



**RUIXIN INTERNATIONAL HOLDINGS LIMITED**  
**瑞鑫國際集團有限公司**

(Incorporated in Bermuda with limited liability)

(Stock Code: 724)

**INTERIM  
REPORT  
2020**

## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Ms. Li Yang (*Chairman*)  
Mr. Lam Yat Keung  
Mr. Huang Hanshui  
Mr. Yang Junjie

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Chi Fai  
Mr. Zhang Jue

### AUDIT COMMITTEE

Mr. Ho Chi Fai (*Chairman*)  
Mr. Zhang Jue

### REMUNERATION COMMITTEE

Mr. Zhang Jue (*Chairman*)  
Mr. Ho Chi Fai

### NOMINATION COMMITTEE

Mr. Ho Chi Fai  
Mr. Zhang Jue

### INVESTMENT COMMITTEE

Mr. Zhang Jue (*Chairman*)  
Mr. Ho Chi Fai

### COMPANY SECRETARY

Ms. Tsang Man Sze

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton, HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th Floor, Times Media Centre  
133 Wan Chai Road  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services  
(Bermuda) Limited  
Clarendon House  
2 Church Street  
PO Box HM1022  
Hamilton HM DX  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### SHARE LISTING

The Stock Exchange of Hong Kong  
Limited  
Stock Code: 724

### WEBSITE

[www.irasia.com/listco/hk/ruixin](http://www.irasia.com/listco/hk/ruixin)

The board (the “Board”) of directors (the “Director(s)”) of Ruixin International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020, together with the comparative figures for the corresponding period and selected explanatory notes as set out below.

## Results Overview

For the six months ended 30 June 2020 (the “Reporting Period”), the Group reported revenue of approximately HK\$157.4 million, representing an increase of approximately 13.9% as compared with approximately HK\$138.2 million for the six months ended 30 June 2019 (the “Corresponding Period”).

Loss for the Reporting Period decreased to approximately HK\$27.8 million from approximately HK\$36.5 million for the Corresponding Period. The decrease in loss for the Reporting Period was mainly due to, among others, the decrease in the operating loss for the electronic products business, which is partly offset by the increase in imputed interest expenses on convertible notes. The decrease in the operating loss for the electronic products business for the Reporting Period was mainly due to, among others, the increase in revenue and gross profit margin mainly owing to a quicker resumption of production after the lockdown in the manufacturing process in the People’s Republic of China (the “PRC” or “China”) in early 2020 and the sales of difference product mix.

Other than the imputed interest expenses on convertible notes which arose as a result of accounting treatment under the provisions of the applicable accounting standards, the Group made a loss of approximately HK\$20.2 million for the Reporting Period, as compared with a loss of approximately HK\$29.8 million for the Corresponding Period.

## Financial Highlights

	Six months ended 30 June	
	2020	2019
	HK\$’000	HK\$’000
Revenue	157,434	138,247
Gross profit	9,158	3,273
Loss for the period	(27,811)	(36,492)
Imputed interest expenses on convertible notes	(7,647)	(6,738)
<b>Loss for the period before imputed interest expenses on convertible notes</b>	<b>(20,164)</b>	<b>(29,754)</b>

## Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

The electronic products business reported an increase of approximately 13.9% in revenue from approximately HK\$138.2 million in the Corresponding Period to approximately HK\$157.4 million in the Reporting Period. Tariff battle between China and the United States remained and the outbreak of the COVID-19 in early 2020 affected the market momentum much. As the production sites were able to resume in early February 2020, revenue generated during the Reporting Period was able to be maintained during the worldwide difficult time. Attributable to sales of different product mix, the gross profit margin has improved from approximately 2.4% in the Corresponding Period to approximately 5.8% 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 report, as far as the Company is aware, the parties have not yet entered into a formal legally binding agreement.

