



**RISECOMM**  
瑞斯康

**Risecomm Group Holdings Limited**  
**瑞斯康集團控股有限公司**

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 1679

Interim Report  
**2021**



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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Yue Jingxing  
*(Chairman, appointed as Chairman on 5 July 2021)*  
Mr. Lau Wai Leung, Alfred  
*(appointed on 19 January 2021)*  
Mr. Jiang Feng  
*(appointed on 19 April 2021)*  
Mr. Tang Andong  
*(resigned on 7 April 2021)*

## NON-EXECUTIVE DIRECTORS

Mr. Cheung Fan  
Mr. Yu Lu  
*(appointed on 9 September 2021)*  
Mr. Zhou, Francis Bingrong  
*(resigned on 19 January 2021)*  
Mr. Wang Shiguang  
*(retired on 25 June 2021)*  
Ms. Pan Hong  
*(retired on 25 June 2021)*

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ong King Keung  
Ms. Lo Wan Man  
Mr. Zou Heqiang

## COMPANY SECRETARY

Mr. Lau Wai Leung, Alfred

## AUTHORIZED REPRESENTATIVES

(for the purpose of the Listing Rules)

Mr. Yue Jingxing  
Mr. Lau Wai Leung, Alfred

## AUDIT COMMITTEE

Mr. Ong King Keung *(Chairman)*  
Ms. Lo Wan Man  
Mr. Zou Heqiang

## NOMINATION COMMITTEE

Ms. Lo Wan Man *(Chairman)*  
Mr. Ong King Keung  
Mr. Cheung Fan

## REMUNERATION COMMITTEE

Mr. Ong King Keung *(Chairman)*  
Mr. Yue Jingxing  
Ms. Lo Wan Man

## PRINCIPAL BANKERS

*In Hong Kong:*  
Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation Limited

*In the People's Republic of China (the "PRC"):*  
Bank of China Limited  
China Merchants Bank

## COMPANY'S LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners  
40/F, Jardine House  
1 Connaught Place  
Central, Hong Kong

## AUDITOR

RSM Hong Kong  
Certified Public Accountants  
29th Floor  
Lee Garden Two  
28 Yun Ping Road  
Causeway Bay  
Hong Kong

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

# CORPORATE INFORMATION *(continued)*

## **HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC**

41/F, Block A, Building 8  
Shenzhen International Innovation Valley  
Xili Street, Nanshan District  
Shenzhen  
China

## **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

4/F, Yue Thai Commercial Building  
128 Connaught Road Central  
Sheung Wan  
Hong Kong

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **COMPANY WEBSITE**

[www.risecomm.com.cn](http://www.risecomm.com.cn)

## **STOCK CODE**

1679

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

Under the second round of transformation of the Electric Energy Data Acquisition Systems by the State Grid Corporation of China (“**State Grid**”), the construction goal of “full coverage, collection, and tariff control” is promoting the further development and upgrading of power line communication (“**PLC**”) technology. Narrowband to broadband, single-mode to dual-mode technology is the development trend of communication technology in the second round of transformation. Currently, the products of State Grid using PLC broadband technology have entered into the mass application stage. With the implementation of the new standard for electric meters in the second half of 2020 and the relief of the COVID-19 pandemic, the demand for smart meters began to increase in 2021. During the Period, State Grid conducted the first centralized bidding for energy meters and Electric Energy Data Acquisition Systems in 2021. The number of tenders for Electric Energy Data Acquisition Systems is about 37 million, representing a year-on-year increase of approximately 32% compared with the first batch of tenders in 2020.

Although the overall market demand in PLC remains strong and promising, under the current Sino-U.S. trade tension, more state-owned enterprises (“**SOE**”) and sizeable technology-based companies tapped into the chipsets market as a result of the supportive direction conducted by the Chinese government for the promotion of national self-developed chipsets. A significant portion of the PLC market shares is taken up by SOE. Hence, the competition among domestic PLC market participants is even more intense.

On the other hand, during the six months ended 30 June 2021 (“**Period**”), the Group’s SMIA business segment has been continuing in exploring the field of industrial automation systems by leveraging its core technology competency, particularly in the area of maintenance and safety integrity system (“**MSI**”) for the petroleum and petrochemicals industry. According to market surveys, the market size of China intelligent manufacturing system solutions is expected to reach RMB283.7 billion in 2021. The huge market allows market participants to explore various aspects of the smart manufacturing sector.

## BUSINESS REVIEW

During the Period, the Group operated in two major business segments. Firstly, the Group operated in AMR and other business, where the Group sold PLC products such as PLC integrated circuits (“**ICs**”), modules and devices such as connectors and concentrators, which have been mainly used in the deployment and upgrade of AMR systems for smart meters by power grid companies in China as a key part of the smart grid infrastructure. The Group pioneered in developing PLC ICs with proprietary IC designs and advanced PLC technologies for the deployment of AMR systems by State Grid. In addition, the Group also provided maintenance services on AMR systems on a project-by-project basis. Furthermore, the Group’s PLC products also apply to several smart energy business in China, mainly in the area of streetlight controls, building energy management and photovoltaic power management.

Secondly, the Group expanded its business in late 2018 and engages in SMIA business where the Group offered software licenses, production safety products as well as provision of software post-contract customer support services applied in the area of MSI in the petroleum and petrochemicals industry.

During the Period, the Group recorded revenue of approximately RMB37.7 million (for the corresponding period in 2020: approximately RMB37.2 million), representing an increase of approximately 1.4%.

The Group’s AMR and other business segment recorded a revenue of approximately RMB30.7 million (for the corresponding period in 2020: approximately RMB16.4 million), representing an increase of approximately 87.0%. Revenue from AMR and other business segment for the Period accounted for approximately 81.4% (for the corresponding period in 2020: 44.1%) of the Group’s total revenue. The increase in revenue from AMR and other business segment for the Period was mainly due to an increase in demand for and sales of the Group’s PLC integrated circuits, other products and AMR maintenance services. Since the passing of the performance inspection and testing of the Group’s Broadband AMR products in 2020, the Group has been qualified for supplying to State Grid, the Group’s customers are therefore more confident towards the wider applications of the Group’s products, which facilitated the demand for the Group’s products and services during the Period.

# MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

During the Period, the Group's SMIA business segment recorded a revenue of approximately RMB7.0 million (for the corresponding period in 2020: RMB20.8 million), representing a decrease of approximately 66.1%. Revenue from SMIA business segment for the Period accounted for approximately 18.6% (for the corresponding period in 2020: 55.9%) of the Group's total revenue. A decrease in revenue from SMIA business segment for the Period was mainly attributable to (i) an unexpected delay in delivery/implementation of certain construction contracts held as of 30 June 2021 caused by the revision of implementation schedule conducted by the relevant customers; and (ii) delay in delivery and acceptance of software license by the relevant customers, which led to delay in revenue recognition by the Group.

The Group recorded a decrease in loss attributable to the owners of the Company from approximately RMB56.4 million in the corresponding period in 2020 to approximately RMB17.5 million for the Period.

The decrease in loss for the Period attributable to owners of the Company was mainly attributable to the recognition of a reversal for impairment losses on financial assets of approximately RMB12.7 million during the Period, as compared to the recognition of allowance for impairment losses on financial assets of approximately RMB17.5 million in the corresponding period in 2020.

The outbreak of the COVID-19 pandemic in early 2020 has affected the business and economic activities around the world and has brought about additional uncertainties to the Group's operating environment and has to a certain extent impacted the Group's operations and financial position.

The Group has been closely monitoring the impact from the COVID-19 pandemic on the Group's business. Faced with further hamper and uncertainties on Chinese economy caused by, among others, ad hoc COVID-19 pandemic, the Group has maintained a lean-cost strategy in so as to reduce the operating cost, especially the workforces in the administrative and research & development aspect. The Group will continue to review the measures adopted as the COVID-19 pandemic evolves.

