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)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2017

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB317.3 million (corresponding period in 2016: approximately RMB390.2 million), representing a decrease of approximately 18.7%.
- Revenue from Automated Meter Reading business segment decreased by approximately 21.6% to approximately RMB295.2 million as compared with the corresponding period in 2016.
- Revenue from Smart energy management business segment increased by approximately 63.8% to approximately RMB22.2 million as compared with the corresponding period in 2016.
- Net profit for the year attributable to equity shareholders of the Company amounted to approximately RMB12.7 million (corresponding period in 2016: approximately RMB57.7 million), representing a decrease of 78.1%.
- Basic earnings per share for the year amounted to approximately RMB1.73 cents (corresponding period in 2016: approximately RMB9.45 cents).
- The Board did not recommend the payment of a final dividend for the year ended December 31, 2017.

The board (the "**Board**") of directors (the "**Directors**") of Risecomm Group Holdings Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2017 (the "**year under review**"), together with the comparative figures for the corresponding period in 2016 or other dates/periods as set out in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended December 31, 2017
(Expressed in Renminbi)

	Note	**2017** **RMB'000**	2016 RMB'000
Revenue	3	**317,333**	390,210
Cost of sales		**(171,606)**	(194,947)
Gross profit		**145,727**	195,263
Other income	4	**16,314**	13,568
Sales and marketing expenses		**(55,171)**	(60,456)
General and administrative expenses		**(56,350)**	(35,311)
Research and development expenses		**(47,202)**	(37,765)
Profit from operations		**3,318**	75,299
Finance costs		**(276)**	–
Share of loss of associate		**(49)**	(103)
Profit before taxation	5	**2,993**	75,196
Income tax credit/(expenses)	6	**9,858**	(17,593)
Profit for the year		**12,851**	57,603
Attributable to:			
— Equity shareholders of the Company		**12,670**	57,743
— Non-controlling interests		**181**	(140)
Profit for the year		**12,851**	57,603
Earnings per share	7		
Basic (RMB cents)		**1.73**	9.45
Diluted (RMB cents)		**1.73**	9.34

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017
(Expressed in Renminbi)

	2017	2016
	RMB'000	*RMB'000*
Profit for the year	**12,851**	57,603
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside mainland China	**(7,935)**	3,612
Total comprehensive income for the year	**4,916**	61,215
Attributable to:		
— Equity shareholders of the Company	**4,735**	61,355
— Non-controlling interests	**181**	(140)
Total comprehensive income for the year	**4,916**	61,215

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2017
(Expressed in Renminbi)

	Note	**2017**	2016
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**33,509**	34,210
Intangible assets	*8*	**13,995**	8,197
Interest in associate		**556**	605
Deferred tax assets	*13*	**7,236**	3,546
Other non-current assets	*9*	**11,823**	–
		67,119	46,558
Current assets			
Inventories	*10*	**72,366**	47,447
Trade and other receivables	*11*	**158,227**	116,307
Cash and cash equivalents		**184,643**	144,822
		415,236	308,576
Current liabilities			
Trade and other payables	*12*	**72,556**	94,247
Income tax payable	*13*	**6,806**	21,401
		79,362	115,648
Net current assets		**335,874**	192,928
Total assets less current liabilities		**402,993**	239,486

	Note	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Deferred tax liabilities	*13*	**5,412**	10,961
Deferred income		**6,200**	7,816
		11,612	18,777
Net assets		**391,381**	220,709
Capital and reserves			
Share capital	*14*	**71**	1
Reserves	*14*	**391,127**	220,706
Total equity attributable to equity shareholders of the Company		**391,198**	220,707
Non-controlling interests		**183**	2
Total equity		**391,381**	220,709

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

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.

The consolidated financial statements for the year ended December 31, 2017 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in associate.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "**Functional Currency**"). The financial statements are presented in RMB, rounded to the nearest thousands, which is the presentation currency. The measurement basis used in the preparation of the financial statements is the historical cost basis except for available-for-sale financial assets.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) 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 impact on the accounting policies of the Group.

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgments:

(i) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognized in respect of deductible temporary differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Impairment of trade receivables

Management estimates impairment losses of trade receivables (which are recorded in an allowance account for doubtful debts) resulting from the inability of the customers to make the required payments. Management bases its estimates on the ageing of the accounts receivable balance, payment terms, customer credit-worthiness, the status of customer's financial condition, and historical write-off experience. If the financial condition of the customers was to deteriorate, actual write-offs may be higher than expected and could significantly affect the results of future periods.

(ii) Warranty provisions

The Group makes provisions under the warranties it gives on sale of its products taking into account the Group's recent claim experience. As the Group is continually upgrading its product designs and launching new models, it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(iii) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of each reporting period to ensure inventory is shown at the lower of cost and net realizable value.

