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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB94.9 million (2022: approximately RMB149.9 million), representing a decrease of approximately 36.7%.
- Revenue from Automated Meter Reading ("**AMR**") and other business segment decreased by approximately 52.0% to approximately RMB42.3 million (2022: approximately RMB88.1 million) as compared with the corresponding period in 2022.
- Revenue from Smart Manufacturing & Industrial Automation ("**SMIA**") business segment decreased by approximately 14.9% to approximately RMB52.5 million (2022: approximately RMB61.7 million) as compared with the corresponding period in 2022.
- Net loss for the year attributable to equity shareholders of the Company amounted to approximately RMB138.5 million (2022: net loss attributable to equity shareholders of the Company approximately RMB118.6 million).
- Basic loss per share for the year amounted to approximately RMB62.65 cents (2022: basic loss per share approximately RMB66.11 cents (restated)).
- The Board did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

The board (the "**Board**") of directors (the "**Directors**") of Risecomm Group Holdings Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**year under review**"), together with the comparative figures for the corresponding period in 2022 or other dates/periods as set out in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*4*	**94,868**	149,851
Cost of sales		**(79,300)**	(110,775)
Gross profit		**15,568**	39,076
Other income, gains/(losses)	*5*	**4,516**	(594)
Allowance for impairment losses on financial assets and contract assets, net		**(22,043)**	(7,356)
Selling and marketing expenses		**(11,836)**	(17,314)
General and administrative expenses		**(46,758)**	(55,165)
Research and development expenses		**(20,406)**	(22,265)
Loss from operations		**(80,959)**	(63,618)
Impairment losses of goodwill		**–**	(20,718)
Impairment losses of intangible assets		**(27,654)**	(46,706)
Finance costs	*7*	**(11,823)**	(7,358)
Fair value gains on financial instruments at fair value through profit or loss		**–**	1,375
Loss before tax		**(120,436)**	(137,025)
Income tax (expense)/credit	*8*	**(23,212)**	17,930
Loss for the year	*9*	**(143,648)**	(119,095)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
Loss for the year	*9*	**(143,648)**	(119,095)
Other comprehensive expenses			
Item that will not be reclassified subsequently to profit or loss:			
Fair value changes of equity investment at fair value through other comprehensive income ("FVTOCI")		**2,246**	(2,246)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(5,169)**	(11,562)
Other comprehensive expenses for the year, net of tax		**(2,923)**	(13,808)
Total comprehensive loss for the year		**(146,571)**	(132,903)
Loss for the year attributable to:			
Owners of the Company		**(138,514)**	(118,584)
Non-controlling interests		**(5,134)**	(511)
		(143,648)	(119,095)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(141,437)**	(132,392)
Non-controlling interests		**(5,134)**	(511)
		(146,571)	(132,903)
Loss per share attributable to owners of the Company			
Basic and diluted *(RMB cents)*	*11*	**(62.65)**	(66.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**16,917**	18,192
Right-of-use assets		**8,458**	7,079
Goodwill	*12*	**–**	–
Deposit paid for acquisition		**60,000**	–
Intangible assets		**11,754**	47,777
Financial assets at FVTOCI		**–**	554
Deferred tax assets		**846**	34,472
Total non-current assets		**97,975**	108,074
Current assets			
Inventories		**22,290**	27,814
Contract costs		**–**	786
Contract assets		**–**	16,629
Trade and other receivables	*13*	**91,686**	98,766
Restricted bank deposits		**2,618**	2,619
Bank and cash balances		**35,919**	86,652
Total current assets		**152,513**	233,266
TOTAL ASSETS		**250,488**	341,340
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**222**	158
Reserves		**(29,110)**	74,734
		(28,888)	74,892
Non-controlling interests		**(5,645)**	(511)
Total (deficit)/equity		**(34,533)**	74,381

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2023

	Notes	**2023** **RMB'000**	2022 *RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income		**751**	955
Lease liabilities		**4,237**	3,471
Deferred tax liabilities		**929**	10,609
Borrowings		**108,705**	2,683
Total non-current liabilities		**114,622**	17,718
Current liabilities			
Trade and other payables	*14*	**74,530**	113,512
Contract liabilities		**12,184**	6,207
Borrowings		**76,587**	122,528
Lease liabilities		**4,455**	4,122
Income tax payables		**2,643**	2,872
Total current liabilities		**170,399**	249,241
TOTAL EQUITY AND LIABILITIES		**250,488**	341,340

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

Risecomm Group Holdings Limited (the "**Company**" together with its subsidiaries, the "**Group**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 August 2015 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company in China is 41/F, Block A, Building 8, Shenzhen International Innovation Valley, Xili Street, Nanshan District, Shenzhen, the People's Republic of China (the "**PRC**").

The Company is an investment holding company. The principal activities of its subsidiaries are (i) Manufacturing and sales of AMR products in the PRC; (ii) SMIA business and construction in the PRC; (iii) Sales and marketing in the PRC; and (iv) Research and development in the PRC.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap.622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The Group incurred a net loss of approximately RMB143,648,000 during the year ended 31 December 2023 and, as of that date, the Group had net liabilities of approximately RMB34,533,000. 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 consolidated financial statements have been prepared on a going concern basis as the directors of the Company (the "**Director(s)**") have taken the following measures:

(a) The Group continues 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) The Group obtained borrowing facilities of approximately RMB25,000,000 from its existing director on 28 March 2024.

(c) The Group completed the acquisition of Zhongyi (BVI) International Limited ("**Zhongyi (BVI)**") on 27 March 2024 for new business segment to provide wind farm management and operational service in the PRC. After reviewing the operating cash flow projections of Zhongyi (BVI), the Directors consider that it can generate positive cash flow that can support the Group's operations in the next twelve months. Details of the acquisition are disclosed in the Company's circular dated 12 December 2023.

The Directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projection cover a period of not less than twelve months from 31 December 2023. 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 consolidated financial statements 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.

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 these consolidated financial statements.

3. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and amendments to HKFRSs

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) Amendments to HKFRSs issued but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 16 — Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7 — Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 — Lack of Exchangeability	1 January 2025

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

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

The Group is also engaged in the 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 SMIA 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 year is as follows:

	2023	2022
	RMB'000	*RMB'000*
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**")	**7,977**	10,320
— PLC Modules	**11,167**	39,670
— Other products	**14,434**	34,417
— AMR maintenance services	**8,759**	3,733
Sub-total of AMR and other business	**42,337**	88,140
SMIA business		
— Software license	**36,023**	34,294
— Production safety products	**8,639**	19,510
Sub-total of SMIA business	**44,662**	53,804
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	**3,541**	3,501
— Construction contracts	**4,328**	4,406
Sub-total of SMIA business	**7,869**	7,907
Total	**94,868**	149,851

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and the expected timing of recognising revenue as follows:

	Software license		Post-contract customer support service	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**14,053**	29,619	**1,562**	3,291
More than one year but not more than two years	**21,080**	14,053	**2,342**	1,562
More than two years	**–**	21,080	**–**	2,342
	35,133	64,752	**3,904**	7,195

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its construction contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the construction contracts that had an original expected duration of one year or less.

5. OTHER INCOME, GAINS/(LOSSES)

	2023	2022
	RMB'000	*RMB'000*
Interest income from bank deposits	**595**	992
Government grant		
— Unconditional subsidies *(note (a))*	**2,161**	2,161
— Conditional subsidies *(note (b))*	**204**	752
(Loss)/gain on disposals of property, plant and equipment	**(23)**	47
Loss on deregistration of a subsidiary	**–**	(5,148)
Net foreign exchange gain/(loss)	**979**	(511)
Rental income	**514**	583
COVID-19 rental concession	**–**	547
Others	**86**	(17)
	4,516	(594)

Notes:

(a) Unconditional government grants mainly represent value-added tax ("**VAT**") refund on self-developed software embedded in AMR and smart energy management products in accordance with the relevant tax law in the PRC.

(b) During the year, the Group recognised an amount of approximately RMB204,000 (2022: approximately RMB670,000) of government grants in respect of the acquisition of plant and equipments for supporting research and development activities and an amount of approximately nil (2022: RMB82,000) in respect of Employment Support Scheme provided by Hong Kong government.

6. 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 chief operating decision maker for the purposes of resources allocation and performance assessment.

The Group has two reportable segments, which are (a) AMR and other business; and (b) SMIA business.

The Group's reportable segments are as follows:

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), fair value gains on financial instruments at fair value through profit or loss, finance costs, impairment losses of goodwill, impairment losses of intangible assets, allowance for impairment losses of financial assets and contract assets, net and income tax (expense)/credit.

No segment assets or liabilities information or other segment information is provided as the Group's chief operating decision maker 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 years ended 31 December 2023 and 2022 is as follows:

Year ended 31 December 2023	**AMR and other business**	**SMIA business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Revenue	**42,337**	**52,531**	**94,868**
Cost of Sales	**(38,958)**	**(40,342)**	**(79,300)**
Selling and marketing expenses	**(7,862)**	**(3,974)**	**(11,836)**
Research and development expenses	**(19,236)**	**(1,170)**	**(20,406)**
Reportable segment results	**(23,719)**	**7,045**	**(16,674)**
Amortisation expenses of intangible assets identified in acquisitions	**–**	**9,809**	**9,809**

Year ended 31 December 2022	AMR and other business	SMIA business	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue	88,140	61,711	149,851
Cost of Sales	(60,539)	(50,236)	(110,775)
Selling and marketing expenses	(10,604)	(6,710)	(17,314)
Research and development expenses	(21,246)	(1,019)	(22,265)
Reportable segment results	(4,249)	3,746	(503)
Amortisation expenses of intangible assets identified in acquisitions	–	22,036	22,036

(b) Reconciliations of segment revenue and profit or loss

	2023	2022
	RMB'000	*RMB'000*
Reportable segment results	**(16,674)**	(503)
Other income, gains/(losses)	**4,516**	(594)
General and administrative expenses	**(46,758)**	(55,165)
Finance costs	**(11,823)**	(7,358)
Allowance for impairment losses on financial assets and contract assets, net	**(22,043)**	(7,356)
Impairment losses of goodwill	**–**	(20,718)
Impairment losses of intangible assets	**(27,654)**	(46,706)
Fair value losses on financial instruments at fair value thorough profit or loss	**–**	1,375
Loss before tax	**(120,436)**	(137,025)

All the revenue of the Group is derived within the PRC and the non-current assets (excluding financial assets and deferred tax assets) of the Group are located in the PRC including Hong Kong.

(c) Revenue from major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	2023	2022
	RMB'000	*RMB'000*
Customers A[1]	**36,409**	36,369
Customer B[2] *(note)*	**–**	20,678
Customer C[2] *(note)*	**–**	17,708

1 Revenue from segment of SMIA business

2 Revenue from segment of AMR and other business

Note: Revenue from these customers for the year ended 31 December 2023 did not contribute over 10% of the total revenue for the year.

7. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest expenses on lease liabilities	**388**	461
Interest expenses on bank and other borrowings	**11,435**	6,897
	11,823	7,358

8. INCOME TAX EXPENSE/(CREDIT)

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

	2023	2022
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**484**	1,382
Over-provision in prior years	**(1,218)**	(1,175)
The PRC dividend withholding tax	**–**	1,022
	(734)	1,229
Deferred tax		
Changes in temporary differences	**23,946**	(19,159)
	23,212	(17,930)

9. LOSS FOR THE YEAR

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

	2023	2022
	RMB'000	*RMB'000*
Amortisation of intangible assets	**12,569**	24,567
Cost of inventories sold	**30,545**	73,040
Cost of AMR maintenance services	**8,015**	3,651
Cost of software license sold	**31,595**	27,317
Cost of post-contract customers support	**2,673**	3,034
Cost of construction project	**474**	4,038
Depreciation of property, plant and equipment	**2,431**	2,758
Depreciation of right-of-use asset	**4,285**	3,682
Staff costs	**36,173**	38,889
— Salaries, bonuses and allowances	**32,778**	33,646
— Retirement benefit scheme contributions	**3,395**	4,941
— Share based payments	**–**	302
Research and development expenses	**20,406**	22,265
Auditor's remuneration	**2,330**	1,960
— Audit services	**1,680**	1,680
— Non-audit services	**650**	280
Provision/(reversal) for impairment loss on inventories	**5,998**	(305)
Written-off of inventories	**–**	946
Impairment loss on financial assets	**(25,464)**	(3,935)
Reversal of/(provision for) impairment loss on contract assets	**3,421**	(3,421)

Cost of inventories sold includes staff costs, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets of approximately RMB1,824,000 (2022: RMB1,810,000).

Research and development expenses includes staff costs, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets and materials consumed of approximately RMB14,601,000 (2022: RMB14,257,000).

10. DIVIDENDS

The Board of Directors does not recommend the payment of any dividend in respect of the years ended 31 December 2023 and 2022.

