

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, 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 report is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This report will remain on the GEM website at [www.hkgem.com](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 at [www.ruiyuanhk.com](http://www.ruiyuanhk.com).*

## 2020 THIRD QUARTERLY RESULTS

The board of Directors (the “Board”) of Zhejiang RuiYuan Intelligent Control Technology Company Limited (the “Company”) is pleased to announce that the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2020 together with the unaudited comparative figures for the corresponding period in 2019 are as follows:

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

*For the three months and nine months ended 30 September 2020*

	Notes	<b>(Unaudited)</b> <b>For the three months</b> <b>ended 30 September</b>		<b>(Unaudited)</b> <b>For the nine months</b> <b>ended 30 September</b>	
		<b>2020</b>	2019	<b>2020</b>	2019
		<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
Revenue	4	<b>8,851</b>	17,460	<b>25,345</b>	51,726
Cost of sales		<b>(8,792)</b>	(16,644)	<b>(25,015)</b>	(49,490)
Gross profit		<b>59</b>	816	<b>330</b>	2,236
Other income	4	<b>10</b>	2	<b>20</b>	3
Selling expense		<b>(43)</b>	(39)	<b>(127)</b>	(78)
Administrative expense		<b>(1,895)</b>	(1,254)	<b>(3,482)</b>	(3,044)
Finance costs	5	<b>(912)</b>	(831)	<b>(2,655)</b>	(2,493)
Loss before tax		<b>(2,781)</b>	(1,306)	<b>(5,914)</b>	(3,376)
Income tax (expenses)/credit	6	<b>-</b>	(4)	<b>18</b>	(3)
<b>Loss for the period</b>		<b>(2,781)</b>	(1,310)	<b>(5,896)</b>	(3,379)
Total comprehensive income for the period		<b>(2,781)</b>	(1,310)	<b>(5,896)</b>	(3,379)
<b>Loss per share</b>					
— Basic (RMB cents per share)	7	<b>(0.56)</b>	(0.26)	<b>(1.18)</b>	(0.68)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2020

	Attributable to owners of the Company					Total RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Statutory	Accumulates losses RMB'000	
				surplus reserve RMB'000		
At 1 January 2019	50,000	40,449	274,106	24,998	(431,393)	(41,840)
Loss and total comprehensive loss for the period	-	-	-	-	(3,379)	(3,379)
At 30 September 2019	50,000	40,449	274,106	24,998	(434,772)	(45,219)
At 1 January 2020	<b>50,000</b>	<b>40,449</b>	<b>274,106</b>	<b>25,040</b>	<b>(438,279)</b>	<b>(48,684)</b>
Arising from loan from a major shareholder	-	-	<b>12,447</b>	-	-	<b>12,447</b>
Loss and total comprehensive loss for the period	-	-	-	-	<b>(5,896)</b>	<b>(5,896)</b>
At 30 September 2020	<b>50,000</b>	<b>40,449</b>	<b>286,553</b>	<b>25,040</b>	<b>(444,175)</b>	<b>(42,133)</b>

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS

## **1. GENERAL INFORMATION**

Zhejiang RuiYuan Intelligent Control Technology Company Limited (the “Company”) is a joint stock limited liability company incorporated in the People’s Republic of China (the “PRC”) and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are sales of controller systems for electronic equipment and electronic component and subassembly for electronic appliances in the PRC.

The unaudited consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

## **2. BASIS OF PREPARATION**

The unaudited condensed consolidated results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) (collectively “HKFRSs”), 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 adopted in preparing the unaudited condensed consolidated results for the nine months ended 30 September 2020 are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2019, except for the change in accounting policies due to the revised HKFRSs, which are described in Note 3.

The condensed consolidated results for the nine months ended 30 September 2020 are unaudited but have been reviewed by the audit committee of the Company.

The Group has not early adopted the new and revised standards and amendments to standards that have been issued but are not yet effective for the nine months ended 30 September 2020.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the new and revised standards in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set in these condensed consolidated financial statements.

