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, 2018

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB475.8 million (corresponding period in 2017: approximately RMB317.3 million), representing an increase of approximately 49.9%.
- Revenue from Automated Meter Reading and other business segment increased by approximately 9.5% to approximately RMB347.4 million as compared with the corresponding period in 2017.
- Revenue from Smart Manufacturing & Industrial Automation business segment amounted to approximately RMB128.4 million (2017: N/A).
- Net profit for the year attributable to equity shareholders of the Company amounted to approximately RMB4.2 million (corresponding period in 2017: approximately RMB12.7 million), representing a decrease of 66.8%.
- Basic earnings per share for the year amounted to approximately RMB0.51 cents (corresponding period in 2017: approximately RMB1.73 cents).
- The Board did not recommend the payment of a final dividend for the year ended December 31, 2018.

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, 2018 (the "**year under review**"), together with the comparative figures for the corresponding period in 2017 or other dates/periods as set out in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2018
(Expressed in Renminbi)

	Note	**2018** RMB'000	2017 (Note) RMB'000
Revenue	2	**475,793**	317,333
Cost of sales		**(316,259)**	(171,606)
Gross profit		**159,534**	145,727
Other income	3	**11,215**	16,314
Sales and marketing expenses		**(52,790)**	(55,171)
General and administrative expenses		**(84,163)**	(56,350)
Research and development expenses		**(36,954)**	(47,202)
(Loss)/profit from operations		**(3,158)**	3,318
Finance costs	4(a)	**(3,539)**	(276)
Share of loss of associate		**(110)**	(49)
Fair value gains on financial instruments at fair value	4(c)	**10,424**	–
Profit before taxation	4	**3,617**	2,993
Income tax credit	5	**578**	9,858
Profit for the year		**4,195**	12,851
Attributable to:			
— Equity shareholders of the Company		**4,204**	12,670
— Non-controlling interests		**(9)**	181
Profit for the year		**4,195**	12,851
Earnings/(loss) per share	6		
Basic (RMB cents)		**0.51**	1.73
Diluted (RMB cents)		**(1.72)**	1.73

Note: The Group has initially adopted HKFRS 15 and HKFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2018
(Expressed in Renminbi)

	2018	2017
		(Note)
	RMB'000	*RMB'000*
Profit for the year	**4,195**	12,851
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	**4,877**	(7,935)
Total comprehensive income for the year	**9,072**	4,916
Attributable to:		
— Equity shareholders of the Company	**9,081**	4,735
— Non-controlling interests	**(9)**	181
Total comprehensive income for the year	**9,072**	4,916

Note: The Group has initially adopted HKFRS 15 and HKFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2018
(Expressed in Renminbi)

	Note	**2018**	2017
			(Note)
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**30,877**	33,509
Intangible assets	*7*	**215,363**	13,995
Goodwill	*8*	**215,147**	–
Interest in associate		**446**	556
Deferred tax assets		**19,813**	7,236
Other non-current assets		**–**	11,823
		481,646	67,119
Current assets			
Inventories	*9*	**33,225**	72,366
Contract costs		**7,548**	–
Trade and other receivables	*10*	**259,253**	158,227
Restricted bank deposits		**148**	–
Financial investments at fair value through profit or loss	*11*	**10,000**	–
Cash and cash equivalents		**267,037**	184,643
		577,211	415,236
Current liabilities			
Trade and other payables	*12*	**124,006**	72,556
Contract liabilities		**23,700**	–
Acquisition consideration payables	*13*	**211,280**	–
Income tax payable		**12,551**	6,806
		371,537	79,362
Net current assets		**205,674**	335,874
Total assets less current liabilities		**687,320**	402,993

	Note	2018 RMB'000	2017 (Note) RMB'000
Non-current liabilities			
Acquisition consideration payables	*13*	**105,255**	–
Convertible bonds	*14*	**120,502**	–
Deferred tax liabilities		**54,043**	5,412
Deferred income		**6,734**	6,200
		286,534	11,612
Net assets		**400,786**	391,381
Capital and reserves			
Share capital		**71**	71
Reserves		**400,715**	391,127
Total equity attributable to equity shareholders of the Company		**400,786**	391,198
Non-controlling interests		**–**	183
Total equity		**400,786**	391,381

Note: The Group has initially adopted HKFRS 15 and HKFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

NOTES TO THE RESULTS ANNOUNCEMENT

(Expressed in Renminbi unless otherwise indicated)

The financial information contained in this announcement of annual results is extracted from the Group's consolidated financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Group's 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**").

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, 2018 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 financial investments at fair value through profit or loss ("**FVTPL**").

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.

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) Amendments to HKFRS 2, *Shared-based payment: Classification and measurement of share-based payment transactions*

(iv) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not adopted any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group's financial statements have been impacted by HKFRS 9 in relation to measurement of credit loss and impacted by HKFRS 15 in relation to presentation of contract liabilities. Details of the changes in accounting policies are discussed in note 1(c)(i) for HKFRS 9 and note 1(c)(ii) for HKFRS 15.

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at January 1, 2018 in accordance with the transition requirements. The Group has recognized the cumulative effect of initial application as an adjustment to the opening equity at January 1, 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and the related tax impact at January 1, 2018.

	RMB'000
Retained earnings	
Recognition of additional expected credit losses on financial assets measured at amortised cost	(2,015)
Related tax impact	325
Net decrease in retained earnings at January 1, 2018	(1,690)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. *Credit losses*

HKFRS 9 replaces the "**incurred loss**" model in HKAS 39 with the expected credit loss ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognizes ECLs earlier than under the "**incurred loss**" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortized cost (including cash and cash equivalents, restricted bank deposits, and trade and other receivables).

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at December 31, 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at January 1, 2018.

	RMB'000
Loss allowance at December 31, 2017 under HKAS 39	5,144
Additional credit loss recognized at January 1, 2018 on trade and other receivables	2,015
Loss allowance at January 1, 2018 under HKFRS 9	7,159

b. *Transition*

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except that information relating to comparative period has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognized in retained earnings as at January 1, 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period. There was no change of classification of financial assets and liabilities due to adoption of HKFRS 9.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

First adoption of HKFRS 15 for the current accounting period has no significant impact on the Group's results of operations and financial position.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. *Timing of revenue recognition*

Previously, revenue from sale of goods was generally recognized at a point in time when the risks and rewards of ownership of the goods had passed to customers, and revenue arising from services was recognized when the relevant service is rendered without further performance obligations.

Under HKFRS 15, revenue is recognized when a customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognizes revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognizes revenue.

b. *Warranty*

The Group previously made provisions under the warranties it gives on sales of its products taking into account the Group's recent claim experience, which was recognized as sales and marketing expenses.

Under HKFRS 15, if an entity provides a warranty with the sale of a product, then it assesses whether the warranty is a separate performance obligation. Only a warranty that provides a customer with a service in addition to assurance that the product complies with agreed specifications is a performance obligation.