As at 30 June 2020 and the date of this report, 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 Group incurred a loss of approximately HK\$27.8 million for the Reporting Period, and had net liabilities of approximately HK\$21.6 million and bank balances and cash of approximately HK\$8.3 million as at 30 June 2020, though its net current assets were approximately HK\$95.1 million with a current ratio of 1.9 times. Nonetheless, the Group had no bank borrowings and the convertible notes accounted for approximately 54.2% of total liabilities as at 30 June 2020. Excluding the convertible notes, the Group would have been in net assets. The convertible notes will mature in more than twelve months. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Business and Financial Review *(Continued)*

Nonetheless, the Company believes that the Group's bank balances and cash are on the low side and the Group will need to improve its cash and financial position. As set out in the Company's annual report for the year ended 31 December 2019 (the "2019 Annual Report"), to mitigate the liquidity risk, the Company, through one of its indirect wholly-owned subsidiaries in Hong Kong, has signed a loan agreement with Mr. Li Weimin ("Mr. Li"), a substantial shareholder of the Company, for an unsecured and non-interest bearing loan of HK\$20.0 million for a term of two years. RIEV has also signed a loan agreement with Mr. Li for an unsecured and non-interest bearing loan of VND7.3 billion (equivalent to approximately HK\$2.4 million) for a term of one year (together, the "Shareholder Loans"). As at the date of this report, as far as the Company is aware, total amount of the Shareholder Loans received by the Company and RIEV is approximately HK\$4.4 million and VND5.5 billion (equivalent to approximately HK\$1.8 million), respectively.

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 cash flows generated from operations by the Group and the grant of the remaining Shareholder Loans according to the Revised Schedule (as defined below), the Group will have sufficient working capital to meet its financial obligations as they fall due for the next twelve months from the end of the Reporting Period. Accordingly, the condensed consolidated financial statements for the Reporting Period have been prepared on a going concern basis. For more details about the going concern basis, please refer to note 1 to the condensed consolidated financial statements and the paragraphs headed "Going Concern Basis" on page 14 of this report. However, the Company wishes to highlight that the successful outcome of the aforementioned is subject to multiple uncertainties, as amid the impact from the coronavirus pandemic, the progress in the advance of the Shareholder Loans and cash flows generated from operations will affect the liquidity and going concern of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Business and Financial Review *(Continued)*

As set out in the Company's announcement dated 12 May 2020, the coronavirus 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 coronavirus pandemic have affected and delayed his business projects and cash flows in Vietnam, and accordingly the transfer of the Shareholder Loans to the Group. Mr. Li remains committed to providing the Shareholder Loans and expects to advance a majority of the remaining Shareholder Loans in the amount of approximately HK\$12.3 million to the Group by the end of September 2020 (updated for the amount received since 12 May 2020) and the balance of the remaining Shareholder Loans in the amount of approximately HK\$3.9 million by the end of December 2020 (the "Revised Schedule"). The Company will monitor the development of the coronavirus pandemic and maintain continuous communication with Mr. Li in respect of the Shareholder Loans. Apart from the Shareholder Loans, the Company has been in discussion with its financial advisor for the possibility of open offer or share subscriptions to raise additional funds, which remains at an exploring stage as at the date of this report. The Group will continue to seek other source of funding to improve its cash and financial position. For further details, please refer to the Company's announcement dated 12 May 2020 and the 2019 Annual Report.

### Liquidity, Financial Resources and Capital Structure

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

As at 30 June 2020, the Group had bank balances and cash of approximately HK\$8.3 million (31 December 2019: approximately HK\$11.2 million). The Group's current ratio (measured as total current assets to total current liabilities) was 1.9 times (31 December 2019: 2.0 times).

As at 30 June 2020, the Company had outstanding zero coupon convertible notes due on 31 January 2022 with an aggregate principal amount of HK\$158.4 million (31 December 2019: HK\$158.4 million) and a conversion price of HK\$0.22 per share.

As at 30 June 2020, the Group had no outstanding bank borrowings (31 December 2019: nil) and loans from a substantial shareholder of approximately HK\$4,495,000 (31 December 2019: approximately 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 30 June 2020 and 31 December 2019.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Liquidity, Financial Resources and Capital Structure** *(Continued)*

As at 30 June 2020, the Group had no capital expenditure commitments (31 December 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 and disposals of subsidiaries and associated companies during the Reporting Period.

