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RUIYUAN
瑞 远

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 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Zhejiang RuiYuan Intelligent Control Technology Company Limited* (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2022. This announcement, containing the full text of 2022 interim report of the Company, complies with the relevant content requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to preliminary announcements of the interim results. The 2022 interim report of the Company will be dispatched to the holders of H shares of the Company and available for viewing on the website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at www.hkexnews.hk on the “Latest Listed Company Announcements” page and on the “Investor Relations” page of the Company’s website at www.ruiyuanhk.com in due course.

By Order of the Board

Zhejiang RuiYuan Intelligent Control Technology Company Limited*

He Keng

Chairman and Executive Director

Ningbo, the People’s Republic of China, 8 August 2022

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. He Keng, Ms. Wu Shanhong, Mr. Chen Weiqiang and Ms. Zou Jing; and three independent non-executive Directors, namely Mr. Zhou Weibo, Ms. Sheng Ting and Mr. Kwok Kim Hung Eddie.

* For identification purpose only

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk on the "Latest Listed Company Announcements" page for at least 7 days from the date of its publication and on the website of the Company at www.ruiyuanhk.com.

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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 Stock Exchange’s website at www.hkexnews.hk on the “Latest Listed Company Announcements” page for at least 7 days from the date of its publication and on the website of the Company at www.ruiyuanhk.com.

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2022 INTERIM 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 six months ended 30 June 2022 (the “Reporting Period”) together with the unaudited comparative figures for the corresponding period in 2021 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 2022

	Notes	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
		2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	4	6,331	12,407	14,806	22,894
Cost of sales		(4,447)	(11,468)	(12,410)	(21,689)
Gross profit		1,884	939	2,396	1,205
Other income	4	5	1	7	1
Selling expense		(179)	(45)	(262)	(110)
Administrative expense		(525)	(350)	(1,128)	(778)
Finance costs	6	(1,612)	(1,337)	(3,225)	(2,674)
Loss before taxation	7	(427)	(792)	(2,212)	(2,356)
Income tax expense	8	(24)	(20)	(26)	(20)
Loss and total comprehensive loss for the period		(451)	(812)	(2,238)	(2,376)
Loss per share					
— Basic (RMB cents per share)	10	(0.09)	(0.16)	(0.45)	(0.48)

* For identification purpose only

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		(Unaudited) 30 June 2022 RMB'000	(Audited) 31 December 2021 RMB'000
	Notes		
Non-current assets			
Plant and equipment		229	258
Current assets			
Inventories		–	148
Trade and bill receivables	11	7,213	7,487
Prepayments, deposits and other receivables		1	–
Bank balance and cash		1,017	10,703
		8,231	18,338
Current liabilities			
Trade payables	12	6,083	7,585
Other payables and accruals		914	955
Contract liabilities		904	–
Amount due to a shareholder of ultimate holding company		1,840	12,315
Amount due to a major shareholder		6,000	6,000
Dividends payables		4,440	4,440
Tax payables		24	33
		20,205	31,328
Net current liabilities		(11,974)	(12,990)
Non-current liabilities			
Loan from a major shareholder	13	34,494	31,269
Net liabilities		(46,239)	(44,001)
Capital and reserves			
Share capital		50,000	50,000
Reserves		(96,239)	(94,001)
Capital deficiency		(46,239)	(44,001)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2022

	Attributable to owners of the Company					
	Share capital	Capital reserve	Other reserve	Statutory surplus reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	50,000	40,449	291,319	25,040	(446,775)	(39,967)
Loss and total comprehensive loss for the period	-	-	-	-	(2,376)	(2,376)
At 30 June 2021	50,000	40,449	291,319	25,040	(449,151)	(42,343)
At 1 January 2022	50,000	40,449	291,319	25,177	(450,946)	(44,001)
Loss and total comprehensive loss for the period	-	-	-	-	(2,238)	(2,238)
At 30 June 2022	50,000	40,449	291,319	25,177	(453,184)	(46,239)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	(Unaudited) Six months ended 30 June 2022 RMB'000	(Unaudited) Six months ended 30 June 2021 RMB'000
Net cash generated from operating activities	788	1,577
Net cash generated from (used in) investing activities	1	(179)
Net cash used in financing activities	(10,475)	(10,403)
Net decrease in cash and cash equivalents	(9,686)	(9,005)
Cash and cash equivalents at the beginning of period	10,703	10,147
Cash and cash equivalents at the end of period	1,017	1,142
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	1,017	1,142

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM 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 and manufacturing and sales of computer numerical control ("CNC") machine tools optical and mechanical products 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").