11. LOSS PER SHARE

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

	2023	2022
	RMB'000	*RMB'000*
Loss		
Loss for the year for the purpose of calculating basis and diluted loss per share	**(138,514)**	(118,584)

	2023	2022
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**221,082**	179,370

As a result of the Group's net loss for the years ended 31 December 2023 and 2022, share options were excluded from the calculation of diluted loss per share as their inclusion would has been anti-dilutive.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share have been adjusted for the share consolidation on 29 June 2023.

12. GOODWILL

	2023	2022
	RMB'000	*RMB'000*
Cost		
At 1 January and 31 December	**215,147**	215,147
Accumulated impairment losses		
At 1 January	**(215,147)**	(194,429)
Impairment losses recognised for the year	**–**	(20,718)
At 31 December	**(215,147)**	(215,147)
Carrying amount		
At 31 December	**–**	–

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The net carrying amount of goodwill is allocated as follows:

	2023	2022
	RMB'000	*RMB'000*
AMR and other business *(note (a))*	**–**	–
SMIA business *(note (b))*	**–**	–
	–	–

In addition to goodwill, property, plant and equipment, right-of-use assets and other intangible assets that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

(a) AMR and other business

Goodwill has been fully impaired as at 31 December 2020.

For the year ended 31 December 2023, the CGU recorded operating losses amounting to RMB23,719,000 (2022: RMB4,249,000). Management has identified an impairment indicator for the carrying amount of assets allocated to the CGU, including certain property, plant and equipment, certain right-of-use assets and certain intangible assets. The recoverable amount has been determined based on value-in-use calculation. The calculation of value-in-use used cash flow projections based on financial budgets approved by the Directors covering a four-year period. Cash flows beyond the four-year period are extrapolated using growth rate of 2.0% (2022: 2.0%) which does not exceed the long-term average growth rate for the business in which the respective CGU operate. The cash flows are discounted using pre-tax discount rate of 16.30% (2022: 17.28%), which reflect specific risks relating to the relevant business. Other key assumptions for the value-in-use calculation relate to the expected timing and amount of revenue and gross profit margin to be generated from the Group's PLC based broadband AMR products for the four-year budget period, which are based on the CGU's historical performance, existing backlog contracts, pipelines and the management's business development plan built upon industry trends.

The recoverable amount exceeded the carrying amount, and therefore, no impairment was considered necessary regarding the assets allocated to this CGU.

(b) SMIA business

Goodwill has been fully impaired as at 31 December 2022.

During the year ended 31 December 2023, certain software license projects were ceased without renewal. Therefore, the management expects the future revenue from the SMIA segment may be affected. Management assessed the recoverable amounts of assets allocated to this CGU, including certain property, plant and equipment, certain right-of-use assets and certain intangible assets.

As at 31 December 2023, the recoverable amount has been determined based on value-in-use calculation. The calculation of value-in-use used cash flow projections based on financial budgets approved by the board of directors covering a four-year period. Cash flows beyond the four-year period are extrapolated using growth rate of 2.0% (2022: 2.0%) which does not exceed the long-term average growth rate for the business in which the CGU operate. The cash flows are discounted using pre-tax discount rate of 20.16% (2022: 19.83%), which reflect specific risks relating to the relevant business. Other key assumptions for the value-in-use calculation relate to revenue growth rate and gross profit margin for the four-year budget period, which take into account the CGU's historical performance, existing backlog contracts, pipelines and the management's business development plan built upon industry trends.

The carrying amount of assets of the CGU exceeded the recoverable amount. Based on the impairment assessment calculation and the allocation, impairment losses of RMB27,654,000 had been recognised on intangible assets during the year ended 31 December 2023.

During the year ended 31 December 2022, impairment losses on goodwill and intangible assets of RMB20,718,000 and RMB46,706,000 were made respectively, having considered the significant decrease in revenue and net gross profit of the SMIA business segment as compared to that of 2021 which was primarily attributable to the cessation of the construction projects and delay of the contracts awarded.

13. TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**114,969**	120,247
Bill receivable	**–**	64
Allowance for impairment losses of trade receivables	**(58,391)**	(60,081)
	56,578	60,230
Prepayments	**20,897**	17,038
Other receivables	**18,181**	14,836
Loan receivables *(note (a))*	**11,350**	9,580
Allowance for impairment losses of loan and other receivables	**(15,320)**	(2,918)
	35,108	38,536
Total trade and other receivables	**91,686**	98,766

Note

(a) The amount receivables under the loan agreements are arranged at fixed interest rates of 0% to 5% per annum, which are recoverable in one year.

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:

	2023	2022
	RMB'000	*RMB'000*
Within 6 months	**21,102**	17,182
After 6 months but within 1 year	**23,416**	2,831
Over 1 year	**12,060**	40,217
	56,578	60,230

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

14. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**56,765**	93,427
Product warranty provision	**747**	1,037
Other payables and accruals	**17,018**	19,048
	74,530	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 the average credit period on purchases is 30 to 180 days. The aging analysis of trade payables based on the invoice dates is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**17,113**	39,280
After 3 months but within 6 months	**8,396**	20,802
After 6 months but within 1 year	**300**	2,890
Over 1 year but within 2 years	**17,378**	11,949
Over 2 years	**13,578**	18,506
	56,765	93,427

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

15. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2023	2022
	RMB'000	*RMB'000*
Interest expenses paid to Ms. Guo Lei *(note)*	**352**	–
Interest expenses paid to Mr. Ding Zhigang *(note)*	**23**	–
	375	–

Note: Ms. Guo Lei is the executive director and Mr. Ding Zhigang is the non-executive director of the Company.

(b) The following balances were outstanding at the end of the year:

	2023 RMB'000	2022 RMB'000
Borrowings		
Ms. Guo Lei	**29,301**	–
Mr. Ding Zhigang	**906**	–
	30,207	–

(c) The remuneration of Directors and other members of key management during the year were as follows:

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	**8,794**	8,588
Post-employee benefits	**388**	292
	9,182	8,880

16. EVENTS AFTER THE REPORTING PERIOD

The Company, acting as the purchaser, Ms. Zhu Deyun, as the vendor, and Zhongyi (BVI), as the target company, entered into a sale and purchase agreement on 25 August 2023 and a supplemental agreement on 12 December 2023 (collectively, the "**Acquisition Agreements**"). Under the terms of the Acquisition Agreements, Ms. Zhu Deyun agreed to sell the entire share of Zhongyi (BVI) to the Company for a total consideration of RMB110,000,000 (the "**Acquisition**"). A deposit of RMB60,000,000 was paid by the Group during the year ended 31 December 2023, with the remaining amount of RMB50,000,000 being paid upon the completion of the Acquisition.

