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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)**

**ANNOUNCEMENT OF THE INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**FINANCIAL HIGHLIGHTS**

- Revenue amounted to approximately RMB61.6 million for the Period (corresponding period in 2021: approximately RMB37.7 million), representing an increase of approximately 63.4%.
- Revenue from SMIA business segment increased by approximately 439.0% to approximately RMB37.9 million for the Period as compared with the corresponding period in 2021.
- Revenue from AMR and other business segment decreased by approximately 22.7% to approximately RMB23.7 million for the Period as compared with the corresponding period in 2021.
- Gross profit decreased by approximately 4.9% to approximately RMB16.1 million for the Period as compared with the corresponding period in 2021. Gross profit margin decreased from approximately 44.9% for the corresponding period in 2021 to 26.1% for the Period.
- Net loss for the Period attributable to owners of the Company amounted to approximately RMB34.7 million (corresponding period in 2021: net loss attributable to owners of the Company of approximately RMB17.5 million).
- Basic loss per share for the Period amounted to approximately RMB1.95 cents (corresponding period in 2021: basic loss per share of approximately RMB1.78 cents).
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022.

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 2022 (the “**Period**”), together with the relevant unaudited financial data for the corresponding period in 2021 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 2022

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	4	<b>61,611</b>	37,705
Cost of sales		<u>(45,521)</u>	<u>(20,782)</u>
<b>Gross profit</b>		<b>16,090</b>	16,923
Other income, gains/(losses)	6	<b>2,324</b>	4,430
(Allowance)/reversal for impairment losses on financial assets, net		<b>(4,200)</b>	12,719
Sales and marketing expenses		<b>(7,081)</b>	(8,647)
General and administrative expenses		<b>(23,858)</b>	(24,654)
Research and development expenses		<u>(9,122)</u>	<u>(9,078)</u>
<b>Loss from operations</b>		<b>(25,847)</b>	(8,307)
Finance costs	7	<b>(386)</b>	(5,012)
Share of results of an associate		–	(25)
Change in fair value of convertible bonds		<u>(7,863)</u>	<u>(8,886)</u>
<b>Loss before tax</b>		<b>(34,096)</b>	(22,230)
Income tax (expense)/credit	9	<u>(555)</u>	<u>4,709</u>
<b>Loss for the period attributable to owners of the Company</b>	8	<u><b>(34,651)</b></u>	<u>(17,521)</u>
<b>Loss per share attributable to owners of the Company</b>			
Basic and diluted ( <i>RMB cents</i> )	11	<u><b>(1.95)</b></u>	<u>(1.78)</u>

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
Loss for the period	<b>(34,651)</b>	(17,521)
<b>Other comprehensive (loss)/income</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value changes of equity investment at fair value through other comprehensive income (FVTOCI)	<b>(493)</b>	–
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of entities outside mainland China	<b>(6,808)</b>	3,761
Other comprehensive (loss)/income for the period, net of tax	<b>(7,301)</b>	3,761
<b>Total comprehensive loss for the period</b>	<b>(41,952)</b>	(13,760)
<b>Attributable to:</b>		
Owners of the Company	<b>(41,952)</b>	(13,760)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2022</b>	2021
<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	19,289	20,251
Right-of-use assets	8,549	10,310
Goodwill	20,718	20,718
Intangible assets	106,729	119,050
Interest in an associate	–	–
Equity investment at FVTOCI	507	–
Deferred tax assets	35,919	37,967
	<u>191,711</u>	<u>208,296</u>
<b>Total non-current assets</b>		
<b>Current assets</b>		
Inventories	19,617	15,890
Contract costs	–	786
Contract assets	28,282	33,987
Trade and other receivables	117,112	120,777
Restricted bank deposits	124	104
Bank and cash balances	64,089	91,705
	<u>229,224</u>	<u>263,249</u>
<b>Total current assets</b>		
	<u>420,935</u>	<u>471,545</u>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equities attributable to owners of the Company</b>		
Share capital	151	151
Reserves	151,916	193,648
	<u>152,067</u>	<u>193,799</u>
<b>Total equity</b>		

