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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 2020

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 2020.

RESULTS OVERVIEW

For the year ended 31 December 2020 (the "Reporting Period"), the Group reported revenue of approximately HK$358.5 million, representing an increase of 7.8% as compared with approximately HK$332.7 million for the year ended 31 December 2019 (the "Corresponding Period").

Loss for the Reporting Period decreased to approximately HK$56.4 million from approximately HK$60.3 million for the Corresponding Period. Loss attributable to owners of the Company was approximately HK$56.4 million for the Reporting Period as compared with approximately HK$60.3 million for the Corresponding Period. The decrease in loss for the Reporting Period was mainly due to, among others, the decrease in operating loss, which is partly offset by the increase in imputed interest expenses on convertible notes. The decrease in operating loss for the Reporting Period was mainly due to, among others, the reduction in loss from the electronic products business and cost control measures. The reduction in loss from the electronic products business for the Reporting Period was mainly due to, among others, the increase in revenue mainly owing to a quicker resumption after the lockdown in the manufacturing process in China in early 2020 and the sales of different product mix.

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$40.5 million for the Reporting Period, as compared with a loss of approximately HK$46.3 million for the Corresponding Period.

FINANCIAL HIGHLIGHTS

	2020	2019
	HK$'000	*HK$'000*
Revenue	**358,522**	332,743
Gross profit	**21,888**	18,842
Loss for the year	**(56,383)**	(60,282)
Imputed interest expenses on convertible notes	**(15,861)**	(14,014)
Loss for the year before imputed interest expenses on convertible notes	**(40,522)**	(46,268)

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the Reporting Period (2019: nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Revenue	*3*	**358,522**	332,743
Cost of sales		**(336,634)**	(313,901)
Gross profit		**21,888**	18,842
Other income		**2,813**	3,456
Distribution costs		**(15,788)**	(17,041)
Administrative expenses		**(41,455)**	(47,815)
Share of results of joint ventures		**–**	(13)
Impairment loss on property, plant and equipment		**(2,365)**	–
Impairment loss on right-of-use assets		**(5,211)**	(2,081)
Reversal of impairment loss on trade receivables		**170**	–
Impairment loss on trade receivables		**–**	(19)
Finance costs	*4*	**(16,435)**	(15,611)
Loss before taxation		**(56,383)**	(60,282)
Taxation	*5*	**–**	–
Loss for the year attributable to owners of the Company	*6*	**(56,383)**	(60,282)
Loss per share	*8*		
Basic and diluted *(HK cents)*		**(6.71)**	(7.17)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
Loss for the year	**(56,383)**	(60,282)
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	**1,106**	(415)
Total comprehensive expenses for the year attributable to owners of the Company	**(55,277)**	(60,697)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**9,551**	21,758
Right-of-use assets		**–**	–
Interests in joint ventures		**–**	1,212
Rental deposits		**323**	872
Deposit for acquisition of property, plant and equipment		**–**	446
		9,874	24,288
Current assets			
Inventories		**49,905**	57,941
Trade receivables	*9*	**135,666**	134,585
Prepayments, deposits and other receivables		**17,303**	12,987
Deposits in other financial institutions		**7**	7
Bank balances and cash		**7,806**	11,201
		210,687	216,721
Current liabilities			
Trade payables	*10*	**99,816**	92,784
Lease liabilities		**3,111**	2,019
Other payables and accruals		**17,556**	11,015
Loans from a substantial shareholder		**8,917**	827
Amount due to a joint venture		**–**	2,433
		129,400	109,078
Net current assets		**81,287**	107,643
Total assets less current liabilities		**91,161**	131,931

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Non-current liabilities			
Employee benefits		**75**	34
Lease liabilities		**1,014**	286
Loans from a substantial shareholder		**–**	2,123
Convertible notes	*11*	**138,928**	123,067
		140,017	125,510
Net (liabilities) assets		**(48,856)**	6,421
Capital and reserves			
Share capital	*12*	**168,035**	168,035
Reserves		**(216,891)**	(161,614)
Total (deficit) equity		**(48,856)**	6,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. Statement of compliance and basis of preparation

(a) Statement of compliance

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

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated and have been approved for issue by the Board on 31 March 2021.

