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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)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

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 2016, together with the comparative figures for the corresponding period and selected explanatory notes as set out below.

#### **RESULTS OVERVIEW**

During the six months ended 30 June 2016 (the “Reporting Period”), the Group reported revenue of approximately HK\$224.0 million, representing a decrease of 13.5% as compared with approximately HK\$258.9 million for the six months ended 30 June 2015 (the “Corresponding Period”).

Loss for the Reporting Period was approximately HK\$43.1 million as compared with the profit of approximately HK\$8.1 million for the Corresponding Period. The turn from profit to loss was mainly due to, among others, (i) the gain on modification of terms of convertible notes for the Corresponding Period but not for the Reporting Period; (ii) the recognition of tax expenses in relation to the Hong Kong Inland Revenue Department (“IRD”) enquiries of the Hong Kong Profits Tax of a subsidiary of the Company in respect of the years of assessment 2006/07 to 2014/15 for the Reporting Period; and (iii) the increased operating loss. The increase in operating loss was mainly due to the expansion of loss from the electronic products business as a result of, among others, the drop in revenue resulting in a decrease in the overall gross profit to cover the fixed cost.

Other than the gain on modification of terms of convertible notes and 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 net loss of approximately HK\$37.0 million for the Reporting Period, as compared with a net loss of approximately HK\$13.4 million for the Corresponding Period.

## FINANCIAL HIGHLIGHTS

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Revenue	<b>223,963</b>	258,908
Gross profit	<b>13,062</b>	15,269
(Loss) Profit for the period	<b>(43,113)</b>	8,114
Gain on modification of terms of convertible notes	–	27,821
Imputed interest expenses on convertible notes	<b>(6,069)</b>	(6,283)
<b>Net loss for the period before gain on modification of terms of convertible notes and imputed interest expenses on convertible notes</b>	<b>(37,044)</b>	(13,424)

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	223,963	258,908
Cost of sales		<u>(210,901)</u>	<u>(243,639)</u>
Gross profit		13,062	15,269
Other income		161	120
Gain on modification of terms of convertible notes	12	–	27,821
Distribution costs		(9,144)	(8,642)
Administrative expenses		(23,741)	(21,450)
Share of results of joint ventures		(754)	1,279
Finance costs	4	<u>(6,069)</u>	<u>(6,283)</u>
(Loss) Profit before taxation	5	(26,485)	8,114
Taxation	6	<u>(16,628)</u>	–
(Loss) Profit for the period attributable to owners of the Company		<u><u>(43,113)</u></u>	<u><u>8,114</u></u>
<b>(Loss) Earnings per share (in Hong Kong cents)</b>	8		
Basic and diluted		<u><u>(0.310)</u></u>	<u><u>0.067</u></u>

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

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss) Profit for the period	<u>(43,113)</u>	<u>8,114</u>
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>204</u>	<u>16</u>
<b>Total comprehensive (expenses) income for the period attributable to owners of the Company</b>	<b><u>(42,909)</u></b>	<b><u>8,130</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	<i>Notes</i>	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	19,389	25,248
Interests in joint ventures		3,552	4,306
		<u>22,941</u>	<u>29,554</u>
<b>Current assets</b>			
Inventories		89,481	86,098
Trade and bills receivables	10	206,586	212,304
Prepayments, deposits and other receivables		2,161	2,975
Amounts due from former subsidiaries		–	–
Tax recoverable		960	10,127
Deposits in other financial institutions		446	446
Bank balances and cash		61,701	66,813
		<u>361,335</u>	<u>378,763</u>
<b>Current liabilities</b>			
Trade and bills payables	11	69,527	60,144
Other payables and accruals		9,792	12,342
Tax payable		5,973	–
Amount due to a joint venture		2,512	2,519
Amounts due to former subsidiaries		4,417	4,417
Convertible notes	12	254,046	247,978
		<u>346,267</u>	<u>327,400</u>
<b>Net current assets</b>		<u>15,068</u>	<u>51,363</u>
<b>Total assets less current liabilities</b>		<u>38,009</u>	<u>80,917</u>

		<b>30 June</b>	31 December
		<b>2016</b>	2015
	<i>Note</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liability</b>			
Employee benefits		<u>145</u>	<u>144</u>
<b>Net assets</b>		<b><u>37,864</u></b>	<b><u>80,773</u></b>
<b>Capital and reserves</b>			
Share capital	<i>13</i>	<b>138,892</b>	138,892
Reserves		<u>(101,028)</u>	<u>(58,119)</u>
<b>Total equity</b>		<b><u>37,864</u></b>	<b><u>80,773</u></b>

Notes:

## 1. BASIS OF PREPARATION

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

## 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 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following 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 HKFRSs	Annual Improvements HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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

The application of the amendments to HKFRSs in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 3. REVENUE AND SEGMENT INFORMATION

As set out in the Company’s annual report for the year ended 31 December 2015 (the “2015 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.

