RISECOMM
瑞斯康

RISECOMM GROUP HOLDINGS LIMITED
瑞斯康集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1679)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB35.1 million for the Period (corresponding period in 2022: approximately RMB61.6 million), representing a decrease of approximately 43.0%.

- Revenue from SMIA business segment decreased by approximately 28.3% to approximately RMB27.2 million for the Period as compared with the corresponding period in 2022.

- Revenue from AMR and other business segment decreased by approximately 66.6% to approximately RMB7.9 million for the Period as compared with the corresponding period in 2022.

- Gross profit decreased by approximately 48.9% to approximately RMB8.2 million for the Period as compared with the corresponding period in 2022. Gross profit margin decreased from approximately 26.1% for the corresponding period in 2022 to 23.4% for the Period.

- Net loss for the Period attributable to owners of the Company amounted to approximately RMB32.9 million (corresponding period in 2022: net loss attributable to owners of the Company of approximately RMB34.7 million).

- Basic loss per share for the Period amounted to approximately RMB17.37 cents (corresponding period in 2022: basic loss per share of approximately RMB19.51 cents).

- The Board did not recommend the payment of an interim dividend for the Period (corresponding period in 2022: Nil).

The board (the "**Board**") of directors (the "**Directors**") of Risecomm Group Holdings Limited (the "**Company**") announces herewith the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023 (the "**Period**"), together with the relevant unaudited financial data for the corresponding period in 2022 or other dates/periods as set out in this announcement for comparative purposes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Unaudited	
		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*5*	**35,106**	61,611
Cost of sales		**(26,889)**	(45,521)
Gross profit		**8,217**	16,090
Other income, gains/(losses)	*6*	**3,038**	2,324
Reversal/(allowance) for impairment losses on financial assets, net		**1,510**	(4,200)
Sales and marketing expenses		**(4,789)**	(7,081)
General and administrative expenses		**(23,996)**	(23,858)
Research and development expenses		**(9,480)**	(9,122)
Loss from operations		**(25,500)**	(25,847)
Finance costs	*7*	**(9,616)**	(386)
Change in fair value of convertible bonds		**–**	(7,863)
Loss before tax		**(35,116)**	(34,096)
Income tax credit/(expense)	*9*	**2,184**	(555)
Loss for the period	*8*	**(32,932)**	(34,651)
Attributable to:			
Owner of the Company		**(32,928)**	(34,651)
Non-controlling interests		**(4)**	–
		(32,932)	(34,651)
			(Restated)
Loss per share			
Basic and diluted *(RMB cents)*	*11*	**(17.37)**	(19.51)

		Unaudited	
		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Loss for the period		**(32,932)**	(34,651)
Other comprehensive loss			
Item that will not be reclassified to profit or loss:			
Fair value changes of equity investment at fair value through other comprehensive income (FVTOCI)		**–**	(493)
Item that will be reclassified to profit or loss:			
Exchange differences on translation of financial statements of entities outside mainland China		**(4,023)**	(6,808)
Other comprehensive loss for the period, net of tax		**(4,023)**	(7,301)
Total comprehensive loss for the period		**(36,955)**	(41,952)
Attributable to:			
Owners of the Company		**(36,951)**	(41,952)
Non-controlling interests		**(4)**	–
		(36,955)	(41,952)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Note	**Unaudited 30 June 2023 *RMB'000***	Audited 31 December 2022 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**17,043**	18,192
Right-of-use assets		**5,176**	7,079
Goodwill		**–**	–
Intangible assets		**41,607**	47,777
Equity investment at FVTOCI		**554**	554
Other receivables	*12*	**2,500**	–
Deferred tax assets		**34,617**	34,472
Total non-current assets		**101,497**	108,074
Current assets			
Inventories		**25,299**	27,814
Contract costs		**524**	786
Contract assets		**–**	16,629
Trade and other receivables	*12*	**113,465**	98,766
Restricted bank deposits		**2,618**	2,619
Bank and cash balances		**51,288**	86,652
Total current assets		**193,194**	233,266
TOTAL ASSETS		**294,691**	341,340
EQUITY AND LIABILITIES			
Share capital		**183**	158
Reserves		**53,222**	74,734
Equity attributable to owners of the Company		**53,405**	74,892
Non-controlling interests		**(515)**	(511)
Total equity		**52,890**	74,381

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Loans and borrowings		**–**	2,683
Deferred income		**846**	955
Lease liabilities		**1,689**	3,471
Deferred tax liabilities		**9,226**	10,609
Total non-current liabilities		**11,761**	17,718
Current liabilities			
Trade and other payables	*13*	**86,526**	113,512
Contract liabilities		**8,624**	6,207
Loans and borrowings		**128,365**	122,528
Lease liabilities		**3,804**	4,122
Convertible bonds	*14*	**–**	–
Income tax liabilities		**2,721**	2,872
Total current liabilities		**230,040**	249,241
TOTAL EQUITY AND LIABILITIES		**294,691**	341,340

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2023

1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 19 August 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 Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 9 June 2017.

2 BASIS OF PREPARATION

This unaudited interim financial report have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

This unaudited interim financial report should be read in conjunction with the 2022 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of this unaudited interim financial report are consistent with those used in the annual financial statements for the year ended 31 December 2022.

The Group incurred a net loss of approximately RMB32,932,000 during the six months ended 30 June 2023 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB36,846,000. Its current loans and borrowings and lease liabilities amounted to approximately RMB128,365,000 and approximately RMB3,804,000 respectively while its cash and cash equivalents amounted to approximately RMB51,288,000 only. These events and conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the unaudited interim financial report have been prepared on a going concern basis as the directors have taken the following measures:

(a) The Group is in progress to implement operational plans to control costs and generate sufficient operating cash flows to meet its current and future obligations. These actions include cost control measures, and timely collection of outstanding receivables;

(b) On 2 June 2023 and 19 July 2023, the Company completed two subscriptions of new shares under general mandate. The aggregate net proceeds were approximately HKD41,333,000, out of which approximately HKD18,378,000 have already been utilised to settle certain loans of the Company; and

(c) On 18 July 2023, the Company concluded the negotiation with the lender to extend the repayment date of the borrowing amounted to HKD120,000,000 due by 11 August 2023, and entered into an extension agreement, pursuant to which, the Company and the lender conditionally agreed to further extend the maturity date of the borrowing by 2 years from 12 August 2023 to 11 August 2025.