According to the terms of the Group's sales agreements, customers do not have the option to purchase a warranty separately. The nature of the tasks that the entity promises to perform is necessary to assure the products sold to comply with agreed-upon specifications. The Group concludes that the warranty is not a separate performance obligation, therefore the adoption of HKFRS 15 will not materially affect how the Group recognizes revenue.

c. *Presentation of contract liabilities*

Under HKFRS 15, a receivable is recognized only if the Group has an unconditional right to consideration. If the Group recognizes the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognized when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognizes the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustment at January1, 2018, as a result of the adoption of HKFRS 15:

— "**Receipts in advance**" amounting to RMB5,226,000 as at January 1, 2018, which was mainly related to sales of goods and maintenance service previously included in trade and other payables is now presented as contract liabilities.

d. Disclosure of the estimated impact on the amounts reported in respect of the year ended December 31, 2018 as a result of the adoption of HKFRS 15 on January 1, 2018.

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended December 31, 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognized under HKAS 18 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A)	**Hypothetical amounts under HKAS 18 (B)**	**Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)–(B)**
	RMB'000	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position as at December 31, 2018 impacted by the adoption of HKFRS 15:			
Contract costs	7,548	–	7,548
Trade and other receivables	259,253	266,801	(7,548)
Total current assets	577,211	577,211	–
Trade and other payables	124,006	147,706	(23,700)
Contract liabilities	23,700	–	23,700
Total current liabilities	371,537	371,537	–
Net current assets	205,674	205,674	–
Total assets less current liabilities	687,320	687,320	–
Net assets	400,786	400,786	–
Total equity attributable to equity shareholders of the Company	400,786	400,786	–
Total equity	400,786	400,786	–

(iii) Amendments to HKFRS 2, Share-based payment: Classification and measurement of share-based payment transactions

This amendment provides guidance on the accounting for:

— the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

— share-based payment transactions with a net settlement feature for withholding tax obligations; and

— a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Group concludes the adoption of Amendments to HKFRS 2 does not have any material impact on the financial position and the financial result of the Group as all share options issued by the Group were equity-settled.

(iv) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

2 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.

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

(i) Disaggregation of revenue

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

	2018	2017
	RMB'000	*RMB'000*
		(Note)
Revenue from contracts with customers within the scope of HKFRS 15 and recognized at a point in time		
Disaggregated by major products of service lines		
AMR and other business		
— PLC Integrated circuits ("**ICs**")	**52,797**	77,309
— PLC Modules	**137,716**	145,000
— Collectors	**82,635**	8,486
— Other products	**40,955**	54,458
— AMR maintenance services	**33,307**	32,080
Sub-total of AMR and other business	**347,410**	317,333
SMIA business		
— Software license	**89,282**	–
— Production safety products	**36,658**	–
Sub-total of SMIA business	**125,940**	–
Revenue from contracts with customers within the scope of HKFRS 15 and recognized over time		
Disaggregated by major products of service lines		
SMIA business		
— Post-contract customer support service	**2,443**	–
Sub-total of SMIA business	**2,443**	–
Total	**475,793**	317,333

Note: The Group has initially adopted HKFRS 15 on January 1, 2018 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

The Group had transactions with one individual customer the aggregate amount of which exceeded 10% of the Group's revenue in 2018 (2017: one). Revenues from this customer in 2018 amounted to approximately RMB91,059,000. Revenue from another customer in 2017 amounted to approximately RMB51,695,000.

(ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date

As at December 31, 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contract is RMB 113,416,000. This amount represents revenue expected to be recognized in the future from sales contract of software license and post-contract customer support service entered into by the customers with the Group. The Group will recognize the expected revenue in future when the software is made available to the customers or, in the case of the post-contract customer support service, when the service is rendered monthly to the customers, which is expected to occur over the next 1 to 5 years.

The Group have applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts that had an original expected duration of one year or less such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under these contracts.

(b) Segment reporting

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

The Group presented two reportable segments, namely AMR business and Smart energy management business, in the consolidated financial statements for the year ended December 31, 2017.

During the current year and as a result of business acquisitions, the Group changed the format of internal financial reporting to the Group's most senior executive management and the two reportable segments mentioned above were aggregated and presented as one single segment. Research and development expenses, which were previously not allocated to the above mentioned segments, are now allocated to the newly defined reportable segments. Management considered such a change provides more useful information about the new management structure and the impact of acquisition of Green Harmony Limited, which is engaged in the sale of software license, production safety products as well as the provision of software post-contract customer support services.

The Group has presented the following two reportable segments during the current year. Comparative information has been restated to conform with the current year's presentation.

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

- SMIA business: this segment includes sales of software license, production safety products as well as the provision of software post-contract customer support services in connection with the smart manufacturing and industrial automation system applied in the petroleum and petrochemicals industry.

(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, sales and marketing expenses and research and development expenses. General and administrative expenses are not allocated to segments. In the previous year, research and development expenses and general and administrative expenses were 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, 2018 and 2017 is set out as below:

	Year ended December 31, 2018		
	AMR and other business	**SMIA business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Reportable segment revenue	**347,410**	**128,383**	**475,793**
Reportable segment cost of sales	**(239,372)**	**(76,887)**	**(316,259)**
Reportable segment sales and marketing expenses	**(52,044)**	**(746)**	**(52,790)**
Reportable segment research and development expenses	**(34,667)**	**(2,287)**	**(36,954)**
Reportable segment profit	**21,327**	**48,463**	**69,790**

	Year ended December 31, 2017 (restated)		
	AMR and other business	SMIA business	Total
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment revenue	317,333	–	317,333
Reportable segment cost of sales	(171,606)	–	(171,606)
Reportable segment sales and marketing expenses	(55,171)	–	(55,171)
Reportable segment research and development expenses	(47,202)	–	(47,202)
Reportable segment profit	43,354	–	43,354

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

	2018	2017
	RMB'000	*RMB'000*
Reportable segment profit	**69,790**	43,354
Other income	**11,215**	16,314
General and administrative expenses	**(84,163)**	(56,350)
Finance costs	**(3,539)**	(276)
Share of loss of associate	**(110)**	(49)
Fair value gains on financial instruments at fair value	**10,424**	–
Profit before taxation	**3,617**	2,993

(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, 2018 and 2017, 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.

3 OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Interest income from bank deposits	**756**	553
Government grants		
— Unconditional subsidies *(note (a))*	**10,515**	11,601
— Conditional subsidies	**2,466**	1,616
Net exchange (loss)/gain	**(2,676)**	2,703
Others	**154**	(159)
	11,215	16,314

(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.

4 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2018	2017
	RMB'000	*RMB'000*
Interest expense on promissory notes	**250**	–
Issuance costs for convertible bonds	**3,289**	–
Interest expense on interest-bearing loan	**–**	276
	3,539	276

(b) Staff costs

	2018	2017
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**55,515**	57,954
Contributions to defined contribution retirement plans	**4,353**	4,597
Equity-settled share-based payment expenses	**2,022**	203
	61,890	62,754

(c) Fair value gains on financial instruments at fair value

	2018	2017
	RMB'000	*RMB'000*
Change in fair value of contingent share consideration *(note 17(a))*	**(8,241)**	–
Change in fair value of contingent consideration notes payable *(note 17(b))*	**8,495**	–
Change in fair value of convertible bonds *(note 14)*	**(10,678)**	–
	(10,424)	–

(d) Other items

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories	**258,889**	172,934
Cost of software license sold	**56,292**	–
Cost of post-contract customer support service	**1,737**	–
Research and development expenses	**36,954**	47,202
Depreciation and amortization	**27,796**	7,076
Operating lease charges	**9,627**	8,245
Product warranty costs	**2,063**	2,848
Professional fees	**7,084**	14,548
Impairment losses of trade receivables	**17,322**	1,702
Listing expenses	**–**	12,916
Auditors' remuneration	**2,938**	2,052

