

RUIYUAN
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浙江瑞遠智控科技股份有限公司

Zhejiang RuiYuan Intelligent Control Technology Company Limited*

(formerly known as Ningbo WanHao Holdings Company Limited*)

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

Stock code: 8249



2017

First Quarterly Report

*For identification purposes only

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 (formerly known as Ningbo WanHao Holdings 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; (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.

RESULTS

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 ended 31 March 2017 together with the unaudited comparative figures for the corresponding period in 2016 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Unaudited For the three months ended 31 March	
		2017 RMB'000	2016 RMB'000
Revenue	(2)	3,498	4,326
Cost of sales		(3,220)	(4,032)
Gross profit		278	294
Administrative expenses	(5)	(1,510)	(1,197)
Loss from operations		(1,232)	(903)
Finance costs	(6)	—	(6)
Loss before taxation		(1,232)	(909)
Income tax expenses	(3)	—	—
Loss for the period		(1,232)	(909)
Attributable to:			
Equity holders of the Company		(1,232)	(909)
Minority interests		—	—
		(1,232)	(909)
Loss per share (cents) — Basic	(4)	(0.25 cents)	(0.18 cents)

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

	For the three months ended 31 March	
	2017 RMB'000	2016 RMB'000
Loss for the period	(1,232)	(909)
Other comprehensive income	24	—
Total comprehensive expenses for the period	(1,208)	(909)
Attributable to:		
Equity holders of the company	(1,208)	(909)
Minority interests	—	—

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2017

	Attributable to equity holders of the Company								Total RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	
At 1 January 2016	50,000	40,449	256,623	24,998	13	(420,461)	(48,378)	-	(48,378)
Total comprehensive expenses for the period	-	-	-	-	-	(909)	(909)	-	(909)
At 31 March 2016	50,000	40,449	256,623	24,998	13	(421,370)	(49,287)	-	(49,287)
At 1 January 2017	50,000	40,449	256,623	24,998	(63)	(423,085)	(51,078)	-	(51,078)
Total comprehensive income/(expenses) for the period	-	-	-	-	24	(1,232)	(1,208)	-	(1,208)
At 31 March 2017	50,000	40,449	256,623	24,998	(39)	(424,317)	(52,286)	-	(52,286)

Notes:

I. 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 three months ended 31 March 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 results for the three months ended 31 March 2017 are unaudited and 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 three months ended 31 March 2017.

2. Revenue

The Group is principally engaged in the sale of intelligent controller systems for consumer electrical and electronic appliances and sales of small electrical appliances. Turnover stated net of value added tax is as follows:

	Unaudited For the three months ended 31 March	
	2017 RMB'000	2016 RMB'000
Turnover		
Sale of controller systems for consumer electrical and electronic appliances	3,498	4,326
	3,498	4,326

3. Income tax expenses

The taxation charges represent:

	Unaudited For the three months ended 31 March	
	2017 RMB'000	2016 RMB'000
Current taxation:		
— Hong Kong	—	—
— PRC income tax	—	—
Taxation charges	—	—

- (a) Hong Kong profits tax is calculated at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the respective periods.
- (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%).

4. Loss per share

Loss per share is calculated based on the Group's loss attributable to shareholders for the three months ended 31 March 2017 of approximately RMB1,232,000 (2016: RMB909,000 (loss)) and 500,000,000 (2016: 500,000,000) shares in issue during the period respectively.

Diluted loss per share has not been presented as the Company has no dilutive potential ordinary shares during the three month periods ended 31 March 2016 and 2017.

5. Administrative expenses

During the period ended 31 March 2017, the Group has incurred salaries of approximately RMB461,000 (2016: RMB436,000) and depreciation of approximately RMB9,000 (2016: RMB39,000). The increase in administration expense was mainly due to increase in legal and professional fees from approximately RMB66,000 in 2016 to approximately RMB428,000 in 2017 which were mainly incurred for a case related to labour dispute.

6. Finance costs

No finance cost has been incurred for the period ended 31 March 2017 (2016: approximately RMB6,000).

7. Dividend

The Board does not recommend the payment of dividend for the three months ended 31 March 2017 (three months ended 31 March 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group is principally engaged in the sale of intelligent controller systems for consumer electrical and electronic appliances and sale of small electrical appliances.

During the period under review, the Group continued to seek improvement in the sales performance of intelligent controller systems, consumer electrical and electronic appliances. It is also actively considering to seek funds to improve its financial position.

