

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **RUIXIN INTERNATIONAL HOLDINGS LIMITED**

**瑞鑫國際集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 724)**

### **SUPPLEMENTAL ANNOUNCEMENT AND UPDATE ON THE 2023 ANNUAL REPORT**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Ruixin International Holdings Limited (the “**Company**”) would like to provide additional information to supplement the Company’s annual report for the year ended 31 December 2023 (the “**2023 Annual Report**”). Capitalised terms used herein shall have the same meanings as those defined in the 2023 Annual Report, unless otherwise specified.

#### **GROSS LOSS AND INVENTORY IMPAIRMENT**

During the year ended 31 December 2023, provision for write-down of inventories of approximately HK\$12.9 million was recognised, among which, (i) an impairment of approximately HK\$6.9 million was recognised due to defects arising from long term ageing and storage, hence the products became outdated and could not be sold as planned (the “**Inventories (i)**”); and (ii) an impairment of approximately HK\$6.0 million was recognised due to pre-purchase of specified products which became outdated subsequently (the “**Inventories (ii)**”).

## **Inventories (i)**

We were approached by some customers for their interest in Inventories (i) in the fourth quarter of FY2021, the Group made the purchase with the view to catch for a resurgence in the PRC economy after two years' fight against the Covid-19 pandemic. It is an industrial norm that customers in general request for speed delivery and as a result, the Group ordered the Inventories (i) without receiving any concrete orders at the time. However, the recovery from the Covid-19 pandemic was not as swift as expected and prices were dropping with advanced products emerging, the Inventories (i) were re-assessed in FY2022 and after reviewing the net realizable value, an impairment of approximately HK\$2.2 million was made. It was further re-assessed in FY2023 that the specifications of the Inventories (i) could not meet the customers' needs, along with the advancement in the industry where cheaper and better designed substitutes were available in the market, a further impairment of approximately HK\$6.9 million was made as a result.

## **Inventories (ii)**

The Inventories (ii) were requested by a customer who had long-term business relationship with the Group for over 15 years. Such customer would usually provide the Group with a forecast indicating its coming interested items before submitting its purchase order. After receiving such forecast, the Group would source for the appropriate items for this customer. As this forecast involved items that were not widely used, not all manufacturer-suppliers would usually produce, the Group finally sourced these specified items from a trader-supplier.

Due to the long-term relationship with the customer, the directors of the electronic business segment, based on their historical experience and expectation, ordered according to the customer's forecasted quantity before receiving any formal purchase order. But only one-sixth of the forecast was fulfilled, despite repeated requests, no further purchase order was received from the customer as it has indicated that the ultimate end-user customer has changed its production plan. As their specifications and models are not popular and not widely used in the market, no potential customers can be sought for. Although these inventories are not common in the market, the management is in the opinion that they would be required by some customers producing similar level of consumer products. For the sake of prudence, these slow-moving items were impaired at the net realisable value based on the latest invoice prices of subsequent sales and current market quotation. For non-customized products, it is a normal practice of the Group to place orders before receiving purchase orders from its customers. In future, the Group needs to take extra caution in assessing the validity and accuracy of customers' forecast before stocking up.

The latest invoice prices of subsequent sale and current market quotation would be reviewed to determine the amount of impairment. No independent valuation was performed, the amount of impairment was determined by reference to the latest invoice prices of subsequent sales, current market quotation and the experience of the management, which is in line with the accounting policies as stipulated in the 2023 Annual Report. Given that only a very minimal portion of the inventories were subsequently sold after the year ended 31 December 2023 and a quotation was received from a customer to take up the balance of the inventories after the year end, the management agreed that it would be fair and reasonable to apply such difference as impairment loss in the financial statements. The impairment was an isolated event.

## **THE GROUP'S MAJOR PRODUCTS AND BUSINESS MODEL**

The Group is principally engaged in the trading of electronic and electrical parts and components. Our major products include diodes, such as switching, schottky, zener, TVS, rectifier, transistors and trench mosfet. All these are mature and fully developed products with low entry barriers and keen price competition. The current business models of the business can be divided into two main categories:

- **Customised project buy sell model**

- when the Group receives new product request through agent or customers, the Group will have a preliminary review of the required specification;
- the Group will then coordinate with appropriate vendor (i.e. assembly factory) to provide full service: sourcing appropriate wafer, assembling into the final product for testing and packaging;
- selection of vendor will base on reliability and flexibility on their production process, price and quality of the products. Usually, this process will take about 2-12 weeks depending on the availability of the wafer;
- the Group will coordinate all parties: the assembly factory, the agent (if applicable), the customer and the technical and marketing team, to have a detailed feasibility study for the new product to have a pilot production of prototypes and quotation to the customers for approval;
- once everything is approved and agreed, mass production will commence;
- if not, the project will be regarded as failed, no orders will be obtained from customers;
- when goods are delivered to the Group, both quantity and quality will be checked; and
- products will be delivered to customers.