On 29 December 2023, an extraordinary general meeting was held and the shareholders of the Company approved, confirmed and ratified the Acquisition Agreements and the transactions contemplated there under.

To finance the Acquisition, the Group raised RMB60,000,000 other borrowings to cover the deposit payment during the year ended 31 December 2023. Additionally, RMB50,000,000 other borrowings were raised after the year ended 31 December 2023 to settle the remaining balance on 27 March 2024.

On 27 March 2024, the Acquisition of Zhongyi (BVI) was completed and Zhongyi (BVI) becomes a subsidiary of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

With the intelligentization, informatization and digitization of power grid, there has been a vast development and application of the broadband power line communication ("**PLC**") technology. Since 2018, the State Grid Corporation of China ("**State Grid**") has begun to build a large-scale residential electricity consumption information collection system based on high-speed power line communication ("**HPLC**").

China has been vigorously promoting the construction of an advanced power system based on new energy. Relevant policies were extensively introduced in 2023, with an aim of achieving the strategic goals of emission reduction, improvement of power efficiency and marketization, green development of the power industry, deepening the reform of the power industry and building a sustainable modern power system. Intelligentization of the power grid will be the future work goal.

Broadband PLC technology has been widely used within the scope of State Grid in fields including electricity distribution automation, smart grids, domestic networks and multimedia communications. In these fields, PLC technology is applied in data transmission, remote control and inspection and management, which place higher requirements on communication speed, real-time communication, data carrying capacity and communication distance. As the scope of application widens, the demand for smart grid multi-scenario application integration has also increased, putting forward higher requirements for broadband HPLC technology. State Grid has launched a dual-mode technology converging the PLC and high-speed radio frequency technology (HPLC+HRF), in order to meet the performance requirements of the new advanced power system. The HPLC+HRF dual-mode communication technology complements the carrier channel technology and wireless channel technology and enables automatic dual-channel convergence networking. Currently, State Grid has completed the standard formulation, on-site testing, and laboratory verification work for adoption of the dual-mode technology. Starting from 2024, in the next three years, all tenders for State Grid will be based on broadband dual-mode technology products.

China Southern Power Grid is also accelerating the pace of digital transformation of the power grid, strengthening the construction of intelligent transmission, distribution, and power consumption, promoting the construction of multi-energy complementary smart energy, promoting smart services through the digitalization and intelligent construction of the power grid, and making every effort to enhance users' satisfaction. China Southern Power Grid's smart grid telecommunications acquisition system will iterate from broadband carrier communication technology to broadband dual-mode communication technology standards and market applications starting in 2024.

In 2023, the demand of State Grid for broadband dual-mode communication modules was approximately 92 million relating to power consumption information collection systems, low-voltage distribution networks, measurement switches, etc. The demand of China Southern Power Grid for broadband communication modules was approximately 10 million relating to broadband communication modules in low-voltage centralized reading systems. The demand was approximately the same compared with the same period in 2022. According to the bidding and procurement plan for energy meters and Electric Energy Data Acquisition Systems announced by State Grid in 2024, there will be three batches of public bidding throughout the year. It is predicted that the demand of State Grid for broadband dual-mode communication modules in 2024 will be more than 80 million.

To sum up, in the context of the "14th Five-Year Plan" and the plans for energy system and power industry, as well as the relevant development plans of State Grid and China Southern Power Grid Corporation, against the background of the dual-carbon policy, new energy and distributed photovoltaic Power generation will be connected to the grid on a large scale in future, the demand and number of charging piles and energy storage will grow rapidly. The development goals, key tasks and measures will all have a positive impact on the development of the industry in which the company operates.

On the other hand, during the year under review, 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 year under review, 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 ("**IC**"), 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 had been developing PLC IC 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 as well as the provision of software post-contract customer support services applied in the area of MSI for the petroleum and petrochemicals industry.

During the year under review, the Group recorded revenue of approximately RMB94.9 million (2022: approximately RMB149.9 million), representing a decrease of approximately 36.7%.

The Group's AMR and other business segment recorded a revenue of approximately RMB42.3 million (2022: approximately RMB88.1 million), representing a decrease of approximately 52.0%. Revenue from AMR and other business segment for the year under review accounted for approximately 44.6% (2022: 58.8%) of the Group's total revenue. The decrease in revenue from AMR and other business segment for the year under review was mainly due to (i) heightened difficulty in acceptance of new projects caused by shortage of working capital encountered in the first half-year, which was mainly resulted from the repayment of a major borrowing in the first half-year; 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.

In January 2024, the broadband dual-mode HPLC chips and modules developed by the Group have satisfied the requirements of Electric Energy Data Acquisition Standards (電力用電資訊採集系列標準) of State Grid and have passed the inspection and testing thereof by the State Grid Measurement Center (國家電網計量中心). Such accreditation indicates that the broadband dual-mode HPLC chips and modules of the Group meet the market entry requirements promulgated by the State Grid Measurement Center and therefore are eligible for participation in the centralized biddings conducted by State Grid. The broadband dual-mode HPLC chips and modules developed by the Group will better meet the application needs of State Grid and accelerate the Group's development in smart energy applications market. The Group has won certain major biddings for sales of its broadband dual-mode products to two customers located in two provinces in China. Such sales are expected to contribute to the Group's revenue in the future.

During the year under review, the Group's SMIA business segment recorded a revenue of approximately RMB52.5 million (2022: approximately RMB61.7 million), representing a decrease of approximately 14.9%. Revenue from SMIA business segment for the year under review accounted for approximately 55.4% (2022: 41.2%) of the Group's total revenue.

The decrease in revenue from SMIA business segment for the year under review was mainly due to the shortage of working capital 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 an increase in loss attributable to the equity shareholders of the Company from approximately RMB118.6 million in the corresponding period in 2022 to approximately RMB138.5 million for the year under review.

The increase in loss for the year under review attributable to owners of the Company was mainly attributable to (i) decrease in gross profit of the Group brought by decrease in revenue; (ii) increase in net allowance for impairment losses on financial assets and contract assets; and (iii) the recognition of income tax expenses for the year, partially offset by (i) decrease in impairment losses of goodwill and intangible assets; and (ii) decrease in operating expenses.

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 IC, 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 focus 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.

