



Zhejiang RuiYuan Intelligent Control Technology Company Limited*

浙江瑞遠智控科技股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 8249)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE
STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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This announcement, for which the directors (the “Directors”) of Zhejiang RuiYuan Intelligent Control Technology Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

* For identification purposes only

The board of Directors of the Company (the “Board”) is pleased to announce that the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2017 together with the unaudited comparative figures for the corresponding periods in 2016 are as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the three months and six months ended 30 June 2017

		(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
		2017	2016	2017	2016
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	(2)	15,585	1,544	19,083	5,870
Cost of sales		(15,135)	(875)	(18,355)	(4,907)
Gross profit		450	669	728	963
Other income	(2)	14	3	14	3
Loss on deregistration of subsidiary		—	—	(34)	—
Administrative expenses		(1,850)	(925)	(3,361)	(2,122)
Loss from operations		(1,386)	(253)	(2,653)	(1,156)
Finance costs	(4)	(639)	(10)	(639)	(16)
Loss before tax		(2,025)	(263)	(3,292)	(1,172)
Income tax expenses	(5)	(31)	—	(31)	—
Loss for the period		<u>(2,056)</u>	<u>(263)</u>	<u>(3,323)</u>	<u>(1,172)</u>
Items that may be reclassified subsequently to profit or loss					
Exchange difference arising on translation of foreign operation		29	—	53	—
Total comprehensive income for the period		<u>(2,027)</u>	<u>(263)</u>	<u>(3,270)</u>	<u>(1,172)</u>
Loss for the period attributable to: Owners of the Company		<u>(2,056)</u>	<u>(263)</u>	<u>(3,323)</u>	<u>(1,172)</u>
Total comprehensive income attributable to: Owners of the Company		<u>(2,027)</u>	<u>(263)</u>	<u>(3,270)</u>	<u>(1,172)</u>
Loss per share					
— Basic (cents per share)	(7)	<u>(0.41)</u>	<u>(0.05)</u>	<u>(0.66)</u>	<u>(0.23)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		(Unaudited) 30 June 2017 <i>RMB'000</i>	(Audited) 31 December 2016 <i>RMB'000</i>
	<i>Notes</i>		
Non-current assets			
Plant and equipment		<u>77</u>	<u>91</u>
Current assets			
Inventories		3,744	2,159
Trade receivables	(8)	11,920	5,705
Prepayments, deposits and other receivables		98	46
Paid in advances		1,971	4,451
Pledged bank deposits	(12)	–	102
Bank balances and cash		<u>613</u>	<u>2,834</u>
		<u>18,346</u>	<u>15,297</u>
Current liabilities			
Trade payables	(9)	12,616	4,367
Other payables and accruals		2,067	2,471
Receipt in advances		1,255	4,571
Amount due to a director		400	–
Amount due to a former director		1,851	11,206
Amount due to a major shareholder		–	2,000
Amount due to a former shareholder		–	31,191
Dividends payables		4,440	4,440
Other borrowings	(10)	1,520	6,220
Income tax payables		<u>47</u>	<u>–</u>
		<u>24,196</u>	<u>66,466</u>
Net current liabilities		<u>(5,850)</u>	<u>(51,169)</u>
Non-current liabilities			
Loan from a major shareholder	(11)	<u>38,692</u>	<u>–</u>
Net liabilities		<u>(44,465)</u>	<u>(51,078)</u>
Capital and reserves			
Share capital		50,000	50,000
Reserves		<u>(94,465)</u>	<u>(101,078)</u>
Equity attributable to owners of the Company		<u>(44,465)</u>	<u>(51,078)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company						
	Share capital	Capital reserve	Other reserve	Statutory surplus reserve	Translation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	50,000	40,449	256,623	24,998	13	(420,461)	(48,378)
Exchange differences	-	-	-	-	-	84	84
Loss for the period	-	-	-	-	-	(1,172)	(1,172)
At 30 June 2016	<u>50,000</u>	<u>40,449</u>	<u>256,623</u>	<u>24,998</u>	<u>13</u>	<u>(421,549)</u>	<u>(49,466)</u>
At 1 January 2017	50,000	40,449	256,623	24,998	(63)	(423,085)	(51,078)
Arising from loan from a major shareholder	-	-	9,883	-	-	-	9,883
Exchange differences	-	-	-	-	53	-	53
Loss for the period	-	-	-	-	-	(3,323)	(3,323)
At 30 June 2017	<u>50,000</u>	<u>40,449</u>	<u>266,506</u>	<u>24,998</u>	<u>(10)</u>	<u>(426,408)</u>	<u>(44,465)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	(Unaudited) Six months ended 30 June 2017 RMB'000	(Unaudited) Six months ended 30 June 2016 RMB'000
Net cash (outflow)/inflow from operating activities	<u>(3,066)</u>	<u>6,763</u>
Net cash outflow from investing activities	<u>-</u>	<u>(20)</u>
Net cash inflow/(outflow) from financing activities	<u>845</u>	<u>(6,300)</u>
(Decrease)/increase in cash and cash equivalents	<u>(2,221)</u>	<u>443</u>
Cash and cash equivalents at the beginning of period	<u>2,834</u>	<u>1,373</u>
Cash and cash equivalents at the end of period	<u>613</u>	<u>1,816</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<u>613</u>	<u>1,816</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards “HKFRS” and Hong Kong Accounting Standards “HKAS” (collectively “HKFRSs”), HKAS 34: Interim Financial Reporting issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