3 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 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.

The amount of each significant category of revenue is as follows:

	2017	2016
	RMB'000	*RMB'000*
AMR business		
— PLC Integrated circuits ("**ICs**")	**77,309**	114,868
— PLC Modules	**153,486**	214,549
— Other AMR products	**32,289**	16,199
— AMR maintenance services	**32,080**	31,057
Sub-total	**295,164**	376,673
Smart energy management business	**22,169**	13,537
Total	**317,333**	390,210

The Group had transactions with one individual customer the aggregate amount of which exceeded 10% of the Group's revenue in 2017 (2016: one). Revenues from this customer in 2017 amounted to approximately RMB51,695,000. Revenue from the other one customer in 2016 amounted to approximately RMB50,284,000.

Further details regarding the Group's principal activities are disclosed below.

(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.

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 for the years ended December 31, 2017 and 2016 is set out as below:

	Year ended December 31, 2017		
	AMR business	**Smart energy management business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Reportable segment revenue	**295,164**	**22,169**	**317,333**
Reportable segment cost of sales	**(159,393)**	**(12,213)**	**(171,606)**
Reportable segment sales and marketing expenses	**(49,032)**	**(6,139)**	**(55,171)**
Reportable segment profit	**86,739**	**3,817**	**90,556**

	Year ended December 31, 2016		
	AMR business	Smart energy management business	Total
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment revenue	376,673	13,537	390,210
Reportable segment cost of sales	(186,435)	(8,512)	(194,947)
Reportable segment sales and marketing expenses	(56,822)	(3,634)	(60,456)
Reportable segment profit	133,416	1,391	134,807

(ii) Reconciliation of reportable segment profit to the Group's profit before taxation

	2017	2016
	RMB'000	*RMB'000*
Reportable segment profit	**90,556**	134,807
Other income	**16,314**	13,568
General and administrative expenses	**(56,350)**	(35,311)
Research and development expenses	**(47,202)**	(37,765)
Finance costs	**(276)**	–
Share of loss of associate	**(49)**	(103)
Profit before taxation	**2,993**	75,196

(iii) Information about geographical area

The geographical location of revenue is based on the selling location. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets. For the years ended December 31, 2017 and 2016, all of the Group's revenue was generated from customers in the PRC, and substantially all specified non-current assets were located in the PRC.

4 OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Interest income from bank deposits	**553**	296
Interest income from available-for-sale financial assets	**–**	110
Government grants		
— Unconditional subsidies *(note (a))*	**11,601**	15,341
— Conditional subsidies	**1,616**	3,456
Net exchange gain/(loss)	**2,703**	(5,115)
Others	**(159)**	(520)
	16,314	13,568

(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 in the PRC.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2017	2016
	RMB'000	*RMB'000*
Interest on interest-bearing loan	**276**	–

(b) Staff costs

	2017	2016
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**57,954**	51,680
Contributions to defined contribution retirement plans	**4,597**	4,076
Equity-settled share-based payment expenses	**203**	571
	62,754	56,327

(c) Other items

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories	**172,934**	196,867
Research and development expenses	**47,202**	37,765
Depreciation and amortization	**7,076**	4,907
Operating lease charges	**8,245**	7,722
Product warranty costs	**2,848**	3,592
Impairment losses of trade receivables	**1,702**	1,768
Listing expenses	**12,916**	8,546
Auditors' remuneration	**2,052**	42

6 INCOME TAX (CREDIT)/EXPENSES IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2017	2016
	RMB'000	*RMB'000*
Current tax:		
Provision for current income tax for the year *(note 13(a))*	**3,083**	11,410
Under-provision in prior years *(note 13(a))*	**610**	–
Reversal of provision for permanent establishment risk *(note 13(a))*	**(4,312)**	–
Deferred tax:		
Origination and reversal of temporary differences *(note 13(b))*	**(9,239)**	6,183
	(9,858)	17,593

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

	2017	2016
	RMB'000	*RMB'000*
Profit before taxation	**2,993**	75,196
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	**2,618**	18,365
Tax effect of preferential tax rate	**(793)**	(6,373)
Tax effect of non-deductible expenses	**415**	237
Additional deduction for qualified research and development costs (iii)	**(3,112)**	(2,726)
Under-provision in prior years	**610**	–
Tax effect of unused tax losses not recognized (iv)	**477**	821
Tax effect of unrecognized tax losses utilized	**(212)**	–
Effect on deferred tax balance resulting from a change in tax rate	**–**	3,515
Withholding tax on distributable profits (ii)	**(5,549)**	3,754
Reversal of provision for permanent establishment tax risk (v)	**(4,312)**	–
Actual income tax (credit)/expense	**(9,858)**	17,593

(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 years 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 December 31, 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 December 31, 2017. As a result, income tax credit of RMB5,549,000 was recorded for the year ended December 31, 2017.

