



Risecomm Announces 2017 Annual Results Smart Energy Management Business Surges 63.8%

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Ready to Tap Enormous Growth Potential in Market

(Hong Kong, 28 March 2018) **Risecomm Group Holdings Limited** (“Risecomm” or the “Group”) (Stock Code: 1679), the third-largest power-line communication (“PLC”) technology company in China¹, has announced its audited consolidated annual results for the year ended 31 December 2017 (the “Review Year”), the first full-year annual results after its listing on the Main Board of The Stock Exchange of Hong Kong Limited on 9 June 2017. Despite the temporary slowdown in the Automated Meter Reading (“AMR”) market in China, the Group has successfully seized the rising business opportunities in streetlight control devices and concentrators for streetlight controls. Thus, the Group recorded an encouraging performance of the smart energy management (“SEM”) business segment with the segmental revenue surged 63.8%.

The year 2017 has been a transitional year as AMR applications transit from narrowband to broadband PLC industry standard. As a result, a temporary slowdown in market demand hampered the overall industry performance, so the Group’s AMR business also adjusted accordingly. During the Review Year, overall revenue of the Group amounted to about RMB317 million and gross profit was about RMB146 million. Gross profit margin of the Group was 45.9%. Excluding the one-off and non-recurring listing expenses of about RMB12.9 million, adjusted profit attributable to the equity shareholders of the Company was about RMB25.59 million, adjusted net profit margin was 8.1% and adjusted basic earnings per share were RMB3.5 cents.

The year 2017 was a year of special significance for Risecomm. The listing provides a broader capital platform for the Group and the Group has also consolidated its foothold in the PLC market. Although the growth pace of the AMR market slowed down which brought challenges for its operation, the Group’s strategy of expanding its SEM business segment paid off, as this segment grew over 60%. The Group will strengthen its product development capability continuously in order to lay a solid foundation for its sustained growth.

Business Review

During the Review Year, the Group’s two major business segments were the AMR business and the SEM business, occupying 93.0% and 7.0% of its total revenue respectively.

¹ Note: In terms of sales volume of PLC products in 2016, as stated in Frost & Sullivan’s “China’s Power Line Communication (PLC) Market Study”

AMR Business Segment

As the penetration of smart meters under State Grid's first-round commercial deployment is reaching saturation and it is transiting to the new industry standard for broadband PLC, so the procurement pace of smart meters was slower than expected, resulting a delay in delivery of confirmed orders. Therefore, the aggregate sales volume of PLC ICs and PLC modules in the AMR business decreased to about 8.7 million units and segmental revenue amounted to about RMB295 million.

SEM Business Segment

The Group has been expanding its product coverage to the SEM sector. Benefitting from notable growth in sales of streetlight control devices and concentrators for streetlight controls, revenue of this segment surged 63.8% to about RMB22.2 million.

With a national strategy of "Made in China 2025" and "Industry 4.0" to upgrade manufacturing promoted by the PRC government, as petrochemical enterprises are at the forefront of the manufacturing sector and the favorable government policy for petrochemical industry will further facilitate the information systems in the industry, the Group intends to enter this market in order to tap its enormous growth potential. Towards that end in December 2017, the Group has entered into a conditional sales and purchase agreement in relation to acquisition of the entire equity interest in a company. The company which indirectly owns a group of companies is principally engaged in the field of industrial automation systems, particularly in the area of maintenance and safety integrity systems for the petroleum and petrochemicals industries. Upon completion, the Group believes the acquisition can bring potential synergies and benefits that can serve to expedite the expansion of its non-AMR revenue contribution to achieve a more balanced revenue composition and customer base.

Prospects

Looking ahead to 2018, the Group is optimistic about the development of its businesses. As one of the largest PLC IC suppliers in China¹, the Group will continue to implement the established development principles, devote more research and development ("R&D") resources and provide a full range of products and solutions across its AMR business and its SEM applications in a bid to drive sustainable growth of its businesses.

With respect to the AMR business, the bidding volume of smart meters under the State Grid is expected to pick up as the meters begin a new phase of upgrades from 2018 onward. The management is confident that the demand will soon recover once the deployment of broadband PLC products is affirmed. Moreover, the Group has entered into a conditional sales and purchase agreement with a company in March 2018 in relation to acquisition of its entire equity interest. This company owns a company which is principally engaged in sales and distribution of electronic components, in particular for ICs and related products in China. The Group considers this acquisition to be aligned with its business strategy in respect of its expansion in AMR business markets. Leveraging its strong capability in the PLC technology and R&D, the Group will strive its utmost to capture greater market share.

As for SEM, the Group considers PLC-based SEM systems to have significant market potential particularly in industrial and enterprise applications as PLC technology offers higher stability and cost effectiveness for remote control and monitoring of energy consumption systems distributed over an extended land site or multiple buildings. The Group plans to further invest in other areas of the SEM business to capture market opportunities in order to expand its customer base and create new revenue sources.

Regarding R&D, the Group will continue to focus on enhancing the functionality of its products and addressing the technical needs of its customers, as well as expanding its product portfolio for different PLC applications. Furthermore, the Group has collaborated with several external R&D consultants in various research and development efforts, including those for the development of broadband PLCs and the driver implementation of its second-generation PLC ICs and software modules to complement its mainframe host station development for the AMR and SEM businesses. These efforts should enable the Group to stand out in the fiercely competitive market environment.

Looking ahead, the Group will continue to enhance its PLC IC design, its R&D capability in PLC technology and its sales efforts in order to enhance its brand recognition in both AMR & SEM markets. With extensive industry experience and a proven track record, the Group will capture the opportunities arising from the new industry standards for broadband PLC while broadening its SEM market, with the aim of generating greater value for shareholders.

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About Risecomm Group Holdings Limited (瑞斯康集团控股有限公司)

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. In 2016, the Group's AMR products were commercially deployed by the State Grid in 23 out of the 26 provinces in China that the grid covers. 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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