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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)

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES
HELD ON THE RECORD DATE
AND
CLOSURE OF REGISTER OF MEMBERS**

Financial Adviser to the Company



Maxa Capital Limited

Joint Underwriters to the Rights Issue



Maxa Capital Limited



Sorrento Securities Limited

PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds (before deducting professional fees and other related expenses) of up to (i) approximately HK\$123.1 million by way of the Rights Issue of 591,969,535 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) or (ii) approximately HK\$143.2 million by way of the Rights Issue of 688,517,997 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the exercise in full of the Vested Share Options and full conversion of the Convertible Bonds), to the Qualifying Shareholders at a subscription price of HK\$0.208 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date. The Rights Issue will be underwritten on a best effort basis by the Joint Underwriters on the terms and conditions set out in the Underwriting Agreement. The Rights Issue will not be extended to the Non-Qualifying Shareholders (if any).

Assuming no change in the number of Shares in issue on or before the Record Date and full subscription of the Rights Share, a total of 591,969,535 Rights Shares will, upon the completion of the Rights Issue, be allotted and issued, representing:

- (i) approximately 50.0% of the existing Shares in issue of the Company as at the date of this announcement; and
- (ii) approximately 33.3% of the Shares in issue of the Company as enlarged by the allotment and issue of the Rights Shares.

The maximum net proceeds from the Rights Issue after deducting professional fees and other related expenses are estimated to be (i) approximately HK\$121.1 million (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK\$141.2 million (assuming no change in the number of Shares in issue on or before the Record Date other than the exercise in full of the Vested Share Options and full conversion of the Convertible Bonds).

Depending on the level of subscription of the Rights Issue, the Company intends to use the net proceeds in the following order of priority:

- (1) for the full settlement of the outstanding principal and accrued interests of the Promissory Notes; and
- (2) for the settlement of other outstanding indebtedness and trade and other payables of the Group.

Subject to the fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue, the Rights Issue will proceed on a best-effort-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares or through excess applications or not subscribed by other subscribers procured by the Joint Underwriters or by the Joint Underwriters themselves pursuant to the Underwriting Agreement will not be allotted and issued by the Company and the size of the Rights Issue will be reduced accordingly. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

UNDERWRITING ARRANGEMENT

The Board is pleased to announce that on 19 October 2021 (after trading hours), the Company entered into the Underwriting Agreement with the Joint Underwriters. Pursuant to the Underwriting Agreement, each of the Joint Underwriters has agreed to procure, on a best effort basis, the subscription (including subscription by itself) for any unsubscribed Rights Shares subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions contained therein.

The Rights Issue is only underwritten on a best-effort basis. Pursuant to the Company's constitutional documents and the Companies Law, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level.

In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares or through excess applications or not subscribed by other subscribers procured by the Joint Underwriters or by the Joint Underwriters themselves pursuant to the Underwriting Agreement will not be allotted and issued by the Company and the size of the Rights Issue will be reduced accordingly. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

QUALIFYING SHAREHOLDERS

To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of the Company at the close of business on the Record Date; and
- (ii) not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer documents of the Shares (together with the relevant share certificates) with the Registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by no later than 4:30 p.m. on Wednesday, 17 November 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 18 November 2021 to Wednesday, 24 November 2021 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. During this period, no transfer of Shares will be registered.

LISTING RULES IMPLICATIONS

Save for the completion of the Second Amendment to the Convertible Bonds, the Company has not completed any rights issue, open offer or specific mandate placing within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealings in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it granted any bonus securities, warrants or other convertible securities within such 12-month period as part of such rights issue, open offer or specific mandate placing. Accordingly, based on the terms of the Rights Issue and assuming that the maximum number of Rights Shares is issued, the Rights Issue, on its own or when aggregated with the Second Amendment to the Convertible Bonds, will not result in theoretical dilution effects of 25% or more and thus complies with the requirement under Rule 7.27B of the Listing Rules. As the Rights Issue will not increase the Shares in issue or market capitalisation of the Company by more than 50%, the Rights Issue is not subject to approval of the independent Shareholders under the Listing Rules. The Rights Issue will be carried out in compliance with Rule 7.21(1)(a) of the Listing Rules.