5 INCOME TAX CREDIT IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2018	2017
	RMB'000	*RMB'000*
Current tax:		
Provision for current income tax for the year	**14,891**	3,083
Under-provision in prior years	**175**	610
Reversal of provision for permanent establishment risk	**(1,400)**	(4,312)
Deferred tax:		
Origination and reversal of temporary differences	**(14,244)**	(9,239)
	(578)	(9,858)

6 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 RMB4,204,000 (2017: RMB12,670,000) and the weighted average of 823,461,933 ordinary shares (2017: 731,426,497 shares after adjusting capitalization issue) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2018	2017
Shares in issue on January 1	**810,877,303**	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
Effect of vested equity-settled share options	**12,216,440**	13,289,511
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
Effect of equity-settled share options exercised on July 25, 2018	**368,190**	–
Weighted average number of ordinary shares	**823,461,933**	731,426,497

Note: The number of ordinary shares outstanding before the capitalization issue was 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 loss attributable to ordinary equity shareholders of the Company of RMB14,715,000 (2017: profit of RMB12,670,000) and the weighted average of 857,716,637 shares for 2018 (2017: 734,312,097 shares after adjusting capitalization issue), calculated as follows:

(i) (Loss)/profit attributable to ordinary equity shareholders of the Company (diluted)

	2018 *RMB'000*	2017 *RMB'000*
Profit attributable to ordinary equity shareholders (basic)	**4,204**	12,670
After tax effect of gain on fair value changes of convertible bonds *(note 4(c))*	**(10,678)**	–
After tax effect of gain on fair value changes of contingent share consideration *(note 4(c))*	**(8,241)**	–
(Loss)/profit attributable to ordinary equity shareholders (diluted)	**(14,715)**	12,670

(ii) Weighted average number of ordinary shares (diluted)

	2018	2017
Weighted average number of ordinary shares at December 31 (basic)	**823,461,933**	731,426,497
Effect of conversion of convertible bonds	**23,178,082**	–
Effect of settlement of contingent share consideration	**11,076,622**	–
Effect of unvested equity-settled share options	**–**	2,885,600
Weighted average number of ordinary shares at December 31 (diluted)	**857,716,637**	734,312,097

For year 2018, the potential ordinary shares attributable to the Company's unvested equity-settled share options had anti-dilutive effect as the unvested equity-settled share options would result in a decrease in loss per share.

7 INTANGIBLE ASSETS

	Software	Capitalized development costs	Customer relationships	Non-compete undertakings	Unfulfilled contracts	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At January 1, 2017	10,023	–	–	–	–	10,023
Additions	730	7,287	–	–	–	8,017
At December 31, 2017 and January 1, 2018	10,753	7,287	–	–	–	18,040
Acquisitions of subsidiaries *(note 17)*	3	–	99,380	100,147	22,264	221,794
Additions	151	2,036	–	–	–	2,187
At December 31, 2018	10,907	9,323	99,380	100,147	22,264	242,021
Accumulated amortization:						
At January 1, 2017	(1,826)	–	–	–	–	(1,826)
Charge for the year	(2,219)	–	–	–	–	(2,219)
At December 31, 2017 and January 1, 2018	(4,045)	–	–	–	–	(4,045)
Charge for the year	(2,190)	–	(5,875)	(5,949)	(8,599)	(22,613)
At December 31, 2018	(6,235)	–	(5,875)	(5,949)	(8,599)	(26,658)
Net book value:						
At December 31, 2018	4,672	9,323	93,505	94,198	13,665	215,363
At December 31, 2017	6,708	7,287	–	–	–	13,995

8 GOODWILL

	RMB'000
Cost:	
At January 1, 2017, December 31, 2017 and January 1, 2018	–
Goodwill arising from business combinations:	
— NM Technology *(Note 17)*	37,936
— Green Harmony *(Note 17)*	177,211
At December 31, 2018	215,147

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to the business segment as follows:

	2018 *RMB'000*	2017 *RMB'000*
AMR and other business	**37,936**	–
SMIA business	**177,211**	–
	215,147	–

As at December 31, 2018, management performed impairment tests for the goodwill and the recoverable amounts of the respective CGUs have been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rate of 3% which does not exceed the long-term average growth rate for the business in which the respective CGUs operate. The cash flows are discounted using pre-tax discount rate of 21.40% for AMR and other business and 24.41% for SMIA business respectively, which reflect specific risks relating to the relevant business.

9 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2018 *RMB'000*	2017 *RMB'000*
Raw materials	**16,925**	26,280
Work in progress	**3,418**	25,543
Finished goods	**26,897**	24,755
	47,240	76,578
Provision for diminution in value of inventories	**(14,015)**	(4,212)
	33,225	72,366

10 TRADE AND OTHER RECEIVABLES

	Note	2018 RMB'000	2017 RMB'000
Trade receivables, net of loss allowance	*(i)*	**206,425**	136,193
Bills receivable		**15,342**	5,615
Total trade receivables		**221,767**	141,808
Prepayments		**27,735**	10,263
Income tax recoverable		**85**	1,205
Other receivables		**9,666**	4,951
Trade and other receivables, net		**259,253**	158,227

Note:

(i) Upon the initial adoption of HKFRS 9, an opening adjustment as at January 1, 2018 was made to recognize additional ECLs on trade receivable (see note 1(c)).

(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 and related loss allowance, is as follows:

	2018 RMB'000	2017 RMB'000
Within 6 months	**156,901**	101,662
After 6 months but within 1 year	**28,814**	16,652
After 1 year	**56,428**	23,023
Trade receivables	**242,143**	141,337
Loss allowance	**(35,718)**	(5,144)
Trade receivables, net of loss allowance	**206,425**	136,193

11 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
Financial investments at fair value through profit or loss	**10,000**	–

Financial investments at fair value through profit or loss comprise the investments in wealth management products sold by banks in the PRC. The wealth management products with floating financial return which is determined by the underlying USD3M-LIBOR.

The wealth management products had matured in February 2019.

In the opinion of the directors of the Group, the fair value of the wealth management products at December 31, 2018 approximated their principal amounts due to short-term maturity of these financial investments.

12 TRADE AND OTHER PAYABLES

	December 31, 2018 *RMB'000*	**January 1, 2018** *RMB'000*	December 31, 2017 *RMB'000*
Trade payables	**91,794**	**44,708**	44,708
Receipts in advance *(note 1(c)(ii))*	**–**	**–**	5,226
Contract liabilities *(note 1(c)(ii))*	**–**	**5,226**	–
Product warranty provision	**3,474**	**4,644**	4,644
Other payables and accruals	**28,738**	**17,978**	17,978
Trade and other payables	**124,006**	**72,556**	72,556

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

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

	2018 *RMB'000*	2017 *RMB'000*
Within 3 months	**70,249**	42,949
After 3 months but within 6 months	**8,825**	1,344
After 6 months but within 1 year	**7,798**	60
Over 1 year but within 2 years	**4,922**	355
	91,794	44,708

13 ACQUISITION CONSIDERATION PAYABLES

	2018 *RMB'000*
Acquisition of NM Technology *(note 17(a))*	–
— Promissory note payable	8,875
— Contingent share consideration payable	23,325
Acquisition of Green Harmony *(note 17(b))*	
— Contingent consideration notes payable	284,335
	316,535
Representing:	
— Amounts payable within 1 year	211,280
— Amounts payable after 1 year but within 2 years	105,255
	316,535

14 CONVERTIBLE BONDS

	2018
	RMB'000
As at January 1, 2018	–
Fair value of convertible bonds issued	131,130
Re-measurement on convertible bonds:	
— Exchange difference	50
— Fair value gain	(10,678)
At December 31, 2018	120,502

On August 13, 2018 ("**Issue Date**"), the Group issued convertible bonds to an independent third party with principal amount of HKD150,000,000 (equivalent to equivalent to approximately RMB131,130,000) with a maturity period of two years to August 13, 2020 ("**Maturity Date**"). The Maturity Date may be extended to the date falling 36 months from the Issue Date at the request of the Group ("**the Extended Maturity Date**").