(b) Basis of preparation

During the year ended 31 December 2020, the Group incurred a net loss of approximately HK$56,383,000 and had net cash outflows from operating activities of approximately HK$5,516,000.

As at 31 December 2020, the Group had net liabilities of approximately HK$48,856,000 and bank balances and cash of approximately HK$7,806,000, while its trade payables, lease liabilities and other payables and accruals were approximately HK$99,816,000, HK$3,111,000 and HK$17,556,000, respectively, which will be due in the coming twelve months from the end of the Reporting Period, and the Group's ability to meet these liquidity requirements depends on its ability to generate sufficient net cash inflows from future operations and/or other sources. These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of these circumstances and after reviewing the Group's cash flow projection for the year ending 31 December 2021, the Directors have given consideration to the future liquidity and performance of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern, including:

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

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

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

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

2. Principal accounting policies

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

In the current year, the Group has applied for the first time the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the HKICPA.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments[5]
Amendments to HKFRS 3	Reference to Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle[3]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations[6]

[1] *Effective for annual periods beginning on or after 1 January 2021*
[2] *Effective for annual periods beginning on or after a date to be determined*
[3] *Effective for annual periods beginning on or after 1 January 2022*
[4] *Effective for annual periods beginning on or after 1 June 2020*
[5] *Effective for annual periods beginning on or after 1 January 2023*
[6] *Effective for common control combinations that occur on or after the beginning of the first annual reporting period beginning on or after 1 January 2022*

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

3. Revenue and segment information

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

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

(a) Geographical information

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

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

	Revenue from external customers		**Non-current assets**	
	Year ended 31 December 2020	Year ended 31 December 2019	**As at 31 December 2020**	As at 31 December 2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**196,700**	167,698	**22**	1,390
Elsewhere in the PRC	**143,760**	126,027	**9,320**	21,688
Asia Pacific	**11,074**	29,682	**209**	338
Others	**6,988**	9,336	**–**	–
Total	**358,522**	332,743	**9,551**	23,416

Note: Non-current assets excluded financial instruments.

(b) Information about major customers

During the year ended 31 December 2020, there was a Group's individual customer who contributed revenue of approximately HK$107,886,000 (2019: HK$86,814,000), which accounted for more than 10% to the total revenue of the Group.

4. Finance costs

	2020	2019
	HK$'000	*HK$'000*
Imputed interest expenses on convertible notes *(note 11)*	**15,861**	14,014
Interest expense on lease liabilities	**574**	1,597
	16,435	15,611

5. Taxation

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2020 and 2019 as the Group has no assessable profits arising in Hong Kong for both reporting periods.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the years ended 31 December 2020 and 2019, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiary registered in the PRC is 25% from 1 January 2008 onwards. No provision for the PRC Enterprise Income Tax has been made as the PRC subsidiary of the Company has sufficient tax losses brought forward to set off against current year's assessable profit during the years ended 31 December 2020 and 2019.

Under the Law of Vietnam on Corporate Income Tax, the tax rate of the subsidiary registered in Vietnam is 20% (2019: 20%). No provision for the Corporate Income Tax has been made for the years ended 31 December 2020 and 2019 as the subsidiary of the Company has no assessable profits for both reporting periods.

6. **Loss for the year**

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

	2020	2019
	HK$'000	*HK$'000*
Cost of inventories recognised as expenses	**336,634**	306,341
Reversal of impairment loss on inventories (included in cost of sales)	**–**	(118)
Impairment loss on inventories (included in cost of sales)	**–**	1,692
Staff costs	**28,391**	30,418
Depreciation of property, plant and equipment	**10,472**	11,567
Depreciation of right-of-use assets (included in administrative expenses)	**–**	1,568
Depreciation of right-of-use assets (included in cost of sales)	**–**	5,986
Auditor's remuneration	**882**	868
Net exchange loss	**1,561**	–
Net loss on disposals of property, plant and equipment	**5**	–
Write-offs of property, plant and equipment	**75**	–

7. **Dividends**

No dividend was paid or proposed for the year ended 31 December 2020, nor has any dividend been proposed since the end of the year ended 31 December 2020 (2019: 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$56,383,000 (2019: HK$60,282,000) and the weighted average number of approximately 840,174,000 (2019: 840,174,000) ordinary shares in issue during the year ended 31 December 2020.