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other borrowing		<b>7,695</b>	4,904
Deferred income		<b>1,056</b>	1,624
Lease liabilities		<b>5,271</b>	7,248
Deferred tax liabilities		<b>25,184</b>	28,108
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>39,206</b>	41,884
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>85,413</b>	100,951
Contract liabilities		<b>8,009</b>	10,586
Lease liabilities		<b>3,928</b>	3,774
Convertible bonds	<i>14</i>	<b>128,473</b>	117,590
Income tax payables		<b>3,839</b>	2,961
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>229,662</b>	235,862
		<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>420,935</b>	471,545
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# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*For the six months ended 30 June 2022*

## 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 2021 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 2021.

The Group incurred a net loss of approximately RMB34,651,000 during the six months ended 30 June 2022 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB438,000. Its current convertible bonds and lease liabilities amounted to approximately RMB128,473,000 and approximately RMB3,928,000 respectively while its cash and cash equivalents amounted to approximately RMB64,089,000 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 Company is negotiating the terms of extension and/or settlement arrangement and/or amendments of the convertible bonds with the bondholder. The bondholder has expressed its willingness to further negotiate with the Company in this regard;
- (b) The Company is considering for further fund raising by way of equity financing; and
- (c) The Group was 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.

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.

However, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. As of the date of approval of the unaudited interim financial report, the plan for the further fund raising by way of equity financing has not yet been commenced. The COVID-19 pandemic and trade disputes between the PRC and the United States create economic uncertainties which may negatively impact management's ability to successfully implement its operation plans.

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**

The accounting policies applied in this unaudited interim financial report are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2021. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2022 but they do not have a material effect on the Group's financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing this unaudited interim financial report.

### **4 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.

Upon the acquisition of Green Harmony Limited ("Green Harmony") in August 2018, 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:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Revenue from contracts with customers within the scope of HKFRS 15 and recognised at a point in time</b>		
Disaggregated by major products of service lines		
AMR and other business		
— PLC Integrated circuits (“ICs”)	<b>5,353</b>	12,818
— PLC Modules	<b>11,982</b>	858
— Other products	<b>4,364</b>	7,671
— AMR maintenance services	<b>2,011</b>	9,326
	<hr/>	<hr/>
Sub-total of AMR and other business	<b>23,710</b>	30,673
SMIA business		
— Software license	<b>16,366</b>	454
— Production safety products	<b>17,831</b>	5,161
	<hr/>	<hr/>
Sub-total of SMIA business	<b>34,197</b>	5,615
<b>Revenue from contracts with customers within the scope of HKFRS 15 and recognised over time</b>		
Disaggregated by major products of service lines		
SMIA business		
— Post-contract customer support service	<b>1,818</b>	1,176
— Construction contracts	<b>1,886</b>	241
	<hr/>	<hr/>
Sub-total of SMIA business	<b>3,704</b>	1,417
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<b>Total</b>	<b>61,611</b>	37,705
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## 5 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, share of results of an associate, other income, gains/(losses), change in fair value of convertible bonds, finance costs, (allowance)/reversal for impairment losses of financial assets, net and income tax (expense)/credit.

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 2022 and 2021 is as follows:

<b>Six months ended 30 June 2022</b>	<b>AMR and other business RMB'000 (unaudited)</b>	<b>SMIA business RMB'000 (unaudited)</b>	<b>Total RMB'000 (unaudited)</b>
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	<u>(3,808)</u>	<u>3,695</u>	<u>(113)</u>

Six months ended 30 June 2021	AMR and other business <i>RMB'000</i> (unaudited)	SMIA business <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Revenue	30,673	7,032	37,705
Cost of Sales	(15,763)	(5,019)	(20,782)
Sales and marketing expenses	(5,245)	(3,402)	(8,647)
Research and development expenses	(7,752)	(1,326)	(9,078)
Reportable segment results	<u>1,913</u>	<u>(2,715)</u>	<u>(802)</u>

**(b) Reconciliations of segment revenue and profit or loss**

	Six months ended 30 June	
	2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)
Reportable segment results	(113)	(802)
Other income, gains/(losses)	2,324	4,430
General and administrative expenses	(23,858)	(24,654)
Finance costs	(386)	(5,012)
Share of results of an associate	–	(25)
(Allowance)/reversal for impairment losses of financial assets, net	(4,200)	12,719
Change in fair value of convertible bonds	(7,863)	(8,886)
Loss before taxation	<u>(34,096)</u>	<u>(22,230)</u>

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.