GENERAL

The Prospectus containing, among other things, details of the Rights Issue is expected to be despatched by the Company to the Qualifying Shareholders on the Posting Date. The PALs and the EAFs will also be sent to the Qualifying Shareholders on the same date. A copy of the Prospectus will also be made available on the websites of the Company (www.risecomm.com.cn) and the Stock Exchange (www.hkexnews.hk). Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company may send copies of the Prospectus to the Non-Qualifying Shareholders, as well as to the holders of the Share Options and the Convertible Bonds for their information only but will not send any PAL or EAF to them.

WARNING OF THE RISKS OF DEALING IN SHARES AND THE NIL-PAID RIGHTS

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Joint Underwriters not having terminated the Underwriting Agreement in accordance with its terms. It should also be noted that the Underwriting Agreement contains provisions granting the Joint Underwriters the right to terminate their respective obligations on the occurrence of certain events. Please refer to the section headed "The Underwriting Arrangement — Termination of the Underwriting Agreement" in this announcement for further details. Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Tuesday, 16 November 2021. Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 29 November 2021 to Monday, 6 December 2021 (both dates inclusive).

Any dealings in the Shares from the date of this announcement up to the date on all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form should exercise caution and are recommended to consult their professional advisers.

PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds (before deducting professional fees and other related expenses) of up to (i) approximately HK\$123.1 million by way of the Rights Issue of 591,969,535 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) or (ii) approximately HK\$143.2 million by way of the Rights Issue of 688,517,997 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the exercise in full of the Vested Share Options and full conversion of the Convertible Bonds), to the Qualifying Shareholders at a subscription price of HK\$0.208 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date. The Rights Issue will be underwritten on a best effort basis by the Joint Underwriters on the terms and conditions set out in the Underwriting Agreement.

The terms of the Rights Issue are set out below:

Rights Issue Statistics

Basis of the Rights Issue	:	One (1) Rights Share for every two (2) existing Shares held by the Shareholders on the Record Date
Subscription Price	:	HK\$0.208 per Rights Share
Number of Shares in issue as at the date of this announcement	:	1,183,939,071 Shares
Number of Rights Shares to be issued under the Rights Issue	:	not less than 591,969,535 Rights Shares (<i>Note 1</i>) and not more than 688,517,997 Rights Shares (<i>Note 2</i>)
Aggregate nominal value of the Rights Shares	:	not less than approximately HK\$59,196.95 (<i>Note 1</i>) and not more than approximately HK\$68,851.80 (<i>Note 2</i>)

Total number of Shares in issue as enlarged by the allotment and issue of the Rights Shares (assuming that the Rights Issue is fully subscribed)	:	not less than 1,775,908,606 Shares (<i>Note 1</i>) and not more than 2,065,553,991 Shares (<i>Note 2</i>)
Joint Underwriters	:	Maxa Capital Limited and Sorrento Securities Limited
Maximum funds to be raised (before expenses)	:	Up to approximately HK\$123.1 million (<i>Note 1</i>) Up to approximately HK\$143.2 million (<i>Note 2</i>)

Notes:

1. Assuming no change in the issued share capital of the Company on or before the Record Date.
2. Assuming new Shares are issued on or before the Record Date pursuant to the exercise of all Vested Share Options and full conversion of the Convertible Bonds, but otherwise no other change in the issued share capital of the Company on or before the Record Date.

Subject to the fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue, the Rights Issue will proceed on a best-effort-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares or through excess applications or not subscribed by other subscribers procured by the Joint Underwriters or by the Joint Underwriters themselves pursuant to the Underwriting Agreement will not be allotted and issued by the Company and the size of the Rights Issue will be reduced accordingly. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Under the Rights Issue, the 591,969,535 nil-paid Rights Shares proposed to be provisionally allotted represent approximately 50.0% of the existing issued share capital of the Company as at the date of this announcement and approximately 33.33% of the issued share capital of the Company as enlarged by the Rights Issue (assuming no change in the issued share capital of the Company on or before the Record Date).

As at the date of this announcement, there are 5,596,923 Vested Share Options. There are also outstanding Convertible Bonds in the principal amount of HK\$150 million, which are convertible into 187,500,000 Conversion Shares. Assuming exercise of all Vested Share Options and full conversion of the Convertible Bonds, the maximum number of new Shares that would fall to be allotted and issued under the Share Option Scheme and the Pre-IPO Share Option Scheme and the terms and conditions of the Convertible Bonds on or before the Record Date would be 193,096,923 Shares, which would result in the issue and allotment of 96,548,462 additional Rights Shares.