(iii) Under the PRC Corporate Income Tax Law and its relevant regulations, 50% additional tax deduction is allowed for qualified research and development costs.

(iv) Based on management's assessment of probability on the future taxable profits subsequent to the date of each reporting period, no deferred tax assets had been recognized for tax losses of certain loss-making PRC entities.

(v) The corporate income tax provision related to PRC permanent establishment tax risk arising in and prior to year 2012 is reversed as at December 31, 2017 as the related subsidiary of the Group has ceased to create a permanent establishment risk in the PRC and the relevant PRC permanent establishment tax risk has become remote. As a result, tax provision of RMB4,312,000 was released in the year ended December 31, 2017.

7 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 RMB12,670,000 (2016: RMB57,743,000) and the weighted average of 731,426,497 ordinary shares (2016: 611,313,443 after adjusting capitalization issue) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2017	2016
Shares in issue on January 1,	**18,128,214**	18,128,214
Effect of equity-settled share options exercised on January 26, 2017	**200,000**	–
Effect of capitalization issue on June 9, 2017 *(note)*	**581,671,786**	575,324,503
Effect of vested equity-settled share options	**13,289,511**	17,860,726
Effect of shares issued by initial public offering on June 9, 2017	**112,876,712**	–
Effect of shares issued under exercise of over-allotment option on June 23, 2017	**5,260,274**	–
Weighted average number of ordinary shares	**731,426,497**	611,313,443

Note: The number of ordinary shares outstanding before the capitalization issue is adjusted for the proportionate change in the number of ordinary shares outstanding as if the capitalization issue had occurred at the beginning of the earliest period presented.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of RMB12,670,000 (2016: RMB57,743,000) and the weighted average of 734,312,097 shares for 2017 (2016: 618,000,416 shares after adjusting capitalization issue), calculated as follows:

(i) Weighted average number of ordinary shares

	2017	2016
Weighted average number of ordinary shares at December 31 (basic)	**731,426,497**	611,313,443
Effect of unvested equity-settled share options	**2,885,600**	6,686,973
Weighted average number of ordinary shares at December 31 (diluted)	**734,312,097**	618,000,416

8 INTANGIBLE ASSETS

	Software	Capitalized development costs	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At January 1, 2016	6,127	–	6,127
Additions	3,896	–	3,896
At December 31, 2016 and January 1, 2017	10,023	–	10,023
Additions	730	7,287	8,017
At December 31, 2017	10,753	7,287	18,040
Accumulated depreciation:			
At January 1, 2016	(206)	–	(206)
Charge for the year	(1,620)	–	(1,620)
At December 31, 2016 and January 1, 2017	(1,826)	–	(1,826)
Charge for the year	(2,219)	–	(2,219)
At December 31, 2017	(4,045)	–	(4,045)
Net book value:			
At December 31, 2017	6,708	7,287	13,995
At December 31, 2016	8,197	–	8,197

9 OTHER NON-CURRENT ASSETS

The amount represents a deposit of HK$14,000,000 for acquisition of a target company (note 16). The acquisition has not been completed as at the date of this announcement.

10 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**26,280**	14,258
Work in progress	**25,543**	8,686
Finished goods	**24,755**	25,200
	76,578	48,144
Provision for diminution in value of inventories	**(4,212)**	(697)
	72,366	47,447

11 TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**141,337**	104,336
Less: allowance for doubtful debts *(note (b))*	**(5,144)**	(3,442)
	136,193	100,894
Bills receivable	**5,615**	2,500
Total trade receivables	**141,808**	103,394
Deposits and prepayments	**10,263**	10,014
Income tax recoverable *(note 13(a))*	**1,205**	–
Other receivables	**4,951**	2,899
Trade and other receivables, net	**158,227**	116,307

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

(a) Ageing analysis

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

	2017	2016
	RMB'000	*RMB'000*
Within 6 months	**101,662**	77,040
After 6 months but within 1 year	**16,652**	12,845
After 1 year	**23,023**	14,451
Trade receivables	**141,337**	104,336
Less: Provision for doubtful debts	**(5,144)**	(3,442)
Trade receivables, net	**136,193**	100,894

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the provision for impairment during the year is as follows:

	2017	2016
	RMB'000	*RMB'000*
Balance at beginning of the year	**3,442**	1,674
Impairment losses recognized	**1,702**	1,768
Balance at end of the year	**5,144**	3,442

As at December 31, 2017, the amount of Group's trade receivables individually determined to be impaired was RMB521,000 (2016: RMB521,000).