**6 OTHER INCOME, GAINS/(LOSSES)**

	Six months ended 30 June	
	2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)
Interest income from bank deposits	530	705
Rental concession	384	–
Government grants		
— Unconditional subsidies	515	2,814
— Conditional subsidies	568	666
Net exchange (loss)/gain	(3)	19
Others	330	226
	<u>2,324</u>	<u>4,430</u>

## 7 FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest expenses on promissory notes	–	4,683
Interest expenses on other borrowing	138	–
Interest expenses on lease liabilities	248	329
	<u>386</u>	<u>5,012</u>

## 8 LOSS FOR THE PERIOD

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Amortisation of intangible assets	12,321	11,388
Cost of inventories sold	27,979	14,001
Cost of AMR maintenance services	1,633	7,092
Cost of software license sold	13,002	–
Cost of post-contract customer support	943	1,190
Cost of construction contract	957	203
Depreciation of property, plant and equipment	1,471	2,379
Depreciation of right-of-use asset	1,790	2,575
Loss on disposals of property, plant and equipment	8	100
Allowance/(reversal) for impairment losses of financial assets, net	4,200	(12,719)
Write-down/(reversal) of inventories	1,007	(1,704)

## 9 INCOME TAX EXPENSE/(CREDIT)

Income tax has been recognised in profit or loss as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Current tax		
Provision for the period	1,449	62
Under/(over)-provision in prior years	243	(32)
	<u>1,692</u>	<u>30</u>
Deferred tax	<u>(1,137)</u>	<u>(4,739)</u>
	<u>555</u>	<u>(4,709)</u>

## 10 DIVIDEND

The Board of Directors does not recommend the payment of any dividend in respect of the six months ended 30 June 2022 and 2021.

## 11 LOSS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Loss</b>		
Loss for the period for the purpose of calculating basic and diluted loss per share	<u><b>(34,651)</b></u>	<u><b>(17,521)</b></u>
	<b>2022</b>	<b>2021</b>
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u><b>1,775,909</b></u>	<u><b>986,619</b></u>

The effect of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2022 and 2021 due to loss making for the six months ended 30 June 2022 and 2021.

The computation of diluted loss per share for the six months ended 30 June 2022 does not assume the conversion of the Company's convertible bonds since its exercise had anti-dilutive effect that would result in a decrease in loss per share for the six months ended 30 June 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 2022 and 2021.

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted loss per share are the same.

## 12 TRADE AND OTHER RECEIVABLES

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Trade receivables	<b>153,271</b>	141,883
Bills receivable	–	4,351
Allowance for impairment losses of trade receivables	<b>(60,313)</b>	(56,977)
	<b>92,958</b>	89,257
Prepayments	<b>10,289</b>	25,609
Income tax recoverable	–	243
Other receivables	<b>16,783</b>	8,586
Allowance for impairment losses of other receivables	<b>(2,918)</b>	(2,918)
	<b>24,154</b>	31,520
Total trade and other receivables	<b>117,112</b>	120,777

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:

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Within 6 months	<b>33,107</b>	69,140
After 6 months but within 1 year	<b>47,712</b>	5,461
Over 1 year	<b>12,139</b>	14,656
	<b>92,958</b>	89,257

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

## 13 TRADE AND OTHER PAYABLES

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Trade payables	<b>73,561</b>	85,447
Product warranty provision	<b>408</b>	557
Other payables and accruals	<b>11,444</b>	14,947
	<b>85,413</b>	100,951