### **Charge on Group's Assets**

As at 30 June 2020, the Group did not have any assets pledged (31 December 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 17 to the condensed consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Employee and Remuneration Policy

As at 30 June 2020, the Group had 510 (30 June 2019: 413) full time employees in Hong Kong, the PRC (including 471 (30 June 2019: 371) 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\$13.4 million (six months ended 30 June 2019: approximately HK\$14.4 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

According to the International Monetary Fund (the "IMF"), the COVID-19 pandemic pushed economies into a Great Lockdown, which helped contain the virus and save lives but also triggered the worst recession since the Great Depression. The crisis is like no other and the economic fallout is more severe than anticipated. In its June 2020 forecast, the IMF expects global output to shrink by 4.9% in 2020. The global economy is experiencing a large adverse aggregate demand shock from social distancing and lockdowns, as well as a rise in precautionary savings. Moreover, investment is expected to be subdued as firms defer capital expenditure amid high uncertainty. Several countries have started to recover. However, in the absence of a medical solution, the strength of the recovery is highly uncertain and the impact on sectors and countries uneven. A partial recovery is expected to continue in 2021, with global growth projected at 5.4%. For a more inclusive and resilient recovery, the world needs further action in domestic policies and collective efforts. The IMF warned that further waves of infections could reverse increased mobility and spending, and rapidly tighten financial conditions, triggering debt distress. Geopolitical and trade tensions could damage fragile global relationships at a time when trade is projected to collapse by around 12%.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Future Outlook *(Continued)*

According to the World Bank in its June 2020 forecast, with advanced economies contracting, China experiencing record-low growth, emerging market and developing economies growth savaged by external and domestic headwinds, the global economy is expected to shrink by 5.2% in 2020 in a baseline forecast. The forecast assumes that the COVID-19 pandemic recedes in such a way that domestic mitigation measures can be lifted by mid-year, adverse global spill-overs ease during the second half of the year, and dislocation in financial markets are not long lasting. Although a moderate recovery is envisioned in 2021, with global growth reaching 4.2%, output is not expected to return to its previously expected levels. The World Bank cautioned against the scale of uncertainty about what lies ahead and that its baseline forecast for 2020 could prove optimistic. Global growth forecasts have been downgraded at an unusually rapid pace over the past three months. The uncertain course of the pandemic, in the absence thus far of effective vaccines or treatments, has caused extraordinary economic uncertainty, including about the possible depth and duration of the global recession, and about how different countries will be affected. According to a report dated 10 June 2020 in the Financial Times (the "FT"), we know that we are in the midst of an extraordinary global economic contraction. We do not know how deep and persistent it will be, nor how long its adverse effects will last.

China avoided a recession after its economy grew by 3.2% in the second quarter of 2020, the first major economy to show a recovery from the damage caused by the coronavirus pandemic. The figures follow the first annual decline in decades in the previous quarter, when China's GDP fell by 6.8% as the pandemic shut down large swathes of the country. The overall decline in the first half of the year was just 1.6%, an enviable performance compared with most big economies still struggling with the pandemic. While there is still a way to go for fully making up the loss of the pandemic, the recovery in the second quarter appears to suggest that the impact of the pandemic may be controllable in China. The upturn is expected to continue in the second half of the year, supported by improved sentiment after the successful containment of the pandemic and significant fiscal and monetary policy easing. The official manufacturing purchasing managers' index ("PMI") improved to 51.1 for July 2020 from 50.9 for June 2020 and 50.6 for May 2020. The manufacturing PMI has been in the positive territory for five successive months, following the historic collapse in January and February 2020 (according to reports dated 30 June 2020, 16 and 30 July 2020 in the South China Morning Post (the "SCMP") and 16 July 2020 in the FT).

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Future Outlook *(Continued)*

However, analysts pointed to a mixed recovery, with strength in the industrial sector balanced against continued weakness in consumption, as retail sales fell 3.9% in the second quarter of 2020. Over the course of the past few months, the official metrics of unemployment have ticked up, with the surveyed jobless rate standing at 5.7% in June 2020 and 5.9% in May 2020. According to an annual manufacturing survey released in July 2020, factory owners in China's Greater Bay Area expect annual orders, sales, hiring and investment to all decline this year largely because of the COVID-19 pandemic. Moreover, a rosy domestic situation may be overshadowed by a gathering storm abroad that threatens to have far-reaching implications in post-pandemic relations. Analysts have suggested that barring another severe outbreak of the coronavirus, the escalation of U.S.-China tensions remains the biggest risk to the Chinese economy, with the relationship getting progressively worse and currently at its lowest ebb in decades (according to reports dated 16 July 2020 in the FT and 22 May 2020, 17 and 30 June 2020, 2, 16 and 23 July 2020 in the SCMP). The IMF projected the Chinese economy to grow by 1.0% in 2020 and 8.2% in 2021. According to the World Bank, China's economic growth is projected at 1.0% in 2020 and 6.9% in 2021.