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

The convertible bonds can be converted into ordinary shares of the Company at the holder's option at an initial conversion price of HKD2.50 per share subject to adjustment for, among other matters, sub-division, consolidation and reclassification of shares, issue of shares in lieu of the whole or any part of a specifically declared cash dividend, capital distributions, issue of convertible securities, issue of new shares in discount, consideration issues and other dilutive events.

The detailed terms of the convertible bonds are set out in the announcement issued by the Group on July 31, 2018.

The entire convertible bonds are designated as financial liabilities at FVTPL on inception date and as at December 31, 2018.

The Group's convertible bonds are valued by an independent professional valuation firm by using lattice model with the following key inputs:

	On inception date	**As at December 31, 2018**
Risk free rates	1.87%	1.74%
Discount rate	18.40%	18.28%
Dividend yield	0.95%	1.03%
Expected volatility	57.28%	45.47%

15 CAPITAL AND RESERVES

Dividends

The Board did not recommend the payment of a final dividend for year ended December 31, 2018 (2017: Nil).

16 COMMITMENTS

Operating leasing commitments

At December 31, 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**5,315**	6,095
After 1 year but within 5 years	**1,684**	2,488
	6,999	8,583

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.

17 ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of North Mountain Information Technology Company Limited

On March 15, 2018, the Company's subsidiary, Harvest Year Global Limited ("**Harvest Year**") entered into an agreement with the shareholder of North Mountain Information Technology Company Limited ("**NM Technology**") to acquire 100% equity interest of NM Technology. On April 30, 2018 (the "**NM Acquisition Date**"), such acquisition was completed and the Group obtained control of NM Technology.

The principal activities of NM Technology is investment holding, and through its PRC subsidiary, engaged in sales and distribution of electronic components in the PRC. The acquisition of NM Technology was aimed at allowing the Group to diversify its customer base, achieve vertical integration of the Group's business and broaden the Group's revenue stream in AMR business. Goodwill arose in the acquisition of NM Technology was attributable mainly to the synergies and economies of scale expected from combining the operations of the Group and NM Technology. The goodwill recognized is not deductible for tax purposes.

(i) Set forth below is the calculation of goodwill:

	RMB'000
Consideration	
— Cash deposit paid in year 2017	12,000
— Promissory note (a)	8,625
— Fair value of contingent cash consideration (b)	15,000
— Fair value of contingent share consideration (c)	31,566
Total consideration	67,191
Less: fair value of net identifiable net assets acquired *(note ii)*	(29,255)
Goodwill *(note 8)*	37,936

(a) According to the sales and purchase agreement (the "**SPA**"), the Group is required to issue an unsecured, non-interest bearing promissory note with payment due date of 12 months from the NM Acquisition Date. The face value and fair value of the promissory note at the NM Acquisition Date was RMB9,000,000 and RMB8,625,000, respectively. The promissory note is included in acquisition consideration payables (note 13) and measured at amortized cost. A finance cost of RMB250,000 was recognized in profit or loss for the current period accordingly.

(b) The SPA requires the Group to pay in cash of RMB15,000,000 to the shareholder of NM Technology with reference to the achievement of certain performance indicators of the acquired business. The performance target was achieved and the cash consideration was paid in August 2018.

(c) According to the SPA, the final payment with a maximum amount of RMB45,000,000 will be settled with newly issued ordinary shares of the Company at a conversion price of HKD 3.40 per share. The consideration amount will be downward adjusted by 9 times of any shortfall between the audited consolidated profit after tax (excluding extraordinary items) of NM Technology for the year ended December 31, 2018 and RMB9,000,000. The contingent shares are expected to be issued in 2019 when the audited consolidate profit after tax (excluding extraordinary items) of NM Technology for the year ended December 31, 2018 is confirmed.

At the NM Acquisition Date, the fair value of the contingent share consideration was determined to be RMB31,566,000 with reference to the quoted market price of the Company's shares of HKD2.88 (equivalent to RMB2.33) at the NM Acquisition Date multiplied by the number of contingent consideration shares expected to be issued based on the forecasted performance of NM Technology for year ended December 31, 2018.

The contingent share consideration is included in acquisition consideration payables in the Group's consolidated statement of financial position. Its fair value had decreased to RMB23,325,000 as at December 31, 2018 mainly due to a decrease in market price of the Company's shares and the corresponding fair value change of RMB8,241,000 was recognized as a gain in profit or loss for the current period.

The fair value measurement of the contingent share consideration payable is based on a significant input of discount for lack of marketability of 7% that are not observable in the market, which HKFRS 13 Fair Value Measurement refers to as Level 3 inputs. The fair value measurement is negatively correlated to the discount for lack of marketability. As at December 31, 2018, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's profit and loss by RMB1,252,000.

(ii) The major components of assets and liabilities arising from the acquisition of NM Technology are as follows:

	Pre-acquisition carrying amount *RMB'000*	**Fair value adjustment** *RMB'000*	**Recognized values on acquisition** *RMB'000*
Property, plant and equipment	156	–	156
Intangible assets *(note 7)*	3	18,947	18,950
Deferred tax assets	191	–	191
Inventories	9,675	–	9,675
Trade and other receivables	41,693	–	41,693
Cash and cash equivalents	1,025	–	1,025
Trade and other payables	(37,526)	–	(37,526)
Income tax payable	(172)	–	(172)
Deferred tax liabilities	–	(4,737)	(4,737)
Net identifiable assets	15,045	14,210	29,255

Intangible assets arising from the acquisition mainly represent customer relationship and non-compete undertakings. The Group has engaged an external valuation firm to perform fair value assessments on these intangible assets in accordance with HKAS 38 *Intangible Assets* and HKFRS 3 (Revised) *Business Combination*.

The fair value of the trade and other receivables as at the NM Acquisition Date amounted to RMB41,693,000. The gross contractual amount was RMB42,455,000, of which RMB762,000 was expected to be uncollectible.

Acquisition-related costs of RMB448,000 and RMB52,000 had been charged to administrative expenses in the consolidated statement of profit or loss for years ended December 31, 2018 and December 31, 2017 respectively.

(iii) Net cash outflow arising on the acquisition

	RMB'000
Consideration paid in cash in year 2018	15,000
Less: cash and cash equivalents acquired	(1,025)
	13,975

(iv) Impact of acquisition on the results of the Group

The post-acquisition revenue and net profit that NM Technology contributed to the Group for the year ended December 31, 2018 were RMB75,499,000 and RMB5,132,000 respectively.

