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 2018

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 2018.

RESULTS OVERVIEW

For the year ended 31 December 2018 (the "Reporting Period"), the Group reported revenue of approximately HK$445.9 million, representing a decrease of 17.7% as compared with approximately HK$542.1 million for the year ended 31 December 2017 (the "Corresponding Period").

Loss for the Reporting Period increased to approximately HK$85.9 million from approximately HK$42.7 million for the Corresponding Period. Loss attributable to owners of the Company was approximately HK$85.9 million for the Reporting Period as compared with approximately HK$42.7 million for the Corresponding Period. The increase in loss was mainly due to, among others, (i) the increase in operating loss for the Reporting Period; (ii) the exchange loss in the Reporting Period but the exchange gain in the Corresponding Period; and (iii) the increase in imputed interest expenses on convertible notes in the Reporting Period. The increase in operating loss for the Reporting Period was mainly due to the expansion of loss from the electronic products business as a result of, among others, the drop in revenue amid the uncertainty and outbreak of the trade war, the increase in material cost, the impairment loss on inventories and the rise in labour cost.

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$68.9 million for the Reporting Period, as compared with a loss of approximately HK$27.5 million for the Corresponding Period.

FINANCIAL HIGHLIGHTS

	2018	2017
	HK$'000	*HK$'000*
Revenue	**445,933**	542,082
Gross profit	**2,187**	41,172
Loss for the year	**(85,881)**	(42,749)
Imputed interest expenses on convertible notes	**(16,941)**	(15,203)
Loss for the year before imputed interest expenses on convertible notes	**(68,940)**	(27,546)

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the Reporting Period (2017: nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Revenue	*3*	**445,933**	542,082
Cost of sales		**(443,746)**	(500,910)
Gross profit		**2,187**	41,172
Other income		**327**	2,880
Distribution costs		**(21,782)**	(22,899)
Administrative expenses		**(48,135)**	(48,685)
Share of results of joint ventures		**(1,359)**	(10)
Other expenses		**(178)**	(4)
Finance costs	*4*	**(16,941)**	(15,203)
Loss before taxation		**(85,881)**	(42,749)
Taxation	*5*	**–**	–
Loss for the year attributable to owners of the Company	*6*	**(85,881)**	(42,749)
Loss per share	*8*		
Basic and diluted *(HK cents)*		**(0.62)**	(0.31)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(85,881)**	(42,749)
Other comprehensive income (expenses) for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**388**	(412)
Total comprehensive expenses for the year attributable to owners of the Company	**(85,493)**	(43,161)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**20,321**	28,414
Interests in joint ventures		**1,225**	2,584
		21,546	30,998
Current assets			
Inventories		**67,371**	85,911
Trade receivables	*9*	**90,083**	174,190
Prepayments, deposits and other receivables		**4,354**	3,613
Deposits in other financial institutions		**446**	446
Bank balances and cash		**30,724**	45,512
		192,978	309,672
Current liabilities			
Trade payables	*10*	**27,300**	79,359
Other payables and accruals		**7,839**	12,480
Amount due to a joint venture		**2,453**	2,475
		37,592	94,314
Net current assets		**155,386**	215,358
Total assets less current liabilities		**176,932**	246,356

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Non-current liabilities			
Employee benefits		**15**	13
Convertible notes	*11*	**109,053**	242,015
		109,068	242,028
Net assets		**67,864**	4,328
Capital and reserves			
Share capital	*12*	**168,035**	138,892
Reserves		**(100,171)**	(134,564)
Total equity		**67,864**	4,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. Basis of preparation

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 22 March 2019.

2. Principal accounting policies

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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

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

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in accumulated losses.

Classification and measurement of financial instruments

The Directors reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are continued to measure at amortised cost as were previously measured under HKAS 39. The financial assets of the Group are trade receivables, deposits and other receivables, deposits in other financial institutions and bank balances and cash which are classified as loans and receivables under HKAS 39. They are classified as financial assets at amortised cost as at the adoption of HKFRS 9.

Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL approach. As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

As at 1 January 2018, an additional allowance on the Group's trade receivables of approximately HK$129,000 have been recognised, thereby increasing the opening balance of accumulated losses of approximately HK$129,000.

Summary of effects arising from initial application of HKFRS 9

The table below reconciles the carrying amounts of financial assets under HKAS 39 to the carrying amounts under HKFRS 9 on 1 January 2018.

	Carrying amount previously reported at 31 December 2017	**Impact on adoption of HKFRS 9 remeasurement**	**Carrying amount as restated (after adoption of HKFRS 9) at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	174,190	(129)	174,061

The table below summarises the impact of transition to HKFRS 9 on accumulated losses at 1 January 2018.

