



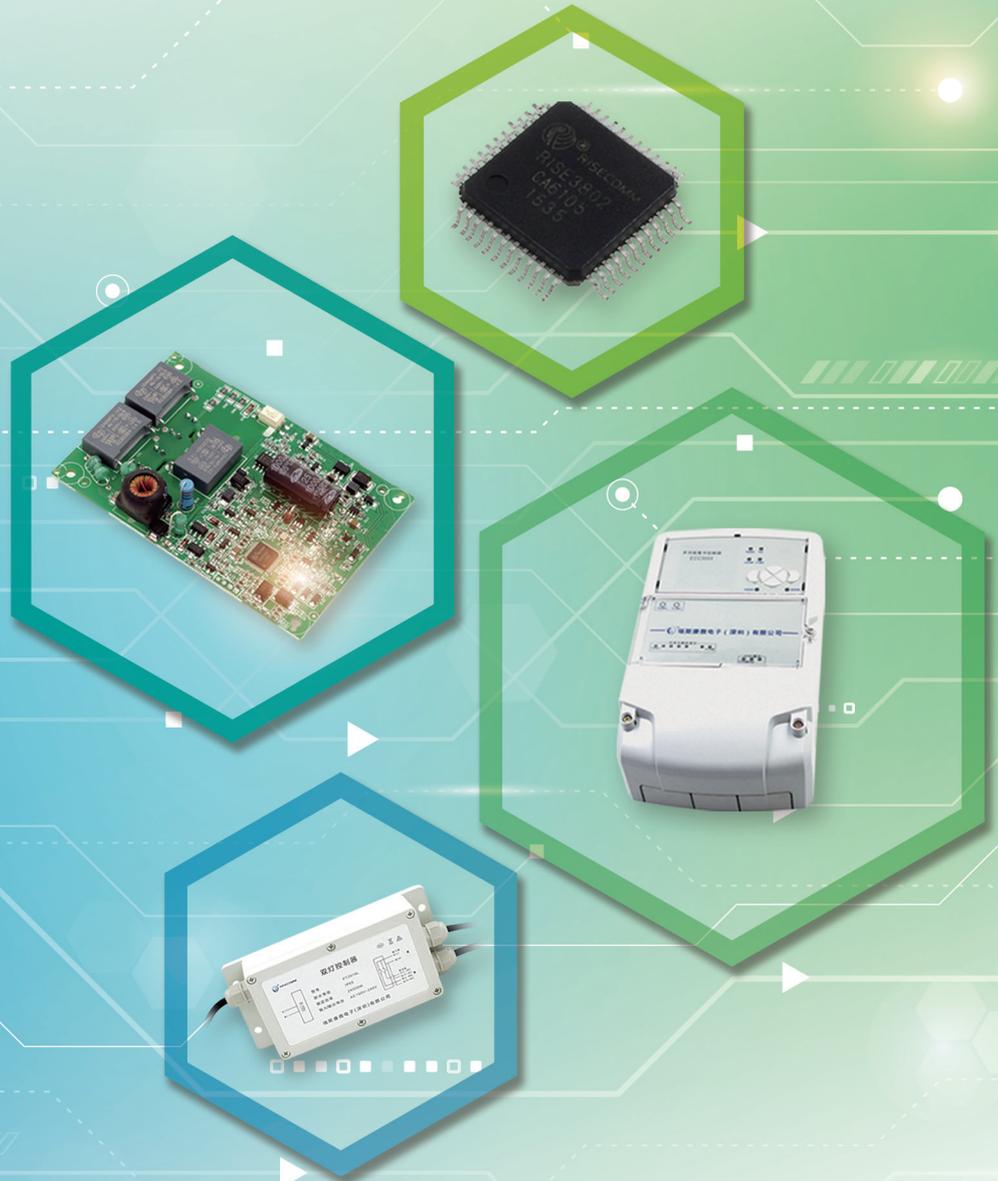
**RISECOMM**

**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



2017  
Interim Report

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# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Wang Shiguang (*Chairman*)  
Mr. Yue Jingxing  
Mr. Zhang Youyun

## NON-EXECUTIVE DIRECTOR

Mr. Ng Benjamin Jin-ping

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ong King Keung  
Mr. Chen Yong  
Mr. Pan Song

## COMPANY SECRETARY

Mr. Leung Ka Lok (*HKICPA, FCCA*)

## AUTHORIZED REPRESENTATIVES

(for the purpose of the Listing Rules)

Mr. Yue Jingxing  
Mr. Leung Ka Lok (*HKICPA, FCCA*)

## AUDIT COMMITTEE

Mr. Ong King Keung (*Chairman*)  
Mr. Chen Yong  
Mr. Pan Song

## NOMINATION COMMITTEE

Mr. Wang Shiguang (*Chairman*)  
Mr. Ong King Keung  
Mr. Chen Yong

## REMUNERATION COMMITTEE

Mr. Ong King Keung (*Chairman*)  
Mr. Yue Jingxing  
Mr. Chen Yong

## 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

## COMPLIANCE ADVISER

Messis Capital Limited  
Room 1606, 16/F., Tower 2, Admiralty Centre  
18 Harcourt Road, Hong Kong

## AUDITOR

KPMG  
8th Floor, Prince's Building  
10 Chater Road  
Central, 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**

Skyworth Building C501  
Hi-tech Industrial Park  
Shenzhen  
PRC

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

Unit No. 2, 12/F.  
Emperor Group Centre  
No. 288 Hennessy Road  
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 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **COMPANY WEBSITE**

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

## **STOCK CODE**

1679

# Chairman's Statement

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Risecomm Group Holdings Limited (the "**Company**"), I am pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**" or "**Risecomm Group**") for the six months ended June 30, 2017 (the "**Period**"), together with the unaudited figures for the corresponding period in 2016. I am also very delighted to witness the successful listing (the "**Listing**") of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on June 9, 2017 (the "**Listing Date**"), marking an important milestone in the development of the Group. The Listing also represents the wider recognition of our leading position in the Power Line Communication ("**PLC**") market in China as well as our business and technology strengths.

With an operating history of 11 years in PLC and guided by our corporate motto of advancing technology frontiers for a better life, Risecomm Group has become a reputable fabless research and development oriented technology company specialized in the design, development and sale of system-on-chip integrated circuits ("**IC**"), modules, devices and solution adopting the PLC technology in China. Over the past few years, Risecomm Group has significantly grown together with the demand for PLC products mainly used in the deployment and upgrade of Automated Meter Reading ("**AMR**") systems in State Grid Corporation of China ("**State Grid**") and China Southern Power Grid Co., Ltd. ("**Southern Grid**"). Due to the combined efforts of our management and staff, the Group has become one of the largest PLC technology companies in China in 2016 with a market share of 11.2% in terms of sales volume of PLC products and also commercially deployed our AMR products by State Grid in 23 out of the 26 provinces it covers in China. Furthermore, our determination to diversify our products coverage to the area of smart energy management business demonstrated the capability in our technology adaptiveness. While the current change in the further deployment and upgrades of AMR to broadband PLC has posed certain short-term challenges to the industry, our Board, senior management and staff are confident in our capability to execute the development plans set out in the prospectus of the Company dated May 29, 2017 (the "**Prospectus**"). We aim to continue to expand our business by strengthening and enhancing on our research and development ("**R&D**") foundation spurred by the spirit of self-strengthening and continuous improvement.