Going concern

During the period, the Group incurred a net loss for the period of approximately RMB2,238,000. At 30 June 2022, the Group had net current liabilities of approximately RMB11,974,000 and capital deficiency of approximately RMB46,239,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liability in the normal course of business. Nevertheless, the Directors have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant matters:

- (i) The Directors will strengthen to implement measures aiming of improving the working capital and cash flows of the Group including closely monitoring the general administrative expenses and operating costs; and
- (ii) a major shareholder and a director of the Company confirm to provide adequate financial support to the Group as is necessary to ensure its continuing operation for a period at least twelve months from the date of this report.

* For identification purpose only

The Directors consider that after taking into account the abovementioned financing plans and financial support of the major shareholder, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments have not been reflected in the consolidated financial statements.

The accounting policies adopted in preparing the unaudited condensed consolidated results for the six months ended 30 June 2022 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021, except for the change in accounting policies due to the revised HKFRSs and HKASs, which are described in Note 3.

The condensed consolidated results for the six months ended 30 June 2022 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 six months ended 30 June 2022.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022.

Amendments to HKFRS 3	Reference to Conceptual Framework
Amendments to HKFRS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the new and revised standards during the reporting period has 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

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue				
Type of goods				
Sales of controller systems for electronic equipment and electronic component and subassembly for electronic appliances	4,744	12,407	13,140	22,894
Sales of CNC machine tools optical and mechanical products	1,587	–	1,666	–
Time of revenue recognition				
At point in time	6,331	12,407	14,806	22,894
Other income				
Bank interest income	1	–	1	–
Government grants	3	–	3	–
Others	1	1	3	1
	5	1	7	1

5. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

During the year ended 31 December 2021, the Group commenced the business of engaging in manufacturing and sales of CNC machine tools optical and mechanical products in the PRC, and it is considered as a new operating and reportable segment by the CODM. Therefore, the Group’s operating and reportable segments are: (i) Sales of controller systems for electronic products; and (ii) Sales of mechanical products. The CODM considers the Group has two operating and reportable segments which are based on the internal organisation and reporting structure. This is the basis upon which the Group is organised.

Segment revenues and results

The following is an analysis of the Group’s revenue and results by reportable and operating segment:

For the six months ended 30 June

	Sales of controller systems for electronic products		Sales of mechanical products		Consolidated	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue						
— External sales	13,140	22,894	1,666	–	14,806	22,894
Segment results	445	783	910	–	1,355	783
Unallocated income						
Other income					7	1
Unallocated expenses						
Depreciation of plant and equipment					(11)	(10)
Finance costs					(3,225)	(2,674)
Other expenses					(338)	(456)
Loss before taxation					(2,212)	(2,356)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

At 30 June

	Sales of controller systems for electronic products		Sales of mechanical products		Consolidated	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	7,244	5,386	160	–	7,404	8,414
Unallocated corporate assets					1,056	2,694
Total assets					8,460	11,108
Segment liabilities	7,333	8,192	–	–	7,333	10,313
Unallocated corporate liabilities					47,366	43,138
Total liabilities					54,699	53,451

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to operating segments other than loan from a major shareholder, dividends payables and amount due to a major shareholder/a shareholder of ultimate holding company. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information

For the sixth month ended 30 June

	Sales of controller systems for electronic products		Sales of mechanical products		Unallocated		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation of plant and equipment	(8)	(14)	(10)	–	–	–	(18)	(14)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:								
Bank interest income	–	–	–	–	1	–	1	–
Depreciation of plant and equipment	–	–	–	–	(11)	(10)	(11)	(10)
Finance costs	–	–	–	–	(3,225)	(2,674)	(3,225)	(2,674)

Geographical information

The Group's business is primarily operated in the PRC. All of the Group's revenue is attributable to customers in the PRC.