### 4. REVENUE AND OTHER INCOME

The revenue represents the amounts received and receivable for goods sold by the Group to outside customers, net of discounts and sales related taxes, and is set out below:

	(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15				
Sales of controller systems for electronic equipment and electronic component and subassembly for electronic appliances	8,851	17,460	25,345	51,726
Time of revenue recognition				
At point in time	8,851	17,460	25,345	51,726
Other income				
Bank interest income	–	1	–	2
Government grants	10	–	19	–
Others	–	1	1	1
	10	2	20	3

## 5. FINANCE COSTS

For the nine months ended 30 September 2020, finance costs amounted to approximately RMB2,655,000 (for the nine months ended 30 September 2019: RMB2,493,000), arising from the imputed interest on loan from a major shareholder.

## 6. INCOME TAX (CREDIT)/EXPENSE

The taxation (credit)/expense represents:

	<b>(Unaudited)</b> <b>For the three months</b> <b>ended 30 September</b>		<b>(Unaudited)</b> <b>For the nine months</b> <b>ended 30 September</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
Current taxation:				
— PRC income tax	—	4	(18)	3
Taxation (credit)/expense	—	4	(18)	3

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company and the PRC subsidiaries is 25% from 1 January 2008 onwards.

According to the normal statutory PRC EIT law and relevant rules, from 1 January 2018 to 31 December 2018, qualified small and thin-profit enterprises with an annual taxable income of RMB1 million or less is subject to an effective EIT rate of 10%.

From 1 January 2019 to 31 December 2021, qualified small and thin-profit enterprises with an annual taxable income of RMB1 million or less is applicable to the effective EIT rate of 5%. Where its annual taxable income exceeds RMB1 million but does not exceed RMB3 million (inclusive), the RMB1 million portion will be subject to an effective EIT rate of 5%, whereas the excess portion will be subject to the effective EIT rate of 10%.

For the periods ended 30 September 2020 and 2019, certain subsidiaries of the Company have been qualified as small and thin-profit enterprises which can enjoy preferential tax rate in the related period.

**7. LOSS PER SHARE**

Loss per share is calculated based on the Group's loss attributable to shareholders for the three months and nine months ended 30 September 2020 of approximately RMB2,781,000 and RMB5,896,000 (for the three months and nine months ended 30 September 2019: RMB1,310,000 and RMB3,379,000) and 500,000,000 shares (for the nine months ended 30 September 2019: 500,000,000 shares) in issue during the period respectively.

Diluted loss per share is not presented as the Company has no dilutive potential ordinary shares during the respective periods (2019: Nil).

**8. DIVIDEND**

No dividend was distributed during the period. The Board does not recommend the payment of dividend for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Business review**

The principal activities of the Group are sales of controller systems for electronic equipment and electronic component and subassembly for electronic appliances in the PRC.

The Group's activities are primarily operated in the PRC and the Group's revenue is mainly attributable to customers in the PRC.

With respect to product strategies in 2020, the Group has continued to take the initiative to develop the businesses of industrial electronic intelligent control equipment, machinery and equipment, industrial electronic automation digital control systems, and gradually enhanced the innovation level of its own products and technologies with the introduction of more high-end technological electronic products.

The marketing team of the Group has extended its business to customers in numerous cities such as Hangzhou, Changsha, Shanghai, Fuzhou, Wuhan, Hefei, Ningbo, Shenzhen and Xiamen and is now actively exploring more markets.

At present, the market environment is still challenging, the Group is waiting for emergence of profitable opportunities before expanding current operation. Actively taking the advantages of the Group's production capability, it is anticipating better opportunities under the latest market situation.

## **Financial review**

For the nine months ended 30 September 2020, the Group recorded a turnover of approximately RMB25,345,000 (for the nine months ended 30 September 2019: RMB51,726,000), representing a decrease of approximately RMB26,381,000. Such decrease in turnover was mainly due to the outbreak of novel coronavirus ("COVID-19") in the PRC since early 2020 and the overall market environment remained challenging, and the Group's operating results recorded a considerable decrease.