	Accumulated losses
	HK$'000
Balance at 31 December 2017 as originally stated	(2,544,953)
Recognition of additional ECL	(129)
Balance at 1 January 2018 as restated	(2,545,082)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of accumulated losses and comparative information is not restated.

The Group concluded that revenue from sale of goods should be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods, which is consistent with the previous accounting policy. Therefore, the adoption of HKFRS 15 has no material impact on the timing of revenue recognition in this regard.

New and revised HKFRSs issued but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contract[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]

[1] *Effective for annual periods beginning on or after 1 January 2019*
[2] *Effective for annual periods beginning on or after 1 January 2021*
[3] *Effective for annual periods beginning on or after 1 January 2020*
[4] *Effective for annual periods beginning on or after a date to be determined*
[5] *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020*

The Directors anticipate that, except as described below, the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$25,462,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The Directors are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. The Directors expect that the adoption of HKFRS 16 will not have material impact on the Group's result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. Revenue and segment information

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

Revenue represents revenue arising on manufacturing and trading of electronic and electrical parts and components.

(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 2018	Year ended 31 December 2017	**As at 31 December 2018**	As at 31 December 2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**174,510**	175,568	**1,402**	2,788
Elsewhere in the PRC	**205,703**	283,872	**19,590**	27,364
Asia Pacific	**49,357**	65,189	**554**	846
Others	**16,363**	17,453	**–**	–
Total	**445,933**	542,082	**21,546**	30,998

All revenue are generated from contracts with customers under HKFRS 15 and HKAS 18 for the years ended 31 December 2018 and 2017 respectively.

(b) Information about major customers

During the year ended 31 December 2018, there was a Group's individual customer who contributed revenue of approximately HK$82,458,000 (2017: HK$90,967,000), which accounted for more than 10% to the total revenue of the Group.

4. Finance costs

	2018	2017
	HK$'000	*HK$'000*
Imputed interest expenses on convertible notes *(note 11)*	**16,941**	15,203

5. Taxation

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2018 and 2017 as the Group has no assessable profits arising in Hong Kong for both reporting periods.

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

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 Enterprise Income Tax has been made for the years ended 31 December 2018 and 2017 as the subsidiary of the Company has no assessable profits for both reporting periods.

Under the Law of Vietnam on Corporate Income Tax, the tax rate of the subsidiary registered in Vietnam is 20% (2017: 20%). No provision for the Corporate Income Tax has been made for the years ended 31 December 2018 and 2017 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:

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories recognised as expenses	**435,408**	500,910
Impairment loss on inventories (included in cost of sales)	**8,338**	–
Staff costs	**28,496**	29,261
Depreciation of property, plant and equipment	**11,255**	9,584
Auditor's remuneration	**835**	810
Write-offs of property, plant and equipment (included in other expenses)	**–**	4
Impairment loss on trade receivables (included in other expenses)	**178**	–
Net exchange loss	**698**	–

7. Dividends

No dividend was paid or proposed for the year ended 31 December 2018, nor has any dividend been proposed since the end of the year ended 31 December 2018 (2017: 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$85,881,000 (2017: HK$42,749,000) and the weighted average number of approximately 13,897,183,000 (2017: 13,889,199,000) ordinary shares in issue during the year ended 31 December 2018.

For the years ended 31 December 2018 and 2017, 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 2018 and 2017 did not assume the exercise of the Company's share options as the exercise prices of the share options were higher than the average market price for shares. The computation of diluted loss per share for the years ended 31 December 2018 and 2017 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 (2017: 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:

	2018	2017
	HK$'000	*HK$'000*
Current	**83,192**	154,018
Overdue:		
– within 3 months	**6,887**	16,287
– 4-6 months	**4**	3,885
	6,891	20,172
	90,083	174,190

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:

	2018	2017
	HK$'000	*HK$'000*
Current	**24,142**	73,042
Overdue:		
– within 3 months	**1,310**	5,407
– 4-6 months	**1,848**	910
	27,300	79,359

11. Convertible notes

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

Details of the Group's convertible notes outstanding as at 31 December 2018 and 2017 are set out below:

		2018	2017
Date of issue	:	**19 November 2009**	19 November 2009
Original principal amount	:	**HK$950,400,000**	HK$950,400,000
Date of modification	:	**31 December 2018**	16 January 2017
Remaining principal amount	:	**HK$158,400,000**	HK$260,400,000
Coupon rate	:	**Nil**	Nil
Conversion price	:	**HK$0.011 per share**	HK$0.035 per share
Conversion period	:	**The period commencing from the date of modification of the convertible notes and ending on the maturity date**	The period commencing from the date of modification of the convertible notes and ending on the maturity date
Collaterals	:	**Nil**	Nil
Maturity date	:	**31 January 2022**	31 January 2019

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% (2017: 7.00%) 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 (the "Share(s)") 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.