As at the date of this announcement, save as disclosed above, the Company has no other outstanding derivatives, options, warrants, conversion rights or other similar rights which are readily convertible or exchangeable into or confer any right to subscribe for Shares in the

Rights Issue. Other than as a result of the exercise of the Vested Share Options or the conversion of the Convertible Bonds, the Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

Best-effort-underwritten basis only

As the Rights Issue will proceed on a best-effort-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) or EAF(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules. Investors are advised to exercise caution when dealing in the Shares. There is no minimum amount to be raised under the Rights Issue.

Subscription Price

The Subscription Price of HK\$0.208 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or, where applicable, applies for excess Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares or when a subscriber procured by the Joint Underwriters or the Joint Underwriters themselves subscribe for the Rights Shares under the Underwriting Agreement.

The Subscription Price represents:

- (i) a discount of approximately 0.5% to the closing price of HK\$0.209 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 1.0% to the average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.210;
- (iii) a discount of approximately 0.5% to the average closing price per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.209;
- (iv) a premium of approximately 1.5% to the average closing price per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.205;
- (v) a discount of approximately 0.5% to the theoretical ex-rights price of approximately HK\$0.209 per Share based on the closing price of HK\$0.209 per Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the Rights Shares;

- (vi) there is no cumulative theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules), being the aggregate of the Conversion Shares to be issued under the Specific Mandate upon exercise in full of the Convertible Bonds (as amended by the Second Amendments to the Convertible Bonds) and the Rights Issue, given that the cumulative theoretical diluted price of approximately HK\$0.275 per Share is higher than the benchmarked price of approximately HK\$0.213 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on 12 August 2021, being the date immediately before the date of entering into of the agreement to the Second Amendment, of HK\$0.205 per Share and the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to date of the agreement to the Second Amendment of approximately HK\$0.213 per Share); and
- (vii) a premium of approximately 101.9% to the consolidated net asset value per Share attributable to the Shareholders as at 30 June 2021 of approximately HK\$0.103 per Share calculated based on the unaudited consolidated net assets of the Group of approximately RMB101,141,000 as at 30 June 2021 as set out in the interim report of the Company for the six months ended 30 June 2021 and 1,183,939,071 Shares in issue as at the date of this announcement.

The Subscription Price was determined with reference to, among other things, (i) the recent market prices of the Shares; (ii) the current market conditions; and (iii) the funding and capital needs of the Company as set out in the paragraph headed “Reasons for the Rights Issue and the Use of Proceeds”, and in particular for full settlement of the outstanding principal and accrued interests of the Promissory Notes. The Directors consider that the Subscription Price was set at a level that is close to the current market price of the Shares and premium to the consolidated net asset value per Share with the intention to avoid material value dilution and therefore enhance the share value of the Company.

The Directors consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The net price per Rights Share (i.e. Subscription Price less the estimated cost and expenses to be incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.205 (assuming no change in the number of Shares in issue on or before the Record Date) and approximately HK\$0.205 (assuming no change in the number of Shares in issue on or before the Record Date other than exercise in full of the Vested Share Options and full conversion of the Convertible Bonds).

Basis of provisional allotment

The basis of the provisional allotment shall be one (1) Rights Share for every two (2) existing Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder’s provisional allotment should be made by completing a PAL and lodging the same with a cheque or a banker’s cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before 4:00 p.m. on the Latest Acceptance Date.

If a Qualifying Shareholder wishes to accept only a part of, or to renounce or transfer a part of, the Rights Shares provisionally allotted to him/her/it under the PAL, such Qualifying Shareholder will need to split his/her/its PAL into the denominations required. Details as to how to split the PALs will be set out in the Prospectus.

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders. Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company may send copies of the Prospectus to the Non-Qualifying Shareholders as well as to the holders of the Share Options and the Convertible Bonds for their information only but will not send any PAL or EAF to them.

To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of the Company at the close of business on the Record Date; and
- (ii) not be a Non-Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer documents of the Shares (together with the relevant share certificates) with the Registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by no later than 4:30 p.m. on Wednesday, 17 November 2021.

The Company expects to send the Prospectus Documents to the Qualifying Shareholders on Thursday, 25 November 2021.