The COVID-19 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 of 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.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company (the "Chief Executives") in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

### Long positions in the shares and underlying shares of the Company:

Name of Director	Capacity	Number of shares and underlying shares held	Percentage of shareholding
Mr. Huang Hanshui (Note)	Beneficial owner	4,341,394	0.52%

Note: Mr. Huang Hanshui, an executive Director, has a derivative interest in 4,341,394 shares pursuant to share options granted to him on 6 December 2010.

Save as disclosed above, as at 30 June 2020, none of the Directors, the Chief Executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or which had to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, the register of substantial shareholders of the Company maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain Directors and the Chief Executives, the following shareholder of the Company ("Shareholder(s)") had notified the Company of relevant interests in the issued share capital of the Company.

### Long positions in the shares and underlying shares of the Company:

Name of substantial Shareholder	Capacity	Number of shares and underlying shares held	Percentage of shareholding
Mr. Li Weimin (Note)	Beneficial owner	952,863,576	113.41%

Note: Mr. Li Weimin is interested in 952,863,576 shares, consisting of (i) an interest in 232,863,576 shares beneficially owned and held in his own name; and (ii) a derivative interest in 720,000,000 conversion shares to be allotted and issued upon full conversion of the outstanding convertible notes issued to him by the Company with an aggregate principal amount of HK\$158,400,000.

Save as disclosed above, the Company had not been notified any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2020.

## SHARE OPTION SCHEME

On 8 June 2012, the Company adopted a new share option scheme (the “2012 Scheme”) under which the Board may, at its discretion, grant options to eligible participants under the 2012 Scheme. The Board is able to grant options under the 2012 Scheme carrying the right to subscribe for a maximum of 84,017,421 shares, representing 10% of the total number of shares in issue as at the date of the annual general meeting of the Company held on 8 June 2020.

The following table discloses the movements of the Company’s share options for the Reporting Period:

Participants	Date of grant	Exercise price per share	Number of share options outstanding at 1 January 2020 and 30 June 2020
<b>Director</b>			
Mr. Huang Hanshui	6 December 2010	HK\$6.10	4,341,394
<b>Customers, suppliers and other eligible persons (in aggregate)</b>	6 December 2010 30 November 2011	HK\$6.10 HK\$1.96	4,341,394 11,314,210
			19,996,998
Exercisable at the end of the Reporting Period			19,996,998
Weighted average exercise price			HK\$3.76

Notes:

1. The share options outstanding at 30 June 2020 had an exercisable period of ten years from the date of grant.
2. No share options were granted, exercised, cancelled or lapsed during the Reporting Period.

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

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

## **CORPORATE GOVERNANCE PRACTICES**

During the Reporting Period, the Company has applied the principles of and complied with the code provisions (the "Code Provision(s)") set out in the Corporate Governance Code 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 with effect from 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 as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code during the Reporting Period.

## GOING CONCERN BASIS

The Group incurred a loss of approximately HK\$27.8 million for the Reporting Period, and had net liabilities of approximately HK\$21.6 million and bank balances and cash of approximately HK\$8.3 million as at 30 June 2020, though its net current assets were approximately HK\$95.1 million with a current ratio of 1.9 times. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

As at 30 June 2020, the principal amount of convertible notes that remained outstanding was HK\$158.4 million with the maturity date at 31 January 2022. The Group had no bank borrowings and the convertible notes accounted for approximately 54.2% of total liabilities as at 30 June 2020. Excluding the convertible notes, the Group would have been in net assets. The convertible notes will mature in more than twelve months. 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.