## Trade payables

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:

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Within 3 months	13,072	59,348
After 3 months but within 6 months	2,852	2,067
After 6 months but within 1 year	43,870	1,706
Over 1 year but within 2 years	2,692	19,051
Over 2 years	11,075	3,275
	<u>73,561</u>	<u>85,447</u>

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

## 14 CONVERTIBLE BONDS

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Balance as at 1 January	117,590	119,076
Payment for interest on convertible bonds	(2,509)	(4,954)
Re-measurement on convertible bonds	7,863	6,916
Foreign currency exchange adjustment	5,529	(3,448)
	<u>128,473</u>	<u>117,590</u>

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 the date of 15 August 2022, the principal amount and interest accrued thereon from last interest payment date up to the maturity date remained outstanding for redemption by the Group, as neither did the Bondholder exercise any conversion rights attaching to the Convertible Bonds, nor did the Group redeem any part of the Convertible Bonds, on or prior to the maturity date.

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

Fair value of the Group's convertible bonds was determined by using partial differential equation method with the following key inputs:

	<b>As at 30 June 2022</b>	<b>As at 31 December 2021</b>	<b>Date of issue</b>
Risk free rates	0.48%	0.19%	1.87%
Discount rate	16.39%	14.34%	18.40%
Dividend yield	0%	0%	0.95%
Expected volatility	62.53%	56.98%	57.28%

## 15 RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the unaudited interim financial report, the Group had the following transactions with its related parties during the period:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Office premises rental expenses paid to Mr. Wang Shiguang ("Mr. Wang") (note)	-	362

*Note:* Mr. Wang was one of the non-executive Director of the Group. Mr. Wang has retired as non-executive Director with effect from 25 June 2021.

As at 30 June 2022, the Group had RMB nil balance with related parties (31 December 2021: RMB nil).

## 16 EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2022 and up to the date of this announcement.

## 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. Narrowband to broadband, single-mode to dual-mode technology is the development trend of communication technology in the second round of transformation. Currently, the products of State Grid using PLC broadband technology have entered into the mass application stage. With the implementation of the new standard for electric meters in the second half of 2020 and the relief of the COVID-19 pandemic (the “**Pandemic**”), the demand for smart meters began to increase since 2021. During the Period, State Grid conducted two rounds of centralized biddings for energy meters and Electric Energy Data Acquisition Systems. The number of tenders for Electric Energy Data Acquisition Systems was about 42.62 million, representing a year-on-year increase of approximately 17% compared with the first half of 2021.

Although the overall market demand in PLC remains strong and promising, under the current Sino-U.S. trade tension, more state-owned enterprises (“**SOE**”) and sizeable technology-based companies tapped into the chipsets market as a result of the supportive direction conducted by the Chinese government for the promotion of national self-developed chipsets. A significant portion of the PLC market shares is taken up by SOE. Hence, the competition among domestic PLC market participants is even more intense.

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 “Intelligent Manufacturing Development Plan (2016-2020)” proposes that by 2025, China can basically establish an intelligent manufacturing support system, and the key industries can basically realize digital manufacturing and even achieve intelligent transformation. 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 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 RMB61.6 million (for the corresponding period in 2021: approximately RMB37.7 million), representing an increase of approximately 63.4%.

During the Period, the Group’s SMIA business segment recorded a revenue of approximately RMB37.9 million (for the corresponding period in 2021: approximately RMB7.0 million), representing an increase of approximately 439.0%. Revenue from SMIA business segment for the Period accounted for approximately 61.5% (for the corresponding period in 2021: approximately 18.6%) of the Group’s total revenue. The increase in revenue from SMIA business segment for the Period was mainly due to the delivery of a production safety products project and two software license projects during the Period which contributed approximately RMB17.5 million and RMB18.2 million of revenue respectively, whereas projects of similar or larger revenue scale were all delivered with the revenue recognised only in the second half of the year during 2021.