Having taken into account the above-mentioned plans and measures, the directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due within the next twelve months from the date of the consolidated statement of financial position. Accordingly, the unaudited interim financial report have been prepared on a going concern basis.

Should the Group fail to achieve the above-mentioned plans and measures, it may be unable to continue as a going concern, and adjustments would have to be made to write down the carrying value of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in this unaudited interim financial report.

3 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

A. Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences — e.g. leases.

Prior to the adoption of Amendments to HKAS 12, the Group applied the initial recognition exemption under paragraphs 15 and 24 of HKAS 12 for leasing transactions that give rise to equal and offsetting temporary differences, and therefore no deferred tax has been recognised for temporary differences relating to right-of-use assets and lease liabilities at initial recognition, and also over the lease terms under paragraph 22(c) of HKAS 12.

The Group has applied the transitional provisions under paragraphs 98K and 98L of Amendments to HKAS 12 to leasing transactions that occur on or after the beginning of the earliest comparative period presented and also, at the beginning of the earliest comparative period presented by:

(i) Recognising a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities; and

(ii) Recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Based on the management's assessment, there was immaterial impact on the consolidated statement of financial position as at 1 January 2022, 31 December 2022 and 30 June 2023, because the deferred tax assets and the deferred tax liabilities recognised as a result of the adoption of Amendments to HKAS 12 qualify for offset under paragraph 74 of HKAS 12. There was also immaterial impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised. This disclosure will be provided in the annual financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these unaudited interim financial report.

4 SEGMENT INFORMATION

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 has presented the following two reportable segments during the period.

- 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, construction contracts 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.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include unallocated general and administrative expenses, other income, gains/(losses), change in fair value of convertible bonds, finance costs, reversal/(allowance) for impairment losses of financial assets, net and income tax credit/(expenses).

No segment assets or liabilities information or other segment information is provided as the Group's most senior executive management does not review this information for the purpose of resource allocation and assessment of segment performance.

(a) Information about operating segment profit or loss

The segment information provided to the Group's most senior executive management for the reportable segments for the six months ended 30 June 2023 and 2022 is as follows:

Six months ended 30 June 2023	**AMR and other business** *RMB'000* **(unaudited)**	**SMIA business** *RMB'000* **(unaudited)**	**Total** *RMB'000* **(unaudited)**
Revenue	**7,929**	**27,177**	**35,106**
Cost of Sales	**(5,865)**	**(21,024)**	**(26,889)**
Sales and marketing expenses	**(2,761)**	**(2,028)**	**(4,789)**
Research and development expenses	**(8,748)**	**(732)**	**(9,480)**
Reportable segment results	**(9,445)**	**3,393**	**(6,052)**

Six months ended 30 June 2022	AMR and other business *RMB'000* (unaudited)	SMIA business *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
Revenue	23,710	37,901	61,611
Cost of Sales	(14,887)	(30,634)	(45,521)
Sales and marketing expenses	(4,215)	(2,866)	(7,081)
Research and development expenses	(8,416)	(706)	(9,122)
Reportable segment results	(3,808)	3,695	(113)

(b) Reconciliations of segment revenue and profit or loss

	Six months ended 30 June	
	2023 *RMB'000* **(unaudited)**	2022 *RMB'000* (unaudited)
Reportable segment results	**(6,052)**	(113)
Other income, gains/(losses)	**3,038**	2,324
General and administrative expenses	**(23,996)**	(23,858)
Finance costs	**(9,616)**	(386)
Reversal/(allowance) for impairment losses of financial assets, net	**1,510**	(4,200)
Change in fair value of convertible bonds	**–**	(7,863)
Loss before taxation	**(35,116)**	(34,096)

No geographical segment information is presented as all the sales and operating losses of the Group are derived within the PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

5 REVENUE

The Group is principally engaged in the design, development and sale of PLC products as well as the provision of relevant maintenance services in connection with the deployment and upgrades of automated meter reading ("**AMR**") systems by power grid companies in the People's Republic of China ("**PRC**") and for a wide range of applications related to energy saving and environmental protection.

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

(a) Disaggregation of revenue

An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15 and recognised at a point in time		
Disaggregated by major products or service lines		
AMR and other business		
— PLC Integrated circuits ("**ICs**")	**2,028**	5,353
— PLC Modules	**2,288**	11,982
— Other products	**2,266**	4,364
— AMR maintenance services	**1,347**	2,011
Sub-total of AMR and other business	**7,929**	23,710
SMIA business		
— Software license	**17,147**	16,366
— Production safety products	**3,976**	17,831
Sub-total of SMIA business	**21,123**	34,197
Revenue from contracts with customers within the scope of HKFRS 15 and recognised over time		
Disaggregated by major products or service lines		
SMIA business		
— Post-contract customer support service	**1,726**	1,818
— Construction contracts	**4,328**	1,886
Sub-total of SMIA business	**6,054**	3,704
Total	**35,106**	61,611

6 OTHER INCOME, GAINS/(LOSSES)

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income from bank deposits	**271**	530
Rental concession	**–**	384
Government grants		
— Unconditional subsidies	**1,298**	515
— Conditional subsidies	**109**	568
Net exchange gain/(loss)	**967**	(3)
Others	**393**	330
	3,038	2,324

7 FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Imputed interest expenses on borrowings	**6,417**	–
Interest expenses on loans and borrowings	**3,035**	138
Interest expenses on lease liabilities	**164**	248
	9,616	386

8 LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging/(crediting):

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Amortisation of intangible assets	**6,170**	12,321
Cost of inventories sold	**9,448**	27,979
Cost of AMR maintenance services	**1,165**	1,633
Cost of software license sold	**13,658**	13,002
Cost of post-contract customer support	**1,206**	943
Cost of construction contract	**625**	957
Depreciation of property, plant and equipment	**1,218**	1,471
Depreciation of right-of-use asset	**1,910**	1,790
Loss on disposals of property, plant and equipment	**–**	8
(Reversal)/allowance for impairment losses of financial assets, net	**(1,510)**	4,200
Allowance for impairment loss of inventories, net	**787**	1,007

9 INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
Provision for the period	**53**	1,449
(Over)/under-provision in prior years	**(709)**	243
	(656)	1,692
Deferred tax	**(1,528)**	(1,137)
	(2,184)	555

10 DIVIDENDS

The Board of Directors does not recommend the payment of any dividend in respect of the six months ended 30 June 2023 and 2022.