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 all 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	
	2022	2021
	RMB'000	RMB'000
Customer A	7,726	13,634
Customer B	3,976	—*
Customer C	—*	7,948
	11,702	21,582

* Representing revenue contributed less than 10% of the total revenue of the Group during the period.

6. FINANCE COSTS

For the six months ended 30 June 2022, finance costs amounted to approximately RMB3,225,000 (for the six months ended 30 June 2021: RMB2,674,000), arising from the imputed interest on loan from a major shareholder.

7. LOSS BEFORE TAXATION

	(Unaudited) For the six months ended 30 June 2022 RMB'000	(Unaudited) For the six months ended 30 June 2021 RMB'000
Loss before taxation has been arrived at after charging:		
Staff costs, excluding chairman, directors' and supervisors' emoluments		
— Salaries, wages and other benefits in kind	315	43
— Retirement benefits scheme contributions	28	14
Total staff costs	343	57
Depreciation of plant and equipment	29	24
Cost of inventories recognised as an expense	12,376	21,667
Expense relating to short-term lease and other leases with lease terms end within 12 months	—	29

8. INCOME TAX EXPENSE

The taxation expense represents:

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Current taxation:				
— PRC enterprise income tax	24	20	26	20
Income tax expense	24	20	26	20

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 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 Enterprise Income Tax ("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%.

From 1 January 2021 to 31 December 2022, the portion of annual taxable income that does not exceeds RMB1 million of a small and thin-profit enterprise will be subject to an effective EIT rate of 2.5%.

For the periods ended 30 June 2022 and 2021, certain subsidiaries of the Company have been qualified as small and thin-profit enterprises which can enjoy preferential tax rate in the related period.

No provision for Hong Kong profits tax was made for the period ended 30 June 2022 and 2021 as the Group did not generate any assessable profits arising in Hong Kong for that periods.

9. DIVIDEND

No dividend was distributed during the reporting period. The Board does not recommend the payment of dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

10. LOSS PER SHARE

Loss per share is calculated based on the Group's loss attributable to shareholders for the three months and six months ended 30 June 2022 of approximately RMB451,000 and RMB2,238,000 (for the three months and six months ended 30 June 2021: approximately RMB812,000 and RMB2,376,000) and 500,000,000 shares (for the six months ended 30 June 2021: 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 (2021: Nil).

11. TRADE AND BILL RECEIVABLES

	(Unaudited) 30 June 2022 RMB'000	(Audited) 31 December 2021 RMB'000
Trade receivables	7,402	7,646
Less: Accumulated impairment losses	(189)	(189)
Trade receivables, net of impairment	7,213	7,457
Bill receivables	–	30
	7,213	7,487

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

	(Unaudited) 30 June 2022 RMB'000	(Audited) 31 December 2021 RMB'000
0 to 90 days	2,127	5,356
91 to 180 days	1,454	1,395
181 to 365 days	3,632	706
Over 365 days	–	–
	7,213	7,457

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

At 30 June 2022, the trade receivables included the trade receivables from a related company of approximately RMB4,524,000, which is unsecured, interest-free and bears normal commercial terms as other trade debtors. The related company is an entity which is controlled by a director of the immediate holding company.

12. TRADE PAYABLES

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

	(Unaudited)	(Audited)
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
0 to 90 days	6,039	7,585
91 to 180 days	44	–
181 to 365 days	–	–
Over 365 days	–	–
	6,083	7,585

13. LOAN FROM A MAJOR SHAREHOLDER

As at 30 June 2022, the loan from Zhejiang RuiYuan Intelligent Robot Company Ltd. is unsecured, interest free and not repayable within three years from the date of grant of the loan. The loan is measured at amortised cost using effective interest method with effective rate of 20.63% per annum.

14. 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 of this report, 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 cases, 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 cases are still in progress, the Directors would continue to exercise their due care in monitoring the progress of the cases 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 June 2022 (2021: 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.

15. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

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

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 and manufacturing and sales of CNC machine tools optical and mechanical products in the PRC.