The Listing in Hong Kong is truly a major milestone in the Group's development history and also presents new opportunities for the future development of the Group. We will optimally utilize the proceeds raised from the Listing to accelerate our development. The Group plans to strengthen the research and development capability of the PLC technology and related products and solutions through cooperation with or acquisition of intellectual property rights from third parties to complement and expedite our R&D in the areas such as broadband orthogonal frequency division multiplexing ("**OFDM**") ICs and unified control systems for smart energy management ("**SEM**" or "**Smart Energy Management**") in view of capturing more market shares as well as products coverage in the PLC market. We also intend to progressively expand our sales channels, conducting marketing and promotion activities to enhance brand recognition in both AMR & SEM markets. In addition, the Group is further enhancing its corporate governance as we strive to become an advanced PLC technology company in China, eventually in global aspect and develop all aspects of our operations by continuously leveraging our competitive advantages in a bid to generate greater values for our shareholders.

Lastly, on behalf of the Board and the management, I wish to extend my sincere appreciation to all our staff for their tireless dedication during the period under review, and to also express my thanks to all shareholders, investors, customers, suppliers and business partners for their ongoing support to the Group.

**Mr. Wang Shiguang**

*Chairman & Executive Director*

Hong Kong, August 25, 2017

# Management Discussion and Analysis

## MARKET REVIEW

State Grid commenced commercial deployment of AMR systems in 2010, as a result, the annual bidding volume from State Grid for smart meters increased at a compound annual growth rate (“**CAGR**”) of 6.5% from 45.4 million units in 2010 to 65.7 million units in 2016. China's PLC market had grown rapidly during the period from 2010 to 2016 in tandem, driven by the massive procurement of AMR devices, in particular smart meters, by State Grid in connection with its continual deployment of AMR systems.

The development of the AMR application in China has been, and will continue to be, driven by favourable policies of the PRC government as well as initiatives implemented by State Grid and other major industry participants, including, among others (i) the Guidance on Promoting the Development of Smart Grids (《關於促進智能電網發展的指導意見》) jointly issued by the National Development and Reform Commission of the PRC (“**NDRC**”) and the National Energy Administration of the PRC (“**NEA**”) in 2015 to promote the enhancement of intelligence of the power grid system; (ii) the Guidance on Accelerating the Construction and Overhaul of Power Grids (《關於加快配電網建設改造的指導意見》) issued by the NDRC in 2015 to promote the equipment upgrades and technological innovation of power grids in China; and (iii) the Action Plan for Overhauling the Construction of Power Grids (2015–2020) (《配電網建設改造行動計劃(2015–2020)》) issued by the NEA in 2015 for the increase in investment in the construction of power grids in China.

However, as disclosed in the Prospectus, according to a market research (the “**Market Research**”) conducted by a market research institution which was commissioned by the Company, State Grid's bidding volume of smart meters decreased from 91.0 million units in 2015 to 65.7 million units in 2016 and is expected to further decrease to 43.0 million units by 2018, partly as penetration of smart meters under State Grid's first-round commercial deployment is reaching saturation, and also as State Grid has exhibited a trend of slow-down in its procurement of smart meters in anticipation of a new industry standard for broadband PLC which is expected to be formally adopted in 2017. Such bidding volume is expected to pick up and increase to 87.7 million units by 2021 as smart meters in China are expected to enter into a new phase of upgrades from 2018 onward. In 2017, this is a transitional year from narrowband to broadband PLC industry standard in the AMR application. A temporary slowdown in market hampered the industry performance as a result.

# Management Discussion and Analysis *(continued)*

## **BUSINESS REVIEW**

During the Period under review, the Group operated in two major business segments (i) AMR business, the Group sold PLC products such as PLC 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; and (ii) Smart energy management business, offering PLC products and solutions for a number of PLC applications related to energy saving and environmental protection. These applications include streetlight control, building energy management and photovoltaic power management.

During the Period under review, the Group's AMR business segment recorded a revenue of approximately RMB130.0 million (For the corresponding period in 2016: approximately RMB160.9 million), representing a decrease of approximately 19.2%. Revenue from AMR business segment for the Period under review accounted for approximately 94.7% (For the corresponding period in 2016: approximately 96.7%) of the Group's total revenue. Decrease in revenue from AMR business segment for the Period under review was mainly due to a decrease in sales volume of PLC ICs and PLC modules by an aggregate of approximately 2.1 million units caused by a delay in delivery of confirmed orders and, to a lesser extent, a slower than expected pace of procurement of smart meters by State Grid. Revenue of approximately RMB7.2 million from the Smart energy management business segment was recognized during the Period under review (For the corresponding period in 2016: approximately RMB5.6 million), representing an increase of approximately 29.8%. Revenue from Smart energy management business segment for the Period under review accounted for approximately 5.3% (For the corresponding period in 2016: approximately 3.3%) of the Group's total revenue. The increase in revenue from Smart energy management business segment during the Period under review was mainly due to the significant increase in the sales of streetlight control devices and concentrators for streetlight controls.

However, the Group had experienced a significant decrease in profit to approximately RMB1.5 million for the Period under review from approximately RMB27.5 million for the corresponding period in 2016, which was mainly attributable to (i) an increase in non-recurring Listing expenses incurred by the Group during the Period under review as compared to that of the corresponding period in 2016. Non-recurring Listing expenses of approximately RMB12.9 million (For the corresponding period in 2016: approximately RMB3.8 million) were recognized in the Group's consolidated statements of profit or loss and other comprehensive income for the Period under review; (ii) an increase in research and development expenses. Research and development expenses for the Period under review and for the corresponding period in 2016 were approximately RMB27.7 million and approximately RMB15.1 million, respectively, which accounted for approximately 20.2% and approximately 9.1% of the Group's total revenue for the respective periods. The significant increment in the research and development expenses was in line with the Group's research and development pace with the forthcoming implementation of a new industry standard for broadband PLC which is expected to be formally adopted in 2017; and (iii) a decrease in revenue by approximately 17.6% primarily in the AMR business segment as stated above.

# Management Discussion and Analysis *(continued)*

As a result, profit attributable to equity shareholders of the Company for the Period under review decreased by approximately 94.6% to approximately RMB1.5 million (For the corresponding period in 2016: approximately RMB27.5 million) as compared with the corresponding period in 2016.

## 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. While most of the Group's competitors' source general purpose IC chipsets for the production of their PLC ICs, the Group differentiate itself 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 & 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. Furthermore, the Group engaged several external research and development consultants with complementary expertise to collaborate with us in various research and development efforts, including those for the development of broadband PLC, the "PLC+RF" technology, as well as the driver implementation of its second-generation PLC ICs and software module development to complement the Group's mainframe host station development for the Smart energy management business.

As of June 30, 2017, the research and development team of the Group consisted of 137 employees (as of December 31, 2016: 140 employees), representing approximately 34% (as of December 31, 2016: approximately 35%) of the Group's total workforce, specializing in PLC IC design and product development for the streetlight control systems and applications and the research and development focus on concentrators and host station software development for various Smart energy management applications, and the streetlight control application for overseas markets.