The Group’s AMR and other business segment recorded a revenue of approximately RMB23.7 million (for the corresponding period in 2021: approximately RMB30.7 million), representing a decrease of approximately 22.7%. Revenue from AMR and other business segment for the Period accounted for approximately 38.5% (for the corresponding period in 2021: approximately 81.4%) of the Group’s total revenue. The decrease in revenue from AMR and other business segment for the Period was mainly due to the decrease in revenue from AMR maintenance services during the Period. As the Group gradually shifts its focus on the sale of broadband AMR products and following the transition of market demand from narrowband to broadband technology, the demand for the Group’s AMR maintenance services which is performed and based on narrowband products decreased during the Period, resulting in the decrease in the relevant revenue.

The Group recorded an increase in loss attributable to the owners of the Company from approximately RMB17.5 million in the corresponding period in 2021 to approximately RMB34.7 million for the Period.

The increase in loss for the Period attributable to owners of the Company was mainly attributable to the recognition of a net allowance for impairment losses on financial assets for the Period as compared to the recognition of a net reversal for impairment losses on financial assets for the six months ended 30 June 2021 (the “**Net Reversal**”). The Net Reversal of approximately RMB12.7 million for the six months ended 30 June 2021 was mainly attributable to the Group’s collection efforts made to recover the credit-impaired trade and other receivables which was one-off and did not recur during the Period. The Group has been and will continue to be implementing actions to facilitate timely collection of outstanding receivables.

The outbreak of the Pandemic in early 2020 and its continuance in 2022 have affected the business and economic activities around the world and have brought about additional uncertainties to the Group’s operating environment. The Pandemic has to a certain extent impacted the Group’s operations and financial position.

The Group has been closely monitoring the impact from the Pandemic on the Group’s business. Faced with further hamper and uncertainties on Chinese economy caused by, among others, ad hoc Pandemic, 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 as the Pandemic evolves.

## **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 2022, the research and development team of the Group consisted of 50 employees (as of 30 June 2021: 51 employees), representing approximately 30% (as of 30 June 2021: 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 2022, the Group had successfully developed a significant intellectual property portfolio, comprising 25 patents, 129 computer software copyrights and 8 IC layout designs registered, with 1 patent pending registration in the relevant jurisdictions, 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 increased from approximately RMB37.7 million for the corresponding period in 2021 to approximately RMB61.6 million for the Period, or by approximately 63.4%. The increase was due to an increase in revenue of approximately 439.0% from the SMIA business segment, partially offset by the decrease in revenue of approximately 22.7% from the AMR and other business segment.

The increase in revenue from the SMIA business segment was mainly due to the delivery of a production safety products project and two software license projects during the Period which contributed approximately RMB17.5 million and RMB18.2 million of revenue respectively, whereas projects of similar or larger revenue scale were all delivered with the revenue recognised only in the second half of the year during 2021.

The decrease in revenue from the AMR and other business segment was mainly due to the decrease in revenue from AMR maintenance services during the Period. As the Group gradually shifts its focus on the sale of broadband AMR products and following the transition of market demand from narrowband to broadband technology, the demand for the Group's AMR maintenance services which is performed and based on narrowband products decreased during the Period, resulting in the decrease in the relevant revenue.

### *Gross profit*

Gross profit decreased by approximately 4.9% to approximately RMB16.1 million for the Period from approximately RMB16.9 million for the corresponding period in 2021.

Gross profit margin was approximately 26.1% for the Period and has decreased from approximately 44.9% for the corresponding period in 2021, representing a decrease of gross profit margin by approximately 18.8%. The decrease in gross profit margin was

mainly attributable to the increase in proportion of revenue contribution from the SMIA business segment, which earned a relatively lower gross profit margin than the AMR and other business segment.

#### *Other income*

Other income decreased by approximately 47.5% to approximately RMB2.3 million for the Period from approximately RMB4.4 million for the corresponding period in 2021. The decrease was mainly attributable to a decrease in government grants for the Period to approximately RMB1.1 million as compared to approximately RMB3.5 million for the corresponding period in 2021.