11 LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss		
Loss attribute to owners of the Company used in the basic and diluted loss per share calculation	**(32,928)**	(34,651)

	2023	2022
	'000	*'000*
		(restated)
Number of shares		
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	**189,554**	177,591

The effect of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2023 and 2022 due to loss making for the six months ended 30 June 2023 and 2022.

The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market price for shares for the six months ended 30 June 2023 and 2022.

The corresponding weighted average number of ordinary shares for the six months ended 30 June 2022 has been retrospectively adjusted to reflect the share consolidation.

12 TRADE AND OTHER RECEIVABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade receivables	**136,853**	120,247
Bills receivable	**147**	64
Allowance for impairment losses of trade receivables	**(60,327)**	(60,081)
	76,673	60,230
Prepayments	**18,466**	17,038
Other receivables	**14,579**	14,836
Loan receivables *(note (a))*	**10,830**	9,580
Allowance for impairment losses of other receivables	**(4,583)**	(2,918)
	39,292	38,536
	115,965	98,766
Less: Non-current portion	**(2,500)**	–
	113,465	98,766

Note:

(a) The loan receivables are arranged at fixed interest rates of 0% to 5% per annum, which are recoverable within one year to two years. The Group considers that those receivables remain appropriate to measure them at amortised cost.

The Group generally allows an average credit period of 180 days (2022: 180 days) for its customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

The aging analysis of trade and bills receivables, net of allowance for impairment of trade and bills receivables, presented based on the invoice dates is as follows:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Within 6 months	**27,020**	17,182
After 6 months but within 1 year	**21,633**	2,831
Over 1 year	**28,020**	40,217
	76,673	60,230

The carrying amounts of the Group's trade receivables are mainly denominated in RMB.

13 TRADE AND OTHER PAYABLES

	30 June 2023 *RMB'000* **(unaudited)**	31 December 2022 *RMB'000* (audited)
Trade payables	**73,764**	93,427
Product warranty provision	**489**	1,037
Other payables and accruals	**12,273**	19,048
	86,526	113,512

Trade payables comprised amounts due to suppliers for purchase of goods or services used in regular course of business. Trade payables are non-interest bearing and generally due upon demand. The aging analysis of trade payables based on the invoice dates is as follows:

	30 June 2023 *RMB'000* **(unaudited)**	31 December 2022 *RMB'000* (audited)
Within 3 months	**13,215**	39,280
After 3 months but within 6 months	**15,607**	20,802
After 6 months but within 1 year	**15,000**	2,890
Over 1 year but within 2 years	**15,187**	11,949
Over 2 years	**14,755**	18,506
	73,764	93,427

The carrying amounts of the Group's trade payables are mainly denominated in RMB.

14 CONVERTIBLE BONDS

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Balance as at 1 January	**–**	117,590
Payment for interest on convertible bonds	**–**	(5,116)
Redemption upon maturity	**–**	(119,612)
Re-measurement on convertible bonds	**–**	(1,375)
Foreign currency exchange adjustment	**–**	8,513
	–	–

On 13 August 2018 ("**Issue Date**"), the Group issued convertible bonds to an independent third party (the "**Holder**") with principal amount of HKD150,000,000 (equivalent to approximately RMB131,130,000) with a maturity period of two years to 13 August 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**"). In 2019, the Group has exercised the extension right by serving an extension notice to the Holder in accordance with terms and conditions of the convertible bonds. As a result, the Maturity Date has been changed to 13 August 2021.

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.

On 13 August 2020, the conversion price of the convertible bonds adjusted from HK$2.5 to HK$0.8 per share. The convertible bonds can be converted into ordinary shares of the Company at the holder's option at an conversion price of HK$0.80 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.

On 13 August 2021, the Group and the Holder entered into the Second Amendment and Extension Agreement, pursuant to which, the Company and the Holder conditionally agreed to further extend the Extended Maturity Date of the Convertible Bonds by 12 months from 13 August 2021 to the New Maturity Date of 13 August 2022 by way of executing the Second Supplemental Deed.

As at 2 September 2022, the Group has fully redeemed its convertible bonds at their principal amounts of HK$150,000,000 by refinancing through a loan from the bondholder. The interest accrued thereon from the last interest payment date up to the maturity date has also been fully paid.

The entire convertible bonds are designated as financial liabilities at fair value through profit or loss since inception date.

15 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties:

As at 30 June 2023 and 2022, the Group do not have any transactions with related parties.

(b) Key management compensation:

The remuneration of Directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Short-term employee benefits	**4,168**	3,806
Post-employee benefits	**182**	139
	4,350	3,945

16 EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 19 July 2023, (unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the announcement), all conditions precedent under each of the Subscription Agreements were fulfilled and completion of each of the Subscriptions took place on 19 July 2023 pursuant to the terms of each Subscription Agreement. A total of 17,060,000 Shares, 12,780,000 Shares and 12,780,000 Shares were successfully allotted and issued to each of Subscriber A, Subscriber B and Subscriber C, respectively at the Subscription Price of HK$0.56 per Subscription Share under the General Mandate. The net proceeds from the Subscriptions, after deduction of the related expenses, are approximately HK$23,817,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Under the second round of transformation of the Electric Energy Data Acquisition Systems by the State Grid Corporation of China ("**State Grid**"), the construction goal of "full coverage, collection, and tariff control" is promoting the further development and upgrading of power line communication ("**PLC**") technology. Looking back on the transformation history of the PLC industry, China's PLC industry has completed the transition from narrowband single-mode technology to narrowband dual-mode technology, and has then turned to broadband single-mode technology in recent years. Now, State Grid has finished the setting of new standards and adoption of the next-generation dual-mode technology. The transition from broadband single-mode technology to broadband dual-mode technology will be initiated by State Grid shortly. Given the implementation of the dual-carbon policy, the dual control of energy consumption and the marketization of electricity price, it is expected that the focus of State Grid's procurement and bidding in the coming year will be on broadband dual-mode technology.