The accounting policies and basis of preparation adopted in unaudited consolidated interim results for the six months ended 30 June 2017 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

The condensed consolidated interim results for the six months ended 30 June 2017 are unaudited and have been reviewed by the audit committee of the Company.

2. REVENUE AND OTHER INCOME

Revenue, which is also the Group’s turnover, represents the net amounts received and receivable for goods sold by the Group to outside customers, net of discounts and sales related taxes.

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2017	2016	2017	2016
	RMB’000	RMB’000	RMB’000	RMB’000
Revenue				
Sales of controller systems for consumer electrical and electronic appliances	15,585	1,544	19,083	5,870
Other income				
Bank interest income	14	1	14	1
Sundry income	–	2	–	2
	<u>14</u>	<u>3</u>	<u>14</u>	<u>3</u>
	<u>15,599</u>	<u>1,547</u>	<u>19,097</u>	<u>5,873</u>

3. SEGMENT INFORMATION

For management purpose, the Group operates in one business unit based on its products, and has only one reportable and operating segment which is controller systems for consumer electrical and electronic appliances.

Geographical information

The Group’s business is primarily operated in the PRC. All of the Group’s revenue is attributable to customers in Asia (mainly including the PRC and Hong Kong).

An analysis of the carrying amount of segment assets by geographical area in which the assets are located has not been presented as they are substantially located in the PRC.

Major customers

Turnover from customers of the corresponding periods contributing over 10% of the total turnover of the Group are as follows:

	For the six months ended 30 June	
	2017	2016
Customer A	10,776	N/A ¹
Customer B	2,961	N/A ¹
Customer C	1,983	N/A ¹
	15,720	N/A

¹ The corresponding revenue does not contribute over 10% of the total sales of the Group in the respective period.

4. FINANCE COSTS

	(Unaudited) Six months ended 30 June 2017 RMB'000	(Unaudited) Six months ended 30 June 2016 RMB'000
Imputed interest expenses on loan from a major shareholder	639	—
Interest expenses	—	16
	639	16

5. INCOME TAX EXPENSES

The amount of taxation charged to the consolidated profit and loss account represents:

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Current taxation:				
— PRC income tax	31	—	31	—
Taxation charges	31	—	31	—

(a) No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the period (2016: Nil).

(b) The Group is subject to an income tax rate of 25% on their taxable profit in accordance with the income tax law in the PRC (2016: 25%).

6. DIVIDEND

The Board does not recommend payment of interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

7. LOSS PER SHARE

Loss per share is calculated based on Group's loss attributable to shareholders for the three and six months ended 30 June 2017 of approximately RMB2,056,000 and RMB3,323,000, respectively (2016: RMB263,000 and RMB1,172,000) and the number of 500,000,000 (2016: 500,000,000) ordinary shares in issue during the period.

Diluted loss per share is not presented as the Company has no dilutive potential ordinary shares during the period (2016: Nil).