(c) Trade receivables that are not impaired:

The ageing analysis of trade account receivables that are not individually considered to be impaired are as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**82,485**	43,445
Less than 6 months past due	**29,721**	42,752
6 to 12 months past due	**12,977**	11,715
Over 12 months past due	**11,010**	2,982
Total amount past due but not impaired	**53,708**	57,449
	136,193	100,894

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not individually impaired relate to a number of independent customers that have a good payment track records with the Group and did not encounter financial difficulty or fail to fulfill their repayment plan. Based on past experience with these customers and evaluation of their current creditability, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

12 TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables *(note (a))*	**44,708**	49,806
Receipts in advance	**5,226**	6,457
Product warranty provision *(note (b))*	**4,644**	5,295
Other payables and accruals	**17,978**	32,689
Trade and other payables	**72,556**	94,247

All trade payables are expected to be settled within one year.

(a) An ageing analysis of trade payables, based on the invoice date, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**42,949**	40,413
After 3 months but within 6 months	**1,344**	3,954
After 6 months but within 1 year	**60**	5,190
Over 1 year but within 2 years	**355**	249
	44,708	49,806

(b) Product warranty provision

	2017	2016
	RMB'000	*RMB'000*
At January 1, 2017	**5,295**	4,570
Additional provisions made	**2,848**	3,592
Provisions utilised	**(3,499)**	(2,867)
At December 31, 2017	**4,644**	5,295

13 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represent:

	2017 *RMB'000*	2016 *RMB'000*
Balance at January 1	**21,401**	18,316
Provision for current income tax for the year *(note 6(a))*	**3,083**	11,410
Under-provision in prior years *(note 6(a))*	**610**	–
Reversal of provision for permanent establishment *(note 6(a))*	**(4,312)**	–
Payment during the year	**(15,181)**	(8,325)
Balance at December 31	**5,601**	21,401

Reconciliation to the consolidated statement of financial position:

	2017 *RMB'000*	2016 *RMB'000*
Income tax payable	**6,806**	21,401
Income tax recoverable *(note 11)*	**(1,205)**	–
Balance at December 31	**5,601**	21,401

(b) Deferred tax assets and liabilities recognized:

(i) Movement of each component of deferred tax assets and liabilities recognized in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses *RMB'000*	**Impairment losses on receivables and inventories** *RMB'000*	**Unrealized profit due to intra-group transactions** *RMB'000*	**Accrued expenses and other payables** *RMB'000*	**Deferred income** *RMB'000*	**Intangible assets** *RMB'000*	**Withholding tax on distributable profits** *RMB'000*	**Total** *RMB'000*
Deferred tax arising from:								
At January 1, 2016	–	609	4,257	2,188	2,688	(1,156)	(9,818)	(1,232)
Credited/(charged) to profit or loss *(note 6(a))*	–	46	(2,413)	(1,334)	(1,546)	207	(3,754)	(8,794)
Realized upon distribution of profits *(note 6(a))*	–	–	–	–	–	–	2,611	2,611
At December 31, 2016 and January 1,2017	–	655	1,844	854	1,142	(949)	(10,961)	(7,415)
Credited/(charged) to profit or loss *(note 6(a))*	2,264	907	(463)	973	(242)	251	5,549	9,239
At December 31, 2017	2,264	1,562	1,381	1,827	900	(698)	(5,412)	1,824

(ii) Reconciliation to the consolidated statement of financial position:

	2017 *RMB'000*	2016 *RMB'000*
Deferred tax assets recognized in the consolidated statement of financial position	**7,236**	3,546
Deferred tax liabilities recognized in the consolidated statement of financial position	**(5,412)**	(10,961)
	1,824	(7,415)

14 CAPITAL AND RESERVES

(a) Dividends

The Board did not recommend the payment of a final dividend for year ended December 31, 2017.

On March 31, 2016, the Group 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.

(b) Share capital

(i) Authorized and issued shares capital

	Par value HK$	*No. of shares '000*	*HK$ '000*
Authorized shares at December 31, 2017:	0.0001	10,000,000	1,000
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 *(note (iv))*	0.0001	1,077	–
Capitalization issue *(note (ii))*	0.0001	581,672	58
Initial public offering *(note (iii))*	0.0001	210,000	21
At December 31, 2017	0.0001	810,877	81
RMB equivalent *('000)*			71

(ii) Capitalization issue

Pursuant to the written resolution dated May 16, 2017, the Company allotted and issued 581,672,000 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 ordinary 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.

(iv) Shares issued under Pre-IPO share option scheme

In January 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.

In December 2017, Ms. Lau Chung Ki Lynda, a director of Risecomm WFOE, exercised her options to subscribe for 877,303 shares of the Company at the exercise of US$0.0003 per share.

(c) Share premium

Share premium as at December 31, 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 (after deduction of share premium paying up to the Capitalisation Issue in note 14 (b)(ii)) 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.