## RESEARCH AND DEVELOPMENT

The Group has been committed to PLC IC design and its applications tailored to China's market environment since the inception in the industry in 2006 by establishing its core competency in designing advanced application-specific ICs, or application-specific integrated circuits ("ASICs"), and using these proprietary ASICs to develop the PLC products. As a high-tech company driven by research and development, the Group's research and development efforts are focused on enhancing the functionality of its products and addressing the technical needs of its customers, as well as expanding the Group's product portfolio for different PLC applications.

The Group had been actively participating in the discussion and formulation of the technical standard for broadband PLC for State Grids for several years whereas the Group heavily invested in the research and development project in relation to the Group's PLC based broadband AMR product to be applied in the products for State Grid.

As of 30 June 2021, the research and development team of the Group consisted of 51 employees (as of 30 June 2020: 58 employees), representing approximately 30% (as of 30 June 2020: approximately 29%) of the Group's total workforce, specialising in PLC IC design and product development for AMR and other applications as well as software development and application for the MSI for the petroleum and petrochemicals industry.

As of 30 June 2021, the Group had successfully developed a significant intellectual property portfolio, comprising 21 patents, 110 computer software copyrights and 9 IC layout designs registered, with 4 patents pending registration in the relevant jurisdictions, signifying the Group's achievements in research and development of the PLC technology and MSI for the petroleum and petrochemicals industry.

# MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

## FINANCIAL REVIEW

### Revenue

Revenue increased from approximately RMB37.2 million for the corresponding period in 2020 to approximately RMB37.7 million for the Period, or by approximately 1.4%. The increase was due to an increase in revenue of approximately 87.0% from the AMR and other business segment, partially offset by the decrease in revenue of approximately 66.1% from the SMIA business segment.

The increase in revenue from the AMR and other business segment was mainly due to an increase in demand for and sales of the Group's PLC integrated circuits, other products and AMR maintenance services. Since the passing of the performance inspection and testing of the Group's Broadband AMR products in 2020, the Group has been qualified for supplying to State Grid, the Group's customers are therefore more confident towards the wider applications of the Group's products, which facilitated the demand for the Group's products during the Period.

The decrease in revenue from the SMIA business segment was mainly due to (i) an unexpected delay in delivery/implementation of certain construction contracts held as of 30 June 2021 caused by the revision of implementation schedule conducted by the relevant customers; and (ii) delay in delivery and acceptance of software license by the relevant customers, which led to delay in revenue recognition by the Group.

### Gross profit

Gross profit increased by approximately 42.5% to approximately RMB16.9 million for the Period from approximately RMB11.9 million for the corresponding period in 2020.

Gross profit margin was approximately 44.9% for the Period and has increased from approximately 32.0% for the corresponding period in 2020, representing an increase of gross profit margin by approximately 12.9%. The increase in gross profit margin was mainly attributable to (i) an increase in gross profit margin from sales of PLC ICs coupled with a significant increase in revenue from sales of it; (ii) an increase in sales of PLC products applied in smart energy management (which earned a relatively higher gross profit margin); and (iii) reversal of write-down on inventories for the Period as compared to the corresponding period in 2020.

### Other income

Other income increased by approximately 33.3% to approximately RMB4.4 million for the Period from approximately RMB3.3 million for the corresponding period in 2020. The increase was mainly attributable to an increase in government grants for the Period to approximately RMB3.5 million as compared to approximately RMB2.4 million for the corresponding period in 2020.

### Reversal/allowance for impairment losses on financial assets, net

Reversal for impairment losses on financial assets of approximately RMB12.7 million was recognised during the Period (for the corresponding period in 2020: allowance for impairment losses on financial assets of approximately RMB17.5 million). The reversal during the Period was mainly attributable to the Group's collection efforts made to recover the credit-impaired trade and other receivables.

### Sales and marketing expenses

Sales and marketing expenses increased by approximately 8.4% to approximately RMB8.6 million for the Period from approximately RMB8.0 million for the corresponding period in 2020. The increase was mainly attributable to an increase in marketing and promotion activities to support the increase in sales.

# MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

## General and administrative expenses

General and administrative expenses decreased by approximately 29.3% to approximately RMB24.7 million for the Period from approximately RMB34.9 million for the corresponding period in 2020. The decrease was primarily attributable to (i) a decrease in amortization of intangible assets as certain customer relationships and non-compete undertakings have been fully impaired during the year ended 31 December 2020 and therefore are not subject to further amortization during the Period; (ii) decrease in staff costs incurred due to implementation of cost control measures; and (iii) decrease in professional fees which mainly comprised auditors' remuneration.

## Research and development expenses

Research and development expenses decreased by approximately 17.8% to approximately RMB9.1 million for the Period from approximately RMB11.0 million for the corresponding period in 2020. The decrease was mainly attributable to (i) an implementation of tightened cost control measures adopted by the Group on research and development expenses; and (ii) a decrease in staff costs incurred during the Period since the headcount of Group's research and development team reduced to 51 employees as of 30 June 2021 (as of 30 June 2020: 58 employees). During the Period, the Group had strategically retained the resources on the development of the Group's core PLC technology and the expansion of software application in the SMIA business segment.

## Income tax credit

Income tax credit of approximately RMB4.7 million was recorded during the Period (for the corresponding period in 2020: income tax credit of approximately RMB11.0 million). The recognition of income tax credit was mainly attributable to the recognition of deferred tax asset arising from tax losses.

## Loss attributable to owners of the company

As a result of the above factors, the Company recorded a loss attributable to owners of the Company for the Period of approximately RMB17.5 million (for the corresponding period in 2020: loss attributable to owners of the Company: approximately RMB56.4 million).

## Liquidity and financial resources

During the Period, the Group's operations were mainly financed by internal resources, including but not limited to existing cash and cash equivalents, cash flow from its operating activities and the net proceeds generated from the listing of shares of the Company (the "**Listing**") on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 9 June 2017. The board of Directors (the "**Board**") believes that the Group's liquidity needs will be satisfied.

As of 30 June 2021, the Group's current assets amounted to approximately RMB311.9 million (as of 31 December 2020: approximately RMB281.6 million), with cash and cash equivalents totaling approximately RMB147.1 million (as of 31 December 2020: approximately RMB121.7 million). The cash and cash equivalents of the Group are principally held in RMB, HKD and USD.

As of 30 June 2021, the Group's total interest-bearing liabilities amounted to approximately RMB260.2 million (as of 31 December 2020: approximately RMB254.3 million), representing lease liabilities, issued Convertible Bonds (as defined below) and promissory notes issued to Sailen International IOT Limited (formerly known as Tiger Resort, Leisure and Entertainment, Inc.) in relation to acquisition of Green Harmony Limited ("**Green Harmony**"). The Group had interest-bearing liabilities of RMB251.6 million (as of 31 December 2020: RMB244.1 million) and RMB8.6 million (as of 31 December 2020: RMB10.2 million) which will be due repayable within one year and after one year respectively with coupon rates range from 4% to 4.75% per annum. The net debt-to-equity ratio (referred as to the gearing ratio: interest-bearing liabilities less cash and cash equivalents divided by total equity) was approximately 111.9% as of 30 June 2021 (as of 31 December 2020: 116.0%).

# MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

## Exchange rate risk

Most of the businesses of the Group are settled in Renminbi while businesses in foreign currencies are mainly settled in HKD or USD. The fluctuation of exchange rate of the currencies will have certain impact on the Group's business which are settled in foreign currencies. During the Period and in the corresponding period of 2020, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations.

## Capital commitments

As of 30 June 2021, the Group had no material capital commitments (as of 31 December 2020: Nil).

## Contingent liabilities

As of 30 June 2021, the Group had no contingent liabilities (as of 31 December 2020: Nil).

## Charge on assets

As of 30 June 2021, the Group had no charge on assets (as of 31 December 2020: Nil).

## Significant investments

During the Period, the Group did not hold any material investments.