8. TRADE RECEIVABLES

The ageing analysis of the trade receivables is analysed as follows:

	(Unaudited) 30 June 2017 RMB'000	(Audited) 31 December 2016 RMB'000
0 to 90 days	11,505	3,344
91 to 180 days	–	34
181 to 365 days	415	1,833
Over 365 days	–	494
	<u>11,920</u>	<u>5,705</u>

The normal credit terms granted to customers are of 60–90 days.

9. TRADE PAYABLES

The ageing analysis of the trade payables is analysed as follows:

	(Unaudited) 30 June 2017 RMB'000	(Audited) 31 December 2016 RMB'000
0 to 90 days	11,871	503
91 to 180 days	468	920
181 to 365 days	–	561
Over 365 days	277	2,383
	<u>12,616</u>	<u>4,367</u>

10. OTHER BORROWINGS

		(Unaudited) 30 June 2017 RMB'000	(Audited) 31 December 2016 RMB'000
	Notes		
Zhu Ji Ke Ying Metal Materials Limited	(i)	1,520	1,520
Yuyao Wanli Mortgage Company Limited	(ii)	—	4,700
		<u>1,520</u>	<u>6,220</u>

Notes:

- (i) Zhu Ji Ke Ying Metal Materials Limited is a related company of the major shareholder, Zhejiang RuiYuan Intelligent Robot Co., Ltd. and the amount is unsecured, interest-free and has no fixed term of repayment.
- (ii) The loan was obtained from Yuyao Wanli Mortgage Company Limited, a subsidiary of former shareholder, Wanli Holding Group Company Limited and the amount is unsecured, interest-free and has no fixed term of repayment.

11. LOAN FROM A MAJOR SHAREHOLDER

As at 30 June 2017, the balance is unsecured, interest free and not repayable within three years from the date of grant of the loan. As the major shareholder has confirmed that it would not demand for loan repayment from the Company for at least 12 months from the financial statements approval date, the loan from the major shareholder is classified as non-current liabilities.

Fair value of the liability was calculated using cash flows discounted at an estimated discounted rate of 8%, which is reference to market interest rate. Difference between the fair value and the nominal value of the loans, amounting to approximately RMB9,883,000 is included in other reserve in equity.

Interest expense on the shareholder's loan is calculated using effective interest method by applying effective interest rate of 8% to the liability. The proceeds from the shareholder's loan were used to fund working capital for the Group's general operation.

12. PLEDGE OF ASSETS

As at 31 December 2016, the Group had pledged bank deposit of USD14,500 (equivalent to approximately RMB102,000) for issuance of a bank guarantee of USD14,500. There was no such pledged bank deposit as at 30 June 2017.

13. CONTINGENT LIABILITIES AND COMMITMENTS

On 4 November 2016, a former employee of the Company commenced proceedings in the Labour Tribunal of Hong Kong against the Company and its subsidiary, Hong Kong Wan Li Enterprise Company Limited for claiming a total amount of approximately HK\$2,600,000 (equivalent to approximately RMB2,340,000) on a number of grounds, including (i) dismissal by reason of redundancy, (ii) failure to grant statutory holidays, (iii) failure to grant annual leave, (iv) failure to pay long service payment, (v) failure to make payment for overtime work, (vi) failure to pay end of year payment, and (vii) failure to pay an additional payment. The Company has vigorously made a defence against the claims.

The first and second mention hearings were held on 2 December 2016 and 1 March 2017 respectively. A judgement was issued by the Labour Tribunal that the claim against the subsidiary was discharged. The third mention hearing was held on 5 May 2017, a judgement was issued by the Labour Tribunal that the case will be postponed indefinitely and both parties can resume the case at any time.

Taking into account the possible outcome and their obligations for the claim, the Group has made a provision for claim of approximately RMB86,000 (equivalent to approximately HK\$96,000) for the six months ended 30 June 2017.

Since the claim is still in progress, the Directors would continue to exercise their due care in monitoring the progress of the claim and would assess the adequacy of provision of claim and the financial impact to the Group as and when appropriate. The Directors believe that the amount provided represents the best estimate of the Group's liability having taken legal advice.

Save as disclosed above, the Group had no material contingent liabilities.