15 COMMITMENTS

(a) Capital commitments outstanding at December 31, 2017 not provided for in the financial statements were as follows:

	2017	2016
	RMB'000	*RMB'000*
Contracted for	**172**	2,427
Authorized but not contracted for	**–**	1,558
Total	**172**	3,985

(b) At December 31, 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**6,095**	4,151
After 1 year but within 5 years	**2,488**	1,514
	8,583	5,665

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.

16 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On December 28, 2017, the Company entered into a conditional sale and purchase agreement (the "**SPA**") with an independent vendor (the "**Vendor**"), pursuant to which, the Company conditionally agreed to acquire the entire equity interest of Green Harmony Limited and its subsidiaries (collectively referred as to the "**Target Group**") (the "**Acquisition**") for a maximum consideration of HK$500 million (the "**Consideration**"), subject to the adjustment mechanism as stipulated in the SPA. On February 12, 2018, the Company and the Vendor further entered into a supplemental agreement (the "**Supplemental Agreement**"), pursuant to which, the payment structure of the Consideration was amended and certain terms in the SPA were clarified and elaborated. Details of the Acquisition have been disclosed by the Company in its announcements dated December 28, 2017, January 3, 2018, January 10, 2018, February 12 and March 23, 2018, respectively. As at the date of this announcement, this acquisition has not been completed.

On February 13, 2018, the Company entered into a subscription agreement to issue convertible bonds in the principal amount of HK$100,000,000 at coupon interest rate of 6% per annum to an existing institutional shareholder. The convertible bonds will mature 24 months from the Issue Date and the maturity date may be extended to 36 months from the Issue Date at the request of 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 shares of the Company with an initial conversion price of HK$3.33 per share which is subject to anti-dilutive adjustments arising from such events as defined in the agreement. Details of the subscription agreement have been disclosed by the Company in its announcements dated February 13, 2018 and March 23, 2018, respectively. As at the date of this announcement, the convertible bonds have not been issued.

On March 15, 2018, the Company entered into a conditional share purchase agreement with an independent vendor, pursuant to which, Harvest Year Global Limited, a direct wholly owned subsidiary of the Company, conditionally agreed to acquire the entire equity interest of North Mountain Information Technology Company Limited for a maximum consideration of RMB81 million (subject to the adjustment and deduction) as stipulated in this conditional share purchase agreement. Details of this acquisition have been disclosed by the Company in its announcement dated March 15, 2018. A deposit of HK$14 million has been paid to the vendor as at December 31, 2017 (see note 9), As at the date of this announcement, this acquisition has not been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

State Grid Corporation of China ("**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 disclosed in the prospectus of the Company dated May 29, 2017 (the "**Prospectus**") as well as initiatives implemented by State Grid and other major industry participants.

However, State Grid's bidding volume of smart meters decreased from 91.0 million units in 2015 to 65.7 million units in 2016 and unexpectedly further decreased to 37.8 million units by 2017 as only two centralized biddings (March & November) were conducted by State Grid in 2017 (2016: three biddings), partly as penetration of smart meters under State Grid's first-round commercial deployment was reaching saturation, and also 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 was formally adopted in 2017. 2017 was a transitional year from narrowband to broadband PLC industry standard in the AMR application. As a result, a temporary slowdown in market hampered the overall industry performance.

Business Review

During the year 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 ("**SEM**") 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 year under review, the Group's AMR business segment recorded a revenue of approximately RMB295.2 million (2016: approximately RMB376.7 million), representing a decrease of approximately 21.6%. Revenue from AMR business segment for the year under review accounted for approximately 93.0% (2016: approximately 96.5%) of the Group's total revenue. Decrease in revenue from AMR business segment for the year under review was mainly due to a decrease in aggregated sales volume of PLC ICs and PLC modules to approximately 8.7 million units (2016: approximately 13.2 million units), by approximately

4.5 million units, mainly attributable to industrial cyclical variability and a slower than expected pace of procurement of smart meters by State Grid in 2017, resulting a delay in delivery of confirmed orders. Revenue of approximately RMB22.2 million from the SEM business segment was recognized during the year under review (2016: approximately RMB13.5 million), representing an increase of approximately 63.8%. Revenue from SEM business segment for the year under review accounted for approximately 7.0% (2016: approximately 3.5%) of the Group's total revenue. The increase in revenue from SEM business segment for the year under review was mainly due to the significant increase in the sales of streetlight control devices and concentrators for streetlight controls.