To mitigate the liquidity risk, the Group has entered into two loan agreements for the Shareholder Loans of approximately HK\$22.4 million, as set out in the 2019 Annual Report. Based on the information currently available to the Board, the Directors and the Audit Committee consider that with cash flows generated from operations by the Group and the grant of the remaining Shareholder Loans according to the Revised Schedule, the Group will have sufficient working capital to meet its financial obligations as they fall due for the next twelve months from the end of the Reporting Period. Accordingly, the condensed consolidated financial statements for the Reporting Period have been prepared on a going concern basis. However, the Company wishes to highlight that the successful outcome of the aforementioned is subject to multiple uncertainties, as amid the impact from the coronavirus pandemic, the progress in the advance of the Shareholder Loans and cash flows generated from operations will affect the liquidity and going concern of the Group. For further details, please refer to the paragraphs headed "Business and Financial Review" in Management Discussion and Analysis on pages 3 to 5 of this report and note 1 to the condensed consolidated financial statements.

## AUDIT COMMITTEE REVIEW

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

The members of the Audit Committee are Mr. Ho Chi Fai (the chairman of the Audit Committee) and Mr. Zhang Jue, the independent non-executive Directors. Following the resignation of Ms. Liu Yanfang with effect from 1 January 2020, the number of independent non-executive Directors and members of the Audit Committee was reduced to two, respectively, which is below the minimum number prescribed under Rule 3.10(1) and Rule 3.21 of the Listing Rules. The Board is currently identifying a suitable candidate to fill the vacancy of the independent non-executive Director and a member of the Audit Committee as soon as practicable, as set out in the Company's announcement dated 31 December 2019.

## APPRECIATION

On behalf of the Board, I would like to thank all employees for their hard work and dedication as well as our Shareholders and business partners for their continued support.

On behalf of the Board  
**Ruixin International Holdings Limited**  
**Li Yang**  
*Chairman*

Hong Kong, 28 August 2020



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June	
	Notes	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	157,434	138,247
Cost of sales		(148,276)	(134,974)
Gross profit		9,158	3,273
Other income		1,432	144
Distribution costs		(6,868)	(8,621)
Administrative expenses		(23,620)	(23,655)
Finance costs	4	(7,913)	(7,633)
Loss before taxation		(27,811)	(36,492)
Income tax expense	5	–	–
Loss for the period attributable to owners of the Company	6	(27,811)	(36,492)
<b>Loss per share (in Hong Kong cents)</b>	8		
Basic and diluted		(3.31)	(4.34)

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

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss for the period	<u>(27,811)</u>	<u>(36,492)</u>
Other comprehensive expenses for the period Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>(227)</u>	<u>(155)</u>
<b>Total comprehensive expenses for the period attributable to owners of the Company</b>	<b><u>(28,038)</u></b>	<b><u>(36,647)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	16,340	21,758
Right-of-use assets		–	–
Interests in joint ventures	10	1,212	1,212
Rental deposits		735	872
Deposit for acquisition of property, plant and equipment		–	446
		<b>18,287</b>	<b>24,288</b>
<b>Current assets</b>			
Inventories		63,021	57,941
Trade receivables	11	115,577	134,585
Prepayments, deposits and other receivables		14,247	12,987
Deposits in other financial institutions		7	7
Bank balances and cash		8,290	11,201
		<b>201,142</b>	<b>216,721</b>
<b>Current liabilities</b>			
Trade payables	12	86,273	92,784
Lease liabilities		3,088	2,019
Other payables and accruals		13,046	11,015
Loans from a substantial shareholder	13	1,172	827
Amount due to a joint venture		2,430	2,433
		<b>106,009</b>	<b>109,078</b>
<b>Net current assets</b>		<b>95,133</b>	<b>107,643</b>
<b>Total assets less current liabilities</b>		<b>113,420</b>	<b>131,931</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Employee benefits		34	34
Lease liabilities		966	286
Loans from a substantial shareholder	13	3,323	2,123
Convertible notes	14	130,714	123,067
		<u>135,037</u>	<u>125,510</u>
<b>Net (liabilities) assets</b>		<u>(21,617)</u>	<u>6,421</u>
<b>Capital and reserves</b>			
Share capital	15	168,035	168,035
Reserves		(189,652)	(161,614)
<b>Total (deficit) equity</b>		<u>(21,617)</u>	<u>6,421</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus (note a) HK\$'000	Share-based compensation reserve HK\$'000	Foreign exchange reserve HK\$'000	Convertible notes reserve HK\$'000	Other reserve (note b) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2020 (audited)	168,035	2,374,265	5,800	21,668	340	41,814	47,743	(2,653,244)	6,421
Loss for the period	-	-	-	-	-	-	-	(27,811)	(27,811)
Other comprehensive expense for the period	-	-	-	-	(227)	-	-	-	(227)
Total comprehensive expenses for the period	-	-	-	-	(227)	-	-	(27,811)	(28,038)
At 30 June 2020 (unaudited)	168,035	2,374,265	5,800	21,668	113	41,814	47,743	(2,681,055)	(21,617)
At 1 January 2019, as previously reported	168,035	2,374,265	5,800	21,668	755	41,814	47,743	(2,592,216)	67,864
Effect of changes in accounting policies	-	-	-	-	-	-	-	(746)	(746)
At 1 January 2019, as restated	168,035	2,374,265	5,800	21,668	755	41,814	47,743	(2,592,962)	67,118
Loss for the period	-	-	-	-	-	-	-	(36,492)	(36,492)
Other comprehensive expense for the period	-	-	-	-	(155)	-	-	-	(155)
Total comprehensive expenses for the period	-	-	-	-	(155)	-	-	(36,492)	(36,647)
At 30 June 2019 (unaudited)	168,035	2,374,265	5,800	21,668	600	41,814	47,743	(2,629,454)	30,471

