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 INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB137.2 million (corresponding period in 2016: approximately RMB166.5 million), representing a decrease of approximately 17.6%.

- Revenue from AMR business segment decreased by approximately 19.2% to approximately RMB130.0 million as compared with the corresponding period in 2016.

- Revenue from Smart energy management business segment increased by approximately 29.8% to approximately RMB7.2 million as compared with the corresponding period in 2016.

- Net profit for the period attributable to equity shareholders of the Company amounted to approximately RMB1.5 million (corresponding period in 2016: approximately RMB27.4 million), representing a decrease of 94.6%.

- Basic earnings per share for the period amounted to approximately RMB0.23 cents (corresponding period in 2016: approximately RMB4.49 cents).

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

The board (the "**Board**") of directors (the "**Directors**") of Risecomm Group Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2017 (the "**Period**"), together with the relevant unaudited financial data for the corresponding period in 2016 or other dates/periods as set out in this announcement for comparative purposes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended June 30, 2017 — unaudited
(Expressed in Renminbi)

		Six months ended June 30,	
	Note	**2017**	2016
		RMB'000	*RMB'000*
Revenue	*4*	**137,238**	166,476
Cost of sales		**(64,589)**	(79,915)
Gross profit		**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)
(Loss)/profit from operations		**(3,624)**	36,674
Finance costs	*6(a)*	**(207)**	–
Share of profit/(loss) of associate		**22**	(53)
(Loss)/profit before taxation	*6*	**(3,809)**	36,621
Income tax credit/(expenses)	*7*	**5,284**	(9,104)
Profit for the period		**1,475**	27,517
Attributable to:			
— Equity shareholders of the Company		**1,491**	27,441
— Non-controlling interests		**(16)**	76
Profit for the period		**1,475**	27,517
Earnings per share	*8*		
Basic (RMB cents)		**0.23**	4.49
Diluted (RMB cents)		**0.23**	4.44

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	2016
	RMB'000	*RMB'000*
Profit for the period	**1,475**	27,517
Other comprehensive income for the period (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	**(1,550)**	813
Total comprehensive income for the period	**(75)**	28,330
Attributable to:		
— Equity shareholders of the Company	**(59)**	28,254
— Non-controlling interests	**(16)**	76
Total comprehensive income for the period	**(75)**	28,330

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	**At June 30, 2017** ***RMB'000***	At December 31, 2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**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
Current assets			
Inventories	*9*	**50,554**	47,447
Trade and other receivables	*10*	**151,198**	116,307
Cash and cash equivalents		**230,069**	144,822
		431,821	308,576
Current liabilities			
Interest-bearing loan		**13,000**	–
Trade and other payables	*11*	**57,591**	94,247
Income tax payable		**12,644**	21,401
		83,235	115,648
Net current assets		**348,586**	192,928
Total assets less current liabilities		**398,776**	239,486

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

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 (the "**Listing Date**").

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**").

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	2016
	RMB'000	*RMB'000*
AMR business		
— PLC Integrated circuits ("**ICs**")	**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
Total	**137,238**	166,476

(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 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

(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	2016
	RMB'000	*RMB'000*
Interest income from bank deposits	**179**	153
Interest income from available-for-sale financial assets	**–**	110
Government grants		
— Unconditional subsidies *(note (a))*	**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.

6 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

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

(b) Other items

	Six months ended June 30,	
	2017	2016
	RMB'000	*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

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

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

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 INVENTORIES

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

10 TRADE AND OTHER RECEIVABLES

As of 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

11 TRADE AND OTHER PAYABLES

As of 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

12 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.

(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	0.0001	200	–
Capitalization issue *(note (ii))*	0.0001	581,672	58
Initial public offering *(note (iii))*	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 of 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.

(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.

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 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 of the Company dated May 29, 2017 (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.

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.

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.

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.

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.

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 China Southern Power Grid Co. Ltd. ("**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 its market position by further strengthen the Group's 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.

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 believe 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

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.

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.

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.

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
	158.2	3.3	154.9

As of 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 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.

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 auditors of the Company, KPMG.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM 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 interim report for the Period 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, August 25, 2017

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