#### *Allowance/reversal for impairment losses on financial assets, net*

Allowance for impairment losses on financial assets of approximately RMB4.2 million was recognised during the Period (for the corresponding period in 2021: reversal for impairment losses on financial assets of approximately RMB12.7 million). The reversal for impairment losses for the corresponding period in 2021 was mainly attributable to the Group's collection efforts made to recover the credit-impaired trade and other receivables which was one-off and did not recur during the Period. The Group has been and will continue to be implementing actions to facilitate timely collection of outstanding receivables.

#### *Sales and marketing expenses*

Sales and marketing expenses decreased by approximately 18.1% to approximately RMB7.1 million for the Period from approximately RMB8.6 million for the corresponding period in 2021. The decrease was mainly attributable to a decrease in sales and marketing staff costs as a result of tightened control on the Group's marketing personnel expenditures.

#### *General and administrative expenses*

General and administrative expenses decreased by approximately 3.2% to approximately RMB23.9 million for the Period from approximately RMB24.7 million for the corresponding period in 2021. The decrease was primarily attributable to (i) the decrease in depreciation of the Group's machinery and equipment as certain of these machinery and equipment has been fully depreciated during the Period and therefore incurred a relative smaller depreciation and (ii) the Group's implementation of tightened cost control measures which resulted in the maintenance of other general and administrative expenses at approximately the same level as that for the corresponding period in 2021.

### *Research and development expenses*

Research and development expenses remained stable for the Period and for the corresponding period in 2021. As of 30 June 2022, the headcount of the Group's research and development team remained stable at 50 employees (as of 30 June 2021: 51 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.

### *Income tax expense/credit*

Income tax expense of approximately RMB0.6 million was recorded during the Period (for the corresponding period in 2021: income tax credit of approximately RMB4.7 million). The income tax expense for the Period 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 corresponding period in 2021.

### *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 RMB34.7 million (for the corresponding period in 2021: loss attributable to owners of the Company: approximately RMB17.5 million).

### *Liquidity and financial resources*

During the Period, the Group's operations were mainly financed by internal resources, including but not limited to existing cash and cash equivalents, cash flow from its operating activities and the 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. The Board believes that the Group's liquidity needs will be satisfied.

As of 30 June 2022, the Group's current assets amounted to approximately RMB229.2 million (as of 31 December 2021: approximately RMB263.2 million), with cash and cash equivalents totaling approximately RMB64.1 million (as of 31 December 2021: approximately RMB91.7 million). The cash and cash equivalents of the Group are principally held in RMB, HKD and USD.

As of 30 June 2022, the Group's total interest-bearing liabilities amounted to approximately RMB145.4 million (as of 31 December 2021: approximately RMB133.5 million), representing lease liabilities, issued Convertible Bonds (as defined below) and other borrowings. The Group had interest-bearing liabilities of RMB132.4 million (as of 31 December 2021: RMB121.4 million) and RMB13.0 million (as of 31 December 2021: RMB12.2 million) which will be due repayable within one year and after one year respectively with coupon rates range from 4% to 4.75% 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 53.4% as of 30 June 2022 (as of 31 December 2021: 21.6%).

#### *Exchange rate risk*

Most of the businesses of the Group are settled in Renminbi while businesses in foreign currencies are mainly settled in 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 2021, 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 2022, the Group had a total capital commitment of RMB1.8 million, contracted for but not yet incurred (as of 31 December 2021: RMB2.8 million). Such capital commitments is expected to be funded by the Group's internal resources.

#### *Contingent liabilities*

As of 30 June 2022, the Group had no contingent liabilities (as of 31 December 2021: Nil).

#### *Charge on assets*

As of 30 June 2022, the Group had no charge on assets (as of 31 December 2021: Nil).

#### *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 HKD2.50 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, 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 the date of this announcement, the principal amount of HK\$150,000,000 remained outstanding for redemption by the Company, as neither did the bondholder exercise any conversion rights attaching to the Convertible Bonds, nor did the Company redeem any part of the Convertible Bonds, on or prior to the Maturity Date.