Notes:

- The contributed surplus represents the difference between the nominal value of the shares of the former group's holding company acquired pursuant to a group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefore.
- Other reserve represents the deemed contribution from the substantial shareholder of the Company in respect of the modification of terms of convertible notes in 2018.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net cash (used in) generated from operating activities	(907)	12,476
Net cash used in investing activities	(91)	(10,626)
Net cash used in financing activities	(252)	(4,396)
Net decrease in cash and cash equivalents	(1,250)	(2,546)
Cash and cash equivalents at beginning of the period	11,201	30,724
Effect of foreign exchange rate changes	(1,661)	(153)
Cash and cash equivalents at end of the period, representing bank balances and cash	8,290	28,025

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 1. BASIS OF PREPARATION

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

### Going concern basis

In preparing the condensed consolidated financial statements, the directors of the Company (the “Director(s)”) have given consideration to the future liquidity of the Group.

The Group incurred a loss of approximately HK\$27,811,000 for the six months ended 30 June 2020 (the “Reporting Period”) and had net liabilities of approximately HK\$21,617,000 and bank balances and cash of approximately HK\$8,290,000 as at 30 June 2020, though its net current assets were approximately HK\$95,133,000 with a current ratio of 1.9 times. Nonetheless, the Group had no bank borrowings and the convertible notes accounted for approximately 54.2% of total liabilities as at 30 June 2020. Excluding the convertible notes, the Group would have been in net assets. The convertible notes will mature in more than twelve months. 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.

To mitigate the liquidity risk, the Group has entered into two loan agreements for the shareholder loans of approximately HK\$22.4 million (the “Shareholder Loans”), as set out in the Company’s annual report for the year ended 31 December 2019 (the “2019 Annual Report”). Based on the information currently available to the board of Directors, the Directors and the audit committee of the Company consider that with cash flows generated from operations by the Group and the grant of the remaining Shareholder Loans according to the Revised Schedule (as defined on page 5), the Group will have sufficient working capital to meet its financial obligations as they fall due for the next twelve months from the end of the Reporting Period.

Accordingly, the condensed consolidated financial statements for the Reporting Period have been prepared on a going concern basis. However, the Company wishes to highlight that the successful outcome of the aforementioned is subject to multiple uncertainties, as amid the impact from the coronavirus pandemic, the progress in the advance of the Shareholder Loans and cash flows generated from operations will affect the liquidity and going concern of the Group. For further details, please refer to the paragraphs headed “Business and Financial Review” in Management Discussion and Analysis on pages 3 to 5, and the paragraphs headed “Going Concern Basis” on page 14. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their net recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in the condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

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

Amendments to HKFRS 3	Definition of a business
Amendments to HKAS 9, HKAS 39 and HKFRS 7	Interest rate benchmark reform
Amendments to HKAS 1 and HKAS 8	Definition of material

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

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

## 3. REVENUE AND SEGMENT INFORMATION

As set out in the 2019 Annual Report, 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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

### 4. FINANCE COSTS

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Imputed interest expenses on convertible notes	7,647	6,738
Interest expense on lease liabilities	266	895
	<b>7,913</b>	<b>7,633</b>

### 5. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2020 and 2019 as the Group has no assessable profits arising in Hong Kong for both reporting periods.