Holders of Share Options or Convertible Bonds who wish to participate in the Rights Issue should exercise the Share Options or the Convertible Bonds in accordance with the terms and conditions of the Share Option Scheme, the Pre-IPO Share Option Scheme or the Convertible Bonds and be registered as holders of the Shares so allotted and issued to them pursuant to such exercise with the Company on or before the Record Date.

Qualifying Shareholders who take up their pro-rata entitlement in full under the Rights Issue will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders on the Record Date, if any, may not be eligible to take part in the Rights Issue as explained below.

Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Directors will make enquiries regarding the legality and feasibility of extending the Rights Issue to the Overseas Shareholder(s) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place to exclude such Overseas Shareholder(s) from the Rights Issue, no Rights Shares (whether in nil-paid or fully-paid form) will be offered to such Overseas Shareholder(s). In such circumstances, the Rights Issue will not be extended to such Overseas Shareholder(s) and such Overseas Shareholder(s) will be considered as Non-Qualifying Shareholder(s). The basis for excluding Non-Qualifying Shareholder(s), if any, from the Rights Issue will be set out in the Prospectus. Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company may send copies of the Prospectus to the Non-Qualifying Shareholders as well as holders of Share Options and the Convertible Bonds for their information only on the Posting Date, but will not send any PAL and EAF to them.

Arrangements will be made for the nil-paid Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market as soon as practicable after dealings in nil-paid Rights Shares commence, and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. The net proceeds of each sale, less expenses and stamp duty, of not less than HK\$100 will be paid pro-rata (rounded down to the nearest cent) to the relevant Non-Qualifying Shareholder(s) in Hong Kong dollars. The Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by the Qualifying Shareholders.

Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries to be made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company reserves the right to permit any Shareholder (whether as a direct holder or beneficial owner) whose registered address is in, or who otherwise resides in, a jurisdiction other than Hong Kong to take up Rights Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations in that jurisdiction which would otherwise give rise to restrictions upon the offer or take-up of Rights Shares in that jurisdiction and treat as invalid any acceptances of or applications for the Rights Shares where it believes that such acceptance or application would violate the

applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, such Overseas Shareholders and beneficial owners of the Shares should exercise caution when dealing in the Shares.

Status of the Rights Shares

When allotted and fully paid, each Rights Share will have a par value of HK\$0.0001. The Rights Shares, when allotted, issued and fully paid, will rank pari passu in all respects with the Shares in issue at the time. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by the Company after the date of allotment and issue of the Rights Shares in their fully-paid form.

Fractional entitlements to the Rights Shares

The Company will not provisionally allot and will not accept application for any fractions of the Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number). Fractional entitlements to any Rights Shares will be disregarded and will be aggregated and allocated to satisfy excess applications (if any) and/or disposed of in such manner as the Directors in their absolute discretion deem appropriate and for the benefit and interests of the Company and more particularly described in the paragraph headed “Application for excess Rights Shares” below. No odd lot matching services will be provided by the Company in respect of the Rights Shares.

Application for excess Rights Shares

Qualifying Shareholders shall be entitled to apply for, by way of excess application:

- (i) any unsold Rights Shares which would have been allotted to the Non-Qualifying Shareholders (if any) had they been Qualifying Shareholders;
- (ii) any Rights Shares provisionally allotted to but not validly accepted by the Qualifying Shareholders or otherwise subscribed for by renounees or transferees of Rights Shares in nil-paid form;
- (iii) any unsold Rights Shares created by aggregating fractions of Rights Shares in nil-paid form; and
- (iv) any other Rights Shares not being validly taken up (if any) and to be determined by the Board at its discretion.

(i) to (iv) are collectively referred to as “**Untaken Rights**”.

Applications for excess Rights Shares may be made only by the Qualifying Shareholders and only by duly completing and signing the EAF (in accordance with the instructions printed thereon) and lodging the same with a separate cheque or banker’s cashier order for the sum payable for the excess Rights Shares being applied for with the Registrar by not later than 4:00 p.m. on Thursday, 9 December 2021 or such other time or date as the Company and the Joint Underwriters may agree in writing.