Loss attributable to shareholders for the nine months ended 30 September 2020 was approximately RMB5,896,000 (for the nine months ended 30 September 2019: RMB3,379,000), representing an increase of loss of approximately RMB2,517,000. Such increase in loss was attributable to the higher cost of sales for relevant products, resulting in a lower gross profit margin of the Group and higher selling and administrative expenses. The 3G electronic module products mainly operated by a subsidiary of the Company (the "Subsidiary") have been eliminated from the market, and the current harsh environment has led to a sharp decline in the performance of the Subsidiary. During the period from January to September 2020, the revenue of the Subsidiary accounted for about 1% of the total revenue of the Group. In consideration of the prospect of the Subsidiary's business, the Group has terminated the labor contracts of some employees of the Subsidiary and severance compensation was paid in accordance with the labor contract law.



For the nine months ended 30 September 2020, the gross profit margin was 1.3% (for the nine months ended 30 September 2019: 4.3%). The increase of sales cost leads to the decrease of gross profit margin. The Group will continue to implement cost control to mitigate the impact of price competition caused by fierce competition in the electronics industry.

For the nine months ended 30 September 2020, administrative expenses recorded an increase of approximately RMB438,000 over the previous period. The increase in administrative expenses is due to the payment of severance compensation to some employees of the Subsidiary. In order to reduce the related expenses, the Group will continue to implement cost control.

## **Contingent liabilities**

### **Case No. LBTC 3663/2016 (the “Labour Tribunal Proceedings”)**

On or around 7 November 2016, a former employee (the “Former Employee”) who was terminated by the Company on or around 5 October 2016 (the “Termination Date”), commenced proceedings in the Labour Tribunal against the Company and its former subsidiary, Hong Kong Wan Li Enterprise Co. Ltd. (“HK Wan Li”) (together, the “Respondents”), claiming a total amount of approximately of 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 bonus. Pursuant to the Order of the Labour Tribunal dated 5 May 2017, the Labour Tribunal Proceedings are presently stayed indefinitely with costs reserved.

As of the date hereof, the Company is not aware of any further development to the Labour Tribunal Proceedings since 5 May 2017.

Taking into account the possible outcome and their obligations for the above case, the Group has made a provision for claim of approximately RMB86,000 (equivalent to approximately HK\$96,000) for the year ended 31 December 2016 and no further provision was made thereafter.

Since the above case is still in progress, the Directors would continue to exercise their due care in monitoring the progress of the case and would assess the adequacy of provision of claim and the financial impact on the Group as and when appropriate. The Directors believe that the amount of approximately RMB86,000 as at 30 September 2020 (2019: RMB86,000) represents the best estimate of the Group’s liability having taken legal advice.

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

## **Event after the reporting period**

As at date of the report, the Group has no significant events after the reporting period.

## **Prospect**

The Group understands that its own competitive capability in product innovation and quality is important to future growth in sales and operation. Operation processes are continuously streamlined. The Group is moving forward with realistic measures and goals and in accordance with feasible plans. The Group has established strategic partnerships with various companies and is now actively expanding the products and sales markets, laying the foundation for the increase in the trading business of intelligent control systems. At present, the Group's products for sale include electronic components, communication equipment, industrial electronic intelligent control system and AC servo motors. Such products have gradually been recognized by the market and customers. The application of industrial electronic intelligent control system and intelligent robot developed by the Group has been gradually available to the market, making the market and development prospects of the Group promising.

## **Dividend**

No dividend was distributed during the period. The Board does not recommend the payment of dividend for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019: Nil).

## **Impact of COVID-19 Pandemic**

The outbreak of COVID-19 pandemic has significantly disrupted many business operations and caused drastic slowdown of the economy worldwide. There were significant impact of COVID-19 pandemic on the Group's business at the date of this quarterly report. The Company will continue to observe and develop suitable strategies to cope with the situation.