During the Period, the number of tenders for Electric Energy Data Acquisition Systems was about 26.5 million, representing a year-on-year decrease of approximately 37.4% compared with the corresponding period in 2022. According to industry forecast, it is expected that the total number of tenders in 2023 will be not less than that in 2022, with a relatively larger number of tenders to be held in the second half of 2023.

In the context of the dual-carbon policy, new energy sources will be connected to the grid on a mass scale in the future, distributed power sources will be integrated to the grid, and the number of charging piles and energy storage demand will increase rapidly. In order to cope with such diversified demands, State Grid is accelerating the promulgation of new technical standards and the upgrade of smart meters. The overall market has great potential. However, US sanctions have triggered mismatches in domestic chip supply and delivery delays; the PLC market is highly competitive; and State Grid's accelerated replacement of industry standards and other factors have brought various uncertainties to the market in 2023.

On the other hand, during the Period, the Group's smart manufacturing & industrial automation ("**SMIA**") business segment has been continuing in exploring the field of industrial automation systems by leveraging its core technology competency, particularly in the area of maintenance and safety integrity system ("**MSI**") for the petroleum and petrochemicals industry.

In the face of the current global manufacturing industry's transformation towards digitalization, networking and intelligence, there has been a continuous increase in policy support for the intelligent manufacturing industry by the PRC government. The "14th Five-Year Plan for Development of Smart Manufacturing" ("十四五" 智慧製造發展規劃) puts forward a number of development targets for 2025, including achieving fundamental digitisation and network transformation of 70% of large-scale manufacturing enterprises, the establishment of more than 500 smart manufacturing demonstration factories, and the creation of more than 200 national industry standards. By 2035, the plan envisages the "comprehensive and general digitisation and network transformation of large-scale manufacturing enterprises" as well as the "fundamental smart conversion of key industry backbone enterprises". In the future, rapid industrial development will promote the continuous expansion of the market scale of the intelligent manufacturing industry, bringing abundant opportunities to the Group.

Business Review

During the Period, the Group operated in two major business segments. Firstly, the Group operated in automated meter reading ("**AMR**") and other business, where the Group sold PLC products such as PLC integrated circuits ("**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, the Group expanded its business in late 2018 and engages in SMIA business where the Group offered software licenses, production safety products, construction contracts 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 Period, the Group recorded revenue of approximately RMB35.1 million (for the corresponding period in 2022: approximately RMB61.6 million), representing a decrease of approximately 43.0%.

The Group's AMR and other business segment recorded a revenue of approximately RMB7.9 million (for the corresponding period in 2022: approximately RMB23.7 million), representing a decrease of approximately 66.6%. Revenue from AMR and other business segment for the Period accounted for approximately 22.6% (for the corresponding period in 2022: approximately 38.5%) of the Group's total revenue. The decrease in revenue from AMR and other business segment for the Period was mainly due to (i) heightened difficulty in acceptance of new projects caused by shortage of cash encountered during the Period, which was mainly resulted from the repayment of a major borrowing during the Period; and (ii) delayed delivery of the Group's new broadband dual-mode products for sales in the relevant successfully tendered contracts, which was mainly resulted from the pending inspection approval for the new broadband dual-mode products before they can be delivered.

During the Period, the Group's SMIA business segment recorded a revenue of approximately RMB27.2 million (for the corresponding period in 2022: approximately RMB37.9 million), representing a decrease of approximately 28.3%. Revenue from SMIA business segment for the Period accounted for approximately 77.4% (for the corresponding period in 2022: approximately 61.5%) of the Group's total revenue. The decrease in revenue from SMIA business segment for the Period was mainly due to the shortage of cash for acceptance of larger scale projects as mainly resulted from the prolonged late settlement of trade receivables from certain major customers since early 2022, whereas the Group was able to accept and deliver a relatively larger scale production safety products project for the corresponding period in 2022 which contributed revenue of approximately RMB17.5 million.

The Group recorded a decrease in loss attributable to the owners of the Company from approximately RMB34.7 million in the corresponding period in 2022 to approximately RMB32.9 million for the Period. The slight decrease in loss for the Period attributable to owners of the Company was mainly attributable to reversal for impairment losses on contract assets by the SMIA business segment and recording of income tax credit for the Period, partially offset by the decrease in gross profit for the Period.

The Group has maintained a lean-cost strategy so as to reduce the operating cost, especially the workforces in the administrative and research & development aspect. The Group will continue to review the measures adopted.

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.

The Group had been actively participating in the discussion and formulation of the technical standard for broadband PLC for State Grids for several years whereas the Group heavily invested in the research and development project in relation to the Group's PLC based broadband AMR product to be applied in the products for State Grid.

As of 30 June 2023, the research and development team of the Group consisted of 48 employees (as of 30 June 2022: 50 employees), representing approximately 32% (as of 30 June 2022: approximately 30%) of the Group's total workforce, specialising 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 of 30 June 2023, the Group had successfully developed a significant intellectual property portfolio, comprising 22 patents, 129 computer software copyrights and 9 IC layout designs registered, signifying the Group's achievements in research and development of the PLC technology and MSI for the petroleum and petrochemicals industry.