14. EVENT AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group's activities comprise sales of controller systems for consumer electrical and electronic appliances and sales of small electrical appliances. The Group's activities are primarily operated in the PRC and the Group's revenue is mainly attributable to customers in the PRC and Hong Kong.

With respect to product strategies, our products originally included electronic products and communication equipment which have been under intense market competition and at the stage of low-end technological development. In 2017, the Company took the initiative to develop the businesses of industrial electronic intelligent control equipment, machinery and equipment, digital control system and intelligent robot, and gradually enhanced the innovation level of its own products and technologies with the introduction of more high-end technological electronic products. Thanks to marketing staff of the members of the Group for actively developing and expanding its businesses, market and development prospects of the Group are promising.

In addition, sales of the Group were originally concentrated in Shenzhen and Ningbo markets. In 2017, the marketing team of the Group has helped to extended its business to customers in cities such as Shanghai, Hangzhou, Nanjing, Jiaxing, Zibo, Hefei, Cixi and Wuxi.

During the period under review, the Group continued to seek improvement in the sale of other consumer electrical and electronic appliances. Required capital would be introduced if the business prospect is good and the developments are stable and satisfactory.

The Group is waiting for emergence of profitable opportunities before expanding current operation. Taking the advantages of the Group's production capability, it is actively identifying such opportunities in light of the current market situation.

Financial review

The Group recorded a turnover of approximately RMB19,083,000 (2016: RMB5,870,000) for the six months ended 30 June 2017, representing an increase of approximately RMB13,213,000. The main reason for the increase in turnover was due to the increase in revenue generated from the new products introduced by the Group amid intense competition in the electronic industry. A significant part of such revenue was derived from sales to a strategic customer and its group companies as they experienced rapid business expansion and hence significantly increased demand for our products during the reporting period. In this regard, as disclosed in the paragraphs headed "Outlook" below, the Group's marketing team is actively developing new markets in various cities in the PRC for its products in order to diversify its sales network and customer base.

Loss attributable to shareholders was approximately RMB3,323,000 (2016: Loss of RMB1,172,000), representing an increase of loss of approximately RMB2,151,000. The main reasons for the Group to record an increased loss were that:

- (1) the Group incurred additional legal and professional fees in defending, amongst others, the Company and its subsidiary Hong Kong Wan Li Enterprise Company Limited, in the Labour Tribunal of Hong Kong; and

- (2) the products' gross margin of the Group was lowered due to higher price competition as the Group strived to gain more market shares for its newly developed products and the higher cost of sales in relation to such new products.

Hence, despite a notable growth in the Group's turnover during the six months ended 30 June 2017, it continued to record a net loss for this period.

Gross profit margin was 3.8% (2016: 16.4%). The low profit margin during the period was mainly due to the increase of sales of products with lower profit margin. Administrative expenses recorded an increase of approximately RMB1,239,000 over the previous period. The increase in administrative expenses was mainly due to the increase in legal and professional fees. The Group also continued to procure cost control to mitigate the impact on gross margin of the Group's products caused by intense competition in the electronics industry. Finance cost represents the imputed interest on loan from a major shareholder.

Outlook

The Group understands that its own competitive capability in product innovation and quality are important to future growth in sales and operation. Despite facing difficult times, the Group is establishing strategic partnerships with companies specialising in technologies, metal materials, robot manufacturing, electrical equipment, digital control equipment and machine equipment. Leveraging on the resources and markets developed by members of the Group, its subsidiaries are currently actively diversifying their products and sales markets, which laid a solid foundation for tapping into the trading business of intelligent control system. At present, the Group's products for sale include electronic components, communication equipment, industrial electronic intelligent control system and AC servo motors. Taking advantages of the Group's networks as well as research and development capability, together with the vigorous expansion by its marketing team and market recognition, the application of industrial electronic intelligent control system and intelligent robot developed by the Group has been gradually available to the market.

As disclosed above, with respect to product strategies, our products originally included electronic products and communication equipment which have been under intense market competition and at the stage of low-end technological development. In 2017, the Company took the initiative to develop the businesses of industrial electronic intelligent control equipment, machinery and equipment, digital control system and intelligent robot, and gradually enhanced the innovation level of its own products and technologies with high-end technological electronic products. Thanks to marketing staff of the members of the Group for actively developing and expanding its businesses, market and development prospects of the Group are promising.

