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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)

UPDATE ON PROFIT WARNING

This announcement is made by Risecomm Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Listing Rules.

Reference is made to the announcement of the Company dated 3 January 2020 in relation to profit warning for the year ended 31 December 2019 (the “**Profit Warning Announcement**”). Unless otherwise stated, capitalized terms used herein shall have the same meanings as defined in the Profit Warning Announcement.

As disclosed in the Profit Warning Announcement, the Group may incur a net loss for the year ended 31 December 2019 as compared to a net profit for the year ended 31 December 2018. Based on the latest assessment by the Board with reference to the information currently available, the potential net loss will be further increased as it is also subject to a possible recognition of impairment losses on the goodwill arising from the Group’s acquisitions of North Mountain Information Technology Company Limited (“**NM Technology**”) and Green Harmony Limited (“**Green Harmony**”) in April 2018 and August 2018, respectively, which are allocated to the Group’s cash-generating units (“**CGU**”) of AMR and other business segment and the SMIA business segment, respectively.

IMPAIRMENT TEST OF GOODWILL

In accordance with the relevant requirements under “Hong Kong Accounting Standard 36 — Impairment of Assets”, the Group performed impairment test for the goodwill arising from the acquisitions of NM Technology and Green Harmony. After conducting preliminary impairment test and analysis, the Group may recognize impairment of goodwill arising from the Group’s acquisitions of NM Technology and Green Harmony of no more than approximately RMB216 million for the year ended 31 December 2019. The Group is still in the process of finalizing its consolidated annual results for the year ended 31 December 2019 and the quantum of impairment losses have not been agreed with the Company’s auditor.

AMR AND OTHER BUSINESS SEGMENT

As mentioned in the Profit Warning Announcement, the Group experienced an unexpected delay in debut of the Group’s PLC based broadband AMR product as of 31 December 2019. It has postponed the Group’s participation in certain centralized biddings to be conducted by State Grid as well as certain local biddings in 2019 and 2020, and hence may lead to a potential loss of market share which could hamper the financial performance of the Group’s AMR and other business in the short run. The delay in debut of the Group’s PLC based broadband AMR product and potential loss of market share could negatively impact the expected future cashflow and the recoverable amount of the CGU.

SMIA BUSINESS SEGMENT

As mentioned in the Profit Warning Announcement, there is significant decrease in the Group’s revenue and gross profit from SMIA business segment for the year ended 31 December 2019 as compared to that of the corresponding period in 2018 which is primarily attributable to an unexpected delay in delivery/implementation of certain major contracts held as of 31 December 2019. Such delay is mainly attributable to the revision of corporate resources planning and implementation schedule conducted by the customers under SMIA business segment and hence has led to delay in revenue recognition by the Group. As part of the goodwill impairment test, the Board performed an annual assessment on the SMIA business. Given the financial performance of the SMIA business segment for the year ended 31 December 2019 had not achieved the 2019 financial budgets approved by the Board, the Board has been revisiting the strategic plan of the SMIA business, assessing the project progress and reasonableness of the timing of revenue recognition of the backlog contracts of the SMIA business held as of 31 December 2019, reassessing the sale pipelines forecast prepared by the management of the SMIA business in light of the recent expectation of market development in the short and medium run etc.

The Group is still in the process of finalizing its consolidated annual results for the year ended 31 December 2019. As such, this announcement is made solely on the basis of a preliminary assessment by the Board with reference to the information currently available to it, including the unaudited consolidated management accounts of the Group available for the time being and is not based on any figure or information audited or reviewed by the Company’s independent auditor, and is subject to changes. Shareholders and potential investors are advised to refer to details in the annual results of the Company for the year ended 31 December 2019.

In addition to the potential operating and asset impairment losses for the year ended 31 December 2019, as disclosed in the voluntary announcement of the Company dated 18 February 2020, due to the outbreak of the coronavirus (COVID-19) epidemic (the “**Epidemic**”) in the People’s Republic of China (the “**PRC**”) full resumption of operation and production of the Group was delayed. At present, the Group has not resumed full operation and production due to certain travel restrictions still in force in parts of the PRC to combat the outbreak of the Epidemic. It is foreseeable that the financial performance of the Group will be adversely affected by the Epidemic in the near future.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

By order of the Board
Risecomm Group Holdings Limited
Cheung Fan
Chairman and Non-executive Director

Hong Kong, 19 March 2020

As at the date of this announcement, the executive Directors are Mr. Yue Jingxing, Mr. Tang Andong and Mr. Lau Wai Leung, Alfred, the non-executive Directors are Mr. Wang Shiguang, Mr. Cheung Fan and Mr. Zhou, Francis Bingrong and the independent non-executive Directors are Mr. Ong King Keung, Ms. Lo Wan Man and Mr. Zou Heqiang.