As of June 30, 2017, the Group had successfully developed a significant intellectual property portfolio, comprising 24 patents, 63 computer software copyrights, seven registered software products and seven IC layout designs registered, with 26 patents pending registration in the relevant jurisdictions, signifying the Group's achievements in research and development of the PLC technology.

## FINANCIAL REVIEW

### Revenue

Revenue decreased from approximately RMB166.5 million for the corresponding period in 2016 to approximately RMB137.2 million for the Period under review, or by approximately 17.6%. This decrease was mainly attributable to a decrease of approximately RMB31.0 million in revenue from the AMR business, coupled with an increase of approximately RMB1.7 million in revenue from the Smart energy management business.

# Management Discussion and Analysis *(continued)*

## Cost of sales

Cost of sales decreased from approximately RMB79.9 million for the corresponding period in 2016 to approximately RMB64.6 million for the Period under review, or by approximately 19.2%. The decrease is mainly in line with a decrease with revenue.

## Gross profit

As a result of the decline in revenue, gross profit decreased by approximately 16.1% to approximately RMB72.6 million for the Period under review from approximately RMB86.6 million for the corresponding period in 2016.

Gross profit margin was approximately 52.9% for the Period under review and was slightly improved as compared with approximately 52.0% for the corresponding period in 2016.

## Other income

Other income increased by approximately 2.6% to approximately RMB6.9 million for the Period under review from approximately RMB6.7 million for the corresponding period in 2016. The increase was mainly attributable to recognition of net exchange gain during the Period under review while net exchange loss was recorded during the corresponding period in 2016. In addition, government grants for the Period under review decreased by approximately RMB1.4 million to approximately RMB5.1 million from approximately RMB6.5 million for the corresponding period in 2016 which was mainly attributable to a decrease in value-added tax refund during the Period under review.

## Sales and marketing expenses

Sales and marketing expenses slightly decreased by approximately 1.5% to approximately RMB25.3 million for the Period under review from approximately RMB25.6 million for the corresponding period in 2016. This decrease was mainly attributable to decrease in customer service expenses and marketing and travelling expenses which were in line with the decrease in revenue for the Period under review.

## General and administrative expenses

General and administrative expenses increased by approximately 90.1% to approximately RMB30.1 million for the Period under review from approximately RMB15.9 million for the corresponding period in 2016. This increase was mainly attributable to (i) an increase of approximately RMB9.1 million of Listing expenses during the Period as compared to the corresponding period in 2016, and (ii) an increase of approximately RMB3.5 million in staff costs due to an increase in the number of headcounts and salaries of the Group's management, administrative and finance staff during the Period as compared to the corresponding period in 2016 to manage and support the business growth of the Group.

## Research and development expenses

Research and development expenses increased by approximately 83.7% to approximately RMB27.7 million for the Period under review from approximately RMB15.1 million for the corresponding period in 2016. This increase was mainly attributable to an increase in professional fees of approximately RMB10.5 million incurred for research and development of broadband PLC and smart energy management solution, in addition to an increase of approximately RMB2.3 million in staff costs resulted from an increase in the headcounts for research and development over the corresponding period in 2016.

# Management Discussion and Analysis *(continued)*

## **Finance costs**

For the Period under review, the Group's finance costs amounted to approximately RMB0.2 million (For the corresponding period in 2016: Nil). The finance cost was attributable to interest on the entrusted loan the Group entered into during the Period.

## **Income tax credit/(expenses)**

Income tax credit was recorded for the Period under review which was attributable to a change in applicable withholding tax rate in respect of PRC entities' distributable profits from 10% to 5% during the Period under review as Risecomm (HK) Holdings Co. Limited, the parent company of the Group's PRC subsidiaries, became entitled to the preferential withholding tax rate of 5%, having been certified as the tax resident of the Hong Kong Special Administrative Region under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" as of June 30, 2017; while withholding tax rate of 10% was used for the corresponding period in 2016, thus, an income tax credit was resulted for the Period under review.

## **Profit attributable to equity shareholders of the Company**

As a result of the above factors, the profit attributable to equity shareholders of the Company for the Period under review decreased by approximately 94.6% to approximately RMB1.5 million (For the corresponding period in 2016: approximately RMB27.5 million).

## **Liquidity and financial resources**

The Group's primary sources of working capital and long-term funding needs have been cash flows generated from operation and financing activities. As of June 30, 2017, the Group's current assets amounted to approximately RMB431.8 million (as of December 31, 2016: approximately RMB308.6 million), with cash and cash equivalents totaling approximately RMB230.1 million (as of December 31, 2016: approximately RMB144.8 million). As of June 30, 2017, the Group's total interest-bearing loans amounted to RMB13 million (as of December 31, 2016: Nil) for which the whole amount of the loan will be due to repay within one year with interest bearing at 4.2% per annum. The gearing ratio (total borrowings divided by total assets) was approximately 2.7% as of June 30, 2017 (as of December 31, 2016: Not applicable).

Taking into account the Group's existing cash and cash equivalents, anticipated cash flow from its operating activities and the net proceeds generated from the global offering, the Board believes that the Group's liquidity needs will be satisfied.

## **Exchange rate risk**

Most of the businesses of the Group are settled in Renminbi while businesses in foreign currencies are mainly settled in USD. The fluctuation of exchange rate of both currencies will have certain impact on the Group's business which are settled in foreign currencies. During the Period under review and in the corresponding period of 2016, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations.

# Management Discussion and Analysis *(continued)*

## Capital commitments

As of June 30, 2017, the Group had no material capital commitments (as of December 31, 2016: approximately RMB4.0 million).

## Contingent liabilities

As of June 30, 2017, the Group had no contingent liabilities (as of December 31, 2016: Nil).

## Charge on assets

As of June 30, 2017, the Group had no charge of assets (as of December 31, 2016: Nil).

## PROSPECTS

China's PLC market for the AMR application is expected to continue to grow during the period from years 2017 to 2021 with favourable governmental policies and industry initiatives such as (i) the Action Plan for Overhauling the Construction of Power Grids (2015–2020) (《配電網建設改造行動計劃(2015–2020)》) issued by the NEA in 2015 for the increase in investment in the construction of power grids in China; (ii) the Development Plan of China Southern Power Grid (2013–2020) (《南方電網發展規劃 (2013–2020)》) issued by Southern Grid in 2013 to, among others, promote the development of smart grids; and (iii) the White Paper on Green Development (《綠色發展白皮書》) issued by State Grid in 2010 with the target to roll out a sophisticated smart grid system with the full deployment of AMR systems by 2020.

As disclosed in the Prospectus, according to the Market Research, the bidding volume of smart meter conducted by State Grid and Southern Grid is expected to grow at a CAGR of 11.5% from years 2017 to 2021. It is also estimated that the total sales of China's PLC market will continue its growth at a CAGR of 9.2% during the years from 2017 to 2021, with total sales volume of PLC products increasing from 93.2 million units in 2017 to 132.6 million units in 2021. The future growth of China's PLC market is expected to continue to be driven by governmental support for the IC industry, increasing deployment of smart grids in China and continual advancement in the PLC technology.

