



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
2021**

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Li Yang (*Chairman*)
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

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 2021, 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 2021 (the “Reporting Period”), the Group reported revenue of approximately HK\$166.9 million, representing an increase of approximately 6.0% as compared with approximately HK\$157.4 million for the six months ended 30 June 2020 (the “Corresponding Period”).

Loss for the Reporting Period decreased to approximately HK\$23.8 million from approximately HK\$27.8 million for the Corresponding Period. The decrease in the 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, (i) the decrease in the impairment loss on right-of-use assets; and (ii) the increase in revenue and gross profit margin mainly owing to a change in the mode of operation from manufacturing and trading to trading of electronic and electrical parts and components in response and realigning to the quick market needs from customers amid the ongoing Covid-19 pandemic. As a result of the change in the mode of operation, the risk and uncertainty in supply chain disruptions were reduced.

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\$15.2 million for the Reporting Period, as compared with a loss of approximately HK\$20.2 million for the Corresponding Period.

Financial Highlights

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue	166,899	157,434
Gross profit	11,174	9,158
Loss for the period	(23,769)	(27,811)
Imputed interest expenses on convertible notes	(8,584)	(7,647)
Loss for the period before imputed interest expenses on convertible notes	(15,185)	(20,164)

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The electronic products business reported an increase of approximately 6.0% in revenue from approximately HK\$157.4 million in the Corresponding Period to approximately HK\$166.9 million in the Reporting Period. The increase was mainly due to the change of mode of operation from manufacturing and trading to trading of electronic and electrical parts and components in response and realigning to the quick market needs from customers amid the ongoing Covid-19 pandemic. As a result, the gross profit margin is able to have a slight increase from approximately 5.8% in the Corresponding Period to approximately 6.7% in the Reporting Period, and the risk and uncertainty in supply chain disruptions were reduced.

The Company is seeking and exploring business opportunities in Vietnam to improve the prospect of the Group. Ruixin International Engineering Vietnam Company Limited ("RIEV"), the Company's indirect wholly owned subsidiary in Vietnam, 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, as reported in the annual report of the Company for the year ended 31 December 2020 (the "2020 Annual Report"). 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 2021 and the date of this report, the principal amount of the 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. Given that the maturity date is less than 12 months, the convertible notes were reclassified as current liabilities in the condensed consolidated financial statements. The maturity date of the convertible notes has been extended for three times and the Company hopes to extend again before maturity on 31 January 2022.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business and Financial Review *(Continued)*

The Company, through one of its indirect wholly-owned subsidiaries in Hong Kong, has signed a loan agreement in 2019 with Mr. Li Weimin (“Mr. Li”), a substantial shareholder of the Company, for an unsecured and non-interest bearing loan of HK\$20 million for a term of two years (the “2019 HK Shareholder Loan”). As at 30 June 2021 and the date of this report, total amount of the 2019 HK Shareholder Loan received by the Company is approximately HK\$17.3 million, and the amount that remains outstanding is approximately HK\$2.7 million (the “Remaining 2019 HK Shareholder Loan”). Subsequent to the Reporting Period, the maturity date of the 2019 HK Shareholder Loan has been extended for another two years to October 2023. And the schedule for granting the Remaining 2019 HK Shareholder Loan has been revised to by end-December 2021. RIEV has signed a loan agreement in 2019 with Mr. Li for an unsecured and non-interest bearing loan of VND7.3 billion (equivalent to approximately HK\$2.5 million) for a term of one year (the “2019 Vietnam Shareholder Loan”, together with the 2019 HK Shareholder Loan, the “2019 Shareholder Loans”). As at 30 June 2021, RIEV has received the full amount of the 2019 Vietnam Shareholder Loan. Subsequent to the Reporting Period, the maturity date of the 2019 Vietnam Shareholder Loan has been further extended for one more year to August 2022.

The Group incurred a loss of approximately HK\$23.8 million for the Reporting Period, and had net liabilities of approximately HK\$72.5 million and bank balances and cash of approximately HK\$13.1 million as at 30 June 2021. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern.