Financial Review

Revenue

Revenue decreased from approximately RMB61.6 million for the corresponding period in 2022 to approximately RMB35.1 million for the Period, or by approximately 43.0%. The decrease was due to the decrease in revenue of approximately 66.6% from the AMR and other business segment and the decrease in revenue of approximately 28.3% from the SMIA business segment.

The decrease in revenue from the AMR and other business segment was mainly due to the (i) heightened difficulty in acceptance of new projects caused by shortage of cash encountered during the Period, which was mainly resulted from the repayment of a major borrowing during the Period; and (ii) delayed delivery of the Group's new broadband dual-mode products for sales in the relevant successfully tendered contracts, which was mainly resulted from the pending inspection approval for the Group's new broadband dual-mode products before they can be delivered.

The decrease in revenue from the SMIA business segment was mainly due to the shortage of cash for acceptance of larger scale projects as mainly resulted from the prolonged late settlement of the trade receivables from certain major customers since early 2022, whereas the Group was able to accept and deliver a relatively large scale production safety products project for the corresponding period in 2022 which contributed revenue of approximately RMB17.5 million.

Gross profit

Gross profit decreased by approximately 48.9% to approximately RMB8.2 million for the Period from approximately RMB16.1 million for the corresponding period in 2022.

Gross profit margin was approximately 23.4% for the Period and has decreased from approximately 26.1% for the corresponding period in 2022, representing a decrease of gross profit margin by approximately 2.7%.

The decrease in gross profit margin was mainly attributable to the decrease in gross profit margin of the AMR and other business segment from approximately 37.2% for the corresponding period in 2022 to approximately 26.0% for the Period, which was mainly attributable to the increase in proportion of revenue from sales of other products and AMR maintenance services which earned a relatively lower gross profit margin than revenue from sales of PLC integrated circuits and PLC modules.

Other income

Other income increased by approximately 30.7% to approximately RMB3.0 million for the Period from approximately RMB2.3 million for the corresponding period in 2022. The increase was mainly attributable to increase in net exchange gains for the Period to approximately RMB1.0 million as compared to net exchange losses of approximately RMB3,000 for the corresponding period in 2022.

Reversal/(allowance) for impairment losses on financial assets, net

Reversal for impairment losses on financial assets of approximately RMB1.5 million was recognised during the Period (for the corresponding period in 2022: allowance for impairment losses on financial assets of approximately RMB4.2 million). The reversal during the Period was mainly attributable to the reversal for impairment losses on contract assets by the SMIA business segment as certain construction project had been completed during the Period, in respect of which the relevant amount of impairment losses previously recognised on the contract assets as at 31 December 2022 has been invoiced to the customer during the Period.

Sales and marketing expenses

Sales and marketing expenses decreased by approximately 32.4% to approximately RMB4.8 million for the Period from approximately RMB7.1 million for the corresponding period in 2022. The decrease was mainly attributable to (i) decrease in sales and marketing staff costs as a result of tightened control on the Group's marketing personnel expenditures; (ii) decrease in business entertainment and (iii) non-recurrence of a AMR maintenance service related marketing fee incurred by North Mountain Power Technology (Beijing) Co., Ltd after its deregistration in 2022.

General and administrative expenses

General and administrative expenses remained stable for the Period and for the corresponding period in 2022. During the Period, the Group implemented stringent cost control measures to maintain the general and administrative expenses at approximately the same level as in the corresponding period in 2022.

Research and development expenses

Research and development expenses increased by approximately 3.9% to approximately RMB9.5 million for the Period from approximately RMB9.1 million for the corresponding period in 2022. The increase was mainly attributable to the increase in research and development staff cost and increased testing and inspection costs related to the Group's new broadband dual-mode products incurred during the Period. As of 30 June 2023, the headcount of the Group's research and development team remained stable at 48 employees (as of 30 June 2022: 50 employees). During the Period, the Group had strategically retained the resources on the development of the Group's core PLC technology and the expansion of software application in the SMIA business segment.

Finance costs

Finance costs increased by approximately 2391.2% to approximately RMB9.6 million for the Period from approximately RMB0.4 million for the corresponding period in 2022. The increase was mainly attributable to the increase in interest expenses on (i) other borrowings which were mainly drawn down for refinancing the redemption of the convertible bonds and other accrued interests; and (ii) bank and other borrowings which were mainly drawn down to meet the working capital requirement of the Group.

Income tax credit/(expense)

Income tax credit of approximately RMB2.2 million was recorded during the Period (for the corresponding period in 2022: income tax expense of approximately RMB0.6 million). The income tax expense for the corresponding period in 2022 was mainly attributable to a one-off PRC withholding tax payment of approximately RMB0.5 million in respect of a distribution of retained profits of a PRC subsidiary of the Group to its immediate holding company, whereas there was no such distribution for the Period.

Loss attributable to owners of the Company

As a result of the above factors, the Company recorded a loss attributable to owners of the Company for the Period of approximately RMB32.9 million (for the corresponding period in 2022: loss attributable to owners of the Company: approximately RMB34.7 million).

Liquidity and financial resources

During the Period, the Group's operations were mainly financed by (i) internal resources, including but not limited to existing cash and cash equivalents, cash flow from its operating activities; (ii) net proceeds generated from the listing of shares of the Company (the "**Listing**") on the Main Board of the Stock Exchange (as defined below) on 9 June 2017; and (iii) net proceeds generated from the May 2023 Subscriptions (as defined below) of new shares under general mandate completed in June 2023. The Board believes that the Group's liquidity needs will be satisfied.

As of 30 June 2023, the Group's current assets amounted to approximately RMB193.2 million (as of 31 December 2022: approximately RMB233.3 million), with cash and cash equivalents totaling approximately RMB51.3 million (as of 31 December 2022: approximately RMB86.7 million). The cash and cash equivalents of the Group are principally held in RMB, HKD and USD.