The Group aim to be a leading PLC technology company and turnkey solutions provider in China offering a full range of products and solutions across its AMR business and its strategically selected areas of smart energy management applications. The Group endeavor to continue to expand its market share and strengthen the Group's market position by further strengthen its capabilities in PLC technology and research and development. As staying at the forefront of the PLC technology is key to maintaining the Group's competitiveness, the Group will continue to focus on research and development and seek to further strengthen its core capabilities in PLC technologies. In particular, the Group plan to strengthen on its research and development capabilities through cooperation with or acquisition of intellectual property rights from third parties to complement and expedite its research and development in areas such as broadband OFDM ICs, integrated "single-IC" model with "PLC+RF" dual-mode technology, unified control systems for Smart energy management, and streetlight control systems by integration with Zigbee technology. The Group will continue to work closely with key industry participants, such as State Grid, to increase its participation in the drafting and formulation of industry standards, such as those for broadband PLC. The Group will also utilize its existing expertise and further explore in the research directions in support of the "Four-Meters-in-One" initiative led by State Grid.

## Management Discussion and Analysis *(continued)*

In order to expand the Group's AMR business to new geographic markets and further enhance the functionality and competitiveness of its AMR products, the Group became a qualified PLC technology company for Southern Grid in 2015 and began to help promoting its AMR sales in the Southern Grid market. Southern Grid launched its commercial deployment of AMR systems in March 2016 with a then purchase plan of 76.8 million units of smart meters for the five years between years 2016 and 2020 according to the Market Research. The Group strive to become one of the first-movers to seize business opportunities from this significant new AMR market opening and it believes this new market opening will serve as a key driver for the further growth of its AMR business.

The Group target to invest not less than RMB100 million in 2017 and 2018 for research and development of the abovementioned projects, recruitment of additional research and development staff to further enhance the Group's in-house research and development capabilities and support its expanded research and development activities, as well as general funding support for the development and commercialization of the Group's products and technologies such as product prototyping, testing and purchase of related equipment. The management believes that these projects will assist the Group to explore more business opportunities in the near future.

Lastly, the Group plan to further invest in the Smart energy management business to achieve accelerated revenue growth from this business segment in view of the increasing government policies and industry initiatives in support of energy conservation and environmental protection, especially those under the 13th Five-Year Plan of National Economy and Social Development issued by the PRC government. The Group intend to enhance its product development efforts to provide an enriched pipeline of products and solutions that address the needs of each of its strategically selected areas of smart energy management applications, which included streetlight control, building energy management and photovoltaic power management. The Group also plan to strengthen its sales and marketing efforts, not only in AMR business but also in Smart energy management business in order to expand its customer base for each of these strategically selected smart energy management applications. The Group will seek to enhance its direct sales and also establish strong sales channels through system integrators, energy management companies and energy project contractors.

It is expected that the Group will implement the above plans partly by using the net proceeds generated from the global offering and internal resources of the Group.

## 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 June 30, 2017, 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 Rules Governing the Listing of Securities on the Stock Exchange (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))	91,943,624 (L)	11.35%
		Beneficial owner (Note 2(ii))	863,587 (L)	0.11%
Mr. Wang Shiguang	The Company	Interest of spouse (Note 3)	169,527,845 (L)	20.93%
Mr. Zhang Youyun	The Company	Interest in a controlled corporation (Note 4(i))	4,705,659 (L)	0.58%
		Beneficial owner (Note 4(ii))	1,841,423 (L)	0.23%
Mr. Ng Benjamin Jin-ping	The Company	Beneficial owner	6,547,283 (L)	0.81%

\* The percentage represents the number of shares involved divided by the number of the Company's issued shares as of June 30, 2017.

Notes:

- (1) The letter "L" denotes the Directors' long position in the shares of the Company ("Shares").
- (2) Mr. Yue Jingxing is the sole shareholder of Seashore Fortune Limited ("Seashore Fortune") which holds 91,943,624 Shares. By virtue of the SFO, Mr. Yue Jingxing 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 Jingxing under the Pre-IPO Share Option Scheme adopted by the Company on August 25, 2016 (the "Pre-IPO Share Option Scheme").
- (3) Mr. Wang Shiguang, an executive Director, the chairman of the Board and the spouse of Ms. Chen Junling, is deemed to be interested in Ms. Chen Junling's interest in the Company by virtue of the SFO.
- (4) Mr. Zhang Youyun is the sole shareholder of Glorious Lead Limited ("Glorious Lead"), which holds 4,705,659 Shares. By virtue of the SFO, Mr. Zhang Youyun is deemed to be interested in the Shares in which Glorious Lead is interested. The disclosed interest represents (i) the interest in the Company held by Glorious Lead; and (ii) options held by Mr. Zhang Youyun under the Pre-IPO Share Option Scheme.

## Other Information *(continued)*

Save as disclosed above, as of June 30, 2017, 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.

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

As of June 30, 2017, 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	91,943,624 (L)	11.35%
Ms. Chen Junling	Interest in a controlled corporation (Note 2)	169,527,845 (L)	20.93%
Magical Success Holdings Limited ("Magical Success")	Beneficial owner	169,527,845 (L)	20.93%
SB Asia Investment Fund II L.P. ("SAIF")	Beneficial owner (Note 3)	197,340,537 (L) (Note 4)	24.36%
SAIF II GP L.P.	Interest in a controlled corporation (Note 3)	197,340,537 (L) (Note 4)	24.36%
SAIF Partners II L.P.	Interest in a controlled corporation (Note 3)	197,340,537 (L) (Note 4)	24.36%
SAIF II GP Capital Ltd.	Interest in a controlled corporation (Note 3)	197,340,537 (L) (Note 4)	24.36%
Mr. Andrew Y. Yan	Interest in a controlled corporation (Note 3)	197,340,537 (L) (Note 4)	24.36%
Lead Capital Fund III, L.P.	Beneficial owner	64,960,000 (L) (Note 4)	8.02%

\* The percentage represents the number of shares involved divided by the number of the Company's issued shares as of June 30, 2017.

## 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 169,527,845 Shares. By virtue of the SFO, Ms. Chen Junling is deemed to be interested in the Shares in which Magical Success is interested.
- (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) Based on the disclosure of interests forms submitted by these substantial shareholders respectively as of June 30, 2017.

Save as disclosed above, as of June 30, 2017, 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

### (i) Share Option Scheme

As disclosed in the Prospectus, the Company adopted a share option scheme (the "**Share Option Scheme**") on May 16, 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. No share options have been granted, exercised or cancelled by the Company under the Share Option Scheme since its adoption and up to June 30, 2017.