As at 31 December 2023, the research and development team of the Group consisted of 55 employees (as at 31 December 2022: 47 employees), representing approximately 35% (as at 31 December 2022: approximately 31%) of the Group's total workforce, specializing 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 at 31 December 2023, the Group held a significant intellectual property portfolio, comprising 23 patents, 131 computer software copyrights and 9 IC layout designs registered, signifying the Group's achievements in research and development in PLC technology and MSI for the petroleum and petrochemicals industry.

Financial Review

Revenue

Revenue decreased from approximately RMB149.9 million for the corresponding period in 2022 to approximately RMB94.9 million for the year under review, or by approximately 36.7%. The decrease was attributable to the decrease in revenue of approximately 52.0% from the AMR and other business segment and the decrease in revenue of approximately 14.9% 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 working capital encountered in the first half-year, which was mainly resulted from the repayment of a major borrowing in the first half-year; 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.

In January 2024, the broadband dual-mode HPLC chips and modules developed by the Group have satisfied the requirements of Electric Energy Data Acquisition Standards (電力用電資訊採集系列標準) of State Grid and have passed the inspection and testing thereof by the State Grid Measurement Center (國家電網計量中心). Such accreditation indicates that the broadband dual-mode HPLC chips and modules of the Group meet the market entry requirements promulgated by the State Grid Measurement Center and therefore are eligible for participation in the centralized biddings conducted by State Grid. The broadband dual-mode HPLC chips and modules developed by the Group will better meet the application needs of State Grid and accelerate the Group's development in smart energy applications market. The Group has won certain major biddings for sales of its broadband dual-mode products to two customers located in two provinces in China. Such sales are expected to contribute to the Group's revenue in the future.

The decrease in revenue from the SMIA business segment was mainly due to the shortage of working capital 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 60.1% to approximately RMB15.6 million for the year under review from approximately RMB39.1 million for the corresponding period in 2022.

Gross profit margin was approximately 16.4% for the year under review and decreased by approximately 9.7 percentage points as compared with approximately 26.1% for the corresponding period in 2022. The decrease in gross profit margin was mainly attributable to the decrease in gross profit margin by approximately 23.3% of the AMR and other business segment.

Gross profit margin of the AMR and other business segment was approximately 8.0% for the year under review as compared with approximately 31.3% for the corresponding period in 2022. The decrease in gross profit margin was mainly attributable to one-off provision for impairment loss on inventories of approximately RMB7.9 million made as certain narrowband and broadband products became obsolescent in 2023 following the market transition from broadband single-mode technology to broadband dual-mode technology. The one-off provision for impairment loss on inventories is not expected to recur in the year 2024. Excluding this item, the gross profit margin of the AMR and other business segment was approximately 26.6% as compared with approximately 31.3% for the corresponding period in 2022. Such decrease 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.

Gross profit margin of the SMIA business segment was approximately 23.2% for the year under review as compared with approximately 18.6% for the corresponding period in 2022. The increase in gross profit margin was mainly attributable to the increase in proportion of revenue from software license products which earned a relatively higher gross profit margin than that of other products or service lines.

Other income, (losses)/gains

Other income of approximately RMB4.5 million was recognized during the year under review (for the corresponding period in 2022: other losses of approximately RMB0.6 million). The increase in other income was mainly attributable to non-recurrence of one-off loss on deregistration of subsidiary of approximately RMB5.1 million in the corresponding period in 2022.

Allowance for impairment losses on financial assets and contract assets, net

Allowance for impairment losses on financial assets and contract assets of approximately RMB22.0 million was recognised during the year under review (for the corresponding period in 2022: approximately RMB7.4 million). The increase was mainly attributable to the (i) higher expected credit loss rate for the year under review; (ii) long outstanding trade receivables mainly caused by the prolonged late payment from the major customers from the Group's SMIA business segment brought forward from 2022, which was subject to higher expected credit loss provision; and (iii) one-off impairment of other receivables, partially offset by the reversal for impairment losses on contract assets by the SMIA business segment as certain construction project had been completed during the year under review, 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 year under review.

Selling and marketing expenses

Selling and marketing expenses decreased by approximately 31.6% to approximately RMB11.8 million for the year under review from approximately RMB17.3 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 expenditures; (ii) decrease in business entertainment expenses; 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 decreased by approximately 15.2% to approximately RMB46.7 million for the year under review from approximately RMB55.2 million for the corresponding period in 2022. The decrease was primarily attributable to the decrease in amortization of intangible assets arising from the Group's acquisition of Green Harmony as a result of its impairment losses recognized in the year ended 31 December 2022, partially offset by the increase in professional fees as a result of additional professional services engaged for the acquisition of the entire equity interest of Zhongyi (BVI) International Limited ("**Zhongyi (BVI)**") and its subsidiaries during the year under review.

Research and development expenses

Research and development expenses decreased by approximately 8.3% to approximately RMB20.4 million for the year under review from approximately RMB22.3 million for the corresponding period in 2022. The decrease was mainly attributable to decrease in contracted development expenses, R&D material costs and inspection costs related to the Group's new broadband dual-mode products as a higher volume of research activities were focused in 2022 in order to develop the new broadband dual-mode products.

Finance costs

Finance costs increased by approximately 60.7% to approximately RMB11.8 million for the year under review from approximately RMB7.4 million for the corresponding period in 2022. The increase was mainly attributable to full year effect of 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 in September 2022; and (ii) bank and other borrowings which were mainly drawn down to meet the working capital requirement of the Group.

Income tax expense/credit

Income tax expense of approximately RMB23.2 million was recorded during the year under review (for the corresponding year in 2022: income tax credit of approximately RMB17.9 million). The income tax expense for the year under review mainly comprised of deferred tax expense which was mainly attributable to the derecognition of deferred tax assets to which future taxable profits were deemed insufficient for offsetting, as the financial performance of the Group continued to record loss in the year under review and projection of future financial performance had been tuned down accordingly.

Impairment of goodwill and intangible assets

During the year under review, in accordance with the relevant requirements under "Hong Kong Accounting Standard 36 — Impairment of Assets" ("**HKAS 36**") and "Hong Kong Accounting Standard 38 — Intangible Assets", the Group performed impairment test with assistance of an external valuation firm for the goodwill and intangible assets arising from the acquisitions of Green Harmony (the "**Valuation**").

After conducting impairment tests, the Group recognized (i)impairment loss of goodwill of nil for the year under review (for the corresponding year in 2022: RMB20.7 million); and (ii) impairment losses of intangible assets of approximately RMB27.6 million for the year under review (for the corresponding year in 2022: RMB46.7 million). After which, the carrying amount of the SMIA cash generating unit ("**CGU**") has been reduced to recoverable amount.