For the years ended 31 December 2020 and 2019, 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 2020 and 2019 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 2020 and 2019 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 (2019: 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:

	2020	2019
	HK$'000	*HK$'000*
Current	**126,303**	129,787
Overdue:		
– within 3 months	**9,363**	4,798
	135,666	134,585

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:

	2020	2019
	HK$'000	*HK$'000*
Current	**87,024**	92,766
Overdue:		
– within 3 months	**12,792**	18
	99,816	92,784

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 2020 and 2019 are set out below:

		2020	2019
Date of issue	:	**19 November 2009**	19 November 2009
Original principal amount	:	**HK$950,400,000**	HK$950,400,000
Date of modification	:	**31 December 2018**	31 December 2018
Remaining principal amount	:	**HK$158,400,000**	HK$158,400,000
Coupon rate	:	**Nil**	Nil
Conversion price	:	**HK$0.22 per share**	HK$0.22 per share
Conversion period	:	**The period commencing from the date of modification of the convertible notes and ending on the maturity date**	The period commencing from the date of modification of the convertible notes and ending on the maturity date
Collaterals	:	**Nil**	Nil
Maturity date	:	**31 January 2022**	31 January 2022

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

The convertible notes contain two components, liability and equity components. The equity component is presented in equity under the heading of convertible notes reserve. The effective interest rate of the liability component of the convertible notes is 12.85% (2019: 12.85%) per annum. The liability and equity components of the convertible notes were measured at fair values at the date of modification and the valuation was determined by an independent valuer.

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

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

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

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

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

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

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

Movements of the liability and equity components of the convertible notes for the years ended 31 December 2020 and 2019 are set out below:

	Liability component *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
At 1 January 2019	109,053	41,814	150,867
Imputed interest charged to the consolidated statement of profit or loss *(note 4)*	14,014	–	14,014
At 31 December 2019 and 1 January 2020	123,067	41,814	164,881
Imputed interest charged to the consolidated statement of profit or loss *(note 4)*	15,861	–	15,861
At 31 December 2020	138,928	41,814	180,742

As at 31 December 2020, the principal amount of convertible notes remained outstanding is HK$158,400,000 (2019: HK$158,400,000).

12. Share capital

	Number of shares *'000*	*HK$'000*
Authorised ordinary shares of HK$0.20 (2019: HK$0.20) each:		
At 1 January 2019	60,000,000	600,000
Share consolidation *(note)*	(57,000,000)	–
At 31 December 2019, 1 January 2020 and 31 December 2020	3,000,000	600,000
Issued and fully paid ordinary shares of HK$0.20 (2019: HK$0.20) each:		
At 1 January 2019	16,803,485	168,035
Share consolidation *(note)*	(15,963,311)	–
At 31 December 2019, 1 January 2020 and 31 December 2020	840,174	168,035

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

13. Contingent liability

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

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

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The auditor's opinion on the Group's consolidated financial statements for the year ended 31 December 2020 is as follows:

Disclaimer of Opinion

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

Basis for Disclaimer of Opinion

Material uncertainties relating to going concern

As explained in note 1 to the consolidated financial statements in this announcement, the Group incurred a net loss of approximately HK$56,383,000 and had net cash outflows from operating activities of approximately HK$5,516,000 during the year ended 31 December 2020. As at 31 December 2020, the Group had net liabilities of approximately HK$48,856,000 and bank balances and cash of approximately HK$7,806,000, while its trade payables, lease liabilities and other payables and accruals were approximately HK$99,816,000, HK$3,111,000 and HK$17,556,000, respectively, which will be due in the coming twelve months from the end of the Reporting Period. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The electronic products business reported an increase of approximately 7.8% in revenue from approximately HK$332.7 million in the Corresponding Period to approximately HK$358.5 million in the Reporting Period. The increase was mainly due to a quicker resumption after the lockdown in the manufacturing process in the PRC in early 2020 and the sales of different product mix. Attributable to sales of different product mix, the gross margin has improved slightly from approximately 5.7% in the Corresponding Period to approximately 6.1% in the Reporting Period.

