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RISECOMM

瑞斯康

RISECOMM GROUP HOLDINGS LIMITED

瑞斯康集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1679)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 12 July 2021 (after trading hours), the Company entered into the Subscription Agreements with each of Mr. Ding and Mr. Yu, respectively, pursuant to which (i) Mr. Ding conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 88,660,000 Subscription Shares; and (ii) Mr. Yu conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 108,660,000 Subscription Shares. The Subscription Price is HK\$0.170 per Subscription Share for an aggregate amount of HK\$33,544,400. The Subscription Price payable by Mr. Ding and Mr. Yu, respectively, shall be settled by cash. The Subscription Shares represent in aggregate approximately 20.0% of the existing issued share capital of the Company as at the date of this announcement and approximately 16.7% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the date of Subscription Completion save for the issue of the Subscription Shares). The transactions contemplated under each of the Subscription Agreements are not inter-conditional.

The Subscription Shares will be issued under the General Mandate and will rank equally among themselves and with the existing Shares in issue on the date of allotment and issue of the Subscription Shares.

Subscription Completion is subject to various conditions as set out under the section headed “The Subscriptions — Conditions of the Subscription Completion” in this announcement, including but not limited to the Listing Committee agreeing to grant a listing of and permission to deal in the Subscription Shares.

Subscription Completion is subject to the satisfaction of the conditions precedent set out in the relevant Subscription Agreements. As the Subscription Completion may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in doubt about their position, they should consult their professional advisers.

THE SUBSCRIPTIONS

Subscription Agreements

On 12 July 2021 (after trading hours), the Company entered into the Subscription Agreements with each of Mr. Ding and Mr. Yu, respectively, pursuant to which (i) Mr. Ding conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 88,660,000 Subscription Shares; and (ii) Mr. Yu conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 108,660,000 Subscription Shares. The Subscription Price is HK\$0.170 per Subscription Share for an aggregate amount of HK\$33,544,400.

The principal terms of each of the Subscription Agreements are summarised below.

	Mr. Ding's Subscription Agreement	Mr. Yu's Subscription Agreement
Issuer:		the Company
Subscriber:	<p>Mr. Ding</p> <p>To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Mr. Ding is an experienced investor and an Independent Third Party. Mr. Ding will become a Substantial Shareholder immediately after Subscription Completion.</p> <p>To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, Mr. Ding is interested in 49,807,283 Shares, representing approximately 5.0% of the issued share capital of the Company as at the date of this announcement.</p>	<p>Mr. Yu</p> <p>To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Mr. Yu is an experienced investor and an Independent Third Party. Mr. Yu will not become a Substantial Shareholder immediately after Subscription Completion.</p> <p>To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, Mr. Yu is interested in 6,355,000 Shares, representing approximately 0.6% of the issued share capital of the Company as at the date of this announcement.</p>

Mr. Ding's Subscription Agreement

Mr. Yu's Subscription Agreement

Aggregate Subscription Price:

HK\$15,072,200

HK\$18,472,200

Subscription Shares

88,660,000 Subscription Shares will be allotted and issued upon completion of Mr. Ding's Subscription Agreement.

108,660,000 Subscription Shares will be allotted and issued upon completion of Mr. Yu's Subscription Agreement.

Mr. Ding's Subscription Shares represent (i) approximately 9.0% of the existing issued share capital of the Company as at the date of this announcement and, (ii) on the assumption that only the Subscription Completion of Mr. Ding's Subscription Agreement will take place and without taking into account any Shares which may be allotted and issued pursuant to the Mr. Yu's Subscription Agreement, the Subscription Shares will represent approximately 8.2% of the enlarged issued share capital of the Company immediately following the allotment and issue of Mr. Ding's Subscription Shares.