For the six months ended 30 June 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 People's Republic of China (the "PRC" or "China") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiary registered in the PRC is 25% from 1 January 2008 onwards. 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 assessable profit for the six months ended 30 June 2020. For the six months ended 30 June 2019, no provision for the PRC Enterprise Income Tax has been made as the PRC subsidiary of the Company was in loss-making position and accordingly did not have any assessable profit.

Under the Law of Vietnam on Corporate Income Tax, the tax rate of the subsidiary registered in Vietnam is 20% for the six months ended 30 June 2020 and 2019. No provision for the Corporate Income Tax has been made for the six months ended 30 June 2020 and 2019 as the subsidiary of the Company has no assessable profits for both reporting periods.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

### 6. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	(3)	(7)
Depreciation of property, plant and equipment	5,861	5,467
Write-offs of property, plant and equipment	74	–
Depreciation of right-of-use assets (included in administrative expenses)	–	3,680
Impairment loss on right-of-use assets (included in administrative expenses)	3,984	–
Impairment loss on trade receivables	1	–
Net exchange loss	370	301
Gain on modification of lease	(700)	–
Net gain on disposals of property, plant and equipment	(18)	(8)
Reversal of impairment on inventories	–	(118)

### 7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

### 8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK\$27,811,000 (six months ended 30 June 2019: approximately HK\$36,492,000) and the weighted average number of approximately 840,174,000 (six months ended 30 June 2019: approximately 840,174,000) ordinary shares in issue during the reporting period.

For the six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

### 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group spent approximately HK\$563,000 (six months ended 30 June 2019: approximately HK\$10,638,000) on the addition of plant and machinery and leasehold improvements and others.

Property, plant and equipment with carrying value of approximately HK\$nil were disposed of by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$nil) for cash proceeds of approximately HK\$18,000 (six months ended 30 June 2019: approximately HK\$8,000), resulting in a net gain on disposals of approximately HK\$18,000 (six months ended 30 June 2019: approximately HK\$8,000).

### 10. INTERESTS IN JOINT VENTURES

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Cost of unlisted investments in joint ventures	<b>5,998</b>	5,998
Share of post-acquisition losses and other comprehensive expenses and impairment loss	<b>(4,786)</b>	(4,786)
	<b>1,212</b>	1,212

Details of each of the Group's joint ventures, which are accounted for using the equity method in the condensed consolidated financial statements, as at 30 June 2020 and 31 December 2019, are as follows:

Name	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest and voting power held by the Group				Principal activities
					2020		2019		
					Direct	Indirect	Direct	Indirect	
Semtech International (B.V.I.) Limited	Corporation	British Virgin Islands	Hong Kong	Ordinary	50%	-	50%	-	Investment holding
Semtech Electronics Limited ("Semtech Electronics")	Corporation	Hong Kong	Hong Kong	Ordinary	-	50%	-	50%	Trademark holding

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

### 11. TRADE RECEIVABLES

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

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Current	<b>84,508</b>	129,787
Overdue:		
– within 3 months	<b>22,785</b>	4,798
– 4 – 6 months	<b>5,463</b>	–
– 7 – 12 months	<b>2,821</b>	–
	<b>31,069</b>	4,798
	<b>115,577</b>	134,585

### 12. TRADE PAYABLES

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

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Current	<b>57,738</b>	92,766
Overdue:		
– within 3 months	<b>19,403</b>	18
– 4 – 6 months	<b>9,132</b>	–
	<b>86,273</b>	92,784

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

### 13. LOANS FROM A SUBSTANTIAL SHAREHOLDER

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Loans repayable on maturity, unsecured and non-interest bearing	4,495	2,950
Categorised as:		
Due within one year	1,172	827
Due within two to five years	3,323	2,123
	<b>4,495</b>	<b>2,950</b>

### 14. CONVERTIBLE NOTES

As at 30 June 2020 and 31 December 2019, the principal amount of convertible notes that remained outstanding was HK\$158,400,000. On 14 November 2014, the Company and the convertible notes holder entered into a deed of variation, pursuant to which it was agreed that, subject to the fulfillment of conditions precedent, (i) the maturity date of the 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 the convertible notes holder entered into a deed of further variation, pursuant to which it was agreed that, subject to the fulfillment of conditions precedent, the maturity date of the 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