## ISSUE OF CONVERTIBLE BONDS

Pursuant to subscription agreement entered into by the Company on 31 July 2018, the Company issued convertible bonds (the "**Convertible Bonds**") with aggregate principal amount of HKD150,000,000 at coupon interest rate of 4% per annum to Software Research Associates, Inc., ("**SRA**") an independent investor, on 13 August 2018 (the "**Issue Date**"). The aggregated net proceeds from the issue of the Convertible Bonds were approximately HKD146.0 million, and all such proceeds have been fully utilized by the Group. The reason for the issue of the Convertible Bonds was to raise fund to settle the consideration for the acquisition of Green Harmony. The Convertible Bonds will mature on the date falling 24 months from the Issue Date and may be extended to 36 months from the Issue Date at the request of the Company. On 18 December 2019, the Company delivered an extension notice to SRA in accordance with the terms and conditions of the Convertible Bonds as set out in the instrument constituting the Convertible Bonds ("**Instrument**") to extend the maturity date from 13 August 2020 to a date falling on 36 months from the Issue Date. Based on the extension notice and the Instrument, the Convertible Bonds will mature on 13 August 2021 ("**Extended Maturity Date**") and the maturity date shall not be extended further without written approval of the majority holders of the Convertible Bonds and the Company. At any time after the Issue Date prior to maturity, the holder of the Convertible Bonds shall have the right to convert in whole or in part the outstanding principal amount of the Convertible Bonds into such number of fully paid ordinary shares of the Company (the "**Conversion Shares**") with an initial conversion price of HKD2.50 per Conversion Share (the "**Initial Conversion Price**") which is subject to anti-dilutive adjustments arising from such events.

On 13 August 2020, following the fulfilment of all the conditions precedent set out in the amendment agreement dated 24 June 2020, including the grant of approval by the Stock Exchange in relation to the proposed amendment to the terms and conditions of the Convertible Bonds ("**Proposed Amendment**") as set out in the Instrument, the Company executed the supplemental deed of Instrument to amend the conversion price under the Convertible Bonds from the Initial Conversion Price of HK\$2.50 per Conversion Share to the adjusted conversion price of HK\$0.80 per Conversion Share ("**Adjusted Conversion Price**").

# MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Based on the Adjusted Conversion Price and assuming full conversion of the Convertible Bonds at the Adjusted Conversion Price, the Convertible Bonds will be convertible into 187,500,000 Conversion Shares (with an aggregate nominal value of HKD18,750), representing approximately 19.00% of the issued share capital of the Company as at 30 June 2021 and approximately 15.97% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, respectively. Assuming full conversion of the Convertible Bonds at the Adjusted Conversion Price and on the basis that the existing number of shares of the Company in issue as at 30 June 2021 remains unchanged as at the date of the conversion, the shareholding of the substantial shareholders of the Company (has the meaning ascribed to it under the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”)) as at 30 June 2021 will be as follows, as to: (i) 16.81% by SB Asia Investment Fund II L.P.; and (ii) 10.54% by Spitzer Fund VI L.P..

The Adjusted Conversion Price represents (i) a discount of approximately 68.0% over the Initial Conversion Price of HK\$2.50 per Conversion Shares; (ii) a premium of approximately 6.67% over the closing price of HK\$0.75 per share of the Company as quoted on the Stock Exchange on 24 June 2020 (the “**Last Trading Day**”); (iii) a premium of approximately 8.11% over the average closing price of HK\$0.74 per share of the Company as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iv) a premium of approximately 11.11% over the average closing price of HK\$0.72 per share of the Company as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

As the Adjusted Conversion Price represents a less premium to the prevailing market price of the shares of the Company when compared to the Initial Conversion Price of HK\$2.50, the chance of conversion of the Convertible Bonds is less remote and if the Convertible Bonds are converted into shares of the Company, the financial position of the Group will be strengthened with the conversion of debt into equity capital and the pressure on the Company’s liquidity and cash flow can be reduced.

On 13 August 2021, the Company and SRA entered into the second amendment and extension agreement (“**Second Amendment and Extension Agreement**”), pursuant to which, the Company and SRA conditionally agreed to further extend the Extended Maturity Date of the Convertible Bonds by 12 months from 13 August 2021 to the new maturity date of 13 August 2022 (i.e. 48 months from the Issue Date) by way of executing the second supplemental deed of Instrument (“**Second Supplemental Deed**”) in connection with the second proposed amendment to the terms and conditions of the Convertible Bonds as set out in the Instrument as contemplated under the Second Amendment and Extension Agreement and the Second Supplemental Deed (“**Second Proposed Amendment**”).

Please refer to the announcements of the Company dated 31 July 2018 and 13 August 2018 for further details of the Convertible Bonds, the announcements of the Company dated 24 June 2020 and 13 August 2020 for further details in relation to the Proposed Amendment, and the announcements of the Company dated 13 August 2021 and 19 August 2021 for further details in relation to the Second Proposed Amendment.

## Events after the reporting period

Details of significant event which would cause material impact on the Group from the end of the Period to the date of this report is set out in note 22 to the unaudited interim financial report.

Saved as disclosed, there was no other significant event which would cause material impact on the Group from the end of the Period to the date of this report.

# MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

## Prospects

In 2021, State Grid will continue to apply broadband technology in the Electric Energy Data Acquisition Systems. As at 30 June 2021, the PLC broadband chips developed by the Group has passed the interconnection and intercommunication inspection and testing of low-voltage power line communication broadband chips by the State Grid Metering Center and has obtained the inspection report. Broadband communication chip has passed the performance inspection and testing of long distance and local communication unit (Electric Energy Data Acquisition System) by the State Grid Metering Center and has obtained the registration certificate and inspection report. Broadband AMR products have complied with State Grid standard and are qualified for supplying to State Grid. The Group will increase the market promotion of broadband products (PLC IC and communication modules) and develop provincial network markets and applications to further enhance the competitiveness of the Group's PLC products in the domestic market, including putting efforts in the research and development and application of broadband dual-mode technology, the Group establishes a solid foundation for the development of PLC IC and products used in the Electric Energy Data Acquisition Systems.

With the rapid development of the application of PLC technology in smart cities and on the Internet of Things and the growth of the demand for a new generation of smart meters, the market of PLC technology is expected to maintain a good development trend in the next few years.

For the Group's SMIA business, the Group believes that the growth of China industrial automation market would continue to be healthy given its current relatively low penetration rate and the rising cost of labour. As petrochemical enterprises are the pioneers of the manufacturing sector in China, major market participants have started to build smart oil fields, smart pipelines and smart factories.

The Group will continue to capture opportunities in the design and implementation of industrial automation systems, particularly in the area of MSI for the petroleum and petrochemicals industry, other manufacturing and construction businesses by leveraging the Group's own technologies and intellectual property rights.

In the coming future, the Group plans to expand its SMIA business segment through formation of strategic alliances and collaborations with internationally renowned system integrators to provide existing and potential customers with its value-added solutions for its engineering process design and digital engineering design as well as software solutions for Industrial Control System (ICS) network security. Through in-depth strategic cooperation and technology exchange, the Group aims to enhance the expertise in smart factory integrated solutions for petroleum refining and pipeline construction. At the same time, the Group will utilize its own research and development resources to cooperate with external companies to further develop its own intellectual property rights on the smart factory application interface and visual integrated management platform as well as the integration of the online and core applications on the big data collaboration platform. Such intellectual property will strengthen the Group's core competitiveness while leveraging the Group's PLC technology. By exploring these new profit-driven business opportunities, the Group believes that it will persist a more diversified growth in the market in the long run.

# OTHER INFORMATION

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As of 30 June 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (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 required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, were as follows:

Name of Director	Relevant company	Nature of interest	Number of Shares in the relevant company (Note 1)	Approximate Percentage* of interest
Mr. Yue Jingxing	The Company	Interest in a controlled corporation (Note 2(i))	93,543,624 (L)	9.48%
		Beneficial owner (Note 2(ii))	863,587 (L)	0.09%

\* The percentage represents the number of shares/underlying shares involved divided by the number of the issued Shares as of 30 June 2021.

