



Risecomm Announces 2018 Interim Results

Growth of Two Major Businesses Drives Total Revenue Increases 27.0%

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Poised to Face a New Phase of Upgrades for Smart Meters in China

(Hong Kong, 30 August 2018) **Risecomm Group Holdings Limited** (“Risecomm” or the “Group”) (Stock Code: 1679), one of the largest power-line communications (“PLC”) technology enterprises in China, has announced its interim results for the six months ended 30 June 2018 (the “period under review”).

During the period under review, the Group achieved growth in both the automated meter reading (“AMR”) business and the smart energy management (“SEM”) business, driving revenue to increase by approximately 27.0% to approximately RMB174 million. However, affected by the decrease of gross profit in the AMR business segment, the Group’s gross profit was adjusted to approximately RMB47.2 million, with a gross profit margin of approximately 27.1%. Net loss for the period under review attributable to the equity shareholders of the Company was approximately RMB9.2 million.

Business Review

The Group’s two major business segments, namely the AMR and SEM businesses, both recorded growth, occupying approximately 94.5% and 5.5% of its total revenue respectively.

AMR Business

During the period under review, revenue from the AMR business segment increased by approximately 26.8% to approximately RMB164.8 million, which was attributable to the significant increase in sales of PLC products to customers through trading sales and local bidding under the State Grid Corporation of China (“State Grid”) and China Southern Power Grid Co., Ltd. (“Southern Grid”).

Generally speaking, sales secured through centralized bidding under the State Grid earn a relatively higher gross profit margin when compared with those through local bidding under the State Grid and Southern Grid. Given that the penetration of smart meters under the first round of the State Grid’s commercial deployment was reaching saturation and a new industry standard for broadband PLC was formally adopted in 2017, the State Grid had exhibited a slowdown in its procurement of smart meters during the transitional period. Therefore, a significant drop in the revenue from sales of PLC products to customers through centralized bidding was recorded when compared to the corresponding period last year. The surge of revenue from sales of PLC products to customers through trading sales and local bidding under the State Grid and Southern Grid only partially compensated for the decrease of gross profit attributable to the decrease in revenue from sales of PLC products to customers under State Grid centralized bidding. With the constant change of the AMR products market demand, the Group will adjust its business strategy and expand its businesses flexibly in order to keep pace with market trends.

SEM Business

Revenue from the SEM business segment increased approximately 31.9% to approximately RMB9.5 million, benefitting from a significant increase in the sales of streetlight control devices during the period under review. As a pioneer in the SEM industry, the Group has strived to enhance product development as well as its sales and marketing capability, with the aim to boost the growth of this segment.

Prospects

Although the AMR business segment encountered temporary headwinds, the Group still aims to be a leading PLC technology company and turnkey solutions provider in China by strategically offering a full range of products and solutions across its AMR business and SEM applications.

Regarding the AMR business segment, as smart meters in China are expected to enter a new phase of upgrades from 2018 onward, the centralized bidding volume of smart meters conducted by the State Grid and Southern Grid is expected to grow in the next five years. The Group is confident that the demand for PLC products will soon recover once the deployment of broadband PLC products is confirmed. Leveraging its strong capabilities in PLC technology and research and development (“R&D”), the Group will exert its best efforts to continue expanding its market share and strengthen its industry position.

Within the SEM business segment, seeing huge market potential in SEM systems for industrial and enterprise applications, the Group has applied its proprietary PLC technology in its SEM products and solutions. This approach not only can help clients to achieve better energy management and conservation, but also to further expand the Group’s customer base, generate new revenue streams and reduce its reliance on China’s power distribution sector.

The Group has explored opportunities elsewhere in the market while consolidating its existing businesses. In particular, the Group explores the opportunities to expand its PLC products and solutions to other industrial application areas. With the Chinese government actively promoting national industrial upgrade, the petrochemical industry, a strategic pillar of the manufacturing sector in China, is expected to gain support from the government in the development of information systems. On 15 August 2018, the Group has completed the acquisition of a company operating the industrial automation system business, particularly in the area of maintenance and safety integrity systems (“MSI”) for the petroleum and petrochemicals industries. This acquisition opens up opportunities for the Group to directly reach customers in those industries in order to promote its other SEM products and solutions, thereby substantially reducing time and uncertainty as well as the costs of pre-marketing and pilot projects. This acquisition facilitates the Group’s expansion into those industries in the near-to-medium term.

As for sales and R&D, the Group has completed the acquisition of North Mountain Information Technology Company Limited, which is principally engaged in the sale and distribution of electronic components, in particular for ICs and related products in China, in April 2018. This acquisition further strengthens the Group’s sales capability and expansion in AMR business markets. Furthermore, the Group has hired several external research and development consultants with complementary expertise to cooperate in various R&D projects, including the development of broadband PLC, “PLC+RF” technology and the driver of the second-generation PLC ICs so as to realize and complement the software module development of the mainframe host station for the Group’s SEM business. These leading-edge technologies help the Group maintain its competitive advantage.

Looking ahead, the Group will continue to focus on enhancing the functionality of its products, progressively expanding its sales channels and enhancing its brand recognition in both the AMR and SEM markets. Buttressed by its extensive industry experience and excellent track record, the Group will seize the opportunities arising from the new round of smart meter upgrades and expansion of the SEM sector in China to actively expand its markets and generate fruitful return for shareholders.

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About Risecomm Group Holdings Limited (瑞斯康集團控股有限公司)

Founded in 2006, Risecomm Group Holdings Limited is a power line communications (PLC) technology company specializing in the design, development and sale of system-on-chip ICs, modules, devices and solutions adopting the PLC technology. As one of China's largest PLC technology companies, the Group's core competence is the development of application-specific integrated circuits (ASICs) and its proprietary ASICs are embedded in all of its PLC products. With the support of a strong R&D team and abundant resources, the Group continues to pursue technological innovation. The Group's PLC products are used mainly by the power grid companies in China. It is one of the first PLC technology companies to have AMR products commercially deployed in State Grid's AMR systems. At the same time, the Group is the largest PLC solutions provider for streetlight control in China, and also provides various PLC products and solutions for a number of applications related to energy saving and environmental protection. For more details about Risecomm, please visit website: <http://www.risecomm.com.cn/en/>.

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