The Company is seeking and exploring business opportunities in Vietnam to improve the prospect of the Group. During the reporting period, the Company's indirect wholly owned subsidiary in Vietnam has changed its name to Ruixin International Engineering Vietnam Company Limited ("RIEV") from Phoenix Asia Pacific Investment Company Limited, to reflect the expansion of its business scope to construction and related services, and general trading, besides management consulting services. RIEV has signed a non-binding cooperation framework agreement with the main contractor of an offshore wind power project in Vietnam for subcontracting part of the project including procurement, installation, logistics, local labor supply and management, custom clearance and government coordination etc.. As at the date of this announcement, as far as the Company is aware, the parties have not yet entered into a formal legally binding agreement.

As at 31 December 2020 and the date of this announcement, the principal amount of convertible notes that remained outstanding was HK$158.4 million with a conversion price of HK$0.22 per share and the maturity date is 31 January 2022. The Company, through one of its indirect wholly-owned subsidiaries in Hong Kong, has signed a loan agreement with Mr. Li, a substantial shareholder of the Company, for an unsecured and non-interest bearing loan of HK$20 million for a term of two years maturing in October 2021 (the "2019 HK Shareholder Loan"). As at the date of this announcement, total amount of the 2019 HK Shareholder Loan received by the Company is approximately HK$17.3 million, and the amount that remains outstanding is approximately HK$2.7 million (the "Remaining 2019 HK Shareholder Loan"). RIEV has signed a loan agreement with Mr. Li for an unsecured and non-interest bearing loan of VND7.3 billion (equivalent to approximately HK$2.5 million) for a term of one year and extended for another year maturing in August 2021 (the "2019 Vietnam Shareholder Loan"). As at the date of this announcement, as far as the Company is aware, RIEV has received the full amount of the 2019 Vietnam Shareholder Loan. The Group hopes to extend the 2019 HK Shareholder Loan and the 2019 Vietnam Shareholder Loan before maturity (together the "2019 Shareholder Loans").

The Group incurred a loss of approximately HK$56.4 million for the Reporting Period, and had net liabilities of approximately HK$48.9 million and bank balances and cash of approximately HK$7.8 million as at 31 December 2020. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Company's auditor expressed a disclaimer of opinion on the consolidated financial statements of the Group for the Reporting Period. Because of the significance of material uncertainties relating to the Group's ability to continue as a going concern, the auditors have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion (the "Disclaimer of Opinion"). In all other respects, in the opinion of the Company's auditor, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

However, the Group's net current assets were approximately HK$81.3 million with a current ratio of 1.6 times as at 31 December 2020, indicating that in principle its current assets are sufficient to cover its current debt and other payables due within one year. The Group had no bank borrowings and the convertible notes accounted for approximately 51.6% of total liabilities as at 31 December 2020. Excluding the convertible notes, the Group would have been in net assets. The convertible notes will mature in more than twelve months from the end of the Reporting Period. Furthermore, as the convertible note holder is a substantial shareholder of the Company, the Company believes that the convertible note holder will not request the Company to redeem the convertible notes causing the Company insolvent when the convertible notes mature. The maturity date of the convertible notes has been extended for three times and the Company hopes to extend again before maturity on 31 January 2022.