## Other Information (continued)

### (ii) Pre-IPO Share Option Scheme

As disclosed in the Prospectus, the Company adopted the Pre-IPO Share Option Scheme on August 25, 2016 and granted options to subscribe for an aggregate of 771,680 Shares. Immediately following the completion of the Capitalization 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. Detail of movements of the options granted under the Pre-IPO Share Option Scheme during the period commencing from the Listing date to June 30, 2017 are as follows:

#### Directors

Name of Directors	Date of grant	Exercisable period	Number of Shares underlying the options granted as of the Listing date	Exercise Price per Share (Note 1) US\$	Since the Listing date to June 30, 2017				Outstanding at June 30, 2017
					Granted	Exercised	Cancelled	Lapsed	
Mr. Yue Jingxing	August 25, 2016	From August 25, 2016 to March 25, 2024 (Note 2)	863,587	0.0003	-	-	-	-	863,587
Mr. Zhang Youyun	August 25, 2016	From August 25, 2016 to March 25, 2024 (Note 3)	1,841,423	0.0003	-	-	-	-	1,841,423
<b>Sub-total</b>			<b>2,705,010</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,705,010</b>

#### Employees

Date of grant	Exercisable period	Number of Shares underlying the options granted as of the Listing date	Exercise Price per Share (Note 1) US\$	Since the Listing date to June 30, 2017				Outstanding at June 30, 2017
				Granted	Exercised	Cancelled	Lapsed	
August 25, 2016	From August 25, 2016 to December 31, 2017	2,662,585	0.0003	-	-	-	-	2,662,585
	From August 25, 2016 to March 25, 2024 (Note 4)	10,842,822	0.0003	-	-	-	-	10,842,822
<b>Sub-total</b>			<b>13,505,407</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,505,407</b>
<b>Total</b>			<b>16,210,417</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,210,417</b>

## Other Information *(continued)*

### Notes:

- (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.
- (2) (i) Options to subscribe for 255,901 Shares are exercisable at any time from August 25, 2016 until March 25, 2024; and (ii) The remaining options to subscribe for 607,686 Shares are exercisable at any time from the date when the options become vested until March 25, 2024. Such options become vested in equal monthly installments from the last day in each month during the period from August 2016 to February 2018.
- (3) (i) Options to subscribe for 545,814 Shares are exercisable at any time from August 25, 2016 until March 25, 2024; and (ii) The remaining options to subscribe for 1,295,609 Shares are exercisable at any time from the date when the options become vested until March 25, 2024. Such options become vested in equal monthly installments from the last day in each month during the period from August 2016 to February 2018.
- (4) (i) Options to subscribe for 6,216,449 Shares are exercisable at any time from August 25, 2016 to March 25, 2024; and (ii) The remaining options to subscribe for 4,626,373 Shares are exercisable at any time from the date when the options become vested until March 25, 2024. Such remaining options become vested in equal monthly installments from the last day in each month during the period from August 2016 to February 2018.

No further options were granted under the Pre-IPO Share Option Scheme on or after the Listing Date as the right to do so terminated upon the Listing.

No Pre-IPO Share Options were exercised, cancelled or lapsed during the period after the Listing Date and up to 30 June 2017.

## 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 throughout the period commencing from the Listing Date to June 30, 2017. 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.

## 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. 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 throughout the period commencing from the Listing Date to June 30, 2017.

## Other Information *(continued)*

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

During the Period under review, there was no acquisition or disposal of subsidiaries and associated companies by the Company.

### **CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS**

Change in Directors' biographical details since the date of the Prospectus of the Company, 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. Ng Benjamin Jin-ping	SAIF has sold all its shares in Alchip Technologies, Limited (" <b>Alchip</b> ") (Taiwan Stock Exchange stock code: 3661) in July 2017. Mr. Ng remains acting as a director of Alchip but no longer acting as a representative of SAIF.
Mr. Ong King Keung	Mr. Ong has been appointed as the company secretary of Kenford Group Holdings Limited (listed on the Stock Exchange (stock code: 464)) with effect from August 22, 2017.

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

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this report, the Company maintained the prescribed public float of no less than 25% as required under the Listing Rules.

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

During the period commencing from the Listing Date and up to June 30, 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## Other Information *(continued)*

### USE OF PROCEEDS FROM INITIAL GLOBAL OFFERING

References are made to the announcements of the Company dated June 8 and June 21, 2017. 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.

During the period commencing from the Listing Date to June 30, 2017, the net proceeds had been applied for as follows:

	Actual Net proceeds HK\$ 'million	Amount utilized as of June 30, 2017 HK\$ 'million	Unutilized net proceeds as of June 30, 2017 HK\$ 'million
Research and development of the PLC technology	95.7	3.3	92.4
Sales and marketing	32.0	–	32.0
Repayment of an entrusted bank loan	14.7	–	14.7
Working capital and general corporate purposes	15.8	–	15.8
	<u>158.2</u>	<u>3.3</u>	<u>154.9</u>

As of the date of this report, the Company does not anticipate any change to the above plan of use of proceeds.

### 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 June 30, 2017, the Group had an aggregate of 406 employees (as of December 31, 2016: 406 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 current 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.

## Other Information *(continued)*

### **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 financial related matters. The interim financial report of the Group for the Period have been reviewed by the auditor of the Company, KPMG.

# Review Report



## **Review report to the board of directors of Risecomm Group Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

### **INTRODUCTION**

We have reviewed the interim financial report set out on pages 21 to 40 which comprises the consolidated statement of financial position of Risecomm Group Holdings Limited as at June 30, 2017 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at June 30, 2017 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

#### **KPMG**

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

August 25, 2017

# Consolidated Statement of Profit or Loss

For the six months ended June 30, 2017 — unaudited  
(Expressed in Renminbi)

	Note	Six months ended June 30,	
		2017 RMB'000	2016 RMB'000
<b>Revenue</b>	4	137,238	166,476
Cost of sales		(64,589)	(79,915)
<b>Gross profit</b>		72,649	86,561
Other income	5	6,885	6,713
Sales and marketing expenses		(25,253)	(25,631)
General and administrative expenses		(30,181)	(15,877)
Research and development expenses		(27,724)	(15,092)
<b>(Loss)/profit from operations</b>		(3,624)	36,674
Finance costs	6(a)	(207)	—
Share of profit/(loss) of associate		22	(53)
<b>(Loss)/profit before taxation</b>	6	(3,809)	36,621
Income tax credit/(expenses)	7	5,284	(9,104)
<b>Profit for the period</b>		1,475	27,517
<b>Attributable to:</b>			
— Equity shareholders of the Company		1,491	27,441
— Non-controlling interests		(16)	76
<b>Profit for the period</b>		1,475	27,517
<b>Earnings per share</b>	8		
Basic (RMB cents)		0.23	4.49
Diluted (RMB cents)		0.23	4.44

The notes on pages 28 to 40 form part of this interim financial report.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2017 — unaudited  
(Expressed in Renminbi)

	Six months ended June 30,	
	2017 RMB'000	2016 RMB'000
<b>Profit for the period</b>	1,475	27,517
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside mainland China	(1,550)	813
<b>Total comprehensive income for the period</b>	(75)	28,330
<b>Attributable to:</b>		
— Equity shareholders of the Company	(59)	28,254
— Non-controlling interests	(16)	76
<b>Total comprehensive income for the period</b>	(75)	28,330

The notes on pages 28 to 40 form part of this interim financial report.