Notes:

- (1) The letter "L" denotes the Directors' long position in the Shares.
- (2) Mr. Yue is the sole shareholder of Seashore Fortune Limited ("Seashore Fortune") which holds 93,543,624 Shares. By virtue of the SFO, Mr. Yue is deemed to be interested in the Shares in which Seashore Fortune is interested. The disclosed interest represents (i) the interest in the Company held by Seashore Fortune; and (ii) options held by Mr. Yue under the Pre-IPO Share Option Scheme adopted by the Company on 25 August 2016 (the "Pre-IPO Share Option Scheme").
- (3) The total issued shares of the Company was 986,619,071 Shares as of 30 June 2021.

Save as disclosed above, as of 30 June 2021, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION *(continued)*

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As of 30 June 2021, so far as is known to the Directors, the following corporations or persons (other than a Director or the chief executives of the Company) had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares (Note 1)	Approximate Percentage* of Company's issued share capital
Seashore Fortune	Beneficial owner	93,543,624 (L)	9.48%
Mr. Wang Shiguang	Interest of spouse (Note 2)	97,527,845 (L)	9.89%
Ms. Chen Junling	Interest in a controlled corporation (Note 2)	97,527,845 (L)	9.89%
Magical Success Holdings Limited ("Magical Success")	Beneficial owner (Note 2)	97,527,845 (L)	9.89%
SB Asia Investment Fund II L.P. ("SAIF")	Beneficial owner (Notes 3 & 4)	197,340,537 (L) (Note 7)	20.00%
SAIF II GP L.P.	Interest in a controlled corporation (Note 3)	197,340,537 (L) (Note 7)	20.00%
SAIF Partners II L.P.	Interest in a controlled corporation (Note 3)	197,340,537 (L) (Note 7)	20.00%
SAIF II GP Capital Ltd.	Interest in a controlled corporation (Note 3)	197,340,537 (L) (Note 7)	20.00%
Mr. Andrew Y. Yan	Interest in a controlled corporation (Note 3)	197,340,537 (L) (Note 7)	20.00%
Cisco System, Inc	Interest in a controlled corporation (Note 4)	197,340,537 (L) (Note 7)	20.00%
Software Research Associates, Inc. ("SRA")	Beneficial owner (Notes 5 & 6)	187,500,000 (L) (Note 7)	19.00%
SRA Holdings, Inc. ("SRA Holdings")	Interest in a controlled corporation (Notes 5 & 6)	187,500,000 (L) (Notes 7)	19.00%
Spitzer Fund VI L.P.	Beneficial owner	123,763,311 (L) (Note 7)	12.54%

\* The percentage represents the number of Shares/underlying Shares involved divided by the number of the issued Shares as of 30 June 2021.

## OTHER INFORMATION *(continued)*

Notes:

- (1) The letter “L” denotes the person’s or corporation’s long position in the Shares.
- (2) Ms. Chen Junling is the sole shareholder of Magical Success which held 97,527,845 Shares. By virtue of the SFO, Ms. Chen Junling is deemed to be interested in the Shares in which Magical Success is interested. Furthermore, Mr. Wang Shiguang, the spouse of Ms. Chen Junling, is deemed to be interested in Ms. Chen’s interest in the Company by virtue of the SFO.
- (3) SAIF is an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of SAIF is SAIF II GP L.P., a limited partnership established in the Cayman Islands, whose general partner is SAIF Partners II L.P., a limited partnership established in the Cayman Islands. The general partner of SAIF Partners II L.P. is SAIF II GP Capital Ltd., an exempted limited liability company incorporated in the Cayman Islands wholly owned by Mr. Andrew Y. Yan. By virtue of the SFO, SAIF II GP L.P., SAIF Partners II L.P., SAIF II GP Capital Ltd. and Mr. Andrew Y. Yan are deemed to be interested in the Shares in which SAIF is interested.
- (4) Cisco Systems, Inc., being a limited partner of SAIF, holds 38.9% of equity interest in SAIF. By virtue of the SFO, Cisco Systems, Inc. is deemed to be interested in the Shares in which SAIF is interested.
- (5) These 187,500,000 Shares represented the total number of Shares which may be allotted and issued to SRA upon the exercise of the conversion rights attaching to the Convertible Bonds for the aggregate principal amount of HK\$150,000,000 at the adjusted conversion price of HK\$0.80 per conversion share. The exercise of the conversion rights attaching to the Convertible Bonds is subject to the terms and conditions thereof.
- (6) SRA is wholly owned by SRA Holdings. By virtue of the SFO, SRA Holdings is deemed to be interested in the Shares in which SRA is interested.
- (7) Based on the disclosure of interests forms submitted by these substantial shareholders respectively as of 30 June 2021.
- (8) The total issued shares of the Company was 986,619,071 Shares as of 30 June 2021.

Save as disclosed above, as of 30 June 2021, other than the Directors and the chief executives of the Company whose interests are set out in the paragraph headed “Directors’ and Chief Executives’ Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation” above, no person had interest or short position in the Shares or underlying Shares which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## SHARE OPTION SCHEMES

### Share Option Scheme

As disclosed in the prospectus of the Company dated 29 May 2017 (the “**Prospectus**”), the Company adopted a share option scheme (the “**Share Option Scheme**”) on 16 May 2017. The purpose of the Share Option Scheme is to enable the Company to grant share options to selected participants as incentives for their contribution to the Group. All Directors, employees, suppliers, customers, persons that, among others, contributed to the development and performance of the Group, advisers and consultants of the Group are eligible to participate in the Share Option Scheme. The Board may, at its discretion, grant options to any qualifying participants to subscribe for shares in the Company, subject to the terms and conditions stipulated therein.

## OTHER INFORMATION *(continued)*

Details of movements of the options granted under the Share Option Scheme during the Period under review are as follows:

### Employees

Date of grant	Exercisable period	Outstanding as at 31 December 2020	Exercise Price per Share HK\$	During the Period under review				Outstanding as at 30 June 2021
				Granted	Exercised	Cancelled	Lapsed	
3 September 2018	From 3 September 2020 to 2 September 2026	3,276,668	1.71	-	-	-	(743,333)	2,533,335
3 September 2018	From 3 September 2021 to 2 September 2026	3,276,668	1.71	-	-	-	(743,333)	2,533,335
3 September 2018	From 3 September 2022 to 2 September 2026	3,276,664	1.71	-	-	-	(743,334)	2,533,330
<b>Total</b>		<b>9,830,000</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,230,000)</b>	<b>7,600,000</b>

No share option was granted to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or an associate (as defined in the Listing Rules) of any of them under the Share Option Scheme during the Period under review. 2,230,000 share options lapsed as an employee resigned during the exercisable period as specified.

As at 30 June 2021, the total number of shares available for issue under the Share Option Scheme was 64,500,000, representing approximately 6.54% of the Company's issued share capital at 30 June 2021, and the remaining life of the Share Option Scheme was approximately 6 years.

Save as disclosed above, no other share options under the Share Option Scheme were granted, exercised, cancelled or lapsed during the Period under review.

### Pre-IPO Share Option Scheme

As disclosed in the Prospectus, the Company adopted the Pre-IPO Share Option Scheme on 25 August 2016 and granted options to subscribe for an aggregate of 771,680 Shares. Immediately following the completion of the Capitalisation Issue (as defined in the Prospectus), the total number of Shares which may be allotted and issued upon exercise of all the outstanding options granted under the Pre-IPO Share Option Scheme increased from 495,180 Shares to 16,210,417 Shares.

## OTHER INFORMATION *(continued)*

Details of movements of the options granted under the Pre-IPO Share Option Scheme during the Period under review are as follows:

### Directors

Name of Directors	Date of grant	Exercisable period	Outstanding as at 31 December 2020	Exercise Price per Share (Note 1) USD	During the Period under review				Outstanding as at 30 June 2021
					Granted	Exercised	Cancelled	Lapsed	
Mr. Yue Jingxing	25 August 2016	From 25 August 2016 to 25 March 2024	863,587	0.0003	-	-	-	-	863,587
	<b>Total</b>		<b>863,587</b>		-	-	-	-	<b>863,587</b>

Note:

- (1) Calculated based on the aggregate exercise price of the options granted under the Pre-IPO Share Option Scheme divided by the number of Shares to be subscribed upon full exercise of such options.