Accordingly, the Group had experienced a significant decrease in profit attributable to the equity shareholders of the Company to approximately RMB12.7 million for the year under review from approximately RMB57.7 million for that in 2016, which was mainly attributable to (i) an increase in non-recurring expenses incurred by the Group in respect of listing of shares of the Company (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on June 9, 2017 (the "**Listing Date**") as compared to that of the corresponding period in 2016. Non-recurring Listing expenses of approximately RMB12.9 million (2016: approximately RMB8.5 million) were recognized in the Group's consolidated statement of profit or loss and other comprehensive income for the year under review and an increase in professional fees incurred subsequent to the Listing; (ii) an increase in research and development expenses. Research and development expenses for the year under review and for that in 2016 were approximately RMB47.2 million and approximately RMB37.8 million, respectively, which accounted for approximately 14.9% and approximately 9.7% of the Group's total revenue for the respective year. The 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 was formally adopted in 2017; (iii) a decrease in revenue by approximately 21.6% in the AMR business segment as stated above; and (iv) a decrease in gross profit margins of the Group for the year under review to approximately 45.9% (2016: approximately 50.0%). Despite an increase in gross profit margins of SEM business for the year under review, the gross profit margins of AMR business for the year under review decreased slightly as compared to that of the corresponding period in 2016 which was mainly attributable to a decrease in revenue from sales of products to customers from meters manufacturers (which earned a relatively higher gross profit margin in general) for the year under review.

As a result, profit attributable to equity shareholders of the Company for the year under review decreased by approximately 78.1% to approximately RMB12.7 million (2016: approximately RMB57.7 million) as compared with 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 differentiates 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 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. 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 SEM business.

As at December 31, 2017, the research and development team of the Group consisted of 139 employees (as at December 31, 2016: 140 employees), representing approximately 34% (as at 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 SEM applications, and the streetlight control application for overseas markets.

As at December 31, 2017, the Group had successfully developed a significant intellectual property portfolio, comprising 35 patents, 66 computer software copyrights, 7 registered software products and 7 IC layout designs registered, with 21 patents pending registration in the relevant jurisdictions, signifying the Group's achievements in research and development in PLC technology.

Financial Review

Revenue

Revenue decreased from approximately RMB390.2 million for the corresponding period in 2016 to approximately RMB317.3 million for the year under review, or by approximately 18.7%. This decrease was mainly attributable to a decrease of approximately RMB81.5 million in revenue from the AMR business, coupled with an increase of approximately RMB8.6 million in revenue from the SEM business.

Gross profit

Gross profit decreased by approximately 25.4% to approximately RMB145.7 million in 2017 from approximately RMB195.3 million for the corresponding period in 2016.

Gross profit margin was approximately 45.9% for the year under review and decreased by 4.1 percentage points as compared with approximately 50.0% in the corresponding period of 2016. Despite an increase in gross profit margin of SEM business for the year under review, the gross profit margin of AMR business for the year under review decreased slightly as compared to that of the corresponding period in 2016 which was mainly attributable to a decrease in revenue from sales of products to customers from meters manufacturers (which earned a relatively higher gross profit margin in general) for the year under review.

Other income

Other income increased by approximately 20.2% to approximately RMB16.3 million for the year under review from approximately RMB13.6 million for the corresponding period in 2016. The increase was mainly attributable to recognition of net exchange gain of RMB2.7 million in 2017 while net exchange loss of RMB5.1 million was recorded in 2016. In addition, government grants for 2017 decreased by approximately RMB3.7 million to approximately RMB13.2 million from approximately RMB18.8 million for the corresponding period in 2016 which was mainly attributable to a decrease in value-added tax refund during the year under review.

Sales and marketing expenses

Sales and marketing expenses decreased by approximately 8.7% to approximately RMB55.2 million for the year under review from approximately RMB60.5 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 in 2017.

General and administrative expenses

General and administrative expenses increased by approximately 59.6% to approximately RMB56.4 million for the year under review from approximately RMB35.3 million for the corresponding period in 2016. This increase was mainly attributable to (i) an increase of approximately RMB4.4 million of Listing expenses in 2017 as compared to 2016, and (ii) an increase of approximately RMB6.8 million in professional fees incurred subsequent to the Listing.

Research and development expenses

Research and development expenses increased by approximately 25.0% to approximately RMB47.2 million for the year under review from approximately RMB37.8 million for the corresponding period in 2016. This increase was mainly attributable to an increase in professional fees of approximately RMB8.8 million incurred for research and development of broadband PLC and SEM solutions.

Finance costs

During the year under review, the Group's finance costs amounted to approximately RMB0.3 million (2016: Nil).

Income tax credit/(expenses)

Income tax credit was recorded for the year under review which was attributable to (i) a change in applicable withholding tax rate in respect of PRC entities' distributable profits from 10% to 5% in 2017 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 Hong Kong under the "Arrangement between the

Mainland of China and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" as at December 31, 2017; while withholding tax rate of 10% was used in 2016, as a result, income tax credit of RMB5.5 million was recorded for the year under review, and (ii) a reversal of provision for permanent establishment tax risk was recorded for the year under review. The corporate income tax provision related to PRC permanent establishment tax risk arising in and prior to year 2012 is reversed as at December 31, 2017 as the related subsidiary of the Group has ceased to create a permanent establishment risk in the PRC and that the relevant PRC establishment tax risk has become remote. Thus, an income tax credit of RMB4.3 million was resulted in 2017.