Nonetheless, the Company believes that the Group's bank balances and cash are on the low side as at 31 December 2020. The Covid-19 pandemic has affected the transfer of the 2019 Shareholder Loans to the Group and total amount of the 2019 Shareholder Loans received by the Group was approximately HK$6.0 million during the Reporting Period. However, with a good control in trade receivables (2020: HK$135.7 million vs. 2019: HK$134.6 million) and an increase in trade payables (2020: HK$99.8 million vs. 2019: HK$92.8 million) and other payables (2020: HK$17.6 million vs. HK$11.0 million in 2019), net cash used by the Group in operating activities was approximately HK$5.5 million and bank balances and cash went down by approximately HK$3.4 million during the Reporting Period. The Group managed to continue its operation during the Reporting Period amid concerns about its going concern basis. The increase of approximately HK$6.6 million in other payables was mainly resulted from, among others, accrued director fees, salaries, and professional fees, of which the Company has delayed payments as part of the measures to improve liquidity.

Subsequent to the Reporting Period, the Group received the 2019 Shareholder Loans in the amount of approximately HK$10.8 million, and the remaining 2019 Shareholder Loans is approximately HK$2.7 million as at the date of this announcement, namely the Remaining 2019 HK Shareholder Loan. According to Mr. Li based on the latest communication, he remains committed to the Remaining 2019 HK Shareholder Loan and has provided the Company with a letter of undertaking that he will transfer the Remaining 2019 HK Shareholder Loan to the Company by end-June 2021 (the "Letter of Undertaking").

To further improve its liquidity, subsequent to the Reporting Period, the Company, through one of its indirect wholly-owned subsidiaries in Hong Kong, has signed another loan agreement with Mr. Li for an unsecured and non-interest bearing loan of HK$20 million for a term of two years (the "2021 HK Shareholder Loan"). The 2021 HK Shareholder Loan will be advanced to the Company in three drawdowns by September 2021, March 2022 and September 2022, respectively. RIEV has also signed another loan agreement 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 (the "2021 Vietnam Shareholder Loan) (together with the 2021 HK Shareholder Loan, the "2021 Shareholder Loans"). The 2021 Vietnam Shareholder Loan will be advanced to RIEV in two drawdowns by May and November 2021, respectively. As the date of this announcement, RIEV has received the 2021 Vietnam Shareholder Loan in the amount of approximately VND0.7 billion (equivalent to approximately HK$0.2 million).

Based on the information currently available to the Board, the Directors and the audit committee of the Company (the "Audit Committee") are of the view that with the amount of shareholder loans received subsequent to the Reporting Period, internally generated cashflows, the grant of the Remaining 2019 HK Shareholder Loans according to the Letter of Undertaking, and the grant of the 2021 Shareholder Loans according to the loan agreements signed, the Group will be able to settle the payables and lease liabilities, and have sufficient working capital to meet its financial obligations as they fall due for the next twelve months from the end of the Reporting Period. Accordingly, the consolidated financial statements for the Reporting Period have been prepared on a going concern basis.

However, the Company wishes to highlight that the successful outcome of the aforementioned is subject to multiple uncertainties, as amid the impact from the Covid-19 pandemic, the progress in the advance of the Remaining 2019 HK Shareholder Loan and the 2021 Shareholder Loans, and cash flows generated from operations will affect the liquidity and going concern of the Group. As set out in the Company's announcement dated 12 May 2020, the Covid-19 pandemic has caused severe disruptions to economic activities worldwide and created significant uncertainties in the current business environment. The Company understands from Mr. Li that his business and source of funds are mainly in Vietnam. The lockdown and travel restrictions due to the Covid-19 pandemic have affected and delayed his business projects and cash flows in Vietnam, and accordingly the transfer of the 2019 Shareholder Loans to the Group. However, Mr. Li has overcome difficulties and advanced the majority of the 2019 Shareholder Loans to the Group as at the date of this announcement. According to Mr. Li, he remains committed to the outstanding shareholder loans and expects to advance the Remaining 2019 HK Shareholder Loan according to the Letter of Undertaking and the 2021 Shareholder Loans according to the loan agreements signed. The Company will monitor the development of the Covid-19 pandemic and maintain continuous communication with Mr. Li in respect of the Remaining 2019 HK Shareholder Loans and the 2021 Shareholder Loans.