# Consolidated Statement of Financial Position

At June 30, 2017 — unaudited  
(Expressed in Renminbi)

	<i>Note</i>	At June 30, 2017 RMB'000	At December 31, 2016 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	9	36,157	34,210
Intangible assets		7,296	8,197
Interest in associate		627	605
Deferred tax assets		6,110	3,546
		50,190	46,558
<b>Current assets</b>			
Inventories	10	50,554	47,447
Trade and other receivables	11	151,198	116,307
Cash and cash equivalents		230,069	144,822
		431,821	308,576
<b>Current liabilities</b>			
Interest-bearing loan	12	13,000	—
Trade and other payables	13	57,591	94,247
Income tax payable		12,644	21,401
		83,235	115,648
<b>Net current assets</b>		348,586	192,928
<b>Total assets less current liabilities</b>		398,776	239,486

The notes on pages 28 to 40 form part of this interim financial report.

# Consolidated Statement of Financial Position *(continued)*

At June 30, 2017 — unaudited *(continued)*

(Expressed in Renminbi)

<i>Note</i>	At June 30, 2017 RMB'000	At December 31, 2016 RMB'000
<b>Non-current liabilities</b>		
Deferred tax liabilities	5,412	10,961
Deferred income	7,037	7,816
	12,449	18,777
<b>Net assets</b>	386,327	220,709
<b>Capital and reserves</b>	15	
Share capital	71	1
Reserves	386,270	220,706
<b>Total equity attributable to equity shareholders of the Company</b>	386,341	220,707
<b>Non-controlling interests</b>	(14)	2
<b>Total equity</b>	386,327	220,709

Approved and authorized for issue by the Board of Directors on August 25, 2017.

**Wang Shiguang**  
*Director*

**Yue Jingxing**  
*Director*

The notes on pages 28 to 40 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended June 30, 2017 — unaudited  
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Capital reserve	PRC statutory reserves	Exchange reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 15(b)	Note 15(c)							
<b>Balance at January 1, 2016</b>	115	112,430	79,566	11,872	11,669	27,125	242,777	(108)	242,669
<b>Changes in equity for the six months ended June 30, 2016:</b>									
Profit for the period	-	-	-	-	-	27,441	27,441	76	27,517
Other comprehensive income	-	-	-	-	813	-	813	-	813
Total comprehensive income	-	-	-	-	813	27,441	28,254	76	28,330
Equity-settled share-based payments	-	-	335	-	-	-	335	-	335
Capital injection from non-controlling interest	-	-	-	-	-	-	-	250	250
Shares issued arising from the reorganization	37	(112,430)	50,965	-	-	61,428	-	-	-
Profit distribution	-	-	-	-	-	(83,996)	(83,996)	-	(83,996)
<b>Balance at June 30, 2016</b>	152	-	130,866	11,872	12,482	31,998	187,370	218	187,588
<b>Balance at July 1, 2016</b>	152	-	130,866	11,872	12,482	31,998	187,370	218	187,588
<b>Changes in equity for the six months ended December 31, 2016:</b>									
Profit/(loss) for the period	-	-	-	-	-	30,302	30,302	(216)	30,086
Other comprehensive income	-	-	-	-	2,799	-	2,799	-	2,799
Total comprehensive income	-	-	-	-	2,799	30,302	33,101	(216)	32,885
Equity-settled share-based payments	-	-	236	-	-	-	236	-	236
Appropriation to reserves	-	-	-	4,848	-	(4,848)	-	-	-
Repurchase of shares	(152)	-	-	-	-	(3)	(155)	-	(155)
Issue of new shares	1	154	-	-	-	-	155	-	155
<b>Balance at December 31, 2016</b>	1	154	131,102	16,720	15,281	57,449	220,707	2	220,709

The notes from pages 28 to 40 form part of this interim financial report.

# Consolidated Statement of Changes in Equity *(continued)*

For the six months ended June 30, 2017 — unaudited *(continued)*

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	PRC statutory reserves	Exchange reserve	Retained earnings	Sub-total			
	RMB'000 <i>Note 15(b)</i>	RMB'000 <i>Note 15(c)</i>	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>Balance at January 1, 2017</b>	1	154	131,102	16,720	15,281	57,449	220,707	2	220,709	
<b>Changes in equity for the six months ended June 30, 2017:</b>										
Profit/(loss) for the period	–	–	–	–	–	1,491	1,491	(16)	1,475	
Other comprehensive income	–	–	–	–	(1,550)	–	(1,550)	–	(1,550)	
Total comprehensive income	–	–	–	–	(1,550)	1,491	(59)	(16)	(75)	
Equity-settled share-based payments	–	–	142	–	–	–	142	–	142	
Issue of shares under share option plan	1	1,112	(1,099)	–	–	–	14	–	14	
Capitalization issue <i>(note 15(b))</i>	51	(51)	–	–	–	–	–	–	–	
Issue of ordinary shares by initial public offering, net of issuance cost <i>(note 15(b))</i>	18	165,519	–	–	–	–	165,537	–	165,537	
<b>Balance at June 30, 2017</b>	71	166,734	130,145	16,720	13,731	58,940	386,341	(14)	386,327	

The notes from pages 28 to 40 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended June 30, 2017 — unaudited  
(Expressed in Renminbi)

	Six months ended June 30,	
	2017 RMB'000	2016 RMB'000
<b>Operating activities:</b>		
Cash (used in)/generated from operations	(55,204)	7,198
Income tax paid	(14,112)	(4,645)
<b>Net cash (used in)/generated from operating activities</b>	<b>(69,316)</b>	<b>2,553</b>
<b>Investing activities:</b>		
Payment for purchase of property, plant and equipment and intangible assets	(16,516)	(5,017)
Proceeds from disposal of property, plant and equipment	15	—
Payment for investment in available-for-sale financial assets	—	(106,500)
Proceeds from maturity of available-for-sale financial assets	—	106,500
Interest received	179	263
<b>Net cash used in investing activities</b>	<b>(16,322)</b>	<b>(4,754)</b>
<b>Financing activities:</b>		
Proceeds from interest-bearing loan	13,000	—
Capital injection from non-controlling interest	—	250
Cash received from investors for share subscription	14	79,459
Net proceeds from issuance of shares under initial public offering, net of issuance expenses	165,537	—
Payment of deposit for interest-bearing loan	(8,124)	—
Dividends paid to equity shareholders	—	(83,996)
<b>Net cash generated from/(used in) financing activities</b>	<b>170,427</b>	<b>(4,287)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>84,789</b>	<b>(6,488)</b>
<b>Effect of foreign exchange rate changes</b>	<b>458</b>	<b>813</b>
<b>Cash and cash equivalents at January 1</b>	<b>144,822</b>	<b>148,109</b>
<b>Cash and cash equivalents at June 30</b>	<b>230,069</b>	<b>142,434</b>

The notes from pages 28 to 40 form part of this interim financial report.

# 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 August 19, 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. Pursuant to the completion of various steps of the group reorganization, the Company became the holding company of the Group in February 2016.

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on June 9, 2017.

## 2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorized by the Board for issue on August 25, 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Accountants' Report disclosed in Appendix I of the prospectus dated May 29, 2017 (the "**Prospectus**"), except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the consolidated financial information for the year ended December 31, 2016 included in the Accountants' Report disclosed in Appendix I of the Prospectus. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company and KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 20.

# Notes to the Unaudited Interim Financial Report *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 4 REVENUE AND SEGMENT REPORTING

### (a) Revenue

The Group is principally engaged in the design, development and sale of power-line communication (“**PLC**”) products as well as the provision of relevant maintenance services in connection with the deployment and upgrades of Auto 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.