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 year under review decreased by approximately 78.1% to approximately RMB12.7 million (2016: approximately RMB57.7 million).

Liquidity and Financial Resources

Following the Listing, the Group's operations were mainly financed by internal resources including but not limited to existing cash and cash equivalents, anticipated cash flow from its operating activities and the net proceeds generated from the Listing. The Board believes that the Group's liquidity needs will be satisfied. With strengthened liquidity position, the Group is able to expand in accordance with its business strategy.

As at December 31, 2017, the Group's current assets amounted to approximately RMB415.2 million (as at December 31, 2016: approximately RMB308.6 million), with cash and cash equivalents totaling approximately RMB184.6 million (as at December 31, 2016: approximately RMB144.8 million). The cash and cash equivalents of the Group are principally held in RMB and USD. No borrowing arrangement was held by the Group as at December 31, 2017 (2016: Nil).

The Board of directors assess the liquidity needs of the Group from time to time and may enter into borrowing arrangement with renowned banks or licensed financial institutions to enhance the Group's working capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total loans and borrowings divided by total equity. As at December 31, 2017, the Group's gearing ratio was not applicable as the Group did not have outstanding borrowing as at December 31, 2017 (2016: Not applicable).

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 year under review and the corresponding period in 2016, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations.

Capital Commitments

As at December 31, 2017, the Group had capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements amounted to approximately RMB0.2 million (as at December 31, 2016: approximately RMB4.0 million).

Contingent Liabilities

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

Charge on assets

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

Material Acquisition and Disposal of Subsidiaries and Associated Companies

In December 2017, the Company entered into a conditional sale and purchase agreement to acquire a company, which indirectly holds the entire equity interest of a group of companies established in China, which is principally engaged in the provision of maintenance and safety integrity system ("**MSI**") for the petroleum and petrochemicals industry. This acquisition has not been completed as at the date of this announcement. Please refer to the announcements of the Company dated December 1, 2017, December 28, 2017, January 3, 2018, January 10, 2018, February 12, 2018 and March 23, 2018 for further details.

Save as disclosed above, during the year under review, there was no other material acquisition or disposal of subsidiaries or associated companies.

Prospects

Although the Group had encountered the temporary headwind over the demand in the AMR business sector, it still aims to be a leading PLC technology company and turnkey solutions provider in China by offering a full range of products and solutions across its AMR business and its strategically selected areas of SEM applications. According to the Market Research report as disclosed in the Prospectus, the bidding volume of smart meter under State Grid 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. 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. The management is still in confident that the demand will be soon recovered once the deployment of broadband PLC products is affirmed. Leveraging with our capabilities in PLC technology and research and development, the Group will keep its best endeavor to continue in expanding the market share and strengthen the Group's market position.

Furthermore, under the SEM business segment, the Group applies its proprietary PLC-based communications technology in its SEM products and solutions to facilitate data transmission and communications for remote controlling and monitoring energy consuming equipment and devices for better energy management and conservation. The Group considers PLC-based SEM systems to have significant market potential particularly in industrial and enterprise applications, for reason that PLC technology offers higher stability and cost effectiveness for remote controlling and monitoring energy consumption systems distributed over an extended land site or multiple buildings. Moreover, it is considered to be a sound and natural progression under the Group's core business and technologies, and can serve to further expand the Group's customer base, generate new revenue stream and further alleviate its reliance on China's power distribution sector.

Having successfully established business relationships with industrial players such as Foxconn Technology Group in the SEM business segment, the management has been looking for ways to expand its PLC-based products and solution offerings to other areas of industrial applications, as it is considered to be a sound and natural progression under the Group's core business and technologies. The Group is of the view that its core competency in PLC-based communications solutions possesses significant untapped potential for other industrial applications such as industrial automation systems, where production facilities, machineries and equipment are typically linked and powered by established power-lines and cables, essentially ready for implementation of PLC-based communications applications to enable/enhance automation, remote control and monitoring. With a national commitment of "China Manufacture 2025" and "Industry 4.0" to realize industrial upgrading promoted by the PRC government, we believed that the growth of China's industrial automation market would continue to be healthy given its relatively lower penetration rate and the rising cost of labour. As petrochemical enterprises are the pioneer of the manufacturing sector, major market participants are building smart oil fields, smart pipelines and smart factories. Therefore, in December 2017, the Company entered into a conditional sales and purchase agreement to acquire a company, which indirectly holds the entire equity interest in a group of companies established in China, which is principally engaged in the field of industrial automation systems, particularly in the area of MSI for the petroleum and petrochemicals industry in view of tapping into the enormous market with significant growth potential.