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

In 2022, the Group took the initiative to develop the business of industrial electronic intelligent control equipment, mechanical equipment, industrial computer numerical control ("CNC") system, and general parts processing and manufacturing. At present, the Group purchased a batch of multi-axis drilling machine, grinding machine and radial drilling machine and other equipment, for metal castings and metal products (such as bed, bed legs, headstock, pressure film, briquetting, nut and other castings and forgings) processing, manufacturing and production of CNC machine tools and optical machines. The CNC machine tool optical and mechanical products launched by the Group in the first half of 2021 are applied in different fields, including raw materials, production and processing. The Company will soon launch a variety of high-end CNC machine tool and optical machine products to enhance the enterprise's own product innovation and market expansion. In addition, the Group's industrial automation control system and electronic equipment products have also been processed and upgraded, further improve the performance of products and enhance market competitiveness. The Group will continue to purchase a series of processing equipment to develop new products.

The Group has signed letters of intent for cooperation and purchase and sales contracts with a number of agent dealers, mainly metal casting and forging factories and precision machinery companies. The suppliers mainly include manufacturers of metal casting and forging parts, while the customers of the Company include trading enterprises and production companies. The Company's marketing team will continue to expand business in Hangzhou, Jiaxing, Shanghai, Shaoxing, Nanjing, Wuxi, Huai'an, Linhai, Quzhou and other cities, continue to increase new sales customers, and actively explore more cities' markets.

In 2022, due to the Novel Coronavirus ("COVID-19") outbreak, the control measures in various places have greatly affected logistics and transportation, resulting in a significant decline in the company's operating performance. The group is gradually expanding its existing business, such as CNC machine tools and optical machine products, and is waiting for the market opportunity to expand its scale and business under the best market conditions.

Financial review

For the six months ended 30 June 2022, the Group recorded a turnover of approximately RMB14,806,000 (for the six months ended 30 June 2021: approximately RMB22,894,000), representing a decrease of approximately RMB8,088,000. The reason for the decrease is due to the control measures and logistics and transportation in Jiangsu, Zhejiang and Shanghai customer markets affected by the COVID-19 outbreak, which resulted in a decrease in the Group's operation compared with the same period last year.

For the six months ended 30 June 2022, loss attributable to shareholders was approximately RMB2,238,000 (for the six months ended 30 June 2021: approximately RMB2,376,000), representing a decrease of loss of approximately RMB138,000. The Group will continue to implement cost control.

For the six months ended 30 June 2022, the gross profit margin was 16.18% (for the six months ended 30 June 2021: 5.26%). The increase in gross profit margin is mainly due to the cost of sales reduced. The Group will continue to implement cost control.

For the six months ended 30 June 2022, administrative expenses was approximately RMB1,128,000, representing an increase of approximately RMB350,000 compared with the corresponding period of last year. In order to reduce the related expenses, the Group will continue to implement cost management.

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, industrial electronic intelligent control system, alternating current servo motors and CNC machine tools optical and mechanical. Such products have gradually been recognized by the market and customers. The application of industrial electronic intelligent control system and CNC machine tools optical and mechanical 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 Reporting Period. The Board does not recommend the payment of dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

Financial resources and liquidity

As at 30 June 2022, the Group had net current liabilities of approximately RMB11,974,000 (31 December 2021: approximately RMB12,990,000).

As at 30 June 2022, current assets amounted to approximately RMB8,231,000 (31 December 2021: approximately RMB18,338,000) of which approximately RMB1,017,000 were bank balances and cash (31 December 2021: approximately RMB10,703,000). On the other hand, the Group had current liabilities of approximately RMB20,205,000 (31 December 2021: approximately RMB31,328,000).

As at 30 June 2022, the Group had no bank borrowings (31 December 2021: Nil).

As at 30 June 2022, the Group had a loan from a major shareholder, Zhejiang RuiYuan Intelligent Robot Company Limited (浙江瑞遠智能機器人股份有限公司) amounted to approximately RMB34,494,000 (31 December 2021: approximately RMB31,269,000).

The Group's gearing ratio as at 30 June 2022 was Nil (31 December 2021: Nil), which is expressed as a percentage of the other borrowings over the total assets.

Currency risk

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Outlook and future development

As the general economic growth in China slowed down in recent years, competition in the controllers systems market becomes keener and keener. In this connection, we will continue to implement stringent cost control measures in 2022. Going forward, the Group will explore business opportunities on intelligence control system for heavy industrial uses such as application for industrial robotics.