## 14. CONVERTIBLE NOTES *(Continued)*

On 12 November 2018, the Company and the convertible notes holder entered into a deed of further variation, pursuant to which it was agreed that, subject to the fulfillment of conditions precedent, (i) the maturity date of the remaining convertible notes with an aggregate principal amount of HK\$158,400,000 would be extended from 31 January 2019 to 31 January 2022; and (ii) the conversion price of HK\$0.035 per share would be adjusted to the conversion price of HK\$0.011 per share. Save for the above alterations, all other terms and conditions of the 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.

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 15) 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.

The imputed interest charged on the convertible notes for the six months ended 30 June 2020 amounted to approximately HK\$7,647,000 (six months ended 30 June 2019: approximately HK\$6,738,000).

## 15. SHARE CAPITAL

	Number of shares '000	HK\$'000
Authorised ordinary shares of HK\$0.20 (31 December 2019: HK\$0.20) each:		
At 1 January 2019	60,000,000	600,000
Share consolidation (note)	(57,000,000)	–
At 31 December 2019 and 30 June 2020	<u>3,000,000</u>	<u>600,000</u>
Issued and fully paid ordinary shares of HK\$0.20 (31 December 2019: HK\$0.20) each:		
At 1 January 2019	16,803,485	168,035
Share consolidation (note)	(15,963,311)	–
At 31 December 2019 and 30 June 2020	<u>840,174</u>	<u>168,035</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

### 15. SHARE CAPITAL (Continued)

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.

### 16. RELATED PARTY TRANSACTIONS

During the current interim period, the Group had the following transactions with related parties:

- (a) The following balances were outstanding at the end of the reporting periods:

	Amounts due to related parties	
	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
A joint venture (note i)	2,430	2,433
Directors' emoluments payables (included in other payables) (note i)	4,447	3,210
Emoluments payable to close family members of a substantial shareholder of the Company (included in other payables) (note ii)	1,404	437
Emoluments payable to close family members of a Director (included in other payables) (note ii)	–	271
Loans from a substantial shareholder (note iii)	4,495	2,950

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2020

## 16. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

- (i) The amount due to a joint venture and Directors' emoluments payables were unsecured, interest-free and repayable on demand. The balances were denominated in HK\$ other than the functional currency of the respective reporting entity of the Group.
  - (ii) The emoluments payables to close family members of a substantial shareholder of the Company and a Director were unsecured, interest-free and repayable on demand. The balances were denominated in HK\$ other than the functional currency of the respective reporting entity of the Group.
  - (iii) The loans from a substantial shareholder were unsecured, interest-free and repayable on maturity.
- (b) As set out in note 10, Semtech Electronics is the registered owner of various trademarks. Those trademarks are provided for the Group's use at nil consideration.
- (c) During the six months period ended 30 June 2020, remuneration of approximately HK\$729,000 (six months ended 30 June 2019: HK\$840,000) were paid or payable to a close family member of a Director as the position of a director of certain subsidiaries of the Group. In addition, remuneration of approximately HK\$1,390,000 (six months ended 30 June 2019: HK\$1,324,000) were paid or payable to other close family members of the above-mentioned Director as staff costs of certain subsidiaries of the Group. Remuneration of approximately HK\$967,000 (six months ended 30 June 2019: HK\$345,000) were paid or payable to a close family member of a substantial shareholder of the Company as the position of the executive Director and the chairman of the Company and a director of a subsidiary of the Group (six months ended 30 June 2019: the chairman of the Vietnam subsidiary and a director of a subsidiary of the Group).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2020

### 16. RELATED PARTY TRANSACTIONS (Continued)

- (d) The remuneration of the Directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Short-term benefits	4,868	4,283
Post-employment benefits	191	118
	5,059	4,401

### 17. CONTINGENT LIABILITY

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

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

### 18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's financial instruments, including financial assets (including rental deposits, trade receivables, deposits and other receivables, deposits in other financial institutions and bank balances and cash) and financial liabilities (including trade payables, other payables and accruals, loans from a substantial shareholder, amount due to a joint venture and convertible notes), are recorded at amortised cost. The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.