## **CHANGE OF SUPERVISORS**

On 4 November 2020, the board of supervisors of the Company (the "Board of Supervisors") received the resignation report tendered by Mr. Shi Huanmiao as an employee's representative supervisor of the Board of supervisors with effect from 4 November 2020 due to his personal career development. On the same day, Mr. Guo Fangqiang was elected as the employee's representative supervisor of the Company at the employee's representative meeting with effect from 4 November 2020 until the expiry of the term of office of the current session of the Board of Supervisors. The Board of Supervisors also appointed Mr. Guo Fangqiang as the chairman of the Board of Supervisors with effect from 4 November 2020 until the expiry of the term of office of the current session of the Board of Supervisors.

## RIGHTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS TO ACQUIRE SHARES

During the nine months ended 30 September 2020, none of the Directors, chief executives (the "Chief Executives") (if any) 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 corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), or had exercised any such right.

## PLEDGE OF SHARES BY SUBSTANTIAL SHAREHOLDER

As disclosed in the announcement of the Company dated 29 December 2017 (the "Announcement"), the Company was notified that, an aggregate of 322,675,000 domestic shares of the Company (the "Pledged Shares") held by Zhejiang RuiYuan Intelligent Robot Company Limited\* (浙江瑞遠智能機器人股份有限公司) ("RuiYuan Robot"), the Company's controlling shareholder (as defined in the GEM Listing Rules), has been pledged to an independent third party for serving RuiYuan Robot's own purpose and fulfilling its responsibility. The Pledged Shares represented approximately 64.535% of the total issued share capital of the Company as at the date of the Announcement. The pledge of the Pledged Shares did not fall within the scope of Rule 17.19 of the GEM Listing Rules.

## DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS

So far as known to the Directors, at 30 September 2020, the interests and short position 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 SFO), as required pursuant to Section 352 of the SFO to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing of securities by directors and supervisor of listed issuers as referred to in Rule 5.46 of the GEM Listing Rule, were as follows:

### Long positions in shares

Name of Director/ Chief Executive/ Supervisor	Number of Shares interested (Note 1)	Nature of interest	Approximate percentage of shareholding interested in same class of securities	Approximate percentage of shareholding interested in the registered capital
<b>Director</b>				
Mr. He Keng	370,000,000 Domestic Shares (Note 2)	Interest of controlled corporation	100%	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, 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, RuiYuan Robot 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, RuiYuan Robot 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 Keng and parties acting in concert with him owned an aggregate of 370,000,000 Domestic Shares, representing 74% of the entire issued share of the Company as at 30 September 2020.
- (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 Keng acquired valid acceptances in respect of 1,000 H Shares. Accordingly, Mr. He Keng was interested in 1,000 H Shares as at 30 September 2020.

Save as disclosed above, at no time during the nine months ended 30 September 2020 did the Directors, Chief Executives and Supervisors (including their spouse and children under 18 years of age) have any interests 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 nine months ended 30 September 2020 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 nine months ended 30 September 2020 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.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 30 September 2020, the persons or companies (other than the Director or chief executive of the Company) have interests and/or long positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO, and who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

### Long positions in shares

<b>Name of Substantial Shareholders</b>	<b>Total number of Shares interested</b>	<b>Nature of interest</b>	<b>Approximate percentage of shareholding interested in same class of securities</b>	<b>Approximate percentage of shareholding interested in the registered capital</b>
RuiYuan Robot	370,000,000 Domestic Shares (Notes 2, 3 and 4)	Beneficial owner	100%	74.00%
Hangzhou Qindie Electronic Equipment Company Limited* ("Hangzhou Qindie")	370,000,000 Domestic Shares (Notes 2 and 5)	Interest of controlled corporation	100%	74.00%
Zhuji Jinfu Electrical Equipment Company Limited* ("Zhuji Jinfu")	370,000,000 Domestic Shares (Notes 2 and 5)	Interest of controlled corporation	100%	74.00%
Shaoxing Qinyuan Electronic Technology Company Limited* ("Shaoxing Qinyuan")	47,325,000 Domestic Shares (Notes 2 and 6)	Nominee	12.79%	9.47%
Mr. He Keng	370,000,000 Domestic Shares (Notes 2, 5 and 6) 1,000 H Shares (Note 7)	Interest of controlled corporation Beneficial owner	100% 0.008%	74.00% 0.0002%
Mr. Tang Jingfeng	370,000,000 Domestic Shares (Notes 2, 5 and 6)	Interest of controlled corporation	100%	74.00%
Mr. Zhao Zhongxin	370,000,000 Domestic Shares (Notes 2 and 5)	Interest of controlled corporation	100%	74.00%