However, as at 30 June 2021, if the convertible notes and the 2019 HK Shareholder Loan were classified as non-current liabilities, the Group would have net current assets of approximately HK\$85.0 million and a current ratio of 1.9 times, indicating that in principle its current assets are sufficient to cover its current debt (excluding the convertible notes and the 2019 HK Shareholder Loan) and other payables due within one year. The Group had no bank borrowings and the convertible notes accounted for approximately 55.7% of total liabilities as at 30 June 2021. Excluding the convertible notes, the Group would have been in net assets. The Company hopes to extend the maturity date of the convertible notes for the fourth time. Furthermore, as the convertible notes holder is a substantial shareholder of the Company and providing shareholder loans to support its continuous operation, the Company believes that the convertible notes holder will not request the Company to redeem the convertible notes causing the Company insolvent when the convertible notes mature.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business and Financial Review *(Continued)*

The Group's bank balances and cash improved to approximately HK\$13.1 million as at 30 June 2021 from approximately HK\$7.8 million as at 31 December 2020 and HK\$8.3 million as at 30 June 2020. The Covid-19 pandemic has affected the transfer of the 2019 Shareholder Loans. During the Reporting Period, total amount of the 2019 Shareholder Loans received by the Group was approximately HK\$10.8 million. While the Company has yet to receive the Remaining 2019 HK Shareholder Loan of approximately HK\$2.7 million, Mr. Li has managed to transfer a majority (approximately 87.8%) of the 2019 Shareholder Loans to the Group despite the ongoing Covid-19 pandemic. During the Reporting Period, the Group saw a decrease in trade payables, lease liabilities, and other payables and accruals, but mainly because total amount of shareholder loans received (approximately HK\$11.3 million) exceeded net cash used in operating activities (approximately HK\$6.3 million), bank balances and cash went up by approximately HK\$5.3 million. Nonetheless, the Company believes that the Group's bank balances and cash remain on the low side.

To further improve its liquidity, during the Reporting Period, the Company, through one of its indirect wholly-owned subsidiaries in Hong Kong, has signed another loan agreement with Mr. Li for an unsecured and non-interest bearing loan of HK\$20 million for a term of two years (the "2021 HK Shareholder Loan"). The 2021 HK Shareholder Loan will be advanced to the Company in three drawdowns by September 2021, March 2022 and September 2022, respectively, depending on the grant time of the first drawdown. RIEV has also signed another loan agreement with Mr. Li for an unsecured and non-interest bearing loan of VND5.0 billion (equivalent to approximately HK\$1.7 million) for a term of one year (the "2021 Vietnam Shareholder Loan") (together with the 2021 HK Shareholder Loan, the "2021 Shareholder Loans"). The 2021 Vietnam Shareholder Loan will be advanced to RIEV in two drawdowns by May and November 2021, respectively. As at the date of this report, RIEV has received the 2021 Vietnam Shareholder Loan in the amount of approximately VND2.2 billion (equivalent to approximately HK\$0.8 million).

Based on the information currently available to the Board, the Directors and the audit committee of the Company (the "Audit Committee") are of the view that with the amount of the 2019 Shareholder Loans received during the Reporting Period, internally generated cashflows, the grant of the Remaining 2019 HK Shareholder Loan according to the revised schedule, and the grant of the 2021 Shareholder Loans according to the loan agreements signed, 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business and Financial Review *(Continued)*

However, the Company wishes to highlight that the successful outcome of the aforementioned is subject to multiple uncertainties, as amid the impact from the Covid-19 pandemic, the progress in the advance of the Remaining 2019 HK Shareholder Loan and the 2021 Shareholder Loans, and cash flows generated from operations will affect the liquidity and going concern of the Group. As reported in the 2020 Annual Report, the Covid-19 pandemic has caused severe disruptions to economic activities worldwide and created significant uncertainties in the current business environment. The Company understands from Mr. Li that his business and source of funds are mainly in Vietnam. The Covid-19 pandemic have affected and delayed his business projects and cash flows in Vietnam, and accordingly the transfer of the 2019 Shareholder Loans to the Group. However, Mr. Li has overcome difficulties and advanced the majority of the 2019 Shareholder Loans to the Group as at 30 June 2021. According to Mr. Li, he remains committed to the outstanding shareholder loans and expects to advance the Remaining 2019 HK Shareholder Loan by end-December 2021 and the 2021 Shareholder Loans according to the loan agreements signed. The Company will monitor the development of the Covid-19 pandemic and maintain continuous communication with Mr. Li in respect of the Remaining 2019 HK Shareholder Loan and the 2021 Shareholder Loans.