The extension of the maturity date 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 16 January 2017, the carrying values of liability component and equity component of the convertible notes immediately before the modification were approximately HK$260,400,000 and HK$49,464,000 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$226,812,000 and HK$78,400,000 respectively. These caused an increase of approximately HK$32,871,000 (net of the transaction costs of approximately HK$717,000) in other reserve in the consolidated statement of changes in equity and a transfer of a net amount of approximately HK$28,936,000 between the convertible notes reserve and accumulated losses with no profit or loss impact during 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.

Convertible notes of the Company with an aggregate principal amount of HK$102,000,000 were converted into 2,914,285,714 Shares at a conversion price of HK$0.035 per share on 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.

Movements of the liability and equity components of the convertible notes for the years ended 31 December 2018 and 2017 are set out below:

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
At 1 January 2017	260,400	49,464	309,864
Derecognition of original liability/equity component upon modification of terms of convertible notes	(260,400)	(49,464)	(309,864)
Recognition of new liability/equity component upon modification of terms of convertible notes	226,812	78,400	305,212
Imputed interest charged to the consolidated statement of profit or loss *(note 4)*	15,203	–	15,203
At 31 December 2017 and 1 January 2018	242,015	78,400	320,415
Conversion into shares of the Company *(note 12(b))*	(101,415)	(30,710)	(132,125)
Derecognition of original liability/equity component upon modification of terms of convertible notes	(157,541)	(47,690)	(205,231)
Recognition of new liability/equity component upon modification of terms of convertible notes	109,053	41,814	150,867
Imputed interest charged to the consolidated statement of profit or loss *(note 4)*	16,941	–	16,941
At 31 December 2018	109,053	41,814	150,867

As at 31 December 2018, the principal amount of convertible notes remained outstanding is HK$158,400,000 (2017: HK$260,400,000).

12. Share capital

	Number of shares '000	HK$'000
Authorised ordinary shares of HK$0.01 each:		
At 1 January 2017, 31 December 2017 and 1 January 2018	30,000,000	300,000
Increase in authorised share capital *(note a)*	30,000,000	300,000
At 31 December 2018	60,000,000	600,000
Issued and fully paid ordinary shares of HK$0.01 each:		
At 1 January 2017, 31 December 2017 and 1 January 2018	13,889,199	138,892
Issue of new shares upon conversion of convertible notes *(note b)*	2,914,286	29,143
At 31 December 2018	16,803,485	168,035

Notes:

(a) On 31 December 2018, the authorised share capital of the Company increased from HK$300,000,000 divided into 30,000,000,000 Shares to HK$600,000,000 divided into 60,000,000,000 Shares by the creation of additional 30,000,000,000 new Shares which ranked *pari passu* with the existing Shares in all respects upon allotment and issue.

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The electronic products business reported a drop of approximately 17.7% in revenue to approximately HK$445.9 million in the Reporting Period from approximately HK$542.1 million in the Corresponding Period. The gross profit margin for the electronic products business has dropped to approximately 0.5%. During the Reporting Period, material cost has increased due to the global shortage of raw materials for the semiconductors industry. At the same time, the impairment loss on inventories, the rise in labour cost and the fixed overhead cost, among others, absorbed most of the gross profit.

As at 31 December 2018 and the date of this announcement, the principal amount of convertible notes that remained outstanding was HK$158.4 million with a conversion price of HK$0.011 per share and the maturity date is 31 January 2022.

The Company and the holder of convertible notes (the "Noteholder") entered into the deed of further variation (the "Deed of Further Variation 2018") and the letter of agreement (the "Letter of Agreement") on 12 November 2018. Pursuant to the Deed of Further Variation 2018, it was agreed that, subject to the fulfillment of conditions precedent, (i) the maturity date of the remaining convertible notes in the principal amount of HK$158.4 million will be extended from 31 January 2019 to 31 January 2022; and (ii) the conversion price of the remaining convertible notes will be adjusted to HK$0.011 per share from HK$0.035 per share. On 28 December 2018, the relevant ordinary resolution was duly passed at the special general meeting of the Company. The extension of the maturity date and the adjustment of the conversion price of the remaining convertible notes became effective on 31 December 2018. 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.