The Company's substantial shareholder, Zhejiang RuiYuan Intelligent Robot Company Limited* ("Zhejiang RuiYuan"), has substantial experience in developing intelligent controller systems. Based on Zhejiang RuiYuan's experience and network, the Group will expand its sales to Hangzhou, Shanghai, Suzhou and other major cities in China in 2017.

Financial review

Results

The Group recorded a turnover of approximately RMB3,498,000 (2016: RMB4,326,000) for the three months ended 31 March 2017, representing a decrease of approximately RMB828,000. The decrease in turnover mainly reflected the impact of intense competition in the electronics industry on the Group. The loss attributable to shareholders was approximately RMB1,232,000 (2016: RMB909,000), representing an increase of loss of approximately RMB323,000.

Gross profit

Gross profit margin was 7.9% (2016: 6.8%). The Group will continue to implement cost controls to mitigate the impact of price competition caused by intense competition in the electronics industry.

Cost of sale and administrative expenses

Overheads were maintained at reasonable level leading to controllable losses comparable to that of the same period of 2016. However, legal and professional fees increased from approximately RMB66,000 in 2016 to approximately RMB428,000 in 2017 which were mainly incurred for a case related to labour dispute. Please also refer to notes to the unaudited consolidated results.

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 during the difficult time and under tight budgets. The Group is moving forward with realistic measures and goals and in accordance with feasible plans.

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DIVIDEND

The Board does not recommend payment of dividend for the three months ended 31 March 2017 (three months ended 31 March 2016: Nil).

RIGHTS OF DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS TO ACQUIRE SHARES

During the three months ended 31 March 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 corporation (as referred below), or had exercised any such right.

DISCLOSURE OF INTERESTS AND SHORT POSITIONS

So far as known to the Directors, as at 31 March 2017, the interests and short positions of each Directors, 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 Rules Governing the Listing of Securities on the GEM (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	370,000,000 Domestic Shares (note 2)	Interest of 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 ("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, 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"). The transfer of the Second Batch Sale Shares from Mr. Qi to Zhejiang RuiYuan had been completed, after which Zhejiang RuiYuan and parties acting in concert with it owned an aggregate of 370,000,000 Domestic Shares, representing approximately 74% of the entire issued share capital of the Company as at 31 March 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 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 31 March 2017.

Save as disclosed above, at no time during the three months ended 31 March 2017 did the Directors, Chief Executives and Supervisors (including their spouse and children under 18 years of age) had 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 three months ended 31 March 2017 was the Company or its subsidiaries a party to any arrangement enabling the Directors, Chief Executives and Supervisors of the Company 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 three months ended 31 March 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS 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 31 March 2017, the Company had been notified that 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.

* *For identification purposes only*

Name of shareholder	Number of shares held	Nature of interest	Approximate percentage of shareholding 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 Keng	370,000,000 Domestic Shares (Notes 2 and 4)	Interest of corporation	100%	74%
	1,000 H Shares (Note 6)	Beneficial owner	0.0008%	0.0002%
Mr. Tang Jingfeng	370,000,000 Domestic Shares (Notes 2 and 4)	Interest of corporation	100%	74%
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, 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. The transfer of the Second Batch Sale Shares from Mr. Qi to Zhejiang RuiYuan had been completed, after which Zhejiang RuiYuan 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 31 March 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 Keng 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.

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- (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 Keng and 40% by Mr. Tang Jinfeng.
 - (6) As a result of the Mandatory Cash Offer, 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 31 March 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 "Directors, Chief Executives' and Supervisors' Interests" 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 31 March 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.

CORPORATE GOVERNANCE

For the three months ended 31 March 2017, the Company has complied with the code provisions set out in the Code on Corporate Governance Code as stated in Appendix 15 of the GEM Listing Rules except the following deviation from Code Provision A.2.1:

Mr. He Keng 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 who 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 (revised on 22 March 2012 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, namely Mr. Kwok Kim Hung Eddie, who is the Chairman of the committee, Mr. Zhang Tieyi and Mr. Zhang Zhuoyong.

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 condensed consolidated financial statements for the three months ended 31 March 2017.

By order of the board
Zhejiang RuiYuan Intelligent Control Technology Company Limited
He Keng

Chairman and Executive Director

Ningbo, The PRC, 12 May 2017

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. Zhang Zhuoyong

Mr. Zhang Tieyi

Mr. Kwok Kim Hung Eddie