#### 4. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Imputed interest expenses on convertible notes	<u>6,069</u>	<u>6,283</u>

#### 5. (LOSS) PROFIT BEFORE TAXATION

(Loss) Profit before taxation has been arrived at after charging (crediting):

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	(5)	(3)
Depreciation of property, plant and equipment	5,897	6,433
(Reversal of) Impairment loss on trade receivables	(103)	1
Insurance compensation received	–	(11)
Net exchange loss	1,767	304
Net gain on disposals of property, plant and equipment	(11)	(106)
Write-offs of property, plant and equipment	<u>–</u>	<u>2</u>

#### 6. TAXATION

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2016 and 2015 as the Group either has no assessable profits arising in Hong Kong or has sufficient tax losses brought forward from previous years to offset the estimated assessable profits for both reporting periods. The tax rate of Hong Kong Profits Tax is 16.5% (2015:16.5%).

The IRD enquired Hong Kong Profits Tax of a subsidiary of the Company in respect of the years of assessment 2006/07 to 2014/15 (the "Tax Enquiries"). As the assessment would be statutorily time-barred within 7 years from the beginning of the year of assessment which the assessment is related, a protective assessment of approximately HK\$1,555,000, HK\$2,395,000 and HK\$5,217,000, in respect of years of assessment 2006/07, 2007/08 and 2008/09, were raised by the IRD on 7 March 2013, 18 March 2014 and 18 March 2015 respectively. The subsidiary lodged objections against the assessment and the IRD held over the payment of the profits tax and an equal amount of tax reserve certificates were purchased and recorded as tax recoverable as at 31 December 2015.

During the six months ended 30 June 2016, in respect of the Tax Enquiries, as the assessment for the year of assessment 2009/10 would be statutorily time-barred by 31 March 2016, a protective assessment of approximately HK\$1,488,000 was raised by the IRD on 15 March 2016. The subsidiary lodged an objection against the assessment and the IRD had held over the payment of the profits tax and an equal amount of tax reserve certificate was purchased.



In avoiding further lengthy objection process regarding the dispute with the IRD, subsequent to the Reporting Period, the subsidiary has withdrawn the objections at the end of July 2016 and compromised with the IRD on the Tax Enquiries. The IRD has issued final tax assessments in respect of the Tax Enquiries in aggregate of approximately HK\$16,628,000 (the "Assessed Amount"). The settlement of the Tax Enquiries is considered as an adjusting event after the Reporting Period and thus an amount of approximately HK\$16,628,000 is adjusted and recognised as tax expenses in the Condensed Consolidated Statement of Profit or Loss. The Assessed Amount will be settled by the tax reserve certificates purchased in aggregate of approximately HK\$10,655,000 and the remaining amount of approximately HK\$5,973,000 is due in September 2016 and not yet settled by the subsidiary.

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% for the six months ended 30 June 2016 and 2015. No provision for the Enterprise Income Tax have been made for the six months ended 30 June 2016 and 2015 as the subsidiary of the Company has no assessable profits.

## **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 2016 (six months ended 30 June 2015: nil).

## **8. (LOSS) EARNINGS PER SHARE**

The calculation of the basic (loss) earnings per share is based on the loss for the period attributable to owners of the Company of approximately HK\$43,113,000 (six months ended 30 June 2015: profit of approximately HK\$8,114,000) and the weighted average number of approximately 13,889,199,000 (six months ended 30 June 2015: approximately 12,145,704,000) ordinary shares in issue during the Reporting Period.

For the six months ended 30 June 2016 and 2015, the diluted (loss) earnings per share is the same as the basic (loss) earnings per share.

The computation of diluted (loss) earnings per share for the six months ended 30 June 2016 and 2015 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) earnings per share for the six months ended 30 June 2016 and 2015 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 and an increase in earnings per share.

## **9. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2016, the Group spent approximately HK\$405,000 on the addition of leasehold improvements and others (six months ended 30 June 2015: approximately HK\$5,112,000 on the addition of plant and machinery and leasehold improvements and others).