As of 30 June 2023, the Group's total interest-bearing liabilities amounted to approximately RMB133.9 million (as of 31 December 2022: approximately RMB132.8 million), representing borrowings and lease liabilities. The Group had interest-bearing liabilities of RMB132.2 million (as of 31 December 2022: RMB126.7 million) and RMB1.7 million (as of 31 December 2022: RMB6.1 million) which will be due repayable within one year and after one year respectively with coupon rates range from 0% to approximately 8.25% per annum. The net debt-to-equity ratio (referred as to the gearing ratio: interest-bearing liabilities less cash and cash equivalents divided by total equity) was approximately 156.1% as of 30 June 2023 (as of 31 December 2022: approximately 62.0%).

Subscriptions of new Shares under General Mandate on 22 May 2023

References are made to the announcement ("**May 2023 GM Subscription Announcement**") of the Company dated 22 May 2023 in relation to the subscriptions ("**May 2023 Subscriptions**") of new ordinary shares of HK$0.0001 each in the share capital of the Company under the general mandate ("**2022 General Mandate**") to allot, issue and deal with Shares granted to the Directors by resolution of the shareholders of the Company passed at the annual general meeting of the Company held on 24 June 2022, and the announcement of the Company dated 2 June 2023 in relation to the completion of the May 2023 Subscriptions.

On 22 May 2023, the Company entered into subscription agreements (the "**May 2023 Subscription Agreements**") with three subscribers, all being independent third parties, whereby the subscribers conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue an aggregate of not more than 274,000,000 subscription Shares at the subscription price of HK$0.064 each.

Completion of the May 2023 Subscriptions took place on 2 June 2023. A total of 274,000,000 Shares have been successfully allotted and issued under the 2022 General Mandate. The net proceeds from the May 2023 Subscriptions, after deduction of the related expenses, are approximately HKD17,516,000, which was entirely used for lowering the gearing ratio of the Group by repayment of certain outstanding indebtedness. The use of net proceeds from the May 2023 Subscriptions were utilized in line with the intentions as disclosed in the May 2023 GM Subscription Announcement.

Capital Reorganisation

An annual general meeting of the Company was convened on 27 June 2023 to approve the share consolidation on the basis that every ten (10) issued and unissued Shares of par value of HK$0.0001 each in the share capital of the Company be consolidated into one (1) consolidated Share of par value of HK$0.001 each (the "**Share Consolidation**").

The Share Consolidation became effective on 29 June 2023. For further details, please refer to the announcements of the Company dated 7 June 2023 and 27 June 2023 and the supplemental circular of the Company dated 9 June 2023.

Subscriptions of new Shares under General Mandate on 28 June 2023

References are made to the announcement ("**June 2023 GM Subscription Announcement**") of the Company dated 28 June 2023 in relation to the subscriptions ("**June 2023 Subscriptions**") of new ordinary shares of HK$0.001 each in the share capital of the Company under the general mandate ("**2023 General Mandate**") to allot, issue and deal with Shares granted to the Directors by resolution of the shareholders of the Company passed at the annual general meeting of the Company held on 27 June 2023, and the announcement of the Company dated 19 July 2023 in relation to the completion of the June 2023 Subscriptions.

On 28 June 2023, the Company entered into subscription agreements (the "**June 2023 Subscription Agreements**") with three subscribers, all being independent third parties, whereby the subscribers conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue an aggregate of not more than 42,620,000 subscription Shares at the subscription price of HK$0.56 each.

The net proceeds from the June 2023 Subscriptions, after deduction of the related expenses, were approximately HKD23,817,000. The Company intends to utilise the net proceeds from the June 2023 Subscriptions together with the net proceeds from the May 2023 Subscriptions for (i) repayment of certain outstanding indebtedness; (ii) general working capital purposes; and (iii) reservation as business development funds of the Group.

Completion of the June 2023 Subscriptions took place on 19 July 2023. The status of the Company's external borrowings and/or payables is still under review. Any updates regarding the utilisations of the net proceeds will be duly disclosed in the Company's financial reports. Please refer to the announcement of the Company dated 19 July 2023 for further details.

Exchange rate risk

Most of the businesses of the Group are settled in RMB while businesses in foreign currencies are mainly settled in either HKD or USD. The fluctuation of exchange rate of the currencies will have certain impact on the Group's business which are settled in foreign currencies. During the Period and in the corresponding period of 2022, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations.

Capital commitments

As of 30 June 2023, the Group had a total capital commitment of approximately RMB1.8 million, contracted for but not yet incurred (as of 31 December 2022: approximately RMB1.8 million). Such capital commitments are expected to be funded by the Group's internal resources.

Contingent liabilities

As of 30 June 2023, the Group had no contingent liabilities (as of 31 December 2022: Nil).

Charge on assets

As of 30 June 2023, pursuant to a repayment agreement entered into by the Company and the bondholder on 2 September 2022 for refinancing the redemption of the convertible bonds, the entire issued shares of two subsidiaries of the Company, namely Risecomm Co. Ltd. and Risecomm (HK) Technology Co. Limited, have been pledged as security for borrowings of approximately RMB109.1 million.

As of 30 June 2023, trade receivables of approximately RMB3.2 million were pledged to secure a bank loan amounting to approximately RMB2.0 million.

Saved as disclosed, the Group had no other charge on assets as at the date of this announcement.

As of 30 June 2022, the Group had no charge on assets.

Significant investments

During the Period, the Group did not hold any material investment.

Issue of Convertible Bonds

Pursuant to subscription agreement entered into by the Company on 31 July 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., ("**SRA**") an independent investor, on 13 August 2018 (the "**Issue Date**"). The aggregated net proceeds from the issue of the Convertible Bonds were approximately HKD146.0 million, and all such proceeds have been fully utilized by the Group. The reason for the issue of the Convertible Bonds was to raise fund to settle the consideration for the acquisition of Green Harmony. 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. On 18 December 2019, the Company delivered an extension notice to SRA in accordance with the terms and conditions of the Convertible Bonds as set out in the instrument constituting the Convertible Bonds ("**Instrument**") to extend the maturity date from 13 August 2020 to a date falling on 36 months from the Issue Date. Based on the extension notice and the Instrument, the Convertible Bonds will mature on 13 August 2021 ("**Extended Maturity Date**") and the maturity date shall not be extended further without written approval of the majority holders of the Convertible Bonds and 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 ordinary shares of the Company (the "**Conversion Shares**") with an initial conversion price of HK$2.50 per Conversion Share (the "**Initial Conversion Price**") which is subject to anti-dilutive adjustments arising from such events.

