



Risecomm Announces 2018 Annual Results

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Strategy Movement to Tap into SMIA Business Segment Expands Revenue Stream and Diversifies Customer Base

(Hong Kong, 28 March 2019) **Risecomm Group Holdings Limited** (“Risecomm” or the “Group”) (Stock Code: 1679), a power-line communications (“PLC”) technology enterprises in China, has announced its annual results for the year ended 31 December 2018 (the “Review Year”).

During the Review Year, the Group’s two major business segments, namely the automated meter reading (“AMR”) and other business and the Smart Manufacturing & Industrial Automation (“SMIA”) business, both reported growth led to the increase in total revenue of 49.9%, amounted to approximately RMB475.8 million. This is mainly due to the increase in revenue from the AMR business and the introduction of new revenue stream from SMIA business. Gross profit increased by 9.5% to approximately RMB159.5 million. During the Review Year, net profit declined to approximately RMB4.2 million, it was mainly due to the increase in general and administrative expense, finance costs and the amortisation of intangible assets arising from the acquisitions of two businesses.

Business Review

The Group’s two major business segments both reported growth in revenue, contributed approximately 73.0% and 27.0% to the Group’s total revenue respectively.

AMR and other Business

Nevertheless a significant decrease in revenue from sales of PLC products to customers under State Grid centralized biddings for the Review Year, AMR and other business segment still recorded a revenue of approximately RMB347.4 million, representing an increase of approximately 9.5%. The growth was mainly attributed 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”).

During the Review Period, the Group completed the acquisition of North Mountain Information Technology Company Limited (“NM Technology”). NM Technology is an investment holding company and is principally engaged in sales and distribution of electronic components, in particular for ICs and related products in China through its subsidiary in China. The acquisition allows the Group to collaborate with NM Technology to diversify its customer base, achieve vertical integration of its business as well as broaden the Group’s revenue stream in AMR and other business. This is conducive to the long-term growth and sustainable development of the Group in order to enhance value for shareholders.

SMIA Business

The Group has been aiming to broaden the variety of business streams in non-AMR business segment in view of achieving a more balanced revenue composition. In order to achieve this goal, the Group has completed the acquisition of Green Harmony Limited (“Green Harmony”), together with its subsidiaries, operated in the business which held core technology competency within the field of industrial automation systems. The Group’s SMIA business 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 and other industrial sectors. It 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 demonstrations for other leading state-owned enterprises. During the Review Year, SMIA business segment started generating revenue of approximately RMB128.4 million, and it is worth noting that, benefited by the acquisition, the Group signed two new contracts with aggregated contract sum 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 post-contract customer support services, thus to further enhance the position of the Group in the petroleum sector in the PRC.

Prospects

Seeing the resumption in 2019, the Group remains optimistic about the development of its business, especially with the strategy movement to tap in the tremendous market of SMIA, it is expected to contributed a positive benefit to the Group’s operation.

In regard of the AMR and other business, it is expected to see a turnaround as China market was undergoing to enter into a new phase of upgrades starting from 2018 onwards. The bidding volume of smart meters and other terminals conducted by State Grid and Southern Grid is expected to grow at a CAGR of 11.5% from years 2017 to 2021. Yet, under the uncertainty in market competition in AMR and other business segment, the Group will strive to develop the PLC based broadband products and to retain the competitiveness in the AMR industry in China.

On the other hand, the Group plans to expand its SMIA business segment through formation of strategic alliance and cooperation with internationally renowned system integrators. With the completion of the acquisition of Green Harmony, the Group is able to provide existing and potential customers with value-adding solutions on its engineering process design and digital engineering design, as a result, another new line under this segment is initiated which benefit the Group in view of tapping into the enormous market with significant growth potential.

As for R&D, the Group commenced to explore the market of visualization platform of intelligent factory. The Group will utilize its own R&D 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.

Looking ahead, the Group will spare no effort to enhance its application of PLC technology with obvious advantages in costing and implementation as a much-suited alternative technology, at the same time, explore opportunity to further expand its SMIA business segment. Leveraging on the technology-based synergy among the Group's business segments, the Group not only be able to facilitate application of its PLC technology by creating a significant network communication on vast site areas, but also further expanded its technology base for other industrial applications, thus, to reinforced the Group's leading position in order to capture new profit-driven opportunities and deliver a more diversified growth in the long run.

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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 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. In 2018, the Group tapped into Smart Manufacturing & Industrial Automation (SMIA) business segment, where the Group offered software licenses, production safety products as well as provided of software post-contract customer support services applied in the area of MSI in the petroleum and petrochemicals industry For more details about Risecomm, please visit website: <http://www.risecomm.com.cn/en/>.

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