No further options were granted under the Pre-IPO Share Option Scheme on or after 9 June 2017 as the right to do so terminated on 9 June 2017.

Save as disclosed above, no other Pre-IPO Share Options were exercised, cancelled or lapsed during the Period under review.

### INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the Period.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Board has adopted the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules. The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code during the Period except for deviation from code provisions A.6.7 and E.1.2 of the CG Code as summarized below:

Code provisions A.6.7 and E.1.2 of the CG Code stipulate that independent non-executive directors, non-executive directors and the chairman of the board of directors should attend annual general meetings. The chairman of the Board should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. At that moment, the Chairman of the Board of Directors, Mr. Cheung Fan, the non-executive Director, Ms. Pan Hong and two independent non-executive Directors Mr. Ong King Keung and Mr. Zou Heqiang, did not attend the annual general meeting held on 25 June 2021, due to other business commitments. In this respect, Mr. Lau Wai Leung, Alfred, the executive director of the Company, took the chair of that meeting and Ms. Lo Wan Man, an independent non-executive Director and a member of each of the audit committee, nomination committee, and remuneration committee, attended that meeting to answer questions.

The Board will continue to review and monitor the corporate governance status of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance of the Company.

## OTHER INFORMATION *(continued)*

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' transactions in securities of the Company (the "**Company's Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's Code during the Period.

### MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Period, there was no material acquisition or disposal of subsidiaries or associated companies.

### CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS

Change in Directors' biographical details during the period from the date of the Annual Report 2020 to the date of this report, which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules are set out below:

Name of Director	Details of change
Mr. Ong King Keung	<p>Mr. Ong has been appointed as an independent non-executive director of K Group Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8475), since 6 May 2021.</p> <p>Mr. Ong resigned as an independent non-executive director of My Heart Bodibra Group Limited, a company listed on GEM of the Stock Exchange (stock code: 8297), since 11 May 2021.</p>
Mr. Lau Wai Leung, Alfred	Mr. Lau has been re-designated from an independent non-executive director to an executive director of Samson Paper Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 731), since 21 May 2021.
Mr. Wang Shiguang	Mr. Wang retired as a non-executive director of the Company since 25 June 2021.
Ms. Pan Hong	Ms. Pan retired as a non-executive director of the Company since 25 June 2021.
Mr. Cheung Fan	Mr. Cheung has ceased to be the chairman of the Board and chairman of the Nomination Committee since 5 July 2021 and his director's fee has decreased from HK\$60,000 per month to HK\$10,000 per month.
Mr. Yue Jingxing	Mr. Yue has been appointed as the Chairman since 5 July 2021.
Ms. Lo Wan Man	Ms. Lo has been appointed as the chairman of the Nomination Committee since 5 July 2021.
Mr. Yu Lu	Mr. Yu has been appointed as a non-executive director of the Company since 9 September 2021.

Save as disclosed, the Company is not aware of other changes in the Directors' biographical details which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

## OTHER INFORMATION *(continued)*

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### USE OF PROCEEDS

#### From Initial Global Offering

References are made to the announcements of the Company dated 8 June 2017, 21 June 2017 and 3 July 2019. The aggregated net proceeds from the global offering of the shares of the Company in connection with the Listing and exercise of the over-allotment option by China Galaxy International Securities (Hong Kong) Co., Limited (on behalf of the International Underwriters (as defined in the Prospectus)) was approximately HK\$158.2 million. Proposed application of net proceeds as stated in the Prospectus had been adjusted according to the principles as specified in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

On 3 July 2019, the Board resolved to change the use of the unutilised net proceeds (the "Re-allocation"). For details of the Re-allocation, please refer to the announcement of the Company dated 3 July 2019.

The following table presented the utilisation of the net proceeds during the Period as well as the Re-allocation made as of 3 July 2019:

From Initial Global Offering after the Re-allocation made as of 3 July 2019

	Original planned use of net proceeds HKD'million	Reallocation on 3 July 2019 HKD'million	Amount utilised as at 30 June 2021 HKD'million	Unutilised net proceeds as at 30 June 2021 HKD'million
Research and development of the PLC technology	95.7	(37.8)	47.2	10.7
Sales and marketing	32.0	(6.9)	11.7	13.4
Repayment of an entrusted bank loan	14.7	–	14.7	–
Working capital and general corporate purposes	15.8	–	15.8	–
Repayment of interest expenses	–	44.7	27.7	17.0
	158.2	–	117.1	41.1

As of the date of this report, the Company does not anticipate any change to the above plan of use of proceeds. The Company previously anticipated that the above use of proceeds was expected to be fully utilised on or before 31 December 2020, however, due to an implementation of tightened cost control measures adopted by the Group, the remaining unutilised net proceeds as at 30 June 2021 are expected to be fully utilised on or before 31 December 2024.

# OTHER INFORMATION *(continued)*

## EMPLOYEE INFORMATION

The emolument policy of the employees of the Group is set up by the management on the basis of their merits, qualifications and competence.

As of 30 June 2021, the Group had an aggregate of 168 employees (as of 31 December 2020: 177 employees). The Group recruited and promoted individual persons according to their strengths and development potential. The Group determined the remuneration packages of all employees including the directors with reference to individual performance and prevailing market salary scale.

The Group is dedicated to the training and development of its employees. The Group leverages its research and development capabilities and other resources to ensure that each employee maintains a current skill-set through continuous training. The Group provides introductory training and orientation for all new employees, as well as on-the-job training to continually improve its employees' technical, professional and management skills. The Company has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations.

## AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL RESULTS

The audit committee of the Company (the "**Audit Committee**") is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. It also performs other duties as assigned by the Board.

The Audit Committee has discussed with the management of the Group and reviewed the unaudited interim financial results of the Group for the Period, including the accounting principles and practices adopted by the Group, and discussed internal control and other financial related matters.

## UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Group for the year ended 31 December 2020 was subject to the disclaimer of opinion by the auditor of the Company (the "**Auditor**") as detailed in the 2020 annual report of the Company ("**2020 Annual Report**"). Further to the management's response and relevant remedial measures taken and to be taken by the management as set out in the paragraph headed "Directors' Report — The Audit Committee's View and the Plan to address the Disclaimer of Audit" in the 2020 Annual Report, the management of the Company wishes to provide the latest update on the relevant remedial measures taken or to be taken, details of which are set out in note 2 to the unaudited interim financial report. Such remedial measures have been considered, recommended and agreed by the Audit Committee after its critical review of the management's position for the Period.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021 — unaudited

	Note	Unaudited Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
<b>Revenue</b>	4	<b>37,705</b>	37,172
Cost of sales		<b>(20,782)</b>	(25,298)
<b>Gross profit</b>		<b>16,923</b>	11,874
Other income, gains/(losses)	6	<b>4,430</b>	3,324
Reversal/(allowance) for impairment losses on financial assets, net		<b>12,719</b>	(17,523)
Sales and marketing expenses		<b>(8,647)</b>	(7,975)
General and administrative expenses		<b>(24,654)</b>	(34,887)
Research and development expenses		<b>(9,078)</b>	(11,043)
<b>Loss from operations</b>		<b>(8,307)</b>	(56,230)
Finance costs	7	<b>(5,012)</b>	(5,192)
Share of results of an associate		<b>(25)</b>	(16)
Change in fair value of convertible bonds		<b>(8,886)</b>	(5,954)
<b>Loss before tax</b>		<b>(22,230)</b>	(67,392)
Income tax credit	9	<b>4,709</b>	10,974
<b>Loss for the period attributable to owners of the Company</b>	8	<b>(17,521)</b>	(56,418)
<b>Loss per share attributable to owners of the Company</b>			
Basic and diluted (RMB cents)	11	<b>(1.78)</b>	(5.71)