On 13 August 2020, following the fulfilment of all the conditions precedent set out in the amendment agreement dated 24 June 2020, including the grant of approval by the Stock Exchange in relation to the proposed amendment to the terms and conditions of the Convertible Bonds ("**Proposed Amendment**") as set out in the Instrument, the Company executed the supplemental deed of Instrument to amend the conversion price under the Convertible Bonds from the Initial Conversion Price of HK$2.50 per Conversion Share to the adjusted conversion price of HK$0.80 per Conversion Share ("**Adjusted Conversion Price**").

Based on the Adjusted Conversion Price and assuming full conversion of the Convertible Bonds at the Adjusted Conversion Price, the Convertible Bonds will be convertible into 187,500,000 Conversion Shares (with an aggregate nominal value of HKD18,750), representing approximately 10.6% of the issued share capital of the Company as at 30 June 2022 and approximately 9.5% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, respectively. Assuming full conversion of the Convertible Bonds at the Adjusted Conversion Price and on the basis that the existing number of shares of the Company in issue as at 30 June 2022 remains unchanged as at the date of the conversion, the shareholding of the substantial shareholders of the Company (has the meaning ascribed to it under the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**")) as at 30 June 2022 will be as follows, as to: (i) 17.4% by Mr. Ding Zhigang; (ii) 11.8% by SRA; and (iii) 10.1% by SB Asia Investment Fund II L.P..

The Adjusted Conversion Price represents (i) a discount of approximately 68.0% over the Initial Conversion Price of HK$2.50 per Conversion Shares; (ii) a premium of approximately 6.67% over the closing price of HK$0.75 per share of the Company as quoted on the Stock Exchange on 24 June 2020 (the "**Last Trading Day**"); (iii) a premium of approximately 8.11% over the average closing price of HK$0.74 per share of the Company as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iv) a premium of approximately 11.11% over the average closing price of HK$0.72 per share of the Company as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

As the Adjusted Conversion Price represents a less premium to the prevailing market price of the shares of the Company when compared to the Initial Conversion Price of HK$2.50 per share, the chance of conversion of the Convertible Bonds is less remote and if the Convertible Bonds are converted into shares of the Company, the financial position of the Group will be strengthened with the conversion of debt into equity capital and the pressure on the Company's liquidity and cash flow can be reduced.

On 13 August 2021, the Company and SRA entered into the second amendment and extension agreement ("**Second Amendment and Extension Agreement**"), pursuant to which, the Company and SRA conditionally agreed to further extend the Extended Maturity Date of the Convertible Bonds by 12 months from 13 August 2021 to the new maturity date of 13 August 2022 (i.e. 48 months from the Issue Date) (the "**Maturity Date**") by way of executing the second supplemental deed of Instrument ("**Second Supplemental Deed**") in connection with the second proposed amendment to the terms and conditions of the Convertible Bonds as set out in the Instrument as contemplated under the Second Amendment and Extension Agreement and the Second Supplemental Deed ("**Second Proposed Amendment**").

As at 2 September 2022, the Company has fully redeemed its Convertible Bonds at their principal amounts of HKD150,000,000 (the "**Redemption**") by refinancing through a loan from the bondholder. The interest accrued thereon from the last interest payment date up to the Maturity Date has also been fully paid.

Following the Redemption, the Convertible Bonds were cancelled in whole and the Company was discharged from all of the obligations under and in respect of the Convertible Bonds.

Please refer to the announcements of the Company dated 31 July 2018 and 13 August 2018 for further details of the Convertible Bonds; the announcements of the Company dated 24 June 2020 and 13 August 2020 for further details in relation to the Proposed Amendment; the announcements of the Company dated 13 August 2021, 19 August 2021, 3 September 2021 and 6 October 2021 for further details in relation to the Second Proposed Amendment in relation to the further extension of the maturity date of the Convertible Bonds, and the announcements of the Company dated 15 August 2022 and 2 September 2022 for further details in relation to the Redemption.

Events after the reporting period

Details of significant event which would cause material impact on the Group from the end of the Period to the date of this announcement is set out in note 16.

Saved as disclosed, there was no other significant event which would cause material impact on the Group from the end of the Period to the date of this announcement.

Prospects

In 2023, State Grid continues to commit to the application of broadband technology in the Electric Energy Data Acquisition Systems, and has initiated the transition from broadband single-mode technology to broadband dual-mode technology. The Group is currently researching and developing new broadband dual-mode products, and will continue to promote and expand its PLC broadband products to more provincial network markets, thereby strengthening the competitiveness of the Group's broadband products in the domestic market. In addition, with the PRC government's promotion of smart city construction, support for energy conservation and emission reduction, and the continuous expansion of the overseas market for smart meters under the Belt and Road Initiative, the market of PLC technology is expected to maintain a good development trend in the next few years, which will expect to promote the sales of various products under the Group's AMR and other business line.

For the Group's SMIA business, the Group believes that the growth of China industrial automation market would continue to be healthy given its current relatively low penetration rate and the rising cost of labour. As petrochemical enterprises are the pioneers of the manufacturing sector in China, major market participants have started to build smart oil fields, smart pipelines and smart factories.

The Group will continue to capture opportunities in the design and implementation of industrial automation systems, particularly in the area of MSI for the petroleum and petrochemicals industry, other manufacturing and construction businesses by leveraging the Group's own technologies and intellectual property rights.