Mr. Yu's Subscription Shares represent (i) approximately 11.0% of the existing issued share capital of the Company as at the date of this announcement and, (i) on the assumption that only the Subscription Completion of Mr. Yu's Subscription Agreement will take place and without taking into account any Shares which may be allotted and issued pursuant to the Mr. Ding's Subscription Agreement, the Subscription Shares will represent approximately 9.9% of the enlarged issued share capital of the Company immediately following the allotment and issue of Mr. Yu's Subscription Shares.

The aggregate nominal value of Mr. Ding's Subscription Shares (with a par value of HK\$0.0001 each) is approximately HK\$8,866.

The aggregate nominal value of Mr. Yu's Subscription Shares (with a par value of HK\$0.0001 each) is approximately HK\$10,866.

As at the date of this announcement, the total number of Shares in issue of the Company is 986,619,071 Shares. The Subscription Shares represent in aggregate approximately 20.0% of the existing issued share capital of the Company as at the date of this announcement and approximately 16.7% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the date of Subscription Completion save for the issue of the Subscription Shares).

The transactions contemplated under each of the Subscription Agreements are not inter-conditional.

Subscription Price

The Subscription Price of each Subscription Share is HK\$0.170, which was negotiated on an arm's length basis by the Company with each of Mr. Ding and Mr. Yu, respectively, and is a commercial decision reached by the Company with each of Mr. Ding and Mr. Yu, respectively, with reference to, among others, the recent trading price of the Shares, the performance of the Group and the future prospects of the business of the Group.

The Subscription Price of HK\$0.170 per Subscription Share represents:

- (i) a discount of approximately 3.4% to the closing price of HK\$0.176 per Share as quoted on the Stock Exchange on 12 July 2021, being the date of the Subscription Agreements;
- (ii) a discount of approximately 6.1% to the average closing price of approximately HK\$0.181 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 7.6% to the average closing price of approximately HK\$0.184 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day.

Ranking of the Subscription Shares

The Subscription Shares will rank equally in all respects among themselves and with all other Shares in issue on the date of allotment and issue of the Subscription Shares.

Disposal and lock-up restriction

The Subscription Shares are not subject to any lock-up or other disposal restriction under the terms of the Subscription Agreements.

Conditions of the Subscription Completion

The Subscription Completion for each of the Subscription Agreements is conditional upon the following conditions being fulfilled by the Longstop Date:

- (a) listing of and permission to deal in all the Subscription Shares being granted by the Listing Committee of the Stock Exchange (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares); and
- (b) all representations and warranties in the Subscription Agreement remain true, accurate and not misleading in all material aspects upon Subscription Completion.

None of the above conditions may be waived by any party to the relevant Subscription Agreement.

If the above conditions have not been fulfilled by the Longstop Date, all rights, obligations and liabilities of the parties under the relevant Subscription Agreement in relation to the relevant Subscription shall cease and determine and none of the parties to the relevant Subscription Agreement shall have any claim against any other in respect of the relevant Subscription for costs, damages, compensation or otherwise save for any antecedent breaches of any provisions of the relevant Subscription Agreement.

Subscription Completion

Subscription Completion is to take place on the third Business Day immediately after the date on which all conditions under the relevant Subscription Agreement are fulfilled (or such other date as may be agreed by the parties to the relevant Subscription Agreement).

Mandate for the issue of the Subscription Shares

The subscription Shares will be allotted and issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM held on 25 June 2021 subject to the limit of up to 20% of the total number of Shares in issue as at the date of the AGM (that is, 197,323,814 new Shares, representing 20% of 986,619,071 Shares in issue as at the date of the AGM).

Up to the date of this announcement, the General Mandate has not been utilised. As such, the General Mandate will be sufficient for the issue and allotment of the Subscription Shares. As the Subscription Shares will be issued under the General Mandate, the Subscriptions are not subject to Shareholders' approval.