(b) Acquisition of Green Harmony Limited

On December 28, 2017, the Company entered into an agreement with the shareholder of Green Harmony Limited ("**Green Harmony**") to acquire 100% equity interest of Green Harmony. On August 15, 2018 (the "**GH Acquisition Date**"), such acquisition was completed and the Group obtained control of Green Harmony.

The principal activities of Green Harmony is investment holding, and through its PRC subsidiaries, engaged in the sale of software license, production safety products as well as the provision of software post-contract customer support services in connection with the SMIA applied in the petroleum and petrochemicals industry. Goodwill arose in the acquisition of Green Harmony was mainly attributable to the control premium therein. In addition, the consideration paid for the business combination effectively included amounts in valuation to the benefit of expected synergies, revenue growth, and future market potential of Green Harmony's business. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill recognized is not deductible for tax purposes.

(i) Set forth below is the calculation of goodwill:

	RMB'000
Consideration	
— Cash paid	87,720
— Fair value of contingent consideration notes payable *(note a)*	275,955
Total consideration	363,675
Less: fair value of net identifiable net assets acquired *(note ii)*	(186,464)
Goodwill *(note 8)*	177,211

(a) According to the sales and purchase agreement (the "**SPA**"), the Group is required to issue an unsecured promissory note (the "**First Promissory Note**") with a coupon interest rate of 8% per annum and payment due date of 12 months from the GH Acquisition Date. The face value of the "**First Promissory Note**" at the GH Acquisition Date is HKD200,000,000. The Group can redeem the principal amount of HKD200,000,000 of the First Promissory Note with reference to achievement of certain performance indicators of the acquired business. On March 15, 2019, the payment due date was extended to August 14, 2020 *(refer to note 19)*.

According to the SPA, the Group is required to issue another unsecured promissory note (the "**Second Promissory Note**") on or before December 31, 2018, with a coupon interest rate of 8% per annum payable on an annual basis with a term of 2 years. The maximum face value of the "Second Promissory Note" from the issue date is HKD200,000,000. The Second Promissory Note was issued on December 31, 2018.

The principal amount of First Promissory Note and the Second Promissory Note will be downward adjusted by 10 times of any shortfall between the audited consolidated profit after tax (excluding extraordinary items) of Green Harmony for the year ended December 31, 2018 and HKD50,000,000.

At the GH Acquisition Date, the fair value of the contingent consideration notes payable was determined to be RMB275,955,000 by discounting the expected cash flows over the contractual term of the contingent notes payable at a discount rate which was deemed appropriate to the riskiness of the instrument, with reference to comparable bond rate and the forecasted the financial performance of Green Harmony for year ended December 31, 2018.

The fair value of the contingent consideration notes payable had increased by RMB 8,495,000 as at December 31, 2018 mainly due to the interest winding-up.

(ii) The major components of assets and liabilities arising from the acquisition are as follows:

	Pre-acquisition carrying amount *RMB'000*	**Fair value adjustment** *RMB'000*	**Recognized values on acquisition** *RMB'000*
Property, plant and equipment	144	–	144
Intangible assets *(note 7)*	–	202,844	202,844
Deferred tax assets	4,634	–	4,634
Inventories	22,720	–	22,720
Trade and other receivables	33,596	–	33,596
Contract assets	680	–	680
Cash and cash equivalents	3,241	–	3,241
Trade and other payables	(7,501)	–	(7,501)
Contract liabilities	(21,872)	–	(21,872)
Income tax payable	(1,311)	–	(1,311)
Deferred tax liabilities	–	(50,711)	(50,711)
Net identifiable assets	34,331	152,133	186,464

Intangible assets arising from the acquisition mainly represent customer relationship and non-compete undertakings and unfulfilled contracts. The Group has engaged an external valuation firm to perform fair value assessments on these assets in accordance with HKAS 38 *Intangible Assets* and HKFRS 3 (Revised) *Business Combination*.

The fair value of the trade and other receivables as at the GH Acquisition Date amounted to RMB33,596,000. The gross contractual amount was RMB44,740,000 of which RMB11,144,000 was expected to be uncollectible.

Acquisition-related costs of RMB3,239,000 and RMB2,563,000 had been charged to administrative expenses in the consolidated statement of profit or loss for the years ended December 31, 2018 and 2017, respectively.

(iii) Net cash outflow arising on the acquisition

	RMB'000
Consideration paid in cash	87,720
Less: cash and cash equivalents acquired	(3,241)
	84,479

(iv) Impact of acquisition on the results of the Group

The post-acquisition revenue and net profit that Green Harmony contributed to the Group for the year ended December 31, 2018 were RMB128,283,000 and RMB34,379,000 respectively.

18 RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group entered into the following material related party transactions.

Transactions with related parties

	2018	2017
	RMB'000	*RMB'000*
Recurring transactions:		
Office premises rental expenses paid to		
Wang Shiguang	**724**	724

As at December 31, 2018, the Group had nil balance with related parties (2017: Nil.).

19 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On January 15, 2019, the Company allotted and issued 11,436,824 ordinary shares pursuant to exercise of share options by grantees under the Pre-IPO Share Option Scheme adopted on August 25, 2016.

On March 15, 2019, the Company agreed with the ex-shareholder of Green Harmony to extend the maturity date of the First Promissory Note for one more year to August 14, 2020 (see note 17(b) for details).

20 COMPARATIVE FIGURES

The Group adopted HKFRS 15 and HKFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c).

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

State Grid Corporation of China ("**State Grid**") commenced commercial deployment of AMR systems in 2010 and it took around 6 years to penetrate the markets with PLC based narrowband AMR products. Due to the penetration of smart meters under first-round commercial deployment was reaching saturation in 2017, 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 mid 2017. As a result, a temporary slowdown in market during 2017 hampered the overall industry performance. However, with the adoption of new industry standard in 2017, the bidding volume of smart meters and other terminals under State Grid's centralized bidding began to restore back in 2018 after the temporary slowdown in 2017. Such bidding volume was then increased to approximately 52.8 million units in 2018 (2017: 45.6 million units), through two centralized biddings (March & November) conducted by State Grid in 2018 (2017: two biddings). This bounce-back in demand strongly indicated the commencement of PLC based broadband AMR products era.

Furthermore, during the year under review, the Group tapped into Smart Manufacturing & Industrial Automation ("**SMIA**") business segment with the acquisition of a technology-based business with its core technology competency lies within the field of industrial automation systems, particularly in the area of maintenance and safety integrity system ("**MSI**") for the petroleum and petrochemicals industry. According to a market report "2018 China Intelligent Manufacturing Development Annual Report" (2018 中國智慧製造發展年度報告) released by China Center for Information Industry Development (中國電子資訊產業發展研究院), the market size of China intelligent manufacturing system solutions reached RMB156 billion in 2018, while further expecting to exceed RMB238 billion by 2020. This is a tremendous market which allows the Group to explore in various aspects in the smart manufacturing area. The Group's expansion into SMIA segment contributed a positive benefit to the Group's operations.