For more details about the going concern basis of the Group, please refer to note 1 to the condensed consolidated financial statements and the paragraphs headed "Going Concern Basis" on pages 13 and 14 of this report. As reported in the 2020 Annual Report, during the Reporting Period, apart from the shareholder loans, the Company has made a request to its bank in Hong Kong for a commercial loan but its request was declined by the bank due to the loss-making position of the Group. The Company has also tried but not able to raise funds from the market on acceptable terms. The Group will continue to seek other source of funding to improve its cash and financial position.

Liquidity, Financial Resources and Capital Structure

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

As at 30 June 2021, the Group had bank balances and cash of approximately HK\$13.1 million (31 December 2020: approximately HK\$7.8 million). The Group's current ratio (measured as total current assets to total current liabilities) was 0.7 times (31 December 2020: 1.6 times).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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

As at 30 June 2021, 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 2020: HK\$158.4 million) and a conversion price of HK\$0.22 (31 December 2020: HK\$0.22) per share.

As at 30 June 2021, the Group had no outstanding bank borrowings (31 December 2020: nil) and loans from a substantial shareholder of approximately HK\$20,200,000 (31 December 2020: approximately HK\$8,917,000) 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 2021 and 31 December 2020.

As at 30 June 2021, the Group had no capital expenditure commitments (31 December 2020: 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 and disposals of subsidiaries and associated companies during the Reporting Period.

Charge on Group's Assets

As at 30 June 2021, the Group did not have any assets pledged (31 December 2020: 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Contingent Liability

Details of the contingent liability of the Group are set out in note 17 to the condensed consolidated financial statements.

Employee and Remuneration Policy

As at 30 June 2021, the Group had 47 (30 June 2020: 510) full time employees in Hong Kong, the People's Republic of China (the "PRC" or "China") (including 471 subcontractor's staff for the outsourced production of electronic products as at 30 June 2020, but nil as at 31 June 2021 due to a change in the mode of operation from manufacturing and trading to trading of electronic and electrical parts and components) and Vietnam. Total staff costs (including Directors' remuneration) for the Reporting Period amounted to approximately HK\$13.2 million (six months ended 30 June 2020: approximately HK\$13.4 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"), after over one year into the Covid-19 pandemic, new virus mutations and the accumulating human toll continue to raise concerns, even as growing vaccine coverage lifts sentiment. High uncertainty surrounds the global economic outlook and future developments will depend on the path of the pandemic, including whether the new Covid-19 strains prove susceptible to vaccines or they prolong the pandemic; the effectiveness of policy actions to limit persistent economic damage (scarring); the evolution of financial conditions and commodity prices; and the adjustment capacity of the economy. The ebb and flow of these drivers and their interaction with country-specific characteristics will determine the pace of the recovery and the extent of medium-term scarring across countries. Hence, countries will need to tailor their policy responses to the stage of the pandemic, strength of the recovery, and structural characteristics of the economy. According to the IMF, after an estimated contraction of 3.3% in 2020, the global economy is projected to grow at 6.0% in 2021, moderating to 4.4% in 2022. Global growth is expected to moderate to 3.3% over the medium term, reflecting projected damage to supply potential and forces that predate the pandemic. Thanks to unprecedented policy response, the Covid-19 recession is likely to leave smaller scars than the 2008 global financial crisis. However, emerging market economies and low-income developing countries have been hit harder and are expected to suffer more significant medium-term losses.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Future Outlook *(Continued)*