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021 — unaudited

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Loss for the period	(17,521)	(56,418)
<b>Other comprehensive income/(loss)</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of entities outside mainland China	3,761	(1,008)
<b>Total comprehensive loss for the period</b>	<b>(13,760)</b>	<b>(57,426)</b>
<b>Attributable to:</b>		
Owners of the Company	(13,760)	(57,426)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 — unaudited

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		22,987	24,330
Right-of-use assets	12	11,631	14,218
Goodwill		20,718	20,718
Intangible assets	13	130,152	141,540
Interest in an associate		17	42
Deferred tax assets		37,867	35,915
<b>Total non-current assets</b>		<b>223,372</b>	236,763
<b>Current assets</b>			
Inventories	14	24,466	22,501
Contract costs		–	5,831
Trade and other receivables	15	140,384	131,585
Bank and cash balances		147,082	121,669
<b>Total current assets</b>		<b>311,932</b>	281,586
<b>TOTAL ASSETS</b>		<b>535,304</b>	518,349
<b>EQUITY AND LIABILITIES</b>			
<b>Equities attributable to owners of the Company</b>			
Share capital	16	86	86
Reserves		101,055	114,255
<b>Total equity</b>		<b>101,141</b>	114,341

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2021 — unaudited

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income		2,357	2,985
Lease liabilities		8,618	10,238
Deferred tax liabilities		30,876	33,662
<b>Total non-current liabilities</b>		<b>41,851</b>	46,885
<b>Current liabilities</b>			
Trade and other payables	17	50,693	79,445
Contract liabilities		87,687	31,133
Lease liabilities		3,730	4,488
Acquisition consideration payables	18	123,816	120,520
Convertible bonds	19	124,072	119,076
Income tax payables		2,314	2,461
<b>Total current liabilities</b>		<b>392,312</b>	357,123
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>535,304</b>	518,349

Approved and authorised for issue by the Board of Directors on 30 August 2021.

**Yue Jingxing**  
Director

**Lau Wai Leung, Alfred**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 — unaudited

	Attributable to equity shareholders of the Company						
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
<b>At 1 January 2020</b>	86	231,362	132,614	22,326	8,543	(169,786)	225,145
Total comprehensive losses for the period	-	-	-	-	(1,008)	(56,418)	(57,426)
Equity-settled share-based payments	-	-	1,512	-	-	-	1,512
Appropriation to reserves	-	-	-	392	-	(392)	-
Changes in equity for the period	-	-	1,512	392	(1,008)	(56,810)	(55,914)
<b>At 30 June 2020</b>	86	231,362	134,126	22,718	7,535	(226,596)	169,231
<b>At 1 January 2021</b>	<b>86</b>	<b>231,362</b>	<b>133,173</b>	<b>22,698</b>	<b>21,469</b>	<b>(294,447)</b>	<b>114,341</b>
Total comprehensive losses for the period	-	-	-	-	3,761	(17,521)	(13,760)
Equity-settled share-based payments	-	-	560	-	-	-	560
Share options forfeited	-	-	(1,350)	-	-	1,350	-
Changes in equity for the period	-	-	(790)	-	3,761	(16,171)	(13,200)
<b>At 30 June 2021</b>	<b>86</b>	<b>231,362</b>	<b>132,383</b>	<b>22,698</b>	<b>25,230</b>	<b>(310,618)</b>	<b>101,141</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021 — unaudited

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>29,707</b>	(26,775)
Interest received	705	1,682
Purchase of property, plant and equipment	(1,253)	(467)
Proceeds from disposal of property, plant and equipment	117	75
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>	<b>(431)</b>	1,290
Payment for interest on convertible bonds	(2,510)	(2,698)
Principal element of lease payment	(2,360)	(3,649)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(4,870)</b>	(6,347)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>24,406</b>	(31,832)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>1,007</b>	1,067
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>121,669</b>	145,110
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>147,082</b>	114,345

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 19 August 2015 as an exempted company with limited liabilities under Companies Law, (Cap 22) (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 June 2017.

## 2 BASIS OF PREPARATION

This unaudited interim financial report have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This unaudited interim financial report should be read in conjunction with the 2020 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of this unaudited interim financial report are consistent with those used in the annual financial statements for the year ended 31 December 2020.

The Group incurred a net loss of approximately RMB17,521,000 during the six months ended 30 June 2021 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB80,380,000. Its current acquisition consideration payables, convertible bonds and lease liabilities amounted to approximately RMB123,816,000, approximately RMB124,072,000 and approximately RMB3,730,000 respectively while its cash and cash equivalents amounted to approximately RMB147,082,000 only. These events and conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the unaudited interim financial report have been prepared on a going concern basis as the directors have taken the following measures:

- (a) On 27 July 2021, the Company completed a subscription of new shares of the Company by two individuals under general mandate. The net proceeds of approximately HK\$33,344,400 have been utilised for repayment of certain outstanding indebtedness of the Group;
- (b) On 13 August 2021, the Group and the convertible bond holder entered into the Second Amendment and Extension Agreement, pursuant to which, the Company and the bondholder conditionally agreed to further extend the Extended Maturity Date of the Convertible Bonds by 12 months from 13 August 2021 to the New Maturity Date of 13 August 2022 by way of executing the Second Supplemental Deed;
- (c) The Company is considering for further fund raising by way of equity financing;
- (d) The Company has and will continue to negotiate with Sailen IOT regarding repayment of the promissory notes; and
- (e) The Group was in progress to implement operational plans to control costs and generate sufficient operating cash flows to meet its current and future obligations. These actions include cost control measures, timely collection of outstanding receivables.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## **2 BASIS OF PREPARATION** *(Continued)*

Having taken into account the above-mentioned plans and measures, the directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due within the next twelve months from the date of the consolidated statement of financial position. Accordingly, the unaudited interim financial report have been prepared on a going concern basis.

However, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. As of the date of approval of the unaudited interim financial report, the plan for the further fund raising by way of equity financing has not yet been commenced. The COVID-19 pandemic and trade disputes between the PRC and the United States create economic uncertainties which may negatively impact management's ability to successfully implement its operation plans.

Should the Group fail to achieve the above-mentioned plans and measures, it may be unable to continue as a going concern, and adjustments would have to be made to write down the carrying value of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in this unaudited interim financial report.

## **3 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

The accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2020. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021 but they do not have a material effect on the Group's financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these consolidated interim financial statements.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 4 REVENUE

The Group is principally engaged in the design, development and sale of PLC products as well as the provision of relevant maintenance services in connection with the deployment and upgrades of automated meter reading (“AMR”) systems by power grid companies in the People’s Republic of China (“PRC”) and for a wide range of applications related to energy saving and environmental protection.

Upon the acquisition of Green Harmony in August 2018, the Group is also engaged in the sale of software license, production safety products, construction contracts, as well as the provision of software post-contract customer support services in connection with the smart manufacturing & industrial automation (“SMIA”) system applied in the area of maintenance and safety integrity system in the petroleum and petrochemicals industry.

### (a) Disaggregation of revenue

An analysis of the Group’s revenue for the period is as follows:

	Six months ended 30 June	
	2021 RMB’000 (unaudited)	2020 RMB’000 (unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15 and recognised at a point in time</b>		
Disaggregated by major products of service lines		
AMR and other business		
— PLC Integrated circuits (“ICs”)	12,818	5,141
— PLC Modules	858	540
— Other products	7,671	5,965
— AMR maintenance services	9,326	4,761
Sub-total of AMR and other business	30,673	16,407
SMIA business		
— Software license	454	12,260
— Production safety products	5,161	6,578
Sub-total of SMIA business	5,615	18,838
<b>Revenue from contracts with customers within the scope of HKFRS 15 and recognised over time</b>		
Disaggregated by major products of service lines		
SMIA business		
— Post-contract customer support service	1,176	1,927
— Construction contracts	241	–
Sub-total of SMIA business	1,417	1,927
<b>Total</b>	<b>37,705</b>	<b>37,172</b>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 5 SEGMENT INFORMATION

The Group manages its businesses by business lines. Segmental information has been presented in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment.