Business Review

During the year under review, the Group operated in two major business segments. Firstly, the Group operated in AMR and other business, where the Group sold PLC products such as PLC ICs, modules and devices such as connectors and concentrators, which have been mainly used in the deployment and upgrade of AMR systems for smart meters by power grid companies in China as a key part of the smart grid infrastructure. The Group pioneered in developing PLC ICs with proprietary IC designs and advanced PLC technologies for the deployment of AMR systems by State Grid. In addition, the Group also provided maintenance services on AMR systems on a project-by-project basis. Furthermore, the Group's PLC products also apply to several smart energy business in China, mainly in the area of streetlight controls, building energy management and photovoltaic power management. Secondly, upon the acquisition of Green Harmony in August 2018, the Group expanded its business and engages in SMIA business where the Group offered software licenses, production safety products as well as provision of software post-contract customer support services applied in the area of MSI in the petroleum and petrochemicals industry.

During the year under review, the Group recorded revenue of approximately RMB475.8 million (2017: approximately RMB317.3 million), representing an increase of 49.9%.

Our AMR and other business segment recorded a revenue of approximately RMB347.4 million (2017: approximately RMB317.3 million), representing an increase of approximately 9.5%. Revenue from AMR and other business segment for the year under review accounted for approximately 73.0% (2017: 100.0%) of the Group's total revenue. Increase in revenue from AMR and other business segment for the year under review was mainly due to a significant increase in sales of PLC products to customers through trading sales and local biddings under State Grid and China Southern Power Grid Co., Ltd. ("**Southern Grid**") for the year under review as compared to that of the corresponding period in 2017, upon the acquisition of NM Technology by the Group during the year under review (together with its subsidiary, which is principally engaged in sales and distribution of electronic components, in particular for ICs and related products in China, details of which were disclosed in the Company's announcement dated March 15, 2018); notwithstanding a significant decrease in revenue from sales of PLC products to customers under State Grid centralized biddings for the year under review as compared to that of the corresponding period in 2017 due to the delay in the debut timing of the Group's PLC based broadband AMR products since such product was under the approval process run by the respective departments of State Grid for approving the design and development of broadband system-on-chip IC and related AMR products.

During the year under review, the Group aimed to broaden the variety of business streams in non-AMR business segment in view of achieving a more balanced revenue composition to mitigate the inherent risk of reliance on the Group's AMR business. With reference to the Company's announcements dated December 28, 2017, January 3, 2018, January 10, 2018, February 12, 2018, March 23, 2018, May 31, 2018, August 15, 2018 and March 15, 2019, the Group completed the acquisition of Green Harmony, which together with its subsidiaries, hold core technology competency within the field of industrial automation systems, particularly in the area of MSI for the petroleum and petrochemicals industry in SMIA business segment by utilizing the core technologies and intellectual property rights. One of the major customers of SMIA business includes one of the largest state-owned petroleum conglomerates in China. The Group's SMIA business segment commenced to explore the market of visualization platform of intelligent factory, in addition to application of engineering design software over the pipelining system in petrochemical enterprises, and has begun to build a full range of digital demonstration for other leading state-owned enterprises. In addition, leveraging on the technology-based synergy among the Group's business segments, the Group can facilitate application of the Group's PLC technology with obvious advantages in costing and implementation as a much-suited alternative technology in the future, by creating a significant network communication on vast site areas involved for petroleum and petrochemicals production facilities.

Revenue of approximately RMB128.4 million from SMIA business segment was recognized during the year under review (2017: Not applicable) and it accounted for approximately 27.0% (2017: Not applicable) of the Group's total revenue.

In the fourth quarter of the year under review and with reference to the Company's announcement dated October 23, 2018, the Group signed two new contracts (the "**Contracts**") with aggregated contract sum (includes applicable taxes in relevant jurisdictions) of approximately RMB201 million with its existing major customer, one of the largest state-owned petroleum conglomerates in China, in relation to sale and provision of software product license as well as the provision of software post-contract customer support services under the SMIA business segment. The term of the Contracts ranged from one year to five years and that the Group commenced to recognize such revenue in the same quarter. The Board considers that the signing of the Contracts will further enhance the position of the Group in the petroleum sector in the PRC.

Although a significant increase in revenue for the year under review was resulted, the Group experienced a significant decrease in profit attributable to the equity shareholders of the Company by approximately 66.8% from approximately RMB12.7 million in the corresponding period in 2017 to approximately RMB4.2 million for the year under review. The significant decrease in profit attributable to the equity shareholders of the Company was mainly attributable to (i) an increase in general and administrative expenses for the year under review as compared to that of the corresponding period in 2017 which was primarily attributable to (a) significant charge for the amortization of intangible assets arising from the acquisitions of two businesses by the Group during the year under review where the Group did not incur respective amortization expenses for the corresponding period in 2017, and; (b) an increase in impairment loss on trade receivables which were long aged and considered impaired, and; (ii) an increase in finance costs for the year under review as compared to that of the corresponding period in 2017 which was primarily attributable to costs incurred in relation to issue of Convertible Bonds (as defined below) by the Group in August 2018. The Group did not incur respective finance costs for the corresponding period in 2017.

Research and Development

The Group has been committed to PLC IC design and its applications tailored to China's market environment since the inception in the industry in 2006 by establishing its core competency in designing advanced application-specific ICs, or application-specific integrated circuits ("**ASICs**"), and using these proprietary ASICs to develop the PLC products. As a high-tech company driven by research and development, the Group's research and development efforts are focused on enhancing the functionality of its products and addressing the technical needs of its customers, as well as expanding the Group's product portfolio for different PLC applications. During the year under review, the Group's major research and development project regarding the PLC based broadband system-on-chip was currently under the approval process run by the respective departments of State Grid. Furthermore, through the acquisition of Green Harmony, the Group further expanded its technology base for other industrial applications such as industrial automation systems, particularly in the area of MSI for the petroleum and petrochemicals industry.

As at December 31, 2018, the research and development team of the Group consisted of 101 employees (as at December 31, 2017: 139 employees), representing approximately 28% (as at December 31, 2017: approximately 34%) of the Group's total workforce, specializing in PLC IC design and product development for AMR and other applications as well as software development and application for the MSI for the petroleum and petrochemicals industry.

As at December 31, 2018, the Group held a significant intellectual property portfolio, comprising 42 patents, 101 computer software copyrights and 8 IC layout designs registered, with 14 patents pending registration in the relevant jurisdictions, signifying the Group's achievements in research and development in PLC technology and MSI for the petroleum and petrochemicals industry.

Financial Review

Revenue

Revenue increased from approximately RMB317.3 million for the corresponding period in 2017 to approximately RMB475.8 million for the year under review, or by approximately 49.9%. This increase was mainly attributable to (i) an increase of approximately RMB30.1 million in revenue from the AMR and other business, and; (ii) the introduction of new revenue stream from SMIA which contributed revenue of approximately RMB128.4 million for the year under review where no revenue from SMIA was recorded for the corresponding period in 2017.

Gross profit

Gross profit increased by approximately 9.5% to approximately RMB159.5 million for the year under review from approximately RMB145.7 million for the corresponding period in 2017.

Gross profit margin was approximately 33.5% for the year under review and decreased by approximately 12.4 percentage points as compared with approximately 45.9% for the corresponding period in 2017.

The decrease in gross profit margin of the Group was attributable to a decrease in gross profit margin in AMR and other business segment which resulted from a significant decrease in revenue from sales of PLC products to customers under State Grid centralized biddings (which earned a relatively higher gross profit margin in general) for the year under review despite a significant increase in revenue from sales of PLC products to customers through trading sales and local biddings under State Grid and Southern Grid (which earned a relatively lower gross profit margin in general due to intense market and keen price competition) during the year under review.