Property, plant and equipment with a net carrying value of approximately HK\$351,000 were disposed of by the Group during the six months ended 30 June 2016 (six months ended 30 June 2015: approximately HK\$nil) for cash proceeds of approximately HK\$362,000 (six months ended 30 June 2015: approximately HK\$106,000), resulting in a net gain on disposals of approximately HK\$11,000 (six months ended 30 June 2015: approximately HK\$106,000).

## 10. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 30 to 120 days (31 December 2015: 30 to 120 days) to its trade customers.

The following is an ageing analysis of trade and bills receivables, net of impairment, presented based on the due date at the end of the reporting periods:

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Current	<b>164,409</b>	172,076
Overdue:		
– within 3 months	<b>26,966</b>	34,654
– 4 – 6 months	<b>13,656</b>	4,406
– 7 – 12 months	<b>1,555</b>	1,114
– over 12 months	<u>–</u>	<u>54</u>
	<b>42,177</b>	<b>40,228</b>
	<b>206,586</b>	<b>212,304</b>

## 11. TRADE AND BILLS PAYABLES

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

	<b>30 June 2016 HK\$'000 (Unaudited)</b>	31 December 2015 HK\$'000 (Audited)
Current	<b>64,726</b>	55,259
Overdue:		
– within 3 months	<b>3,629</b>	3,801
– 4 – 6 months	<b>1,172</b>	979
– 7 – 12 months	<b>–</b>	4
– over 12 months	<u>–</u>	<u>101</u>
	<b>69,527</b>	<b>60,144</b>

## 12. CONVERTIBLE NOTES

As at 30 June 2016 and 31 December 2015, the principal amount of convertible notes that remained outstanding was HK\$260,400,000. 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 2015 Annual Report.

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 the recognition of new financial liability and equity components. On 9 January 2015, the carrying values of liability component and equity component of the convertible notes immediately before the modification were approximately HK\$302,400,000 and HK\$92,707,000 respectively. According to a valuation report issued by an independent professional valuer not connected with the Group, the fair value of the new liability component and equity component immediately following the modification are approximately HK\$274,579,000 and HK\$57,442,000 respectively. These caused a recognition of gain of approximately HK\$27,821,000 credited to profit or loss and a transfer of a net amount of approximately HK\$35,265,000 from the convertible notes reserve to accumulated losses during the six months ended 30 June 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.

The imputed interest charged on the convertible notes for the six months ended 30 June 2016 amounted to approximately HK\$6,069,000 (six months ended 30 June 2015: approximately HK\$6,283,000).

## 13. SHARE CAPITAL

	Number of shares '000	HK\$'000
Authorised ordinary shares of HK\$0.01 each:		
At 1 January 2015, 31 December 2015 and 30 June 2016	30,000,000	300,000
Issued and fully paid ordinary shares of HK\$0.01 each:		
At 1 January 2015	11,966,699	119,667
Issue of new shares upon conversion of convertible notes ( <i>note a</i> )	1,200,000	12,000
Issue of new shares on subscriptions ( <i>note b</i> )	722,500	7,225
At 31 December 2015 and 30 June 2016	13,889,199	138,892

*Notes:*

- (a) On 4 June 2015, convertible notes of the Company with an aggregate principal amount of HK\$42,000,000 were converted into 1,199,999,998 new ordinary shares of HK\$0.01 each at a conversion price of HK\$0.035 per share. These new shares issued ranked pari passu with other shares then in issue in all respects. Details of the conversion of the convertible notes are set out in the 2015 Annual Report.
- (b) On 27 October 2015, the Company entered into two subscription agreements with two independent third parties for subscription of an aggregate of 722,500,000 new ordinary shares at a subscription price of HK\$0.047 per share. The issue and allotment of subscription shares were completed on 9 November 2015. These new shares issued ranked pari passu with other shares then in issue in all aspects. Details of the subscription for new ordinary shares are set out in the Company's announcements dated 27 October 2015 and 9 November 2015 and the 2015 Annual Report.