China's economy grew by 7.9% in the second quarter of 2021 to post an expansion of 12.7% in the first half of the year. This marks a remarkable turnaround from the first half of last year, when the economy suffered a dramatic collapse as a result of the coronavirus pandemic. Beijing has set an economic growth target of above 6.0% for 2021 but analysts expect the economy to easily exceed that with an expansion of about 8.0%. The IMF projected the Chinese economy to grow by 8.4% in 2021 and 5.6% in 2022. However, downward pressure is expected to increase in the second half of the year, as pent-up demand fades, exports weaken on falling foreign demand as developed markets shift back to service consumption amid reopening, property-related tightening measures finally bite and surging raw materials prices suppress real demand. Manufacturers in China are grappling with new challenges including higher raw material prices, surging logistics costs and global supply chain bottlenecks. Supply chain disruptions caused by the Covid-19 pandemic and the U.S.-China tech war were key factors in the global shortage of semiconductors. China's factory activity expanded in July 2021 at the slowest pace in 17 months, with the official manufacturing purchasing managers' index easing for the fourth straight month to 50.4 from 50.9 in June 2021. As leading indicators pointed towards an overall softening of business activity, analysts warned of many uncertainties ahead, including the Covid-19 Delta variant, retail consumption, small and medium firms, rising bad loans, relations with the United States and global financial market volatility (according to reports dated 30 June 2021, 13-16 July 2021, 20 and 31 July 2021 in the South China Morning Post and 15 July 2021 in the Financial Times).

In view of the ongoing Covid-19 pandemic, the Group will take extra caution in responding to the change in the market and customers' demand, and strengthen cost control measures to ensure its competitiveness. The Group will also search for other business opportunities in the market with the intent to capture the potential market occasions.

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

As at 30 June 2021, none of the Directors, the chief executives of the Company (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 Securities and Futures Ordinance (the "SFO")) which were required 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 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 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").

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

As at 30 June 2021, the register of substantial shareholders of the Company maintained by the Company pursuant to Section 336 of the SFO shows that 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 2021.

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 7 June 2021.

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 2021 and 30 June 2021
Customers, suppliers and other eligible persons (in aggregate)	30 November 2011	HK\$1.96	11,314,210
Exercisable at the end of the Reporting Period			11,314,210
Weighted average exercise price			HK\$1.96

Notes:

1. The share options outstanding at 30 June 2021 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.

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\$23.8 million for the Reporting Period, and had net liabilities of approximately HK\$72.5 million and bank balances and cash of approximately HK\$13.1 million as at 30 June 2021. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

However, as at 30 June 2021, if the convertible notes and the 2019 HK Shareholder Loan were classified as non-current liabilities, the Group would have net current assets of approximately HK\$85.0 million and a current ratio of 1.9 times, indicating that in principle its current assets are sufficient to cover its current debt (excluding the convertible notes and the 2019 HK Shareholder Loan) and other payables due within one year. The Group had no bank borrowings and the convertible notes accounted for approximately 55.7% of total liabilities as at 30 June 2021. Excluding the convertible notes, the Group would have been in net assets. The maturity date of the convertible notes has been extended for three times and the Company hopes to extend again before maturity on 31 January 2022. Furthermore, as the convertible notes holder is a substantial shareholder of the Company and providing shareholder loans to support its continuous operation, the Company believes that the convertible notes holder will not request the Company to redeem the convertible notes causing the Company insolvent when the convertible notes mature.

Nonetheless, the Company believes that the Group's bank balances and cash of approximately HK\$13.1 million as at 30 June 2021 remain on the low side, albeit an improvement from approximately HK\$7.8 million as at 31 December 2020 and HK\$8.3 million as at 30 June 2020. The Covid-19 pandemic has affected the transfer of the 2019 Shareholder Loans. During the Reporting Period, total amount of the 2019 Shareholder Loans received by the Group was approximately HK\$10.8 million and Mr. Li expects to transfer the Remaining 2019 HK Shareholder Loan of approximately HK\$2.7 million by end-December 2021. To further improve its liquidity, during the Reporting Period, the Group has entered into another two loan agreements for the 2021 Shareholder Loans of approximately HK\$21.7 million. Based on the information currently available to the Board, the Directors and the Audit Committee are of the view that with the amount of the 2019 Shareholder Loans received during the Reporting Period, internally generated cashflows, the grant of the Remaining 2019 HK Shareholder Loan according to the revised schedule, and the grant of the 2021 Shareholder Loans according to the loan agreements signed, 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.