The Board would like to inform the shareholders of the Company and potential investors that the Company is in discussion with the bondholder to work out an extension and/or settlement plan. As such, pursuant to the respective terms and conditions of the Convertible Bonds, the foregoing may constitute a potential event of default if, among others, the Company fails to make any payment of the principal amount or interest or any other amount in respect of the Convertible Bonds within fifteen (15) Business Days after the due date of such payment, namely, 2 September 2022.

The Company is currently negotiating the terms of extension and/or settlement arrangement and/or amendments of the Convertible Bonds with the bondholder. The bondholder has expressed its willingness to further negotiate with the Company in this regard. As at the date of this announcement, no formal agreement has yet been entered into in relation to such extension and/or settlement and/or amendment.

Please refer to the announcement of the Company dated 15 August 2022 for further details.

### **Events after the reporting period**

There is no material subsequent event undertaken by the Group after 30 June 2022 and up to the date of this announcement.

### **Prospects**

In 2022, State Grid will continue to apply broadband technology in the Electric Energy Data Acquisition Systems. The Group is promoting and expanding its PLC broadband products (PLC IC and communication modules) 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 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 for 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 utilize 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. The Group will also explore new business investment opportunities as and when appropriate, in order to enhance shareholders' value. By exploring these new 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.

### **Compliance with the Corporate Governance Code of the Listing Rules**

The Board has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix 14 to the Listing Rules. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code during the Period except for deviation from code provision C.1.6 of the CG Code as summarized below:

Code provision C.1.6 of the CG Code stipulates that independent non-executive directors and non-executive directors should attend annual general meetings. Two independent non-executive Directors, Mr. Ong King Keung and Mr. Zou Heqiang, did not attend the annual general meeting held on 24 June 2022, due to other business commitments. Although, such independent non-executive Directors did not attend the annual general meeting, however, Ms. Lo Wan Man, an independent non-executive Director and a member of each of the audit committee, nomination committee, and remuneration committee, attended that meeting to answer questions from shareholders of the Company.

The Board will continue to review and monitor the corporate governance status of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance of the Company.

## **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**

### *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 <i>HKD' million</i>	2019	2022	Amount utilised as at 30 June 2022 <i>HKD' million</i>	Unutilised	Unutilised
	Re-allocation on 3 July 2019 <i>HKD' million</i>	Re-allocation on 29 March 2022 <i>HKD' million</i>		net proceeds as at 30 June 2022 <i>HKD' million</i>	net proceeds as at 29 March 2022 <i>HKD' million</i>
Research and development of the PLC technology	95.7	(37.8)	54.0	3.9	5.8
Sales and marketing	32.0	(6.9)	13.3	11.8	12.1
Repayment of an entrusted bank loan	14.7	–	14.7	–	–
Working capital and general corporate purposes	15.8	–	29.8	–	14.0
Repayment of interest expenses	–	44.7	30.7	–	3.0
	<u>158.2</u>	<u>–</u>	<u>142.5</u>	<u>15.7</u>	<u>34.9</u>

As of the date of this announcement, the Company does not anticipate any change to the above plan of use of proceeds. The remaining unutilised net proceeds as at 30 June 2022 are expected to be fully utilised on or before 31 December 2024.

## Employee Information

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 2022, the Group had an aggregate of 167 employees (as of 31 December 2021: 163 employees). During the Period, staff costs, including Directors' remuneration, was approximately RMB16.9 million (for the corresponding period in 2021: approximately RMB17.6 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 contribute 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.

### **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**  
**Yue Jingxing**  
*Chairman and executive Director*

Hong Kong, 30 August 2022

*As at the date of this announcement, the executive Directors are Mr. Yue Jingxing, Mr. Lau Wai Leung, Alfred and Mr. Jiang Feng, the non-executive Directors are Mr. Yu Lu, Mr. Ding Zhigang and Mr. Sun Peng, and the independent non-executive Directors are Mr. Ong King Keung, Ms. Lo Wan Man and Mr. Zou Heqiang.*