<b>Name of Substantial Shareholders</b>	<b>Total number of Shares interested</b>	<b>Nature of interest</b>	<b>Approximate percentage of shareholding interested in same class of securities</b>	<b>Approximate percentage of shareholding interested in the registered capital</b>
Mr. He Yanggen	370,000,000 Domestic Shares (Notes 2 and 5)	Interest of controlled corporation	100%	74.00%
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%

\* For identification purpose only

Notes:

- (1) Domestic Shares of a nominal value of RMB0.10 each, in the registered capital of the Company, 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, RuiYuan Robot entered into a share transfer agreement with Wanli, Mr. Qi and other parties, pursuant to which, among other things, RuiYuan Robot 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, RuiYuan Robot and parties acting in concert with it owned an aggregate of 370,000,000 Domestic Shares, representing 74% of the entire issued share of the Company as at 30 September 2020.
- (3) As disclosed in the announcement of the Company dated 29 December 2017, RuiYuan Robot has pledged its 322,675,000 domestic shares of the Company (representing 64.535% of the total issued share capital of the Company) to an independent third party for serving RuiYuan Robot's own purpose and fulfilling its responsibilities.
- (4) RuiYuan Robot 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.
- (5) Hangzhou Qindie is a company incorporated in the PRC and is owned as to 51% by Mr. He Keng and as to 49% by Mr. Tang Jingfeng. Zhuji Jinfu is a company incorporated in the PRC and is owned as to 50% by Mr. Zhao Zhongxin and as to 50% by Mr. He Yanggen.

- (6) Shaoxing Qinyuan, to whom the second Batch Sale Shares were transferred, is the nominee for RuiYuan Robot and a company that is owned as to 60% by Mr. He Keng and 40% by Mr. Tang Jingfeng.
- (7) After the Mandatory Cash Offer closed, Mr. He Keng acquired valid acceptances in respect of 1,000 H Shares. Accordingly, Mr. He Keng was interested in 1,000 H Shares.

Save as disclosed above, the Directors are not aware of any person (other than the Directors whose interests are set out in the section headed “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 kept pursuant to section 336 of the SFO as at 30 September 2020.

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

During the period, 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’ AND SUPERVISORS’ SECURITIES TRANSACTIONS

The Group has adopted the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding transactions in securities of the Company by the Directors and Supervisors (the “Code of Conduct”). Having made specific enquiry with all Directors and Supervisors, the Directors and Supervisors confirmed that they had complied with the required standard of dealings and the Code of Conduct during the nine months ended 30 September 2020.

## CORPORATE GOVERNANCE

For the nine months ended 30 September 2020, the Company has complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 15 to the GEM Listing Rules except the following deviation from Code Provision A.2.1:

Mr. He Keng is the Chairman of the Board. 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 holds meetings 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 15 March 2017 and 28 December 2018) 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. Zhou Weibo and Ms. Sheng Ting.

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 nine months ended 30 September 2020.

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

Ningbo, The PRC, 9 November 2020

As at the date of this report, the Board comprises the following Directors:

### **EXECUTIVE DIRECTORS**

Mr. He Keng (*Chairman*)  
Ms. Wu Shanhong  
Mr. Chen Weiqiang  
Mr. Ding Cheng

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

Mr. Zhou Weibo  
Ms. Sheng Ting  
Mr. Kwok Kim Hung Eddie

\* *For identification purpose only*