#### **14. CONTINGENT LIABILITIES**

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

The electronic products business reported a drop of approximately 13.5% in revenue from approximately HK\$258.9 million for the Corresponding Period to approximately HK\$224.0 million for the Reporting Period. The gross profit for the electronic products business during the Reporting Period was approximately HK\$13.1 million, representing a decrease of approximately 14.5% as compared with the Corresponding Period, which was in line with the decrease in revenue. During the Reporting Period, the electronic products business was struggling in a tough business environment, as competition was keen with the shrink in demand amid a slowdown in manufacturing. According to a report dated 1 July 2016 in the South China Morning Post (the “SCMP”), growth in China’s manufacturing sector stalled in June 2016 with the official manufacturing Purchasing Managers’ Index (“PMI”) eased to 50.0, down from 50.1 in May 2016 and right at the 50-point mark that separates growth from contraction. According to a report dated 10 July 2016 in the SCMP, consumer inflation has remained low compared with the official target of about 3% for this year, indicating persistently weak demand in China.

In respect of the Tax Enquiries for the years of assessment 2006/07 to 2014/15, as disclosed in the 2015 Annual Report and set out in note 6 to the condensed consolidated financial statements in this announcement, in avoiding further lengthy objection process regarding the dispute with the IRD, subsequent to the Reporting Period, the subsidiary has withdrawn the objections at the end of July 2016 and compromised with the IRD on the Tax Enquiries. The IRD has issued final tax assessments in respect of the Tax Enquiries in aggregate of approximately HK\$16.6 million. In this regard, the subsidiary has recognised tax expenses of approximately HK\$16.6 million in relation to the Tax Enquiries for the Reporting Period.

As at 30 June 2016, the principal amount of convertible notes remained outstanding was HK\$260.4 million with a conversion price of HK\$0.035 and the maturity date is 31 December 2016. In addition, the Group incurred a loss of approximately HK\$43.1 million for the Reporting Period and does not forecast that it can fully redeem the outstanding convertible notes by their maturity date (the “CN Issue”). The Company and its financial advisor are negotiating with the convertible notes holder on the CN Issue, and at the same time, the Company is also considering fund raising possibility. The Directors are hopeful that the CN Issue can be resolved amicably. As the Group was in a net asset position as at 30 June 2016, the condensed consolidated financial statements for the Reporting Period have been prepared on a going concern basis. As at the date of this announcement, the winding-up of CITIC Logistics (International) Company Limited (in liquidation) is still in process.

Subsequent to the Reporting Period, on 22 August 2016, Ruixin Universal Limited, an indirect wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with SAIC MAXUS Automotive Co., Ltd (上汽大通汽車有限公司) (“SAIC MAXUS”) in relation to the proposed cooperation in conducting the sale of two models of multi-purpose vehicles of SAIC MAXUS (i.e. Maxus V80 and Maxus G10) in Hanoi, Ho Chi Minh City, and Haiphong in Vietnam. For more details, please refer to the announcement of the Company dated 22 August 2016.

### **Liquidity, Financial Resources and Capital Structure**

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

As at 30 June 2016, the Group had bank balances and cash of approximately HK\$61.7 million (31 December 2015: approximately HK\$66.8 million). The Group’s current ratio (measured as total current assets to total current liabilities) was 1.0 time (31 December 2015: 1.2 times).

As at 30 June 2016, the Company had outstanding zero coupon convertible notes due on 31 December 2016 with an aggregate principal amount of HK\$260.4 million (31 December 2015: HK\$260.4 million) with a conversion price of HK\$0.035 per share.

As at 30 June 2016, the Group had no outstanding bank borrowings (31 December 2015: nil). The gearing ratio, which is calculated by total interest bearing borrowings to total equity, was nil as at 30 June 2016 and 31 December 2015.

As at 30 June 2016, the Group had no capital expenditure commitments (31 December 2015: nil).

### **Significant Investments**

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

### **Material Acquisitions and Disposals of Subsidiaries and Associated Companies**

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

### **Charge on Group’s Assets**

As at 30 June 2016, the Group did not have any assets pledged (31 December 2015: 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 Liabilities**

Details of the contingent liabilities of the Group are set out in note 14 to the condensed consolidated financial statements in this announcement.