Application for listing

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Reasons for the Subscriptions and use of net proceeds

Based on the audited consolidated financial statements of the Company for the year ended 31 December 2020, as at 31 December 2020, the Group's cash and cash equivalents amounted to approximately RMB121.7 million. As (i) the aggregate principal amount and accrued interests payable by the Company upon redemption of the Promissory Notes, which will be redeemable upon maturity in August and December 2021, amounted to approximately HK\$154.1 million and (ii) the aggregate principal amount and accrued interests payable by the Company upon maturity of the Convertible Bonds, which will be redeemable upon maturity in August 2021, amounted to approximately HK\$153.0 million, it is necessary for the Group to finance the redemption of the Promissory Notes and the Convertible Bonds.

The gross proceeds of the Subscriptions are HK\$33,544,400. The net proceeds of the Subscriptions, after deducting professional fees and other related expenses, are estimated to be approximately HK\$33,344,400; and the net issue price per Subscription Share is approximately HK\$0.169.

The net proceeds of the Subscriptions are intended to be used to lower the gearing ratio of the Group by repayment of the outstanding indebtedness.

The Directors consider that the Subscriptions represents a good opportunity for the Company to reduce its debts without having to increase the Group's financing costs. Accordingly, the Directors consider that the terms of each of the Subscription Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING

For illustration purpose only, the table below sets out the shareholding structure of the Company based on each of the following scenarios and taking no account of any other issue or repurchase of Shares by the Company:

	As at the date of this announcement		Upon Subscription Completion of the Subscription Agreements	
	Number of Shares	%	Number of Shares	%
<i>Connected persons</i>				
Magical Success Holdings Limited ("Magical Success") (Note 1)	97,527,845	9.9	97,527,845	8.2
Seashore Fortune Limited ("Seashore Fortune") (Note 2)	93,543,624	9.5	93,543,624	7.9
SB Asia Investment Fund II L.P.	197,340,537	20.0	197,340,537	16.7
Spitzer Fund VI L.P.	123,763,311	12.5	123,763,311	10.5
Mr. Ding (Notes 3 & 4)	—	—	138,467,283	11.7
<i>Sub-total (A):</i>	<u>512,175,317</u>	<u>51.9</u>	<u>650,642,600</u>	<u>55.0</u>
Public				
Mr. Ding (Note 3)	49,807,283	5.0	—	—
Mr. Yu (Note 3)	6,355,000	0.6	115,015,000	9.7
Other public Shareholders	<u>418,281,471</u>	<u>42.4</u>	<u>418,281,471</u>	<u>35.3</u>
<i>Sub-total (B):</i>	<u>474,443,754</u>	<u>48.1</u>	<u>533,296,471</u>	<u>45.0</u>
Total (A) + (B):	<u><u>986,619,071</u></u>	<u><u>100.0</u></u>	<u><u>1,183,939,071</u></u>	<u><u>100.0</u></u>

Notes:

- Magical Success is wholly owned by Ms. Chen Junling ("Ms. Chen"). Ms. Chen is the spouse of Mr. Wang Shiguang, who was a non-executive Director within the last 12 months of the date of this announcement.
- Seashore Fortune is wholly owned by Mr. Yue Jingxing ("Mr. Yue"). Mr. Yue is the chairman of the Board and an executive Director.
- To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Mr. Ding and Mr. Yu is an Independent Third Party.

4. Mr. Ding will become a Substantial Shareholder immediately after Subscription Completion.
5. Percentages shown in the above chart are approximate figures and have been rounded to the nearest tenth of a percent. Accordingly, figures shown as totals in the above chart may not be an arithmetic aggregation of the figures which precede them.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not undertaken any equity fund raising activities in the 12 months immediately prior to the date of this announcement.

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding, and through its subsidiaries, operated two business segments: (i) automated meter reading (“AMR”) and other business: the Group is principally engaged in the 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; and (ii) smart manufacturing and industrial automation business: the Group is principally engaged in sales of software licences, production safety products 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.

