39) full time employees in Hong Kong, the PRC and Vietnam. Total staff costs (including Directors' remuneration) for the Reporting Period amounted to approximately HK$8.0 million (six months ended 30 June 2022: approximately HK$8.7 million). The employees (including Directors) 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 operated a share option scheme (which has expired on 7 June 2022) based on which the Board, at its discretion, granted options to eligible employees of the Group.

Future Outlook

According to the International Monetary Fund (the "IMF"), the global recovery from the Covid-19 pandemic and the war in Ukraine is slowing amid widening divergences among economic sectors and regions. While Covid-19 is no longer a global health emergency and supply chains have largely recovered, forces that hindered growth in 2022 persist. Among others, inflation remains high and continues to erode household purchasing power. Policy tightening by central banks has raised the cost of borrowing, constraining economic activity. As a result, output losses compared with pre-pandemic forecasts remain large, especially for the world's poorest nations. Despite these headwinds, global economic activity was resilient in the first quarter of 2023, but driven mainly by the services sector. At the same time, nonservices sectors, including manufacturing, have shown weakness, and high-frequency indicators for the second quarter point to a broader slowdown in activity. Amid softening consumption of goods, heightened uncertainties regarding the future geoeconomic landscape, weak productivity growth, and a more challenging financial environment, firms have scaled back investment in productive capacity. The IMF projects global growth to fall from 3.5% in 2022 to 3.0% in 2023 and 2024, well below the historical average of 3.8%. World trade growth is expected to decline from 5.2% in 2022 to 2.0% in 2023, before rising to 3.7% in 2024. The decline in 2023 reflects not only the path of global demand, but also shifts in its composition toward domestic services, lagged effects of US dollar appreciation and rising trade barriers. The IMF warns that the global economy is not out of the woods yet and risks to global growth remain tilted to the downside.

China's post-Covid recovery lost steam in the second quarter, with its economy expanding by 0.8% quarter on quarter and 6.3% year-on-year missing market expectations as falling exports, weak consumer confidence and depressed business investment weighed on growth. In the first half of the year, China's economy grew by 5.5% year on year. The biggest problem appears to be youth unemployment, the rate of which has hit a new high of 21.3% in June 2023. The difficulties facing the world's second-largest economy will put further pressure on global growth and add to calls for China to step up stimulus measures. Beijing has restrained from rolling out strong stimulus measures and ultra-loose monetary policy out of concerns for fuelling the already-high local government debt and triggering the levels of inflationary seen in western countries. However, there may be a need to act fast to avoid a debilitating deflationary cycle from becoming embedded. China's leaders have vowed to spur consumer spending, tackle unemployment and give more support to the ailing property sector. Overall, economists believe that the government wants to ensure it meets its growth target of 5.0% for 2023 and most analysts expect the economy to grow above 5.0% this year, which has been flattered by a low base due to Covid-19 lockdowns in 2022. The tricky part might be ensuring a reasonable level of growth into 2024, when the economy will not benefit from a low base effect, economists say. The IMF projects China's economy to grow by 5.2% in 2023 and 4.5% in 2024. China's manufacturers are facing some of the strongest headwinds in years from slowing global demand to rising geopolitical tensions and sluggish post-Covid recovery. (Reference is made to the IMF documents and reports, and reports in the Financial Times and the South China Morning Post.)

The inability of the Group's products to catch up with the advancement in the industry has resulted in the loss of customer orders from certain giant consumer products manufacturers. In addition, global inflation risks and shortage of raw materials are also undermining the electronic industry and the world economy which the Group is difficult to resist alone. The Group expects that it will be very tough and exigent in the years to come. The Group will take extra caution in responding to the change in customer demand.

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 PRACTICES

During the Reporting Period, the Company has applied the principles of and complied with the code provisions (the "Code Provision(s)") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules except for the following deviations:

Under the Code Provision C.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.

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 during the Reporting Period.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the Reporting Period.

The members of the Audit Committee are Mr. Ho Chi Fai (the chairman of the Audit Committee), Mr. Zhang Jue and Mr. Leung Ka Tin, the independent non-executive Directors.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 interim report for the six months ended 30 June 2023 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 August 2023

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, Mr. Zhang Jue and Mr. Leung Ka Tin as independent non-executive Directors.