Sales of the Group were originally concentrated in Shenzhen and Ningbo markets. In 2017, the marketing team of the Company have helped to extend its business to customers in cities such as Shanghai, Hangzhou, Nanjing, Jiaxing, Zibo, Hefei, Cixi and Wuxi. As such, the Group's business coverage has been extended to a number of cities nationwide, and it is now gradually enhancing its sales capability and optimizing its sales network.

We will continue to uphold an efficient operation strategy and strictly control operating costs. Besides, we will strive to develop new customers and explore a new sales network model. In the future, we will continuously capitalize on our advantages in terms of production and market to expand the existing businesses of the Group, and move forward its business plans in a pragmatic manner.

Financial Resources and liquidity

As at 30 June 2017, the Group had net current liabilities of approximately RMB5,850,000 (2016: RMB51,169,000).

Current assets amounted to approximately RMB18,346,000 (2016: RMB15,297,000) of which approximately RMB613,000 were bank balances and cash (2016: RMB2,834,000). On the other hand, the Group had current liabilities of approximately RMB24,196,000 (2016: RMB66,466,000), comprising mainly trade payables; receipt in advances; other payables and accruals; amount due to a former director; amount due to a major shareholder; and other borrowings.

As at 30 June 2017, the Group had no bank borrowings (2016: Nil). As at 30 June 2017, the Group had a balance of RMB38,692,000 (30 June 2016: Nil) due to Zhejiang RuiYuan Intelligent Robot Company Limited (浙江瑞遠智能機器人股份有限公司), a major shareholder of the Company, which balance is unsecured, interest free and not repayable within three years from the date of grant of the loan. As the major shareholder has confirmed that it would not demand for loan repayment from the Company for at least 12 months from the approval date of the financial statements, the loan from the major shareholder is classified as non-current liabilities. The proceeds from the said shareholder's loan were used to fund working capital for the Group's general operation. Please refer to note 11 to the unaudited condensed consolidated interim financial statements for further details.

The Group's gearing ratio as at 30 June 2017 was Nil (2016: Nil), which is expressed as a percentage of the total bank borrowings over the total assets.

Subsequent to the reporting period, the Group maintained bank balances and cash in the level of approximately RMB3,000,000.

Other

The Group had not held any significant investment other than the investments in two new wholly owned subsidiaries for the six months ended 30 June 2017.

Foreign exchange risk

For the six months ended 30 June 2017, the Group's income and expenses were denominated in RMB while certain procurement transactions were settled in US dollars. The Group regulated its outstanding foreign exchange balance by conducting sales settled in US dollars to reduce its foreign exchange exposure. Since the existing other borrowings are repayable in RMB, there was no material foreign exchange risk. The Group will review and monitor foreign exchange risk from time to time and may enter into forward swap contracts to hedge such risks where appropriate.

Employee and Remuneration Policies

As at 30 June 2017, total remuneration cost of the Group was approximately RMB835,000 and the Group had 22 employees. Remuneration is determined by reference to market terms and performance, qualifications and experience of individual employee. Discretionary bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to retirement scheme.

RIGHTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS TO ACQUIRE SHARES

During the six months ended 30 June 2017, none of the Directors, chief executive (if any) (the “Chief Executive”) or supervisors of the Company (the “Supervisors”) or their spouse or children under the age of 18 was granted any right to acquire shares of the Company or any of its associated corporations (as referred below), or had exercised any such right.

DISCLOSURE OF DIRECTORS’, CHIEF EXECUTIVES’ AND SUPERVISORS’ INTERESTS AND SHORT POSITIONS

So far as known to the Directors, at 30 June 2017, the interests and short positions of each Director, Chief Executive and Supervisor in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in shares

Name of Director/ Chief Executive/ Supervisor	Number of Shares held	Nature of interest	Approximate percentage of shareholding held in same class of securities	Approximate percentage of shareholding in the registered capital
Mr. He Keng (“Mr. He”)	370,000,000 Domestic Shares (note 2)	Interest of corporation	100.00%	74.00%
	1,000 H Shares (note 3)	Beneficial owner	0.0008%	0.0002%

Notes:

- (1) Domestic shares of a nominal value of RMB0.10 each (the “Domestic Shares”), in the registered capital of the Company, which are subscribed for or credited as fully-paid in Renminbi. “H share(s)” represent overseas listed foreign share(s) of a nominal value of RMB0.10 each (“H Share(s)”) in the registered capital of the Company, which are listed on the GEM and subscribed for and traded in Hong Kong dollars.
- (2) On 11 July 2016, Zhejiang RuiYuan Intelligent Robot Company Limited* (“Zhejiang RuiYuan”) entered into a share transfer agreement with (Wan Li Group Company Limited* (萬里控股集團股份有限公司) (“Wanli”), Mr. Qi Yong Qiang (“Mr. Qi”) and other parties, pursuant to which, among other things, Zhejiang RuiYuan agreed to acquire (i) 306,900,000 Domestic Shares held by Wanli and 15,775,000 Domestic Shares held by Mr. Qi (collectively the “First Batch Sale Shares”) and (ii) 47,325,000 Domestic Shares held by Mr. Qi (the “Second Batch Sale Shares”). After completion of the transfer of the First Batch Sale Shares and the Second Batch Sale Shares, Mr. He and parties acting in concert with it owned an aggregate of 370,000,000 Domestic Shares, representing approximately 74.00% of the entire issued share capital of the Company as at 30 June 2017.
- (3) As a result of the mandatory cash offer following the sale and purchase of the First Batch Sale Shares and the Second Batch Sale Shares (the “Mandatory Cash Offer”), which closed at 4 pm on 14 September 2016, Mr. He acquired valid acceptances in respect of 1,000 H Shares. Accordingly, Mr. He was interested in 1,000 H Shares as at 30 June 2017.

Save as disclosed above, at no time during the six months ended 30 June 2017 did the Directors, Chief Executives and Supervisors (including their spouse and children under 18 years of age) have any interest in, or had they been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations (within the meaning of SFO).

Apart from the above, at no time during the six months ended 30 June 2017 was the Company or any of its subsidiaries a party to any arrangement enabling the Directors, Chief Executives and Supervisors to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

Furthermore, at no time during the six months ended 30 June 2017 was there any arrangement whose objects are, or one of whose objects is, to enable Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or its associated corporation.

* For identification purposes

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES IN THE SHARES OF THE COMPANY

Long positions in shares

According to the register of substantial shareholders maintained under section 336 of the SFO, as at 30 June 2017, the Company had been notified the following substantial shareholders were interested in 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors, Chief Executives and Supervisors.

Name of Substantial Shareholder	Number of shares held	Nature of interest	Approximate percentage of shareholding held in same class of securities	Approximate percentage of shareholding in the registered capital
Zhejiang RuiYuan	370,000,000 Domestic Shares (Notes 2 and 3)	Beneficial owner	100%	74%
Shaoxing Qinyuan Electronic Technology Company Limited* ("Shaoxing Qinyuan")	47,325,000 Domestic Shares (Note 5)	Nominee for another person	12.79%	9.47%
Hangzhou Qindie Electronic Equipment Company Limited* ("Hangzhou Qindie")	370,000,000 Domestic Shares (Notes 2 and 4)	Interest of corporation	100%	74%
Zhuji Jinfu Electrical Equipment Company Limited* ("Zhuji Jinfu")	370,000,000 Domestic Shares (Notes 2 and 4)	Interest of corporation	100%	74%
Mr. He	370,000,000 Domestic Shares (Notes 2 and 4)	Interest of corporation	100%	74%
	1,000 H Shares (Notes 6)	Beneficial owner	0.0008%	0.0002%
Mr. Tang Jingfeng	370,000,000 Domestic Shares (Notes 2 and 4)	Interest of corporation	100%	74%

* For identification purposes

Name of Substantial Shareholder	Number of shares held	Nature of interest	Approximate percentage of shareholding held in same class of securities	Approximate percentage of shareholding in the registered capital
Mr. Zhao Zhongxin	370,000,000 Domestic Shares (Notes 2 and 4)	Interest of corporation	100%	74%
Mr. He Yanggen	370,000,000 Domestic Shares (Notes 2 and 4)	Interest of corporation	100%	74%
Martin Currie China Hedge Fund Limited	14,245,000 H Shares	Investment manager	10.96%	2.85%
Martin Currie Investment Management Limited	14,245,000 H Shares	Investment manager	10.96%	2.85%