Selection of valuation method

The recoverable amounts for both the year ended 2023 ("**FY2023**") and 2022 ("**FY2022**") have been determined based on value-in-use ("**VIU**") calculation using income approach. The VIU calculation is based on the estimated future cash flows expected to be derived from the asset or CGU discounted to its present value that reflects current market assessments of the time value of money and the risks specific to the asset or CGU taking into consideration of the financial budgets approved by the Board. Selection of the valuation method was based on, among other things, the purpose of the valuation, the resulting basis of value, the availability and reliability of information related to the SMIA CGU and the requirements under HKAS 36. Income approach was considered to be the most suitable valuation method as it can most appropriately arrive at the VIU of the SMIA CGU. The income approach was consistently adopted in both FY2023 and FY2022. There were no subsequent changes in the valuation method used.

Significant value of inputs, basis and key assumptions

The below table summarizes the significant value of inputs of the Valuation on the SMIA CGU:

	2024 financial budget approved by the Board in FY2023 ("2024 Financial Budget")	**2023 financial budget approved by the Board in FY2022 ("2023 Financial Budget")**
Revenue growth rate during the four-year period of projection ("**Projection Period**")	(40.29)%–27.12%	10.00%–57.97%
Net operating profit after tax ("**NOPAT**") margin during the four-year period of projection	(21.60)%–6.83%	(0.98%)–7.97%
Terminal growth rate beyond the four-year period of projection	2.0%	2.0%
Pre-tax discount rate	20.16	19.83%
Value-in-use	Approximately RMB155,000	Approximately RMB63,210,000

The calculation of VIU used cash flow projections based on financial budgets approved by the Board covering a four-year period. Cash flows beyond the four-year period are extrapolated using estimated terminal growth rate of 2.0% (for the corresponding year in 2022: 2.0%) which does not exceed the long-term average growth rate for the business in which the CGU operates. The cash flows are discounted using pre-tax discount rate of 20.16% (for the corresponding year in 2022: 19.83%), which reflect specific risks relating to the relevant business. Other key assumptions for the VIU calculation relate to revenue growth rate and NOPAT margin for the four-year budget period, which take into account the SMIA CGU's historical performance, existing backlog contracts, sales pipelines and the management's business development plan built upon industry trends.

Reasons for significant changes in value of inputs, basis and key assumptions

In FY2022, the SMIA CGU recorded a revenue of approximately RMB61.7 million. The management of the SMIA business segment (the "**Management**") estimated the revenue growth rate of the SMIA CGU to be 10.00%–57.97% and the NOPAT margin to be (0.98%)–7.97%. Based on which, the VIU of the SMIA CGU was estimated to be approximately RMB63,210,000 in the 2023 Financial Budget. The 2023 Financial Budget was mainly drafted based on the Management's best estimate at that time of the SMIA CGU's future financial performance, including the estimate of future sales pipelines, contract values, costs and operating expenses.

In FY2023, there was a decrease in revenue and net profit of the SMIA CGU as compared to FY2022, which was primarily attributable to 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. The SMIA CGU has been exploring a service technique concerning physical deblocking of injection well since 2021. A trial project adopting such technique had been engaged in FY2022, and was originally expected to lead to further project cooperation in the 2023 Financial Budget. In FY2023, the relevant customers needed more time to consider further project cooperation, which was not expected in the 2023 Financial Budget. In addition, in late 2023, one major software license project with contract term of five years from 2018 to 2023 contributing annual revenue of approximately RMB20.7 million was not renewed due to unsuccessful business negotiation, which was not expected in the 2023 Financial Budget. The above circumstances resulted in the decrease in revenue of the SMIA CGU to approximately RMB52.5 million in FY2023, and also resulted in the decrease in future cash flows in the Projection Period and the net recoverable amount of assets of the SMIA CGU.

In the 2024 Financial Budget, the Management estimated the revenue growth rate of the SMIA CGU to be (40.29)%–27.12% with particularly decrease of 40.29% in FY2024 mainly due to the unsuccessful renewal of one major software license project as abovementioned. In the years ending 2025 and 2026, the revenue growth rate of the SMIA CGU was estimated to be at 17.58% and 27.12% respectively as further project cooperation is expected after more trials are performed for customers' consideration. In the year ending 2027, the revenue growth rate was estimated to slow down to 16.66%. The NOPAT margin of the SMIA CGU was estimated be (21.60)%–6.83%, as the goal for the SMIA CGU during the projection period is to minimize its net loss and sustain its operation. A larger proportion of expenses relative to revenue of the SMIA CGU was estimated for prudence. Based on which, the VIU of the SMIA CGU decreased to approximately RMB155,000 in the 2024 Financial Budget.

There were no significant changes in terminal growth rate and pre-tax discount rate of the SMIA CGU.

Loss Attributable to Equity Shareholders of the Company

As a result of the above factors, the Company recorded a loss attributable to equity shareholders of the Company for the year under review of approximately RMB138.5 million (2022: loss attributable to equity shareholders of the Company of approximately RMB118.6 million).

Liquidity and Financial Resources

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

As of 31 December 2023, the Group's current assets amounted to approximately RMB152.5 million (as of 31 December 2022: approximately RMB233.3 million), with cash and cash equivalents totaling approximately RMB35.9 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 31 December 2023, the Group's total interest-bearing liabilities amounted to RMB193.9 million (as of 31 December 2022: RMB132.8 million), representing borrowings and lease liabilities. The Group had interest-bearing liabilities of RMB81.0 million (as of 31 December 2022: RMB126.7 million) and RMB112.9 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 ranging from 0% to 5% 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 -457.7% as of 31 December 2023 (as of 31 December 2022: 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. The subscription price of HK$0.064 represents a discount of 11.1% to the closing price of HK$0.072 per Share as quoted on the Stock Exchange on 22 May 2023. The subscribers under the May 2023 Subscription Agreements were Mr. Zhao Peng, Mr. Ning Jun and Ms. Liu Beibei.

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 aggregate nominal value of such subscription Shares is HK$27,400. The net proceeds from the May 2023 Subscriptions, after deduction of the related expenses, are approximately HKD17,516,000, representing a net subscription price of approximately HK$0.064 per subscription share, 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.

The Directors considered that the May 2023 Subscriptions represent a good opportunity for the Company to reduce its debts without having to increase the Group's financing costs.