In the coming future, the Group plans to expand its SMIA business segment through formation of strategic alliances and collaborations with internationally renowned system integrators to provide existing and potential customers with its value-added solutions on its engineering process design and digital engineering design as well as software solutions for Industrial Control System (ICS) network security. Through in-depth strategic cooperation and technology exchange, the Group aims to enhance the expertise in smart factory integrated solutions for petroleum refining and pipeline construction. At the same time, the Group will utilise its own research and development resources to cooperate with external companies to further develop its own intellectual property rights on the smart factory application interface and visual integrated management platform as well as the integration of the online and core applications on 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

Interim Dividend

The Board did not recommend the payment of an interim dividend for the Period (corresponding period in 2022: Nil).

Compliance with the Corporate Governance Code of the Listing Rules

The Company is committed to maintaining a solid, transparent and sensible framework of corporate governance for the Company and its subsidiaries and will continue to review its effectiveness.

The Company has adopted the Code Provisions (the "**Code Provisions**") as stated in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as the corporate governance code of the Company. The Board is committed to complying with the Code Provisions as stated in the CG Code to the extent that the Directors consider it is applicable and practical to the Company.

During the Period, the Company has complied with the Code Provisions in the CG Code.

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**") set out in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's Code during the Period.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

During the Period, there was no material acquisition or disposal of subsidiaries or associated companies.

Purchase, Sale or Redemption of Listed Securities of the Company

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Use of Proceeds

(i) *From Initial Global Offering*

References are made to the announcements of the Company dated 8 June 2017, 21 June 2017, 3 July 2019 and 29 March 2022. 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 (the "**IPO Prospectus**"))) was approximately HK$158.2 million. Proposed application of net proceeds as stated in the IPO Prospectus had been adjusted according to the principles as specified in the section headed "Future Plans and Use of Proceeds" of the IPO Prospectus.

On 3 July 2019, the Board resolved to change the use of the unutilised net proceeds (the "**2019 Re-allocation**"). For details of the 2019 Re-allocation, please refer to the announcement of the Company dated 3 July 2019.

On 29 March 2022, the Board resolved to further change the use of the unutilised net proceeds (the "**2022 Re-allocation**"). For details of the 2022 Re-allocation, please refer to the announcement of the Company dated 29 March 2022.

The following table presented the utilisation of the net proceeds during the Period after the 2019 Re-allocation made as of 3 July 2019 and the 2022 Re-allocation made as of 29 March 2022:

	Original planned use of net proceeds as stated in the IPO Prospectus	**2019 Re-allocation on 3 July 2019**	**2022 Re-allocation on 29 March 2022**	**Amount utilised as at 30 June 2023**	**Unutilised net proceeds as at 30 June 2023**	**Unutilised net proceeds as at 31 December 2022**
	HKD' million	*HKD' million*	*HKD' million*	*HKD' million*	*HKD' million*	*HKD' million*
Research and development of the PLC technology	95.7	(37.8)	–	56.2	1.7	2.1
Sales and marketing	32.0	(6.9)	–	17.1	8.0	11.8
Repayment of an entrusted bank loan	14.7	–	–	14.7	–	–
Working capital and general corporate purposes	15.8	–	14.0	29.8	–	–
Repayment of interest expenses	–	44.7	(14.0)	30.7	–	–
	158.2	–	–	148.5	9.7	13.9

As of the date of this announcement, the unutilised net proceeds were placed at a licensed bank in Hong Kong. The Company does not anticipate any changes to the above plan of use of proceeds. The remaining unutilised net proceeds as at 30 June 2023 are expected to be fully utilised on or before 31 December 2024.

(ii) Use of proceeds from the Subscriptions

References are made to the May 2023 GM Subscription Announcement and the announcement of the Company dated 2 June 2023 in relation to the completion of the May 2023 Subscriptions. The aggregated net proceeds derived from the May 2023 Subscriptions were approximately HKD17.5 million.

During the Period, the net proceeds had been fully applied for lowering the gearing ratio of the Group by repayment of certain outstanding indebtedness in accordance with the intentions as disclosed in the May 2023 GM Subscription Announcement.

Employee Information and Remuneration Policies

The emolument policy of the employees of the Group is set up by the management on the basis of their merits, qualifications and competence.

As of 30 June 2023, the Group had an aggregate of 150 employees (as of 31 December 2022: 151 employees). During the Period, staff costs, including Directors' remuneration, was approximately RMB17.1 million (for the corresponding period in 2022: approximately RMB16.9 million). 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 prevailing 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 share option schemes for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contributes to the success of the Group's operations.

Audit Committee and Review of Interim Financial Results

The audit committee of the Company (the "**Audit Committee**") is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. It also performs other duties as assigned by the Board.

The Audit Committee has discussed with the management of the Group and reviewed the unaudited interim financial results of the Group for the Period, including the accounting treatment, principles and practices adopted by the Group, and discussed internal control and other financial related matters with no disagreement.

Update on Remedial Measures

The consolidated financial statements of the Group for the year ended 31 December 2022 was subject to the disclaimer of opinion by the auditor of the Company (the "**Auditor**") as detailed in the 2022 annual report of the Company ("**2022 Annual Report**"). Further to the management's response and relevant remedial measures taken and to be taken by the management as set out in the paragraph headed "Directors' Report — The Audit Committee's View and the Plan to address the Disclaimer of Audit Opinion" in the 2022 Annual Report, the management of the Company wishes to provide the latest update on the relevant remedial measures taken or to be taken, details of which are set out in note 2 to the unaudited interim financial report. Such remedial measures have been considered, recommended and agreed by the Audit Committee after its critical review of the management's position for the Period.

Publication of Interim Results Announcement and Interim Report

This announcement is published on the website of the Stock Exchange at **www.hkex.com.hk** and on the website of the Company at **www.risecomm.com.cn**. The interim report for the Period containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and will be published on the aforesaid websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

By the order of the Board
Risecomm Group Holdings Limited
Guo Lei
Chairman and executive Director

Hong Kong, 18 August 2023

As at the date of this announcement, the executive Directors are Ms. Guo Lei, Ms. Chen Shuiying and Mr. Jiang Feng, the non-executive Directors are Mr. Yu Lu and Mr. Ding Zhigang, and the independent non-executive Directors are Mr. Victor Yang, Ms. Lo Wan Man and Mr. Zou Heqiang.