GOING CONCERN BASIS *(Continued)*

The Company wishes to highlight that the successful outcome of the aforementioned is subject to multiple uncertainties, as amid the impact from the Covid-19 pandemic, the progress in the advance of the Remaining 2019 HK Shareholder Loan and the 2021 Shareholder Loans, and cash flows generated from operations will affect the liquidity and going concern of the Group. For further details, please refer to the paragraphs headed “Business and Financial Review” in Management Discussion and Analysis on pages 3 to 6 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 reported in the 2020 Annual Report.

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, 27 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	166,899	157,434
Cost of sales		(155,725)	(148,276)
Gross profit		11,174	9,158
Other income		15	1,432
Distribution costs		(6,679)	(6,868)
Administrative expenses		(19,286)	(23,620)
Finance costs	4	(8,805)	(7,913)
Loss before taxation		(23,581)	(27,811)
Income tax expense	5	(188)	–
Loss for the period attributable to owners of the Company	6	(23,769)	(27,811)
Loss per share (in Hong Kong cents)	8		
Basic and diluted		(2.83)	(3.31)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Loss for the period	<u>(23,769)</u>	<u>(27,811)</u>
Other comprehensive income (expenses) for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>141</u>	<u>(227)</u>
Total comprehensive expenses for the period attributable to owners of the Company	<u>(23,628)</u>	<u>(28,038)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	7,682	9,551
Right-of-use assets		–	–
Interests in joint ventures	10	–	–
Rental deposits		372	323
		8,054	9,874
Current assets			
Inventories		35,939	49,905
Trade receivables	11	118,359	135,666
Prepayments, deposits and other receivables		16,707	17,303
Deposits in other financial institutions		–	7
Bank balances and cash		13,095	7,806
		184,100	210,687
Current liabilities			
Trade payables	12	80,399	99,816
Lease liabilities		2,154	3,111
Other payables and accruals		13,579	17,556
Loans from a substantial shareholder	13	20,200	8,917
Convertible notes	14	147,512	–
		263,844	129,400
Net current (liabilities)/assets		(79,744)	81,287
Total assets less current liabilities		(71,690)	91,161

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Non-current liabilities			
Employee benefits		75	75
Lease liabilities		719	1,014
Convertible notes	14	–	138,928
		794	140,017
Net liabilities		(72,484)	(48,856)
Capital and reserves			
Share capital	15	168,035	168,035
Reserves		(240,519)	(216,891)
Total deficit		(72,484)	(48,856)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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 2021 (audited)	168,035	2,374,265	5,800	7,351	1,446	41,814	47,743	(2,695,310)	(48,856)
Loss for the period	-	-	-	-	-	-	-	(23,769)	(23,769)
Other comprehensive income for the period	-	-	-	-	141	-	-	-	141
Total comprehensive income (expenses) for the period	-	-	-	-	141	-	-	(23,769)	(23,628)
At 30 June 2021 (unaudited)	168,035	2,374,265	5,800	7,351	1,587	41,814	47,743	(2,719,079)	(72,484)
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)

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 2021

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net cash used in operating activities	(6,266)	(907)
Net cash generated from (used in) investing activities	2,007	(91)
Net cash generated from (used in) financing activities	9,276	(252)
Net increase (decrease) in cash and cash equivalents	5,017	(1,250)
Cash and cash equivalents at beginning of the period	7,806	11,201
Effect of foreign exchange rate changes	272	(1,661)
Cash and cash equivalents at end of the period, representing bank balances and cash	13,095	8,290

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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\$23,769,000 for the Reporting Period and had net liabilities of approximately HK\$72,484,000 and bank balances and cash of approximately HK\$13,095,000 as at 30 June 2021. However, if the convertible notes and the 2019 HK Shareholder Loan (as defined on page 4 of this report) were classified as non-current liabilities, the Group would have net current assets of approximately HK\$85,031,000 and a current ratio of 1.9 times as at 30 June 2021, indicating that in principle its current assets are sufficient to cover its current debt (excluding the convertible notes and the 2019 HK Shareholder Loan) and other payables due within one year. The Group had no bank borrowings and the convertible notes accounted for approximately 55.7% of total liabilities as at 30 June 2021. Excluding the convertible notes, the Group would have been in net assets. The maturity date of the convertible notes has been extended for three times and the Company hopes to extend again before maturity on 31 January 2022. Furthermore, as the convertible notes holder is a substantial shareholder of the Company and providing shareholder loans to support its continuous operation, the Company believes that the convertible notes holder will not request the Company to redeem the convertible notes causing the Company insolvent when the convertible notes mature.