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 subscription price of HK$0.56 represents a discount of approximately 8.2% to the theoretical closing price of HK$0.61 per consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK$0.061 per Share as quoted on the Stock Exchange on 28 June 2023. The subscribers under the June 2023 Subscription Agreements were XinDaXin Group Company Limited, Mr. Ning Jun and Ms. Liu Beibei.

Completion of the June 2023 Subscriptions took place on 19 July 2023. A total of 42,620,000 Shares have been successfully allotted and issued under the 2023 General Mandate. The aggregate nominal value of the subscription Shares is HK$42,620. The net proceeds from the June 2023 Subscriptions, after deduction of the related expenses, were approximately HKD23,817,000, representing a net subscription price of approximately HK$0.559 per subscription share. The Company intended to utilise the net proceeds from the June 2023 Subscriptions for (i) repayment of certain outstanding indebtedness; (ii) general working capital purposes; and (iii) reservation as business development funds of the Group. Please refer to "*(iii) Use of proceeds from the June 2023 Subscriptions*" under the section headed "*Use of proceeds*" for the use of net proceeds for the June 2023 Subscriptions.

The Directors considered that the June 2023 Subscriptions represent a good opportunity for the Company to reduce its debts without having to increase the Group's financing costs.

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 year under review and the corresponding period in 2022, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations. The foreign currency risk is managed and monitored on an on-going basis by senior management of the Group.

Capital Commitments

As of 31 December 2023, the Group had a total capital commitment of RMB50.0 million, contracted for but not yet incurred (as of 31 December 2022: RMB1.8 million). Such capital commitments are expected to be funded by the Group's internal resources and/or borrowings.

Contingent Liabilities

As at 31 December 2023, the Group had no contingent liabilities (as at 31 December 2022: nil).

Charge on assets

As at 31 December 2023 and 2022, 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 RMB108.7 million (as at 31 December 2022: RMB112.8 million).

As at 31 December 2023, trade receivables of approximately RMB1.7 million and right to future trade receivables of approximately RMB33.1 million were pledged to secure bank loans amounting to approximately RMB3.2 million (as at 31 December 2022: nil).

As at 31 December 2023, pursuant to a loan agreement entered into by the Company and the lender on 18 August 2023 which was drawn down for payment of consideration in relation to the Acquisition (as defined below), 30% of the issued shares of Zhongyi (BVI) International Limited shall be pledged to the lender as security for borrowings of approximately RMB29.9 million upon completion of the Acquisition and the further execution of a formal share pledge agreement with the lender.

Saved as disclosed, the Group had no other charge on assets as at 31 December 2023 (as at 31 December 2022: nil).

Significant investments

During the year under review, the Group did not hold any material investments.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

The Company, as the purchaser, a vendor (the "**Vendor**"), being an independent third party, and Zhongyi (BVI), as the target company, entered into a sale and purchase agreement on 25 August 2023 (the "**SPA**") and a supplemental agreement on 12 December 2023, pursuant to which (i) the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the entire equity interest of Zhongyi (BVI) (the "**Acquisition**"), for a total consideration of RMB110,000,000, subject to additional payment under the adjustment mechanism as stipulated in the SPA . Details of the Acquisition have been disclosed by the Company in its announcement dated 25 August 2023, supplemental announcement and circular dated 12 December 2023.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but all of them are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. An extraordinary general meeting of the Company has been convened on 29 December 2023, and was passed by ordinary resolution.

The Board is pleased to announce that all the conditions precedent to completion under the SPA had been fulfilled, and completion of the Acquisition took place on 27 March 2024. Upon completion, Zhongyi (BVI) has become an indirect wholly-owned subsidiary of the Company and its financial results are consolidated into the Group's financial statements.

Saved as disclosed above, during the year under review, there was no other material acquisition or disposal of subsidiaries or associated companies.

Prospects

As reform of electric power system takes place, along with the construction of a new electric power system basing on new energy, it becomes necessary to increase investment in the entire chain of electric energy from electricity production to transmission and consumption. From power grid side, to ensure reliable power supply and safe operation, it is necessary to significantly improve the power system's peak shaving, frequency regulation and voltage regulation capabilities, and to configure relevant technical equipment. Against the background of the dual-carbon policy and the construction of a new electric power system basing on new energy, the development of the power Internet of Things is expected to accelerate. With the emergence of a large number of distributed wind and solar power generators, electric vehicle charging piles, energy storage equipment and other two-way loads, the local quantitative IoT operating environment is becoming increasingly complex. As network scale increases and requirement for real-time transmission increases, there also puts forward a higher requirement on equipment communication speed, delay and reliability. In order to meet the needs of new power systems, State Grid has been accelerating the formulation of new technology standards. The new generation of smart meters will continue to be promoted, the older generation will continue to be updated, and the construction of new power systems will lead to the replacement of more energy meters. The number of smart meter tenders is expected to maintain a steady growth momentum in the future, which will in turn drive the growth in demand for PLC modules.

With the further advancement of carbon peaking and carbon neutrality strategies, the development of renewable energy such as photovoltaic and wind power will accelerate. Energy transformation requires the reshaping of the power grid, and the distribution network also needs to be transformed and upgraded.

Distribution network will become a key part of power grid construction in the "14th Five-Year Plan". State Grid issued the "Action Plan for Building a New Power System with New Energy as the Main Body (2021-2030)" (構建以新能源為主體的新型電力系統行動方案(2021-2030年)) and proposed investment in distribution network construction will exceed 1.2 trillion yuan, accounting for more than 60% of the total investment in power grid construction. China Southern Power Grid issued the "14th Five-Year Plan" power grid development plan, proposing a planned investment of approximately 670 billion yuan in power grid construction to accelerate the construction of digital power grids and the modernization of the power grid. Among them, the planned investment in distribution network construction reached 320 billion yuan, accounting for 48% of the total. Historically, the investments of State Grid and China Southern Power Grid have mainly been concentrated in power transmission and transformation. The proportion of investment on the distribution network is expected to increase significantly in the future.

In 2024, State Grid and China Southern Power Grid will still be committed to the application of broadband dual-mode technology in power information collection systems and terminal products such as low-voltage distribution networks and measurement switches. The Group is promoting its broadband dual-mode products (including chips and modules) to more network provincial markets to further expand the competitiveness of the Group's broadband dual-mode products in the domestic market.