According to the National Bureau of Statistics of China, China's petrochemical industry has invested a total of RMB216 billion during January to November 2017, where information system is an important component of such investments. The investment scale of the petrochemical industry in information system was approximately RMB22.66 billion in 2013 and it is estimated that it will reach RMB36.19 billion by 2018, representing a compound annual growth rate of approximately 10%. Along with the policy "《信息化和工業化深度融合專項行動計劃(2013–2018年)》" issued by the Ministry of Industry and Information Technology, it is expected that the PRC government will support the petrochemical industry to further develop its information system in order to reform the energy sector. This acquisition can induce potential synergies and benefits that can serve to expedite the Group's goal of expanding its non-AMR revenue contribution to achieve a more balanced revenue composition, lessen its exposure to the inherent risk of reliance on China's power grid ecosystem, and overall expand its revenue stream and further diversify its customer base.

This acquisition also opens up an enormous opportunity for the Group to have direct access for promoting its other SEM products and solutions to customers in the petroleum and petrochemicals industry (which is relatively closed and highly guarded, particularly the upstream segment). The Directors believed that, given the opportunity, the Group would be able to reduce significant time and uncertainty as well as substantial pre-marketing and pilot project costs to enter into this industry in the near to medium term. The acquisition has not been completed as at the date of this announcement.

Lastly, apart from the above acquisition, the Group plans to further invest in other areas in the SEM business, such as streetlight control, building energy management and photovoltaic power management to achieve 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 also plans to strengthen its sales and marketing efforts, not only in AMR business but also in SEM business in order to expand its customer base for each of these strategically selected SEM applications.

We also intend to progressively expand our sales channels, conduct marketing and promotion activities to enhance brand recognition in both AMR and SEM markets. In March 2018, a member of the Group entered into a conditional share purchase agreement to acquire a company, which directly holds the entire equity interest in a company established in China, which is principally engaged in sales and distribution of electronic components, in particular for ICs and related products in China. The Group considers this acquisition is aligned with its business strategy in respect of the Group's expansion in AMR business markets. This share purchase agreement has not been completed as at the date of this announcement.

OTHER INFORMATION

Final Dividend

The Board did not recommend the payment of a final dividend for the year under review.

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.

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 December 31, 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 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 December 31, 2017.

Closure of Register of Members for Annual General Meeting

The register of members of the Company will be closed from Monday, May 21, 2018 to Friday, May 25, 2018 (both days inclusive) for the purpose of determining the right to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, May 25, 2018 (the "**2018 AGM**") or any adjournment thereof. In order to be qualified for attending and voting at the 2018 AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Friday, May 18, 2018.

Purchase, Redemption or Sale of Listed Securities of the Company

During the period commencing from the Listing Date and up to December 31, 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Event after the Reporting Period

Details of significant events to cause material impact on the Group from the end of the year under review to the date of this announcement are set out in note 16 to the consolidated financial statements.

Saved as disclosed, there is no other significant events to cause material impact on the Group from the end of the year under review to the date of this announcement.

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 December 31, 2017, the net proceeds had been applied for as follows:

	Actual Net proceeds *HK'million*	Amount utilized as at December 31, 2017 *HK'million*	Unutilized net proceeds as at December 31, 2017 *HK'million*
Research and development of the PLC technology	95.7	17.8	77.9
Sales and marketing	32.0	1.3	30.7
Repayment of an entrusted bank loan	14.7	14.7	–
Working capital and general corporate purposes	15.8	15.8	–
	158.2	49.6	108.6

As at the date of this announcement, 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 at December 31, 2017, the Group had an aggregate of 410 employees (as at 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.

Audit Committee and Review of Annual 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 audited annual financial results of the Group for the year under review, including the accounting principles and practices adopted by the Group, and discussed financial related matters. The consolidated financial statements of the Group for the year under review have been audited by the auditor of the Group, KPMG, Certified Public Accountants. The financial data in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year under review as set out in this announcement have been compared by KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year under review and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing. Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at **www.hkex.com.hk** and on the website of the Company at **www.risecomm.com.cn**. The annual report for the year under review containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and will be published on the aforesaid websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

By the order of the Board
Risecomm Group Holdings Limited
Leung Ka Lok
Company Secretary

Hong Kong, March 28, 2018

As at the date of this announcement, the executive Directors are Mr. Yue Jingxing, Mr. Wang Shiguang and Mr. Zhang Youyun, the non-executive Directors are Mr. Ng Benjamin Jin-ping and Mr. Lau Wai Leung, Alfred and the independent non-executive Directors are Mr. Pan Song, Mr. Chen Yong and Mr. Ong King Keung.