- **Non-customised project buy sell model**

- marketing team will base on information obtained from customers' interest, customer forecast and sales agent to predict the market trend and the products required by customers;
- select appropriate suppliers for the predicted items according to the reliability and flexibility, price and quality of the products and delivery lead time for the products;

- when goods are delivered to the Group, both quantity and quality are checked before stocking up and usually about 1 to 2 months' stock will be kept;
- based on customers' forecast, we will at sometimes keep up to 4-6 months' stock, or issue continuous orders to our vendors;
- promote the goods to customers and wait for customers' purchase orders; and
- repack and sell the goods according to customers' purchase orders.

## **BUSINESS DEVELOPMENT PLAN**

The current market trend in the electronic components market is focused on a market revenue driver "MOSFET", Metal Oxide Semiconductor Field Effect Transistors, which is an ideal component for applications requiring rapid response times, low power consumption and high switching speeds. This product is widely used in electric cars and solar energy businesses. In response to this market momentum and the problem facing the electronic and electrical parts and components business of the Group, the Group intends to shift its business direction towards SiC and GaN MOSFET.

As the Group is a later comer in this product segment, in order to have fast business development, business consultant has recommended that it is important to have an appropriate sales channel to approach potential customers and the existing customers, including selecting good quality agents, setting up regional office for better and timely response to customers in product development. The consultant has also recommended the setting up of a manufacturing plant to simplify the product supply chain and enhance design and development abilities of the Group.

The Group has commenced initial assessment on the business plan. To start this new product category, the time required will be at least 9-12 months to have about 10 MOSFET wafer design masks (projects) developed through independent design house and several millions of US dollars capital injection would be needed. The set up of a manufacturing plant is not considered yet. Furthermore, the above cost and timeframe did not take into account the risk of projects not being finally approved or required by customers. As at the date of this announcement, the Group is not yet qualified as suppliers to its customers for the current business and has yet to start developing the new business due to the significant amount of investment required. The Group currently has no intention to cease its current business and will try to explore new customers.

## **THE GROUP'S MAJOR CUSTOMERS**

The largest customer of the Group was a manufacturer for electronic consumer products, and was referred by our agent. Although its contribution to the total revenue increased from 69.8% in FY2022 to 91.2% in FY2023, the absolute amount was a decrease from approximately HK\$134.5 million to approximately HK\$67.5 million. This customer was introduced through an agent in Korea. Due to the weakening of the global economic environment, worldwide tariff protection issue, the increase in interest rate and the rapid advancement and development in the industry, total revenue generated by the Group was significantly reduced by 61.6% for the FY2023. Some other customers were also lost due to severe competition in the industry, the Group has become a fully trader supplier to its customers since 2021 as the Group's machines and equipment have been used for more than 10 years and were outdated by then without adequate capital injection to upgrade anymore.

The Group's technical advantage mainly relies on the most basic generation components in the industry, to have advanced products in the estimated market trend as mentioned in the business plan above, it is not only a matter of financial ability but also technical expertise. Nowadays, customers expected to have short lead time in product development and product delivery, they tend to work with manufacturer suppliers to get a closer and quicker response in respect of products development, which seriously reduced the competitiveness for being a trader supplier. We are also informed by our Korea agent that some giant manufacturers have indicated that they would start to source parts being produced outside the PRC. Even if there is further capital injection, the idea of setting up a production plant outside the PRC for the Group would be more difficult and complicated.

Due to the above reasons, FY2024 would be very tough for the Group, the poor financial situation of the Group further affected the image and confidence of the electronics and electrical parts and component business of the Group among its customers, nearly no sales order was received up till the date of this announcement despite repeated request to customers, even the directors of the electronic business segment have tried their very best in meeting existing and potential customers. In addition, as disclosed in the 2023 Annual Report, the Company has been seeking and exploring business opportunities in Vietnam to improve the prospect of the Group, which may attract new customers in new business for the Group.

## **DISCLAIMER OF OPINION**

Throughout the year ended 31 December 2023, the Company's financial adviser had been soliciting various potential investors in respect of the proposed equity fund raising and had substantive discussions with a handful of them. For each of the potential investors, a distinctive fundraising plan was being negotiated between the Company's financial adviser and the potential investor. However, none of the potential investors indicated an interest and some were minded to reconsider upon publication of the annual report of the Company for the year ended 31 December 2023. As at the date of this announcement, the Company's financial adviser is in discussion with one of the potential investors in respect of the proposed equity fund raising.

As at 31 December 2023, the amount due to Mr. Li is convertible notes of approximately HK\$136.5 million and shareholder loans of approximately HK\$28.8 million, and the amount due to the chairman of the Company is remunerations payable of approximately HK\$7.6 million. The above adds up to a total of approximately HK\$172.9 million, which accounts for about 92.1% of total liabilities (approximately HK\$187.7 million).

Mr. Li has been indicating to the Company that he has no intention to convert the Outstanding Convertible Notes. The Company made an enquiry to Mr. Li, and Mr. Li has confirmed that currently he has no intention to convert the Outstanding Convertible Notes. In addition, the Noteholder has signed a letter of undertaking dated 24 April 2024 that he will not request the Company to redeem the Outstanding Convertible Notes and repay the shareholder loans upon maturity causing the Company insolvent.

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

Hong Kong, 29 May 2024

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