Subscription Completion is subject to the satisfaction of the conditions precedent set out in the relevant Subscription Agreements. As the Subscription Completion may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in doubt about their position, they should consult their professional advisers.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“2021 AGM”	the annual general meeting of the Company held on 25 June 2021
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors

“Business Day”	means any day (excluding Saturday, Sunday and any other public holidays and any day on which a tropical cyclone warning no.8 or above or “extreme conditions” caused by super typhoons in force in Hong Kong or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which commercial banks generally are open for business in Hong Kong
“Company”	Risecomm Group Holdings Limited (瑞斯康集團控股有限公司), an exempted company incorporated under the laws of Cayman Islands whose issued shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Bonds”	the fixed rate senior convertible bonds (as amended) in the aggregate principal amount of HK\$150 million carrying 4% coupon rate per annum issued by the Company on 13 August 2018 and will mature on 13 August 2021
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the AGM (or, if applicable, the general mandate to allot, issue and deal with Shares as may be subsequently granted in accordance with Rule 13.36(2)(b) of the Listing Rules to the Directors by the Shareholders so long as it is valid and in force on the date of Subscription Completion and sufficient to cover the Subscription Shares)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons and are not connected persons of the Company
“Last Trading Day”	9 July 2021, being the last trading day immediately prior to the date of the Subscription Agreements
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Longstop Date”	2 August 2021, or such other date as the parties to the relevant Subscription Agreement may agree in writing
“Mr. Ding”	Ding Zhigang (丁志鋼)
“Mr. Ding’s Subscription Agreement”	a conditional subscription agreement dated 12 July 2021 made by the Company with Mr. Ding in respect of the subscription of the Mr. Ding’s Subscription Shares
“Mr. Ding’s Subscription Shares”	88,660,000 new Shares
“Mr. Yu”	Yu Lu (于路)
“Mr. Yu’s Subscription Agreement”	a conditional subscription agreement dated 12 July 2021 made by the Company with Mr. Yu in respect of the subscription of the Mr. Yu’s Subscription Shares
“Mr. Yu’s Subscription Shares”	108,660,000 new Shares
“PRC”	The People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Promissory Notes”	the promissory notes (as amended and replaced) issued by the Company to Sailen IOT as part of the consideration for the acquisition of Green Harmony Limited as disclosed in the announcement of the Company dated 28 December 2017, 3 January 2018, 10 January 2018, 12 February 2018, 15 August 2018, 15 March 2019 and 25 November 2019, currently comprising (i) the first promissory note dated 25 November 2019 for the principal amount of HK\$20 million carrying 4% coupon rate per annum from 25 November 2019 and due on 14 August 2021 (the “First Promissory Note”); and (ii) the second promissory note dated 25 November 2019 for the principal amount of approximately HK\$122.9 million carrying 4% coupon rate per annum from 25 November 2019 and due on 30 December 2021 (the “Second Promissory Note”)
“Sailen IOT”	Sailen International IOT Limited (formerly known as Tiger Resort, Leisure and Entertainment, Inc.), a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding
“Share(s)”	the ordinary share(s) of HK\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriptions”	the subscription of Mr. Ding’s Subscription Shares and Mr. Yu’s Subscription Shares at the Subscription Price and the term “ Subscription ” shall mean any of them
“Subscription Agreements”	Mr. Ding’s Subscription Agreement and Mr. Yu’s Subscription Agreement and the term “ Subscription Agreement ” shall mean any of them
“Subscription Completion”	the completion of each of Mr. Ding’s Subscription Agreement and Mr. Yu’s Subscription Agreement in accordance with their respective terms and conditions
“Subscription Price”	HK\$0.170 per Share
“Subscription Shares”	the aggregate of 197,320,000 new Shares
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Risecomm Group Holdings Limited
Yue Jingxing
Chairman and executive Director

Hong Kong, 12 July 2021

As at the date of this announcement, the executive Directors are Mr. Yue Jingxing, Mr. Lau Wai Leung, Alfred and Mr. Jiang Feng, the non-executive Director is Mr. Cheung Fan and the independent non-executive Directors are Mr. Ong King Keung, Ms. Lo Wan Man and Mr. Zou Heqiang.