The amount of each significant category of revenue recognized during the period is as follows:

	Six months ended June 30,	
	2017 RMB'000	2016 RMB'000
AMR business		
– PLC Integrated circuits (“ <b>ICs</b> ”)	54,316	76,561
– PLC modules	57,655	77,908
– Other AMR products	6,178	3,115
– AMR maintenance services	11,876	3,337
Sub-total	130,025	160,921
Smart energy management business	7,213	5,555
<b>Total</b>	<b>137,238</b>	<b>166,476</b>

# Notes to the Unaudited Interim Financial Report *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 4 REVENUE AND SEGMENT REPORTING *(Continued)*

### (b) Segment reporting

The Group manages its businesses by business lines. 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. No operating segments have been aggregated to form the following reportable segments.

- AMR business: this segment includes design, development and sale of power-line communication products and providing maintenance services in connection with the deployment and upgrading of AMR systems by power grid companies in the PRC.
- Smart energy management business: this segment includes design, development and sale of energy saving and environmental protection products and solutions used in streetlight control, building energy management, photovoltaic power management, etc.

### (i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment based on revenue less cost of sales and sales and marketing expenses. General and administrative expenses and research and development expenses are not allocated to segments.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

# Notes to the Unaudited Interim Financial Report *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 4 REVENUE AND SEGMENT REPORTING *(Continued)*

### (b) Segment reporting *(Continued)*

#### (i) Segment results, assets and liabilities *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance during the period is set out as below:

	Six months ended June 30, 2017		
	AMR business RMB'000	Smart energy management business RMB'000	Total RMB'000
Reportable segment revenue	130,025	7,213	137,238
Reportable segment cost of sales	(59,409)	(5,180)	(64,589)
Reportable segment sales and marketing expenses	(24,056)	(1,197)	(25,253)
Reportable segment profit	46,560	836	47,396

	Six months ended June 30, 2016		
	AMR business RMB'000	Smart energy management business RMB'000	Total RMB'000
Reportable segment revenue	160,921	5,555	166,476
Reportable segment cost of sales	(76,001)	(3,914)	(79,915)
Reportable segment sales and marketing expenses	(23,954)	(1,677)	(25,631)
Reportable segment profit/(loss)	60,966	(36)	60,930

# Notes to the Unaudited Interim Financial Report *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 4 REVENUE AND SEGMENT REPORTING *(Continued)*

### (b) Segment reporting *(Continued)*

#### (ii) Reconciliation of reportable segment profit to the group's (loss)/profit before taxation

	Six months ended June 30,	
	2017 RMB'000	2016 RMB'000
Reportable segment profit	47,396	60,930
Other income	6,885	6,713
General and administrative expenses	(30,181)	(15,877)
Research and development expenses	(27,724)	(15,092)
Finance costs	(207)	–
Share of profit/(loss) of associate	22	(53)
(Loss)/profit before taxation	(3,809)	36,621

## 5 OTHER INCOME

	Six months ended June 30,	
	2017 RMB'000	2016 RMB'000
Interest income from bank deposits	179	153
Interest income from available-for-sale financial assets	–	110
Government grants		
– Unconditional subsidies <i>(note (a))</i>	5,113	6,489
– Conditional subsidies	779	2,713
Net exchange gain/(loss)	844	(2,270)
Others	(30)	(482)
	6,885	6,713

### (a) Government grants

Unconditional government grants mainly represent value-added tax (“VAT”) refund on self-developed software embedded in AMR and smart energy management products in accordance with the relevant tax law.

# Notes to the Unaudited Interim Financial Report *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

### (a) Finance costs

	Six months ended June 30,	
	2017 RMB'000	2016 RMB'000
Interest on interest-bearing loan	207	–

### (b) Other items

	Six months ended June 30,	
	2017 RMB'000	2016 RMB'000
Depreciation and amortization	3,546	2,394
Operating lease charges	4,196	3,812
Product warranty costs	1,372	1,631
Impairment losses of trade receivables	651	640
Listing expenses	12,916	3,798

## 7 INCOME TAX (CREDIT)/EXPENSES

(a) Income tax (credit)/expenses in the consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended June 30,	
	2017 RMB'000	2016 RMB'000
<b>Current tax:</b>		
Provision for current income tax for the period	2,829	8,259
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(8,113)	845
	(5,284)	9,104

# Notes to the Unaudited Interim Financial Report *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 7 INCOME TAX (CREDIT)/EXPENSES *(Continued)*

- (b) Reconciliation between actual income tax (credit)/expenses and accounting (loss)/profit at applicable tax rates:

	Six months ended June 30,	
	2017 RMB'000	2016 RMB'000
<b>(Loss)/profit before taxation</b>	(3,809)	36,621
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	1,083	9,136
Tax effect of non-deductible expenses	56	191
Additional deduction for qualified research and development costs	(1,774)	(1,928)
Under-provision in prior years	610	–
Tax effect of unused tax losses not recognized	314	353
Tax effect of tax losses utilized	(24)	(315)
Withholding tax on distributable profits (ii)	(5,549)	1,667
<b>Actual income tax (credit)/expenses</b>	<b>(5,284)</b>	<b>9,104</b>

- (i) Pursuant to the rules and regulations of the Cayman Islands and Seychelles, the Group is not subject to any income tax in the Cayman Islands and Seychelles.

The Company's subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at 16.5% of the estimated assessable profits. Payments of dividends by Hong Kong companies are not subject to any withholding tax.

The Group's PRC subsidiaries are subject to the PRC corporate income tax rate of 25%. Risecomm Microelectronics (Shenzhen) Co., Ltd. ("**Risecomm WFOE**"), a PRC subsidiary of the Group, is entitled to the preferential tax rate of 15% from 2016 to 2018, being accredited as a High and New Technology Enterprise according to the PRC Corporate Income Tax Law and its relevant regulations.

- (ii) As for the retained profits of PRC subsidiaries of which dividends will be payable to investor outside PRC, a preferential withholding tax rate of 5% is applied as at June 30, 2017 instead of 10% as in previous years, since Risecomm (HK) Holdings Co. Limited ("**Risecomm HK**"), the parent company of the Group's PRC subsidiaries, became entitled to the preferential withholding tax rate of 5%, having been certified as the tax resident of the Hong Kong Special Administrative Region under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" as at June 30, 2017. As a result, income tax credit of RMB5,549,000 was recorded during the six months ended June 30, 2017.

# Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

## 8 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,491,000 (six months ended June 30, 2016: RMB27,441,000) and the weighted average of 637,009,990 ordinary shares in issue during the six months ended June 30, 2017 (six months ended June 30, 2016: 610,639,319 shares after adjusting capitalization issue).

	Six months ended June 30,	
	2017	2016
Shares issued on January 1,	18,128,214	18,128,214
Effect of equity-settled share options exercised	200,000	–
Effect of capitalization issue on June 9, 2017	581,671,786	575,324,503
Effect of vested equity-settled share options	12,258,609	17,186,602
Effect of shares issued by initial public offering on June 9, 2017	24,309,392	–
Effect of shares issued under exercise of over-allotment option on June 23, 2017	441,989	–
Weighted average number of shares	637,009,990	610,639,319

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,491,000 (six months ended June 30, 2016: RMB27,441,000) and the weighted average of 640,871,791 shares for the six months ended June 30, 2017 (six months ended June 30, 2016: 618,257,689 shares).