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

For the six months ended 30 June 2021

1. BASIS OF PREPARATION *(Continued)*

Going concern basis *(Continued)*

Nonetheless, the Company believes that the Group's bank balances and cash of approximately HK\$13,095,000 as at 30 June 2021 remain on the low side, albeit an improvement from approximately HK\$7,806,000 as at 31 December 2020 and HK\$8,290,000 as at 30 June 2020. The Covid-19 pandemic has affected the transfer of the 2019 Shareholder Loans (as defined on page 4 of this report). During the Reporting Period, total amount of the 2019 Shareholder Loans received by the Group was approximately HK\$10,802,000 and Mr. Li expects to transfer the Remaining 2019 HK Shareholder Loan (as defined on page 4 of this report) of approximately HK\$2,737,000 by end-December 2021. To further improve its liquidity, during the Reporting Period, the Group has entered into another two loan agreements for the 2021 Shareholder Loans (as defined on page 5 of this report) of approximately HK\$21,688,000. Based on the information currently available to the Board, the Directors and the audit committee of the Company are of the view that with the amount of the 2019 Shareholder Loans received during the Reporting Period, internally generated cashflows, the grant of the Remaining 2019 HK Shareholder Loan according to the revised schedule, and the grant of the 2021 Shareholder Loans according to the loan agreements signed, 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 Remaining 2019 HK Shareholder Loan and the 2021 Shareholder Loans, and cash flows generated from operations will affect the liquidity and going concern of the Group. For further details, please refer to the paragraphs headed "Business and Financial Review" in Management Discussion and Analysis on pages 3 to 6 of this report, and the paragraphs headed "Going Concern Basis" on pages 13 and 14 of this report. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their net recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the condensed consolidated financial statements.

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

For the six months ended 30 June 2021

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 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

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 9, HKAS 39, HKFRS 7, HKFRS 4, and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

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

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

3. REVENUE AND SEGMENT INFORMATION

As set out in the Company's annual report for the year ended 31 December 2020, the Group is principally engaged in the manufacturing and trading of electronic and electrical parts and components. During the Reporting Period, the Group changed its mode of operation to trading of electronic and electrical parts and components. The Group's operation is attributable to a single reportable and operating segment under HKFRS 8 and no segment information is presented. 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 2021

4. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Imputed interest expenses on convertible notes	8,584	7,647
Interest expense on lease liabilities	221	266
	8,805	7,913

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	–	–
The People's Republic of China Enterprise Income Tax	188	–
	188	–

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2021 and 2020 as the Group has no assessable profits arising in Hong Kong for both reporting periods.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the six months ended 30 June 2021 and 2020, 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%.

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

For the six months ended 30 June 2021

5. INCOME TAX EXPENSE *(Continued)*

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.

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 2021 and 2020. No provision for the Corporate Income Tax has been made for the six months ended 30 June 2021 and 2020 as the subsidiary of the Company has no assessable profits for both reporting periods.

6. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	(2)	(3)
Depreciation of property, plant and equipment	1,625	5,861
Write-offs of property, plant and equipment	–	74
Impairment loss on right-of-use assets (included in administrative expenses)	479	3,984
Impairment loss on trade receivables	–	1
Net exchange loss	492	370
Gain on modification of lease	–	(700)
Net gain on disposals of property, plant and equipment (included in cost of sales)	(1,733)	(18)

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

For the six months ended 30 June 2021

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 2021 (six months ended 30 June 2020: 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\$23,769,000 (six months ended 30 June 2020: approximately HK\$27,811,000) and the weighted average number of approximately 840,174,000 (six months ended 30 June 2020: approximately 840,174,000) ordinary shares in issue during the six months ended 30 June 2021.

For the six months ended 30 June 2021 and 2020, 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 2021 and 2020 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 2021 and 2020 did not assume the conversion of the Company's outstanding convertible notes as the conversion of convertible notes would result in a decrease in loss per share.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group spent approximately HK\$33,000 on addition of leasehold improvements and others (six months ended 30 June 2020: approximately HK\$563,000 on the addition of plant and machinery and leasehold improvements and others).