The Group has presented the following two reportable segments during the period.

- **AMR and other business:** this segment includes design, development and sale of power-line communication products, energy saving and environmental protection products and solutions used in streetlight control, building energy management, photovoltaic power management, etc. and providing maintenance services in connection with the deployment and upgrading of AMR systems by power grid companies in the PRC.
- **SMIA business:** this segment includes sales of software license, production safety products as well as the provision of software post-contract customer support services in connection with the smart manufacturing and industrial automation system applied in the petroleum and petrochemicals industry.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include unallocated general and administrative expenses, share of results of an associate, other income, gains/(losses), change in fair value of convertible bonds, finance costs, reversal/(allowance) for impairment losses of financial assets, net and income tax credit.

No segment assets or liabilities information or other segment information is provided as the Group's most senior executive management does not review this information for the purpose of resource allocation and assessment of segment performance.

### (a) Information about operating segment profit or loss

The segment information provided to the Group's most senior executive management for the reportable segments for the six months ended 30 June 2021 and 2020 is as follows:

Six months ended 30 June 2021	AMR and other business RMB'000 (unaudited)	SMIA business RMB'000 (unaudited)	Total RMB'000 (unaudited)
Revenue	30,673	7,032	37,705
Cost of Sales	(15,763)	(5,019)	(20,782)
Sales and marketing expenses	(5,245)	(3,402)	(8,647)
Research and development expenses	(7,752)	(1,326)	(9,078)
Reportable segment results	1,913	(2,715)	(802)

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 5 SEGMENT INFORMATION *(Continued)*

### (a) Information about operating segment profit or loss *(Continued)*

Six months ended 30 June 2020	AMR and other business RMB'000 (unaudited)	SMIA business RMB'000 (unaudited)	Total RMB'000 (unaudited)
Revenue	16,407	20,765	37,172
Cost of Sales	(12,011)	(13,287)	(25,298)
Sales and marketing expenses	(5,552)	(2,423)	(7,975)
Research and development expenses	(8,887)	(2,156)	(11,043)
Reportable segment results	(10,043)	2,899	(7,144)

### (b) Reconciliations of segment revenue and profit or loss

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Reportable segment results	(802)	(7,144)
Other income, gains/(losses)	4,430	3,324
General and administrative expenses	(24,654)	(34,887)
Finance costs	(5,012)	(5,192)
Share of results of an associate	(25)	(16)
Reversal/(allowance) for impairment losses of financial assets, net	12,719	(17,523)
Change in fair value of convertible bonds	(8,886)	(5,954)
Loss before taxation	(22,230)	(67,392)

No geographical segment information is presented as all the sales and operating losses of the Group are derived within the PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 6 OTHER INCOME, GAINS/(LOSSES)

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Interest income from bank deposits	705	1,682
Government grants		
— Unconditional subsidies	2,814	1,756
— Conditional subsidies	666	680
Net exchange gain/(loss)	19	(676)
Others	226	(118)
	<b>4,430</b>	3,324

## 7 FINANCE COSTS

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Interest expenses on promissory notes	4,683	4,799
Interest expenses on lease liabilities	329	393
	<b>5,012</b>	5,192

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 8 LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Amortisation of intangible assets	11,388	18,256
Cost of inventories sold	14,001	11,935
Cost of AMR maintenance services	7,092	3,601
Cost of software license sold	–	6,944
Cost of post-contract customer support	1,190	1,716
Cost of construction contract	203	–
Depreciation of property, plant and equipment	2,379	1,994
Depreciation of right-of-use asset	2,575	3,966
Loss on disposals of property, plant and equipment	100	122
(Reversal)/allowance for impairment losses of financial assets, net	(12,719)	17,523
(Reversal of)/write-down of inventories	(1,704)	1,102

## 9 INCOME TAX CREDIT

Income tax has been recognised in profit or loss as follows:

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Current tax		
Provision for the period	62	1,319
Over-provision in prior years	(32)	–
	30	1,319
Deferred tax	(4,739)	(12,293)
	(4,709)	(10,974)

## 10 DIVIDEND

The Board of Directors does not recommend the payment of any dividend in respect of the six months ended 30 June 2021 and 2020.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 11 LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Loss</b>		
Loss for the period for the purpose of calculating basic and diluted loss per share	(17,521)	(56,418)
	Six months ended 30 June	
	2021	2020
	'000	'000
	(unaudited)	(unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	986,619	987,483

The effect of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2021 and 2020 due to loss making for the six months ended 30 June 2021 and 2020.

The computation of diluted loss per share for the six months ended 30 June 2021 does not assume the conversion of the Company's convertible bonds since its exercise had anti-dilutive effect that would result in a decrease in loss per share for the six months ended 30 June 2021.

The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market price for shares for the six months ended 30 June 2021 and 2020.

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted loss per share are the same.

## 12 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group had not entered into any new significant lease agreement. Lease liabilities of RMB12,348,000 (at 31 December 2020: RMB14,726,000) are recognised with related right-of-use assets of RMB11,631,000 as at 30 June 2021 (at 31 December 2020: RMB14,218,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 13 INTANGIBLE ASSETS

	Software RMB'000	Capitalised development costs RMB'000	Customer relationship RMB'000	Non- compete undertakings RMB'000	Unfulfilled contracts RMB'000	Total RMB'000
<b>Cost</b>						
<b>At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021</b>	<b>11,860</b>	<b>11,029</b>	<b>99,380</b>	<b>100,147</b>	<b>22,264</b>	<b>244,680</b>
<b>Accumulated amortisation and impairment losses</b>						
At 1 January 2020	7,902	–	18,527	20,675	17,124	64,228
Amortisation for the year	1,688	–	12,651	14,725	5,140	34,204
Impairment losses for the year	–	–	1,292	3,416	–	4,708
<b>At 31 December 2020 and 1 January 2021</b>	<b>9,590</b>	<b>–</b>	<b>32,470</b>	<b>38,816</b>	<b>22,264</b>	<b>103,140</b>
Amortisation for the period	369	–	4,388	6,631	–	11,388
<b>At 30 June 2021</b>	<b>9,959</b>	<b>–</b>	<b>36,858</b>	<b>45,447</b>	<b>22,264</b>	<b>114,528</b>
<b>Carrying amount</b>						
<b>At 30 June 2021</b>	<b>1,901</b>	<b>11,029</b>	<b>62,522</b>	<b>54,700</b>	<b>–</b>	<b>130,152</b>
At 31 December 2020	2,270	11,029	66,910	61,331	–	141,540

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 14 INVENTORIES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Raw materials	21,460	22,429
Work in progress	2,710	1,530
Finished goods	21,384	21,334
	<b>45,554</b>	45,293
Allowance for impairment of inventories	<b>(21,088)</b>	(22,792)
	<b>24,466</b>	22,501

## 15 TRADE AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade receivables	103,338	163,125
Bills receivable	17,414	9,211
Allowance for impairment losses of trade receivables	<b>(55,048)</b>	(83,398)
	<b>65,704</b>	88,938
Prepayments	67,066	36,055
Income tax recoverable	243	243
Other receivables	9,758	8,749
Allowance for impairment losses of other receivables	<b>(2,387)</b>	(2,400)
	<b>74,680</b>	42,647
Total trade and other receivables	<b>140,384</b>	131,585

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 15 TRADE AND OTHER RECEIVABLES *(Continued)*

The aging analysis of trade and bills receivables, net of allowance for impairment of trade and bills receivables, presented based on the invoice dates is as follows:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within 6 months	33,787	74,610
After 6 months but within 1 year	23,195	7,094
Over 1 year	8,722	7,234
	<b>65,704</b>	88,938

The carrying amounts of the Group's trade receivables are mainly denominated in RMB.