## **Employee and Remuneration Policy**

As at 30 June 2016, the Group had 605 (30 June 2015: 866) full time employees in Hong Kong and the PRC. Total staff costs (including Directors’ remuneration) for the Reporting Period amounted to approximately HK\$13.6 million (six months ended 30 June 2015: approximately HK\$13.3 million). The employees are remunerated with reference to the qualification, experience, responsibility and performance of the individual, the performance of the Group and the market practices. Apart from the basic remuneration package, the mandatory provident fund scheme and the central provident scheme in the PRC, 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 outcome of the Brexit vote implies the materialisation of an important downside risk for the world economy, and as a result, the global outlook for 2016 and 2017 has worsened, despite the better-than-expected performance in early 2016. This deterioration reflects the expected macroeconomic consequences of a sizable increase in uncertainty, including on the political front. The IMF has trimmed its baseline global growth forecast for 2016 and 2017 by 0.1 percentage point to 3.1% and 3.4%, respectively, versus 3.1% in 2015 and 3.4% in 2014. According to the IMF, Brexit-related revisions are concentrated in advanced European economies, with a relatively muted impact elsewhere, including in the U.S. and China.



The U.S. economy expanded at a significantly slower pace than expected in the first half of 2016, adding to concerns that weakness in the global economy and trouble in the oil industry may have had a greater impact than previously forecast, according to a report dated 29 July 2016 in the Financial Times (the “FT”). The world’s biggest economy grew at an annualised pace of 1.2% in the second quarter, from 0.8% in the first quarter. The IMF has cut its growth forecast for the U.S. in 2016 by 0.2 percentage point to 2.2% (versus 2.4% in 2015), pointing to a pick up in the second quarter and for the remainder of the year. The IMF has left its growth forecast for 2017 unchanged at 2.5%. The Federal Reserve held open the prospect of a second rate rise later this year as near-term risks have diminished and the job market recovery has regained momentum. Complicating its deliberations is the uncertainty over the U.S. presidential election, which could weigh on growth in the second half, according to reports dated 28 and 31 July 2016 in the FT.

The Chinese economy grew by 6.7% in the second quarter of 2016, unchanged from the first quarter and in line with the official target of 6.5% to 7% for 2016, as a buoyant property market and government spending on infrastructure softened the blow from a slowdown in manufacturing, according to a report dated 15 July 2016 in the FT. However, economists warned that momentum may have peaked in the second quarter and concerns about sustaining the pace were growing amid signs of weakening investment from the private sector and real estate, according to reports dated 5, 15 and 19 July and 12 August 2016 in the SCMP. Private investment continued to deteriorate and grew by a record low of 2.1% in the first seven months and 2.8% in the first half, despite Beijing’s efforts to revitalise it. Property investment failed to hold up as growth slowed to 5.3% in the first seven months and 6.1% in the first half, after seeing a 7% growth during the first five months.

Chinese authorities injected record high liquidity into the economy in the first quarter, which fueled a property market recovery and infrastructure investment that helped reverse deteriorating momentum in the economy. However, as the central government withdrew from further easing based on concerns over rising debt levels and asset bubbles, the official manufacturing PMI fell to a four-month low of 50.0 in June 2016 and further contracted to 49.9 in July 2016, according to reports dated 6 July and 1 August 2016 in the SCMP. Economists said the weak official PMI data indicated bumpy economic conditions in the second half, as they urged Beijing to roll out more stimulus measures. The IMF has revised up its growth forecast for China in 2016 by 0.1 percentage points to 6.6% while leaving its 2017 forecast unchanged at 6.2%. Global investors remain broadly pessimistic about China, which is in the midst of a wrenching transition from a growth model based on construction and heavy industry towards greater reliance on consumption and services, according to the FT report dated 15 July 2016.



Against this backdrop, the operating environment for manufacturers in the PRC is likely to remain challenging and would continue to have an impact on the performance of the Group's electronic products business in the future. It is expected that persistent increase in labour costs in the PRC, keen competition in the electronic component market, and selling price pressure on electronic component products will affect the revenue and erode the profit margin of the electronic products business. To tackle with these challenges, the Group will impose severe cost control measures including the outsourcing of some labour intensive process and sourcing at a more competitive cost for our production materials and products.

## **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 Provisions") 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 of the Company's strategies under this arrangement. The Board shall review this arrangement from time to time to ensure appropriate and timely action is taken to meet changing circumstances.

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

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **AUDIT COMMITTEE REVIEW**

The audit committee of the Company (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 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), Ms. Liu Yanfang and Mr. Zhang Jue, the independent non-executive Directors.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the Company’s website at <http://www.irasia.com/listco/hk/ruixin> and the website of the Stock Exchange. The Company’s interim report for the six months ended 30 June 2016 will be despatched to the shareholders of the Company and will be available at the above websites in due course.

By order of the Board  
**Ruixin International Holdings Limited**  
**Wang Zhaofeng**  
*Chairman*

Hong Kong, 26 August 2016

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