Other income

Other income decreased by approximately 31.3% to approximately RMB11.2 million for the year under review from approximately RMB16.3 million for the corresponding period in 2017. The decrease was mainly attributable to recognition of net exchange loss of approximately RMB2.7 million in 2018 while a net exchange gain of approximately RMB2.7 million was recorded in 2017.

Sales and marketing expenses

Sales and marketing expenses decreased slightly by approximately 4.3% to approximately RMB52.8 million for the year under review from approximately RMB55.2 million for the corresponding period in 2017. This decrease was mainly attributable to an implementation of tightened cost control measures by the Group on sales and marketing expenses which resulted in a reduction of the sales and marketing expenses over revenue ratio to approximately 11.1% for the year under review (2017: 17.4%).

General and administrative expenses

General and administrative expenses increased significantly by approximately 49.4% to approximately RMB84.2 million for the year under review from approximately RMB56.4 million for the corresponding period in 2017. This increase was mainly attributable to (i) significant charge for the amortization of intangible assets arising from the acquisitions of two businesses by the Group during the year under review where the Group did not incur respective amortization expenses for the corresponding period in 2017 and (ii) increase in impairment loss on trade receivables which were long aged and considered impaired.

Research and development expenses

Research and development expenses decreased by approximately 21.7% to approximately RMB37.0 million for the year under review from approximately RMB47.2 million for the corresponding period in 2017. This decrease was mainly attributable to a decrease in costs incurred for the research and development project of the Group's PLC based broadband ICs as such project reached its final stage of the development phase during the year under review.

Finance costs

During the year under review, finance costs increased to approximately RMB3.5 million for the year under review from approximately RMB0.3 million for the corresponding period in 2017. The substantial increase in finance costs for the year under review as compared to that of the corresponding period in 2017 was primarily attributable to costs incurred in relation to issue of Convertible Bonds (as defined below) by the Group in August 2018. The Group did not incur respective finance costs for the corresponding period in 2017.

Fair value gains on financial instruments at fair value

During the year under review, the Group recorded fair value gains on financial instruments at fair value of approximately RMB10.4 million (2017: Not applicable) which was attributable to changes in fair value of financial instruments including the Convertible Bonds (as defined below) issued by the Group in August 2018 and the Contingent Share Consideration (as defined below) in relation to the acquisition of NM Technology. The Group did not record respective fair value gains for the corresponding period in 2017.

Income tax credit

Income tax credit decreased by approximately 94.1% to approximately RMB0.6 million for the year under review from approximately RMB9.9 million for the corresponding period in 2017. The decrease was mainly attributable to increase in provision for current tax for the year under review as the taxable profit of the PRC subsidiaries of the Group increased for the year 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 year under review decreased by approximately 66.8% to approximately RMB4.2 million (2017: approximately RMB12.7 million).

Liquidity and Financial Resources

During the year under review, 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, the net proceeds generated from the Listing and funds from Convertible Bonds (as defined below) issued. The Board believes that the Group's liquidity needs will be satisfied.

As of December 31, 2018, the Group's current assets amounted to approximately RMB577.2 million (as at December 31, 2017: approximately RMB415.2 million), with cash and cash equivalents totaling approximately RMB267.0 million (as at December 31, 2017: approximately RMB184.6 million). The cash and cash equivalents of the Group are principally held in RMB and USD.

As of December 31, 2018, the Group's total interest-bearing liabilities amounted to RMB404.8 million (as of December 31, 2017: Nil), representing the issued Convertible Bonds (as defined below) and promissory notes issued to the respective vendors in relation to acquisitions of NM Technology and Green Harmony. Interest-bearing liabilities amounted to RMB179.1 million and RMB225.7 million will be due to repayable within one year and after one year but within two years, respectively. The coupon rates of interest-bearing liabilities ranges from 4% to 8% per annum. The net debt-to-equity ratio (interest-bearing liabilities less cash and cash equivalents divided by total equity) was approximately 34.4% as of December 31, 2018 (as of December 31, 2017: Not applicable).

Issue of convertible bonds

Pursuant to subscription agreements entered into by the Company on July 31, 2018, the Company issued convertible bonds (the "**Convertible Bonds**") with aggregate principal amount of HKD150,000,000 at coupon interest rate of 4% per annum to Software Research Associates, Inc., an independent investor, on August 13, 2018 (the "**Issue Date**"). The Convertible Bonds will mature on the date falling 24 months from the Issue Date and may be extended to 36 months from the Issue Date at the request of the Company. 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 (the "**Shares**") with an initial conversion price of HKD2.50 per share (the "**Initial Conversion Price**") which is subject to anti-dilutive adjustments arising from such events. Based on the Initial Conversion Price and assuming full conversion of the Convertible Bonds at the Initial Conversion Price, the Convertible Bonds will be convertible into 60,000,000 Shares. Please refer to the announcements of the Company dated July 31, 2018 and August 13, 2018 for further details.

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 2017, 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, 2018, the Group had no capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements (as at December 31, 2017: approximately RMB0.2 million).

Contingent Liabilities

As at December 31, 2018, the Group had no contingent liabilities (as at December 31, 2017: Nil).

Charge on assets

As at December 31, 2018, the Group had no charge of assets (as at December 31, 2017: Nil).

Material Acquisition and Disposal of Subsidiaries and Associated Companies

In March 2018, Harvest Year Global Limited ("**Harvest Year**"), a direct wholly owned subsidiary of the Company, entered into a conditional sales and purchase agreement (the "**NM SPA**") to acquire NM Technology, which directly holds the entire equity interest of 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 "**Acquisition of NM Technology**"). The Acquisition of NM Technology was completed on April 30, 2018.

Pursuant to the NM SPA, if it is revealed by the unaudited consolidated management accounts of the NM Technology that NM Technology achieves a consolidated profit after tax (excluding extraordinary items) in an amount of not less than RMB3 million for the period commencing from January 1, 2018 up to the relevant accounts date of the unaudited consolidated management accounts of NM Technology (the "**NM Performance Target**"), Harvest Year shall pay to NM Infortech Company Ltd. (the "**NM Vendor**") RMB15 million (the "**Third Payment**") in cash for payment of part of the consideration (the "**NM Consideration**") for the acquisition. NM Technology has achieved the NM Performance Target and Harvest Year has paid to the NM Vendor the Third Payment in cash for payment of part of the NM Consideration in July 2018. Furthermore, the final payment (the "**NM Final Payment**") of the NM Consideration for the Acquisition of NM Technology (subject to adjustment and deduction) will be determined and settled by the allotment and issue of consideration shares (the "**Contingent Share Consideration**") by the Company to the NM Vendor. The Board expects to fully settle the NM Final Payment by allotting and issuing the consideration shares to the NM Vendor in 2019.

Please refer to the announcements of the Company dated March 15, 2018, April 30, 2018 and July 20, 2018 for further details.

In December 2017, the Company entered into a conditional sale and purchase agreement (the "**GH SPA**") to acquire Green Harmony, which indirectly holds the entire equity interest of a group of companies established in China, which is principally engaged in the provision of MSI for the petroleum and petrochemicals industry (the "**Acquisition of Green Harmony**"). The Acquisition of Green Harmony was completed on August 15, 2018.