Property, plant and equipment with carrying value of approximately HK\$305,000 were disposed of by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$nil) for cash proceeds of approximately HK\$2,038,000 (six months ended 30 June 2020: approximately HK\$18,000), resulting in a net gain on disposals of approximately HK\$1,733,000 (six months ended 30 June 2020: approximately HK\$18,000).

10. INTERESTS IN JOINT VENTURES

During the year ended 31 December 2020, the Group disposed of the entire equity interests in Semtech International (B.V.I.) Limited and its wholly-owned subsidiary, Semtech Electronics Limited ("Semtech Electronics") at consideration of approximately HK\$1,212,000 settled through setting-off with part of the amount due to a joint venture together with the waiver granted by the joint venture for the remaining balance of the amount due to a joint venture of approximately HK\$1,205,000, recorded a gain arising from disposal of entire equity interests in joint ventures of approximately HK\$1,205,000 which is included in "other income".

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

For the six months ended 30 June 2021

11. TRADE RECEIVABLES

The Group allows an average credit period of 30 to 120 days (31 December 2020: 30 to 120 days) to its trade customers.

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Current	85,099	126,303
Overdue:		
– within 3 months	16,675	9,363
– 4 – 6 months	16,585	–
	33,260	9,363
	118,359	135,666

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:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Current	76,185	87,024
Overdue:		
– within 3 months	4,214	12,792
	80,399	99,816

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

For the six months ended 30 June 2021

13. LOANS FROM A SUBSTANTIAL SHAREHOLDER

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Loans repayable on maturity, unsecured and non-interest bearing	20,200	8,917
Categorised as: Due within one year	20,200	8,917

14. CONVERTIBLE NOTES

As at 30 June 2021 and 31 December 2020, 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 2021

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 (every twenty issued and unissued ordinary shares with a par value of HK\$0.01 each in the share capital of the Company were consolidated into one ordinary share with a par value of HK\$0.20 each) and under the terms and conditions of the convertible notes, the conversion price of the outstanding convertible notes was adjusted from HK\$0.011 per share to HK\$0.22 per share with effect from the close of business in Hong Kong on 22 May 2019. 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 2021 amounted to approximately HK\$8,584,000 (six months ended 30 June 2020: approximately HK\$7,647,000).

15. SHARE CAPITAL

	Number of shares '000	HK\$'000
Authorised ordinary shares of HK\$0.20 (31 December 2020: HK\$0.20) each:		
At 1 January 2020, 31 December 2020 and 30 June 2021	3,000,000	600,000
Issued and fully paid ordinary shares of HK\$0.20 (31 December 2020: HK\$0.20) each:		
At 1 January 2020, 31 December 2020 and 30 June 2021	840,174	168,035

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

For the six months ended 30 June 2021

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 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Directors' emoluments payables (included in other payables) (note i)	6,710	8,007
Emoluments payables to close family members of a substantial shareholder of the Company (included in other payables) (note ii)	3,197	2,300
Emoluments payables to close family members of a former Director (included in other payables) (note ii)	–	682
Loans from a substantial shareholder (note iii)	20,200	8,917

Notes:

- (i) The 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 former 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.

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

For the six months ended 30 June 2021

16. RELATED PARTY TRANSACTIONS *(Continued)*

- (b) 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 2021, remuneration of approximately HK\$729,000 (six months ended 30 June 2020: HK\$729,000) were paid or payable to a close family member of a former Director as the position of a director of certain subsidiaries of the Group. In addition, remuneration of approximately HK\$1,364,000 (six months ended 30 June 2020: HK\$1,390,000) were paid or payable to other close family members of the above-mentioned former Director as staff costs of certain subsidiaries of the Group. Remuneration of approximately HK\$906,000 (six months ended 30 June 2020: HK\$967,000) were paid or payable to a close family member of a substantial shareholder of the Company as an executive Director and the chairman of the board of Directors (six months ended 30 June 2020: the position of the executive Director and the chairman of the board of Directors and a director of a subsidiary of the Group).
- (d) The remuneration of the Directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	4,465	4,868
Post-employment benefits	189	191
	4,654	5,059

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

For the six months ended 30 June 2021

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 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.