Immediately following the modification of terms of the remaining convertible notes, as set out in note 11 to the consolidated financial statements in this announcement, the estimated financial effect of the modification was an increase of approximately HK$47.7 million in other reserve in the consolidated statement of changes in equity (the "Financial Impact"), a transfer of approximately HK$32.9 million between other reserve and accumulated losses, and a transfer of a net amount of approximately HK$5.9 million between the convertible notes reserve and accumulated losses with no profit or loss impact during the Reporting Period.

Pursuant to the Letter of Agreement, the Noteholder agreed to exercise his conversion rights under the convertible notes to convert the outstanding convertible notes in an aggregate principal amount of HK$102,000,000 at the conversion price of HK$0.035 per share (the "Partial Conversion"). On 31 December 2018, the Partial Conversion was completed and 2,914,285,714 new ordinary shares of HK$0.01 each in the capital of the Company were allotted and issued, as set out in notes 11 and 12 to the consolidated financial statements in this announcement. Upon completion of the Partial Conversion, the principal amount of the convertible notes that remained outstanding was HK$158.4 million.

As at 31 December 2018, the Group had net assets of approximately HK$67.9 million and net current assets of approximately HK$155.4 million with a current ratio of 5.1 times, as compared with net liabilities of approximately HK$26.5 million and net current liabilities of approximately HK$54.3 million as at 30 June 2018. The remaining convertible notes were reclassified as non-current liabilities due to the extension of the maturity date. The increase in equity from the Partial Conversion and the Financial Impact more than offset, among others, the retained losses for the Reporting Period.

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK$0.01 or HK$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of securities. In view of the market price of the Company's shares approaching the abovementioned threshold of extremities, the Company is considering to implement the proposed capital reorganisation comprising, inter alia, a consolidation of its shares. The Company is currently formulating the details of the proposed capital reorganisation and expects to implement it before the end of the second quarter of 2019. For details, please refer to the circular of the Company dated 11 December 2018.

The Group is seeking and exploring business opportunities in Vietnam to improve the prospect of the Group. During the Reporting Period, Ruixin Universal Limited, an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding ("MOU") with PowerChina International Group Limited*（中國電建集團國際工程有限公司）and Metallurgical Corporation of China Ltd.*（中國冶金科工股份有限公司）for the purpose of, among others, the formation of a consortium (the "Consortium") between the parties in relation to the bidding for the Build-Operate-Transfer project for a portion of the northern part of the North-South Highway in Vietnam (the "Project"). The MOU does not create legally binding obligations on the parties, save for the provisions concerning, among others, preliminary expenses, confidentiality, term of the MOU, termination, exclusivity and applicable law. The Board wishes to highlight that the bidding for the Project by the Consortium may or may not materialise and whether the bid if made will be successful is not guaranteed. For details, please refer to the announcement of the Company dated 27 August 2018. As at the date of this announcement, the parties have not yet entered into a formal legally binding consortium agreement as provided in the MOU.

* *For identification purpose only*

Liquidity, Financial Resources and Capital Structure

The Group mainly finances its business operations with internally generated cash flows and general banking facilities.

As at 31 December 2018, the Group had bank balances and cash of approximately HK$30.7 million (2017: HK$45.5 million). The Group's current ratio (measured as total current assets to total current liabilities) was 5.1 times (2017: 3.3 time).

As at 31 December 2018, the Company had outstanding zero coupon convertible notes due on 31 January 2022 with an aggregate principal amount of HK$158.4 million (2017: HK$260.4 million) and a conversion price of HK$0.011 (2017: HK$0.035) per share. During the Reporting Period, the convertible notes with an aggregate principal amount of HK$102.0 million were converted into 2,914,285,714 Shares in the capital of the Company. The maturity date of the remaining convertible notes with an aggregate principal amount of HK$158.4 million was extended from 31 January 2019 to 31 January 2022 and the conversion price was adjusted from HK$0.035 per share to HK$0.011 per share. Details are set out in notes 11 and 12 to the consolidated financial statements in this announcement and the paragraphs headed "Business and Financial Review" in the Management Discussion and Analysis on pages 18 and 19 of this announcement.

During the Reporting Period, the authorised share capital of the Company was increased from HK$300,000,000 divided into 30,000,000,000 Shares of par value HK$0.01 each to HK$600,000,000 divided into 60,000,000,000 Shares by creation of additional 30,000,000,000 new Shares which shall rank *pari passu* with the existing Shares in all respects upon allotment and issue. Details are set out in note 12 to the consolidated financial statements in this announcement. For further details, please refer to the announcements of the Company dated 7 December 2018 and 28 December 2018, as well as the circular of the Company dated 11 December 2018.

As at 31 December 2018, the Group had no outstanding bank borrowings (2017: nil). The gearing ratio, which is calculated by total interest bearing borrowings to total equity, was nil as at 31 December 2018 and 2017.