Notes:

- (1) Domestic Shares of a nominal value of RMB0.10 each, in the registered capital of the Company, which are subscribed for or credited as fully-paid in Renminbi. “H Share(s)” represent overseas listed foreign share(s) of a nominal value of RMB0.10 each in the registered capital of the Company, which are listed on the GEM and subscribed for and traded in Hong Kong dollars.
- (2) On 11 July 2016, Zhejiang RuiYuan entered into a share transfer agreement with Wanli, Mr. Qi and other parties, pursuant to which, among other things, Zhejiang RuiYuan agreed to acquire (i) the First Batch Sale Shares from Wanli and Mr. Qi and (ii) the Second Batch Sale Shares from Mr. Qi. After completion of the transfer of the First Batch Sale Shares and the Second Batch Sale Shares. Mr. He and parties acting in concert with it owned an aggregate of 370,000,000 Domestic Shares, representing approximately 74.00% of the entire issued capital of the Company as at 30 June 2017.
- (3) Zhejiang RuiYuan is a joint stock company incorporated in the PRC with limited liability and is owned as to 55% by Hangzhou Qindie and as to 45% by Zhuji Jinfu.
- (4) Hangzhou Qindie is a company established in the PRC and is owned as to 51% by Mr. He and as to 49% by Mr. Tang Jingfeng. Zhuji Jinfu is a company established in the PRC and is owned as to 50% by Mr. Zhao Zhongxin and as to 50% by Mr. He Yanggen.
- (5) Shaoxing Qinyuan, to whom the Second Batch Sale Shares were transferred, is the nominee for Zhejiang RuiYuan and a company that is owned as to 60% by Mr. He and 40% by Mr. Tang Jinfeng.
- (6) As a result of the Mandatory Cash Offer which closed at 4pm on 14 September 2016, Mr. He acquired valid acceptances in respect of 1,000 H Shares. Accordingly, Mr. He was interested in 1,000 H Shares as at 30 June 2017.

Save as discussed above, the Directors are not aware of any person (other than the Directors whose interests are set out in the section headed “Disclosure of Directors’, Chief Executives’ and Supervisors’ Interests and Short Positions” in the shares of the Company above) holding any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register pursuant to section 336 of the SFO as at 30 June 2017.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY’S LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities.

COMPETING INTERESTS

None of the Directors, Supervisors and the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in any business that directly or indirectly competes with the business of the Group or has any other conflicts of interest.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors (the “Model Code”) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, the Directors confirmed that they had complied the required standard set out in the Model Code during the six months ended 30 June 2017.

CORPORATE GOVERNANCE

For the six months ended 30 June 2017, the Company has also complied with the code provisions set out in the Code on Corporate Governance Code (effective from 1 April 2012) as stated in Appendix 15 of the GEM Listing Rules except the following deviation from Code Provision A.2.1:

Mr. He is the Chairman of the board of directors. The Company has no such title as the chief executive officer and the daily operation and management of the Company is monitored by the executive directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting the operations of the Company.

AUDIT COMMITTEE

The Company has established an audit committee since 1 June 2003 with written terms of reference (updated on 28 June 2013 and 15 March 2017) based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the requirements as set out in Rules 5.28 and 5.29 of the GEM Listing Rules. The audit committee comprises three independent non-executive Directors of the Company, namely Mr. Kwok Kim Hung Eddie, who is the Chairman of such committee, Mr. Zhang Zhuoyong, and Mr. Zhang Tieyi.

The Audit Committee has reviewed with the senior management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including the review of the Group's unaudited consolidated financial statements for the six months ended 30 June 2017.

By order of the Board
Zhejiang RuiYuan Intelligent Control Technology Company Limited
He Keng
Chairman and Executive Director

Ningbo, The PRC, 11 August 2017

As at the date of this announcement, the Board comprises the following directors:

EXECUTIVE DIRECTORS

Mr. He Keng
Ms. Wu Shanghong
Mr. Cheng Weiqiang
Mr. Ding Cheng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwok Kim Hung Eddie
Mr. Zhang Zhuoyong
Mr. Zhang Tieyi

This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company <http://www.ruiyuanhk.com>.