The Group will focus on the broadband dual-mode communication market, keeping its technologies updated, and actively participating in the development and marketing of broadband dual-mode products by State Grid, China Southern Power Grid and other provincial network companies. At the same time, founding on the research and development of its broadband or broadband dual-mode communication technology, the Group is actively promoting itself in more application markets including power grid low-voltage distribution network, measurement switch, and power Internet of Things market.

The application of the Group's broadband and broadband dual-mode communication chips and communication modules will be set around smart power distribution, smart power consumption, smart microgrids and comprehensive power application requirement, and will also cover collection and application of power consumption information, photovoltaic or energy storage, industrial enterprises and parks and other energy management fields. The Group adopts broadband or broadband dual-mode integrated communication solutions, combined with edge computing technology, to develop a series of intelligent products adapted to the energy internet, and provides a variety of intelligent energy internet solutions for integrated energy and smart grids.

In addition, the Group is expanding its market in smart city lighting, smart air conditioning and integrated energy management systems and terminal products. With the national government's promotion of smart grid and smart city construction, support for energy conservation and emission reduction, promotion of new energy, and the expanding overseas smart meter market under the development of the "Belt and Road Initiative", the market for PLC technology is expected to maintain a good development trend in the next few years, which is expected to promote the sales of various products of the Group, especially in the field of maintenance and safety integrity systems in the petroleum and petrochemical industries which continue to expand its market scope, bringing more opportunities to the Group.

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.

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

Final Dividend

The Board did not recommend the payment of a final dividend for the year under review.

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 C1 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 year under review, 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**") as set out in Appendix C3 to the Listing Rules. After specific enquiry made by the Company, all the Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's Code during the year under review.

Closure of Register of Members for the 2024 AGM

The register of members of the Company will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024 (both days inclusive) for the purpose of determining the right to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 21 June 2024 (the "**2024 AGM**") or any adjournment thereof. The record date for entitlement to attend and vote at the 2024 AGM is Friday, 21 June 2024. In order to be qualified for attending and voting at the 2024 AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Monday, 17 June 2024.

Purchase, Redemption or Sale of the Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year under review.

Event after the Reporting Period

Details of significant events which would cause material impact on the Group from the end of the year under review to the date of this announcement are set out in note 16 to the consolidated financial statements as set out in this results announcement.

Use of Proceeds

(i) 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 year under review 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 31 December 2023**	**Unutilised net proceeds as at 31 December 2023**	**Unutilised net proceeds as at 31 December 2022**
	approximate HKD' million	*approximate HKD' million*	*approximate HKD' million*	*approximate HKD' million*	*approximate HKD' million*	*approximate HKD' million*
Research and development of the PLC technology	95.7	(37.8)	–	57.6	0.3	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	–	–	149.9	8.3	13.9

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 31 December 2023 are expected to be fully utilised on or before 31 December 2024.

(ii) Use of proceeds from the May 2023 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 year under review, the net proceeds had been fully applied for lowering the gearing ratio of the Group by repayment of the outstanding indebtedness in accordance with the intentions as disclosed in the May 2023 GM Subscription Announcement.

(iii) Use of proceeds from the June 2023 Subscriptions

References are made to the June 2023 GM Subscription Announcement and the announcement of the Company dated 19 July 2023 in relation to the completion of the June 2023 Subscriptions. The aggregated net proceeds derived from the June 2023 Subscriptions were approximately HKD23.8 million.

The following table presented the utilisation of the net proceeds from the June 2023 Subscriptions:

	Original planned use of net proceeds *(Note)*	**Updated planned use of net proceeds**	**Amount utilised as at 31 December 2023**	**Unutilised net proceeds as at 31 December 2023**
	approximate HKD' million	*approximate HKD' million*	*approximate HKD' million*	*approximate HKD' million*
Repayment of outstanding indebtedness	3.8	3.8	3.8	–
General working capital purposes:	10.0	20.0	13.0	7.0
i) staff costs	4.0	8.0	4.0	4.0
ii) contracted development expenses, R&D material costs and inspection costs	3.0	6.0	3.0	3.0
iii) professional fees	3.0	6.0	6.0	–
Business development funds	10.0	–	–	–
	23.8	23.8	16.8	7.0

Note:

According to the announcement of the Company dated 19 July 2023, approximately HKD10.0 million of the net proceeds was intended to be reserved as business development funds for the Group. Any updates regarding the utilisations of the business development funds should be duly disclosed in the Company's financial reports.

As at the date of this announcement, the intended utilisations of the business development funds have been updated as above.

With the Board's endeavor for a brighter prospect of the Group, the Board has been reviewing the business status of the Group as well as opportunities for enhancement. To boost the business development of the Group, (i) approximately HKD8.0 million is allocated to staff cost, which is intended for recruitment and proper motivation of talents who are determined and capable of bringing changes to the Group; (ii) approximately HKD6.0 million is allocated to contracted development expenses, R&D material costs and inspection costs as involved in the research and development activities of the Group's products, which is intended for continued upgrade of performance of the Group's products in a bid to boost sales and market competitiveness and (iii) approximately HKD6.0 million is allocated to professional fees, which is intended for facilitating the completion of the Acquisition in a bid to instill new business hope and revenue and cash flow stream in the Group.

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 31 December 2023 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 at 31 December 2023, the Group had an aggregate of 155 employees (as at 31 December 2022: 151 employees). During the year under review, staff costs, including Directors' remuneration, was approximately RMB36.2 million (2022: approximately RMB38.9 million). The Group recruited and promoted individual persons according to their capabilities 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 a share option scheme 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 ANNUAL FINANCIAL RESULTS

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 audited annual financial results of the Group for the year under review, including the accounting principles and practices adopted by the Group, and discussed financial related matters. The consolidated financial statements of the Group for the year under review have been audited by the auditor of the Group, SHINEWING (HK) CPA Limited. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year under review. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this announcement.

Extract from independent auditor's report prepared by the independent auditor

The Group would like to provide an extract from the independent auditor's report prepared by SHINEWING (HK) CPA Limited (the independent auditor) on the Group's annual consolidated financial statements for the year ended 31 December 2023 as set out below:

Material uncertainty related to going concern

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB143,648,000 during the year ended 31 December 2023 and, as of that date, the Group had net liabilities of approximately RMB34,533,000. As stated in note 2, these conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL 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 annual report for the year under review containing all the information required by Appendix D2 to the Listing Rules will be despatched to the shareholders of the Company (if requested) 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 order of the Board
Risecomm Group Holdings Limited
Guo Lei
Chairman and Executive Director

Hong Kong, 28 March 2024

As at the date of this announcement, the executive Directors are Ms. Guo Lei 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.