	Six months ended June 30,	
	2017	2016
Weighted average number of ordinary shares (basic)	637,009,990	610,639,319
Effect of unvested equity-settled share options	3,861,801	7,618,370
Weighted average number of shares (diluted)	640,871,791	618,257,689

## 9 PROPERTY, PLANT AND EQUIPMENT

### Acquisitions

During the six months ended June 30, 2017, acquisitions of property, plant and equipment amounted to RMB4,438,000 (six months ended June 30, 2016: RMB1,839,000).

# Notes to the Unaudited Interim Financial Report *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 10 INVENTORIES

### (a) Inventories in the consolidated statements of financial position comprise:

	At June 30, 2017 RMB'000	At December 31, 2016 RMB'000
Raw materials	15,841	14,258
Work in progress	5,106	8,686
Finished goods	30,641	25,200
	51,588	48,144
Provision for diminution in value of inventories	(1,034)	(697)
	50,554	47,447

### (b) The analysis of the amount of inventories recognized as expenses and included in profit or loss is as follows:

	Six months ended June 30,	
	2017 RMB'000	2016 RMB'000
Carrying amount of inventories sold	64,252	79,915
Write down of inventories	337	-
Cost of inventories directly recognized as research and development expenses	669	904
	65,258	80,819

# Notes to the Unaudited Interim Financial Report *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 11 TRADE AND OTHER RECEIVABLES

As at the end of the reporting period, the ageing analysis of trade receivable (which are included in trade and other receivables), based on invoice date and net of allowance for doubtful debts, is as follows:

	At June 30, 2017 RMB'000	At December 31, 2016 RMB'000
Within 6 months	64,268	77,040
6 to 12 months	39,284	12,211
Over 12 months	10,822	11,643
Trade receivables, net of allowance for doubtful debts	114,374	100,894
Bills receivables	10,940	2,500
Deposits and prepayments	20,604	10,014
Other debtors	5,280	2,899
Total trade and other receivables	151,198	116,307

## 12 INTEREST-BEARING LOAN

As at June 30, 2017, the interest-bearing loan represented an entrusted loan of RMB13,000,000 with annual interest rate of 4.2% borrowed from a financial leasing company in the PRC through a commercial bank in the PRC. The loan will be repaid in August 2017. A pledged deposit of RMB8,124,000 was paid to the finance leasing company in respect of the loan, and will be refunded to the Group when the loan is repaid.

## 13 TRADE AND OTHER PAYABLES

As at the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on invoice date, is as follows:

	At June 30, 2017 RMB'000	At December 31, 2016 RMB'000
Within 3 months	23,637	40,413
After 3 months but within 6 months	3,237	3,954
After 6 months but within 1 year	3,135	5,190
Over 1 year but within 2 years	282	249
Total trade payables	30,291	49,806
Receipts in advance	3,432	6,457
Product warranty provision	4,917	5,295
Other payables and accruals	18,951	32,689
Total trade and other payables	57,591	94,247

# Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

## 14 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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

	Six months ended June 30, 2017		Year ended December 31, 2016	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period/year	USD 0.01	695,180	USD 0.01	771,680
Exercised during the period/year (note (i))	USD 0.01	(200,000)	–	–
Cancelled during the period/year	–	–	USD 0.01	(76,500)
Additions upon capitalization issue	–	15,715,237	–	–
Outstanding at the end of the period/year	USD 0.0003	16,210,417	USD 0.01	695,180
Exercisable at the end of the period/year	USD 0.0003	13,461,311	USD 0.01	548,221

- (i) On January 26, 2017, Mr. Ng Benjamin Jin-ping, a director of the Company, exercised his options to subscribe for 200,000 Shares at the exercise price of US\$0.01 per share.

## 15 CAPITAL AND RESERVES

### (a) Dividends

On March 31, 2016, the Company approved cash dividends of USD13,000,000 (equivalent to RMB83,996,000) payable to its then equity shareholders. The above dividends were fully paid in May 2016. The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not meaningful.

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2017.

# Notes to the Unaudited Interim Financial Report *(continued)*

(Expressed in Renminbi unless otherwise indicated)

## 15 CAPITAL AND RESERVES *(Continued)*

### (b) Share capital

#### (i) Ordinary shares

	Par Value HK\$	No. of Shares '000	HK\$ '000
Ordinary shares, issued and fully paid			
At January 1, 2016	–	–	–
Issue of new shares on February 1, 2016	0.01	18,128	181
Repurchase on August 18, 2016	0.01	(18,128)	(181)
Issue of new shares on August 18, 2016	0.0001	18,128	2
At December 31, 2016	0.0001	18,128	2
RMB equivalent ('000)			1
At January 1, 2017	0.0001	18,128	2
Issue of shares under share option plan <i>(note 14)</i>	0.0001	200	–
Capitalization issue <i>(note (ii))</i>	0.0001	581,672	58
Initial public offering <i>(note (iii))</i>	0.0001	210,000	21
At June 30, 2017	0.0001	810,000	81
RMB equivalent ('000)			71

#### (ii) Capitalization issue

Pursuant to the written resolution dated May 16, 2017, the Company allotted and issued 581,671,786 shares of HK\$0.0001 each to the then existing shareholders. This resolution was conditional upon the share premium account being credited as a result of the Company's initial public offering and pursuant to this resolution, a sum of HK\$58,000 (equivalent to RMB51,000) standing to the credit of the share premium account as at June 9, 2017 was subsequently applied in paying up this capitalization issue in full.

#### (iii) Issue of ordinary shares by initial public offering

On June 9, 2017, the Company issued 200,000,000 shares with a par value of HK\$0.0001, at a price of HK\$1.00 per share by way of public offering to Hong Kong and overseas investors. On June 23, 2017, the over-allotment option granted to underwriters was exercised and the Company issued 10,000,000 shares with a par value of HK\$0.0001, at a price of HK\$1.00 per share. Net proceeds from these issues amounted to RMB165,537,000 (after offsetting expenses directly attributable to the issue of shares of RMB17,557,000), out of which RMB18,000 and RMB165,519,000 were recorded in share capital and share premium accounts, respectively.

# Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

## 15 CAPITAL AND RESERVES (Continued)

### (c) Share premium

Share premium as at June 30, 2017 represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the initial public offering and exercise of over-allotment option in June 2017 and the exercise of equity-settled share options. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

## 16 OPERATING LEASE COMMITMENTS

The Group leases business premises through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At June 30, 2017 RMB'000	At December 31, 2016 RMB'000
Within 1 year	6,228	4,151
After 1 year but within 5 years	5,139	1,514
	11,367	5,665

## 17 RELATED PARTY TRANSACTIONS

	Six months ended June 30,	
	2017 RMB'000	2016 RMB'000
Recurring transactions:		
Office premises rental expenses paid to		
Wang Shiguang, a director of the Company	724	724

As at June 30, 2017, the Group had balances with related parties of Nil (December 31, 2016: Nil).