## 16 SHARE CAPITAL

	30 June 2021		31 December 2020	
	Number of shares '000 (unaudited)	HK\$'000	Number of shares '000 (audited)	HK\$'000
Authorised:				
Ordinary shares of HK\$0.0001 each	10,000,000	1,000	10,000,000	1,000
Ordinary shares, issued and fully paid	986,619	99	986,619	99
RMB equivalent (RMB'000)		86		86

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 17 TRADE AND OTHER PAYABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade payables	42,023	66,624
Product warranty provision	401	684
Other payables and accruals	8,269	12,137
	<b>50,693</b>	79,445

### Trade payables

Trade payables comprised amounts due to suppliers for purchase of goods or services used in regular course of business. Trade payables are non-interest bearing and generally due upon demand. The aging analysis of trade payables based on the invoice dates is as follows:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within 3 months	6,971	38,040
After 3 months but within 6 months	1,859	12,331
After 6 months but within 1 year	10,247	3,361
Over 1 year but within 2 years	12,634	9,553
Over 2 years	10,312	3,339
	<b>42,023</b>	66,624

The carrying amounts of the Group's trade payables are mainly denominated in RMB.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 18 ACQUISITION CONSIDERATION PAYABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Acquisition of Green Harmony		
— Promissory note payable	<b>123,816</b>	120,520

## 19 CONVERTIBLE BONDS

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Balance as at 1 January	<b>119,076</b>	116,196
Payment for interest on convertible bonds	<b>(2,510)</b>	(5,185)
Re-measurement on convertible bonds	<b>8,886</b>	15,442
Foreign currency exchange adjustment	<b>(1,380)</b>	(7,377)
	<b>124,072</b>	119,076

On 13 August 2018 (“**Issue Date**”), the Group issued convertible bonds to an independent third party (the “**Holder**”) with principal amount of HKD150,000,000 (equivalent to approximately RMB131,130,000) with a maturity period of two years to 13 August 2020 (“**Maturity Date**”). The Maturity Date may be extended to the date falling 36 months from the Issue Date at the request of the Group (“**the Extended Maturity Date**”). In 2019, the Group has exercised the extension right by serving an extension notice to the Holder in accordance with terms and conditions of the convertible bonds. As a result, the Maturity Date has been changed to 13 August 2021.

The convertible bonds bear interest at a coupon rate of 4% per annum, payable semi-annually in arrears in the sixth month after the Issue Date and in every sixth month thereafter to and including the Maturity Date or the Extended Maturity Date as the case may be.

On 13 August 2020, the conversion price of the convertible bonds adjusted from HK\$2.5 to HK\$0.8 per share. The convertible bonds can be converted into ordinary shares of the Company at the holder’s option at an conversion price of HK\$0.80 per share subject to adjustment for, among other matters, sub-division, consolidation and reclassification of shares, issue of shares in lieu of the whole or any part of a specifically declared cash dividend, capital distributions, issue of convertible securities, issue of new shares in discount, consideration issues and other dilutive events.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 19 CONVERTIBLE BONDS *(Continued)*

On 13 August 2021, the Group and the Holder entered into the Second Amendment and Extension Agreement, pursuant to which, the Company and the Holder conditionally agreed to further extend the Extended Maturity Date of the Convertible Bonds by 12 months from 13 August 2021 to the New Maturity Date of 13 August 2022 by way of executing the Second Supplemental Deed.

The entire convertible bonds are designated as financial liabilities at fair value through profit or loss since inception date.

Fair value of the Group's convertible bonds was determined by using partial differential equation method with the following key inputs:

	As at 30 June 2021	As at 31 December 2020	Date of issue
Risk free rates	<b>(0.01)%</b>	0.08%	1.87%
Discount rate	<b>23.84%</b>	17.47%	18.40%
Dividend yield	<b>1.17%</b>	0.79%	0.95%
Expected volatility	<b>29.64%</b>	44.40%	57.28%

## 20 EQUITY-SETTLED SHARE-BASED TRANSACTION

The number and weighted average exercise prices of equity-settled share options issued by the Group are as follows:

	At 30 June 2021		At 31 December 2020	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	<b>USD0.0003</b>	<b>863,587</b>	USD0.0003	863,587
Outstanding at the beginning of the year	<b>HK\$1.71</b>	<b>9,830,000</b>	HK\$1.71	13,730,000
Forfeited during the period/year	<b>HK\$1.71</b>	<b>(2,230,000)</b>	HK\$1.71	(3,900,000)
Outstanding at the end of the period/year	<b>USD0.0003</b>	<b>863,587</b>	USD0.0003	863,587
Outstanding at the end of the period/year	<b>HK\$1.71</b>	<b>7,600,000</b>	HK\$1.71	9,830,000
Exercisable at the end of the period/year	<b>USD0.0003</b>	<b>863,587</b>	USD0.0003	863,587
Exercisable at the end of the period/year	<b>HK\$1.71</b>	<b>2,533,335</b>	HK\$1.71	3,276,667

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 21 RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in the unaudited interim financial report, the Group had the following transactions with its related parties during the period:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Office premises rental expenses paid to Wang Shiguang ("Mr. Wang") (note (a))	362	712

Note:

- (a) Mr. Wang was one of the non-executive Director of the Group. Mr. Wang has retired as non-executive Director with effect from 25 June 2021.

As at 30 June 2021, the Group had RMB nil balance with related parties (2020: RMB nil).

## 22 EVENTS AFTER THE REPORTING PERIOD

### (a) Subscription of new shares under general mandate

On 12 July 2021, the Company entered into a conditional subscription agreement with each of Mr. Ding Zhigang ("Mr. Ding") and Mr. Yu Lu ("Mr. Yu"), respectively, (collectively, the "Subscription Agreements") pursuant to which (i) Mr. Ding conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 88,660,000 new shares ("Shares") of the Company; and (ii) Mr. Yu conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 108,660,000 new Shares. The subscription price is HK\$0.170 per Share. The aggregate of 197,320,000 new Shares ("Subscription Shares") represent in aggregate approximately 16.7% of the issued share capital of the Company as at the date of this report. The subscriptions were completed on 27 July 2021. The net proceeds of the subscriptions, after deducting professional fees and other related expenses, were approximately HK\$33,344,400, which were applied for repayment of certain outstanding indebtedness of the Group.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## **22 EVENTS AFTER THE REPORTING PERIOD** *(Continued)*

### **(b) Second proposed amendment to terms and conditions of convertible bonds**

On 13 August 2021, the Group and the bondholder entered into the Second Amendment and Extension Agreement, pursuant to which, the Company and the bondholder conditionally agreed to further extend the Extended Maturity Date of the Convertible Bonds by 12 months from 13 August 2021 to the New Maturity Date of 13 August 2022 by way of executing the Second Supplemental Deed.

The Second Proposed Amendment is subject to the satisfaction of the conditions precedent under the Second Amendment and Extension Agreement, which may or may not proceed. If the Second Proposed Amendment materialises, it would constitute an alterations in the terms of convertible debt securities after issue pursuant to Rule 28.05 of the Listing Rules. The Company will seek Shareholders' approval at an extraordinary general meeting to be convened by the Company for the grant of the specific mandate for the issuance of the Conversion Shares under the amended terms of the Convertible Bonds. Please refer to the announcements of the Company dated 13 August 2021 and 19 August 2021 for further details in relation to the Second Proposed Amendment.

The Company will make further announcement(s) in connection with the Second Proposed Amendment as and when appropriate or required in accordance with the requirements of the Listing Rules.

## **23 COMPARATIVE FIGURES**

The presentation in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and condensed consolidated statement of cash flows have been changed from the classification by nature to classification by function as the directors consider that the new presentation is more appropriate to the unaudited interim financial report.

## **24 APPROVAL OF FINANCIAL STATEMENTS**

The interim financial statements were approved and authorised for issue by the Board of Directors on 30 August 2021.