The Audit Committee has critically reviewed the management's position concerning the Disclaimer of Opinion and agreed with the management's position. The auditor reported to and discussed with the Audit Committee about going concern and the Disclaimer of Opinion with details as set out in note 1 to the consolidated financial statements in this announcement and the Extract From Independent Auditor's Report on page 17 of this announcement. For more details about the going concern basis and the disclaimer of opinion by the Company's auditor, please refer to note 1 to the consolidated financial statements in this announcement and the Extract From Independent Auditor's Report on page 17 of this announcement. Apart from the shareholder loans, the Company has made a request to its bank in Hong Kong for a commercial loan but its request was declined by the bank due to the loss-making position of the Group. The Company has also tried but not able to raise funds form the market on acceptable terms as at the date of this announcement. The Group will continue to seek other source of funding to improve its cash and financial position.

Liquidity, Financial Resources and Capital Structure

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

As at 31 December 2020, the Group had bank balances and cash of approximately HK$7.8 million (2019: HK$11.2 million). The Group's current ratio (measured as total current assets to total current liabilities) was 1.6 times (2019: 2.0 times).

As at 31 December 2020, the Company had outstanding zero coupon convertible notes due on 31 January 2022 with an aggregate principal amount of HK$158.4 million (2019: HK$158.4 million) and a conversion price of HK$0.22 (2019: HK$0.22) per share.

As at 31 December 2020, the Group had no outstanding bank borrowings (2019: nil) and loans from a substantial shareholder of approximately HK$8,917,000 (2019: HK$2,950,000) which is unsecured, non-interest bearing and repayable on maturity. The gearing ratio, which is calculated by total interest bearing borrowings to total equity, was nil as at 31 December 2020 and 2019.

As at 31 December 2020, the Group had no capital expenditure commitments (2019: approximately HK$191,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements.

Significant Investments

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

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

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

Charge on Group's Assets

As at 31 December 2020, the Group did not have any assets pledged (2019: 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 2020, the Group had 468 (2019: 367) full time employees in Hong Kong, the PRC (including 429 (2019: 321) 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$28.4 million (2019: HK$30.4 million). The employees are remunerated with reference to the qualification, experience, responsibility and performance of the individual, the performance of the Group and the market practices. Apart from the basic remuneration package, the mandatory provident fund scheme, the central provident scheme in the PRC and the state pension scheme in Vietnam, the Company also operates a share option scheme based on which the Board may, at its discretion, grant options to eligible employees of the Group.

FUTURE OUTLOOK

The Covid-19 pandemic is the first fully global crisis since World War II and it has plunged the world economy into the worst peacetime global contraction since the Great Depression, with a historic collapse of 3.5% in 2020 as estimated by the IMF. According to reports dated 11 December 2020 and 23 January 2021 in the financial times (the "FT"), while we are still in the middle of the worst crisis, surging optimism is built on the three foundations of global health, politics and economic policy. The effectiveness of vaccines against coronavirus and the start of their rollout across the world have dimmed fears that economies would suffer a series of chronic stop-start cycles with periodic waves of infections and lockdowns. In economic policy, the world has moved to a new conventional wisdom of maintaining the unprecedented 2020 fiscal and monetary stimulus until economies have entrenched recoveries, brought unemployment down and vanquished threats of deflation. According to the IMF, in this crisis, despite some early disruption, global supply chains have shown resilience and agility, and merchandise trade has recovered in lockstep with the recovery in manufacturing, surpassing pre-pandemic levels. Despite the high and rising human toll of the pandemic, economic activity appears to be adapting to subdued contact-intensive activity with the passage of time.