As at 31 December 2018, the Group had no capital expenditure commitments (2017: 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 2018, the Group did not have any assets pledged (2017: 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 2018, the Group had 522 (2017: 508) full time employees in Hong Kong, the PRC (including 478 (2017: 465) subcontractor's staff for the outsourced production of electronic products) and Vietnam. Total staff costs (including Directors' remuneration) for the Reporting Period amounted to approximately HK$28.5 million (2017: HK$29.3 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 expansion has slowed down against the backdrop of weakening financial market sentiment, trade policy uncertainty and concerns about China's outlook. According to the International Monetary Fund (the "IMF"), weakness in the second half of 2018 will carry over to coming quarters, with global growth projected to decline to 3.5% in 2019 before picking up slightly to 3.6% in 2020 (down by 0.2 and 0.1 percentage point, respectively, from its forecast in October 2018). Global growth in 2018 is estimated to be 3.7%. Key sources of risks to the global outlook are the outcome of trade negotiations and the direction financial conditions will take in months ahead. The IMF warned that failure to resolve differences and a resulting increase in tariff barriers would lead to higher costs of imported intermediate and capital goods and higher final goods prices for consumers. Beyond these direct impacts, higher trade policy uncertainty and concerns over escalation and retaliation would lower business investment, disrupt supply chains, and slow productivity growth. The resulting depressed outlook for corporate profitability could dent financial market sentiment and further dampen growth.

China's economy grew at 6.6% in 2018, its slowest annual rate since 1990 and down from 6.8% in 2017, as the U.S. trade war and the deleveraging campaign took their toll on Chinese companies and consumers. The Chinese economy was continuing to decelerate, growing at just 6.4% in the fourth quarter of 2018, the lowest quarterly rate since the global financial crisis. China's manufacturing sector contracted for a third consecutive month in February 2019 with the official manufacturing purchasing managers' index falling to 49.2 from 49.5 in January 2019 and 49.4 in December 2018, the lowest since February 2016. While there are signs of progress in the U.S.-China trade talks, Chinese manufacturers are generally expected to remain cautious about their business plans until a final resolution is agreed. Analysts said that to some extent, the deceleration was a result of the government's own priorities, however. Beijing's campaign to control financial risk contributed to a sharp slowdown in infrastructure spending, while also reducing access to credit for private companies. A parallel effort to strengthen enforcement of environmental regulations fell heavily on private groups as well (according to reports dated 5, 22 and 31 January 2019 and 28 February 2019 in the Financial Times (the "FT") and 27 and 28 February 2019 in the South China Morning Post (the "SCMP")).

The Chinese economy is facing a critical moment when the external environment is turning hostile and a mountain of debt at home is restricting the scope for additional stimulus. A resolution of the trade war before the tariff truce ends would be good news for business in the short term. But a potential downturn in the electronic sector poses the real risk to China's external outlook and a fundamental slowdown in the U.S. economy is underway hurting the demand for China's products. Analysts expect China's economy to slow further in the first half before stabilising in the second half as Beijing stimulus efforts take hold. Beijing must, however, tread a fine line between easing fiscal and monetary policies further and avoiding the sort of "flood-like" stimulus that was used to combat economic downturns in the past. The IMF projected the Chinese economy to grow at 6.2% in both 2019 and 2020, and warned that China's growth slowdown could be faster than expected, especially if trade tensions continue, which could have severe knock-on effects on financial and commodity markets (according to reports dated 21 and 24 January 2019 in the SCMP and 14 and 22 January 2019 in the FT).

The uncertainties in the global tariff battle affected most of the manufacturers in the PRC, as customers may hesitate to place orders due to the uncertainties in the global markets and product prices may need to be inflated due to the extra tariffs. The electronic products market is ever-changing, and we will pay special attention to the changes to assess the impact to the Group's traditional component products. The Group needs to take extra caution in observing the development of the tariff battle and responding to the change in the market from time to time in order to minimise its impact on the Group.

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

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

CORPORATE GOVERNANCE PRACTICE

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

Under the Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The duties and responsibilities of the chief executive were shared among the members of the Board during the Reporting Period. In view of the size of operation of the Group, the Board considers that it will be suitable for implementing the Company's strategies under this arrangement. The Board shall review this arrangement from time to time to ensure appropriate and timely action is taken to meet changing circumstances.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE REVIEW

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

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at http://www.irasia.com/listco/hk/ruixin and the website of the Stock Exchange. The Company's annual report for the year ended 31 December 2018 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
Wang Zhaofeng
Chairman

Hong Kong, 22 March 2019

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