On August 15, 2018, the Company issued an unsecured promissory note (the "**First Promissory Note**") with a face value of HKD200 million, with a coupon interest rate of 8% per annum and be repayable on August 14, 2019, to Sailen International IOT Limited (the "**GH Vendor**"). On March 15, 2019, the payment due date of the First Promissory Note was extended to August 14, 2020. On December 31, 2018, the Company further issued an unsecured promissory note (the "**Second Promissory Note**") with a face value of HKD200 million, with a coupon interest rate of 8% per annum and be repayable on December 30, 2020, to the GH Vendor.

Pursuant to the GH SPA, if it is revealed by the unaudited consolidated management accounts of Green Harmony that for the period commencing from January 1, 2018 up to the relevant accounts date of the unaudited consolidated management accounts, Green Harmony achieves (i) a consolidated profit after tax (excluding extraordinary items) in an amount of not less than HKD20 million, the Company will redeem from the GH Vendor the principal amount of HKD100 million of the First Promissory Note (together with the interest accrued thereon from the date of issue of the First Promissory Note and up to the date of redemption) by way of cash; and (ii) a consolidated profit after tax (excluding extraordinary items) in an amount of not less than HKD30 million, the Company will redeem from the GH Vendor the remaining principal amount of HKD100 million of the First Promissory Note (together with the interest accrued thereon from the date of issue of the First Promissory Note and up to the date of redemption) by way of cash.

On March 18, 2019, the Company redeemed from the GH Vendor the principal amount of HKD100 million of the First Promissory Note, together with payment of the accrued interest. As at the date of this announcement, the remaining principal amount of the First Promissory Note is HKD100 million.

In the event that the audited consolidated net profit after taxation of the Green Harmony and its subsidiaries for the year ending December 31, 2018 is less than HKD50 million, each of the GH Vendor and its ultimate beneficial owners shall make a payment to the Company in an amount calculated in accordance with the adjustment formula as stipulated in the GH SPA. The outstanding principal amount of the First Promissory Note and the Second Promissory Note will be used to offset the amount payable by the GH Vendor and its ultimate beneficial owners to the Company under such adjustment mechanism. The Board expects to determine whether the adjustment mechanism will apply in 2019.

Please refer to the announcements of the Company dated December 1, 2017, December 28, 2017, January 3, 2018, January 10, 2018, February 12, 2018, March 23, 2018, May 31, 2018, August 15, 2018 and March 15, 2019 for further details.

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

Prospects

Having the expected turnaround in the demand on the bidding volume of smart meters and other terminals under the centralized biddings conducted by the State Grid in 2019, it is further expected that the procurement of AMR products by State Grid will reach 87.7 million units by 2021 as smart meters and other terminals in China was undergoing to enter into a new phase of upgrades starting from 2018 onwards, in accordance with a market research. The bidding volume of smart meters and other terminals conducted by State Grid and Southern Grid is expected to grow at a compound annual growth rate of 11.5% from years 2017 to 2021. However, under recent changes in market competition in AMR and other business segment, the management will use their best endeavor to develop the PLC based broadband products and to retain our competitiveness in the AMR industry in China.

Leveraging on the Group's 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. The Group completed the acquisition of Green Harmony in 2018 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. With this acquisition, the Group initiated another new line of business under SMIA business segment. The Group believed that the growth of China industrial automation market would continue to be healthy given its relatively lower penetration rate and the rising cost of labor at present. As petrochemical enterprises are the pioneer of the manufacturing sector in China, major market participants are building smart oil fields, smart pipelines and smart factories. The Group will continue to opt for opportunities in the design and implementation of industrial automation systems, particularly in the area of MSI for the petroleum and petrochemicals industry by utilizing the Group's own technologies and intellectual property rights.

Further, the Group commenced to explore the market of visualization platform of intelligent factory, particularly on the reverse modeling of the pipelining system in petrochemical enterprises and the forward modeling of new pipelining projects. The Group has begun to build a full range of digital demonstration for other leading state-owned enterprises such as coal/chemical industry. In addition, leveraging on the technology-based synergy among the Group's business segments, the Group can facilitate the application of PLC technology with obvious advantages in costing and implementation as a much-suited alternative technology in the future, by creating a significant network communication on vast site areas involved for petroleum and petrochemicals production facilities.

In the coming future, the Group plans to expand its SMIA business segment through formation of strategic alliance and cooperation with internationally renowned system integrators to provide existing and potential customers with value-adding solutions on its engineering process design and digital engineering design. Through in-depth strategic cooperation and technology exchange, the

Group aims to enhance the expertise in intelligent factory integrated solutions in petroleum refining and pipeline construction. At the same time, the Group will utilize its own research and development resources with the co-development with external expertise to further develop self-owned intellectual property rights on visual integrated management platform for the intelligent factory as well as the integration of the online and core applications over the big data collaboration platform. Such intellectual property will strengthen the Group's core competitiveness while leveraging the Group's PLC technology. By exploring these new profit-driven business opportunities, the Group believes that it will persist a more diversified growth in the market in the long run.

OTHER INFORMATION

Final Dividend

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

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code during the year under review. 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. 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 during the year under review.

Closure of Register of Members for Annual General Meeting

The register of members of the Company will be closed from Monday, May 20, 2019 to Thursday, May 23, 2019 (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 Thursday, May 23, 2019 (the "**2019 AGM**") or any adjournment thereof. In order to be qualified for attending and voting at the 2019 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 17, 2019.

Purchase, Redemption or Sale of Listed Securities of the Company

During the year under review, 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 19 to the notes to the results announcement.

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 of the Company dated May 29, 2017 (the "**Prospectus**")) was approximately HKD158.2 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 year under review, the net proceeds had been applied for as follows:

	Actual Net proceeds	**Amount utilized as at December 31, 2018**	**Unutilized net proceeds as at December 31, 2018**
	HKD'million	*HKD'million*	*HKD'million*
Research and development of the PLC technology	95.7	31.4	64.3
Sales and marketing	32.0	6.0	26.0
Repayment of an entrusted bank loan	14.7	14.7	–
Working capital and general corporate purposes	15.8	15.8	–
	158.2	67.9	90.3

From Issue of the Convertible Bonds

References are made to the announcements of the Company dated July 31, 2018 and August 13, 2018 and the paragraph headed "Management Discussion and Analysis — Financial Review — Issue of convertible bonds" of this announcement. The aggregated net proceeds from the issue of the Convertible Bonds was approximately HKD146.0 million.

During the year ended December 31, 2018, the net proceeds had been applied for as follows:

	Actual Net proceeds	**Amount utilized as at December 31, 2018**	**Unutilized net proceeds as at December 31, 2018**
	HKD'million	*HKD'million*	*HKD'million*
Settle consideration for the acquisition of Green Harmony	146.0	100.0	46.0

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, 2018, the Group had an aggregate of 355 employees (as at December 31, 2017: 410 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. The Company has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contribute to the success of the Group's operations.

Audit Committee and Review of 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 order of the Board
Risecomm Group Holdings Limited
Yue Jingxing
Executive Director and Chief Executive Officer

Hong Kong, March 28, 2019

As at the date of this announcement, the executive Directors are Mr. Yue Jingxing, Mr. Zhang Youyun and Mr. Lau Wai Leung, Alfred, the non-executive Directors are Mr. Wang Shiguang, Mr. Zhou, Francis Bingrong and Mr. Cheung Fan and the independent non-executive Directors are Mr. Pan Song, Mr. Chen Yong and Mr. Ong King Keung.