Although recent vaccine approvals have raised hopes of a turnaround in the pandemic later this year, renewed waves and new variants of the virus pose concerns for the outlook, according to the IMF. Much now depends on the outcome of the race between a mutating virus and vaccines to end the pandemic, and on the ability of policies to provide effective support until that happens. Amid exceptional uncertainty, the IMF projected the global economy to grow by 5.5% in 2021 and 4.2% in 2022. The IMF has warned that greater success with vaccinations and therapeutics and additional policy support could improve outcomes, while slow vaccine rollout, virus mutations, and premature withdrawal of policy support can worse outcomes. If downside risks were to materialise, a tightening of financial conditions could amplify the downturn at a time when public and corporate debts are at record high worldwide. Furthermore, the strength of the recovery is projected to vary significantly across countries and because of the partial nature of the rebound, over 150 economies are expected to have per-capita income below their 2019 levels in 2021. The projected cumulative output loss lover 2020-2025 relative to the pre-pandemic projected levels remains substantial at US$22 trillion. According to a report dated 6 January 2021 in the FT, the World Bank forecast that world GDP would grow by 4% in 2021 and warned that any delay in vaccine rollout risks more than halving this year's growth rate.

China's economy expanded by 6.5% in the fourth quarter of 2020, bringing the full year growth to 2.3% and making the country the only major economy to post positive growth last year. This was a remarkable shift from the first quarter of 2020 when the economy suffered a dramatic collapse of 6.8% as the coronavirus pandemic ravaged the country in the early part of the year, but was still China's weakest in more than 40 years. According to the IMF, effective containment measures, a forceful public investment response, and central bank liquidity support have facilitated China's strong recovery. China has resumed to its pre-pandemic projected level in the fourth quarter of 2020, ahead of all large economies. The IMF expects China and the U.S. to be by far the most successful at steering their economies through the pandemic. China successfully implemented effective containment measures to aggressively curb the spread of Covid-19. In contrast, the U.S. has struggled to contain its virus but its government spent more on economic stimulus than almost any other country. Nonetheless, the nature of recovery in China has been distinctly lopsided. Since factories began reopening in China following the historic shutdown over the Lunar New Year in 2020, industrial production vastly outgrew consumption, with exports helping power growth, even as imports struggled to gain momentum (according to reports dated 18 and 26 January 2021 in the FT, and 18 January 2021 in the South China Moring Post (the "SCMP")).

The pandemic has exposed, in part, the extent to which China is the workshop of the world. Efforts at diversification have taken a back seat to the race to secure protective equipment, many of which are made in China. The country's dominant position, too, in the manufacturing of consumer electronics has helped its factories to thrive when billions are looking for distraction from months at home in lockdown. China may have attracted a flow of manufacturing orders and "hot money", but as Covid-19 generally is gradually brought under control, this can be expected to change. Diversification from China, too, remains a priority for other countries. Beyond exports, the long-awaited rebalancing of the economy away from fixed capital investment and towards consumption, as well as the deleveraging of the country's vast debt boom, has been at best delayed. Changing pandemic dynamics and external environment pose a multitude of uncertainties and the foundation for China's economic recovery is yet to be consolidated. China's economic recovery continued in January and February 2021 but at a slower pace, with the official manufacturing PMI falling to 50.6 in February 2021 and 51.3 in January 2021 from 51.9 in December 2020, as the resurgence of coronavirus in parts of the country took a toll on business sentiment and might have depressed activity in February 2021 more than usual, especially in the service sector (according to reports dated 18 and 19 January 2021 in the FT, 19 and 31 January and 28 February 2021 in the SCMP). The IMF projected China's economy to grow by 8.1% in 2021 and 5.6% in 2022.

The Covid-19 pandemic has forced the world to a lockdown for a certain extent. In addition, global trade dispute and tariff battle between China and the United States, and geopolitics are expected to increase uncertainties and new pressure to the global economy. Customer orders of electronic components would be affected. The Group will take extra caution in observing the development on both the tariff battle and the coronavirus 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. Following the resignation of Mr. Wang Zhaofeng as an executive Director and the chairman of the Board (the "Chairman") with effect from 24 June 2019, the duties and responsibilities of the Chairman were shared among the members of the Board. During the Reporting Period, Ms. Li Yang was appointed as an executive Director and the Chairman on 22 January 2020.

Moreover, under the Code Provision A.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 2020 will be despatched to the shareholders of the Company and will be available at the above websites in due course.

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

Hong Kong, 31 March 2021

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