Material acquisition or disposal

The Group did not have any material acquisitions, or disposals during the six months ended 30 June 2022.

Employees and remuneration policies

As at 30 June 2022, the Group had 11 employees (31 December 2021: 11 employees). Remuneration is determined by reference to market terms and the performance, qualifications and experience of individual employees. Bonuses based on individual performance will be paid to employees in recognition and reward of their contribution. Other benefits include contributions to retirement benefits scheme.

Pledge of assets

As at 30 June 2022, the Group had not pledged any assets for banking facilities (31 December 2021: Nil).

Contingent liabilities

Details of the contingent liabilities are set out in Note 14 to the condensed unaudited consolidated interim financial statements.

Significant investments held

The Group had not held any significant investments as at 30 June 2022.

Future plans for material investments or capital assets

The Group did not have any specific plan for material investments or acquisitions of capital assets as at 30 June 2022.

Impact of COVID-19 pandemic

The COVID-19 pandemic has significantly disrupted many business operations and caused drastic slowdown of the economy worldwide. It is hard to estimate fairly the full impact of COVID-19 pandemic on the Group's business at the date of this interim report. The Company will continue to observe and develop suitable strategies to cope with the situation.

Significant event after the reporting period

As at date of this report, the Group has no significant events after the Reporting Period.

RIGHTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS TO ACQUIRE SHARES

During the six months ended 30 June 2022, 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, as at 30 June 2022, 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
Director				
Mr. He Keng	370,000,000 Domestic Shares (Note 2)	Interest of controlled corporation	100.00%	74.00%
	1,000 H Shares (Note 3)	Beneficial owner	0.0008%	0.0002%
Ms. Zou Jing	4,225,000 H Shares	Beneficial owner	3.25%	0.845%

Notes:

- (1) Domestic share(s) of a nominal value of RMB0.10 each (the "Domestic Share(s)"), 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 June 2022.
- (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 June 2022.

Save as disclosed above, at no time during the six months ended 30 June 2022 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 six months ended 30 June 2022 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 2022 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 June 2022, the persons or companies (other than the Director, Chief Executive or Supervisors of the Company) have interests and/or short 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

Name of Substantial Shareholders	Total 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
RuiYuan Robot	370,000,000 Domestic Shares (Notes 2, 3 and 4)	Beneficial owner	100.00%	74.00%
Hangzhou Qindie Electronic Equipment Company Limited* ("Hangzhou Qindie")	370,000,000 Domestic Shares (Notes 2 and 5)	Interest of controlled corporation	100.00%	74.00%
Zhuji Jinfu Electrical Equipment Company Limited* ("Zhuji Jinfu")	370,000,000 Domestic Shares (Notes 2 and 5)	Interest of controlled corporation	100.00%	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	100.00% 0.0008%	74.00% 0.0002%
Mr. Tang Jingfeng	370,000,000 Domestic Shares (Notes 2, 5 and 6)	Interest of controlled corporation	100.00%	74.00%
Mr. Zhao Zhongxin	370,000,000 Domestic Shares (Notes 2 and 5)	Interest of controlled corporation	100.00%	74.00%

* For identification purpose only

Name of Substantial Shareholders	Total number of Shares interested <i>(Note 1)</i>	Nature of interest	Approximate percentage of shareholding interested in same class of securities	Approximate percentage of shareholding interested in the registered capital
Mr. He Yanggen	370,000,000 Domestic Shares <i>(Notes 2 and 5)</i>	Interest of controlled corporation	100.00%	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%

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 June 2022.
- (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" 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 June 2022.

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

During the Reporting 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 six months ended 30 June 2022. In addition, the Company is not aware of any non-compliance of the required standard of dealings and the Code of Conduct by the relevant employees during the Reporting Period.

CHANGES IN DIRECTORS' AND SUPERVISORS' INFORMATION

There is no change in the Directors' and Supervisors' information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

CORPORATE GOVERNANCE

For the six months ended 30 June 2022, the Company has complied with all 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 C.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 (the "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 Audit 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 six months ended 30 June 2022.

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

Ningbo, The PRC, 8 August 2022

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
Ms. Zou Jing

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

* *For identification purpose only*