Notwithstanding the provisions in the Prospectus Documents, the Company reserves the right to permit any Shareholder (whether as a direct holder or beneficial owner) whose registered address is in, or who is otherwise resident in, a jurisdiction other than Hong Kong to take up excess Rights Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations in that jurisdiction which would otherwise give rise to restrictions upon the offer or take-up of Rights Shares in that jurisdiction. Subject to the requirements of Rule 7.21(3)(b) of the Listing Rules, the Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis and on the following principles:

- (i) as far as practicable, in proportion to the number of excess Rights Shares being applied for under each application;
- (ii) no preference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders; and
- (iii) no preference will be given to applications made for topping up odd lot holdings to whole board lot holdings.

If the aggregate number of Rights Shares underlying the Untaken Rights is equal to or greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any excess application may have been made with the intention to abuse the mechanism, such application(s) for excess Rights Shares may be rejected at the sole discretion of the Board. Investors whose Shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Investors whose Shares are held by a nominee company (including HKSCC Nominees Limited) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owners prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

For those investors whose Shares are held by a nominee company (including HKSCC Nominees Limited) and would like to have their names registered on the register of members of the Company, all necessary documents must be lodged with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Wednesday, 17 November 2021.

Any Rights Shares not taken up by the Qualifying Shareholders and not taken up by excess applications will be taken up, on a best-effort basis, by the Joint Underwriters and/or subscribers procured by them pursuant to the terms and conditions of the Underwriting Agreement.

Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the Rights Shares in their nil-paid or fully-paid forms and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Both the nil-paid Rights Shares and the fully-paid Rights Shares will be traded in board lots of 2,500 Shares.

Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Share certificates and refund cheques for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue as set out below, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Friday, 17 December 2021. Refund cheques in respect of wholly or partially unsuccessful applications

for excess Rights Shares (if any) are expected to be despatched on or before Friday, 17 December 2021 to the applicants without interest at their registered addresses by ordinary post at their own risk.

If the Rights Issue does not become unconditional or does not proceed, the monies received in respect of the relevant provisional allotments and/or applications for excess Rights Shares (if any) will be refunded to the Qualifying Shareholders or such other person to whom the Rights Shares in nil-paid form have been validly renounced or transferred or, in the case of joint acceptances, to the first-named person, without interest and by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other person to their registered addresses by the Registrar on or before Friday, 17 December 2021.

UNDERWRITING ARRANGEMENT

On 19 October 2021 (after trading hours), the Company and the Joint Underwriters entered into the Underwriting Agreement in respect of the underwriting arrangement for the proposed Rights Issue.

The principal terms of the Underwriting Agreement are set out as follows:

Date: 19 October 2021 (after trading hours)

Joint Underwriters:

- (i) Maxa Capital Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on business in Type 1 and Type 6 regulated activities under the SFO and underwriting is in the ordinary and usual course of its business; and
- (ii) Sorrento Securities Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on business in Type 1 and Type 4 regulated activities under the SFO and underwriting is in the ordinary and usual course of its business

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Joint Underwriters and their respective ultimate beneficial owners are Independent Third Parties.

Number of Underwritten Shares: Subject to the terms and conditions of the Underwriting Agreement, the Joint Underwriters agreed to, on a best-effort basis, subscribe or procure the subscription for up to 591,969,535 Rights Shares based on the following portion of the Underwritten Shares:

- (i) Maxa Capital Limited of up to 295,984,768 Rights Shares; and
- (ii) Sorrento Securities Limited of up to 295,984,767 Rights Shares.

Total Commission to the Joint Underwriters: the higher of (i) HK\$600,000; and (ii) 1.0% of the aggregate Subscription Price in respect of the Underwritten Shares.

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Joint Underwriters by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition, the market price of the Shares and the prevailing market rate of similar transactions. The Directors consider that the terms of the Underwriting Agreement, including the commission rate, are fair and reasonable and in the interest of the Company and the Shareholders as a whole. None of the Directors has a material interest in the transaction contemplated under the Underwriting Agreement.

The Rights Issue is only underwritten on a best-effort basis. Pursuant to the Company's constitutional documents and the Companies Law, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level.

In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares or through excess applications or not subscribed by other subscribers procured by the Joint Underwriters or by the Joint Underwriters themselves pursuant to the Underwriting Agreement will not be allotted and issued by the Company and the size of the Rights Issue will be reduced accordingly. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Termination of the Underwriting Agreement

The Joint Underwriters may terminate the arrangements set out in the Underwriting Agreement by jointly issuing a written notice to the Company at any time prior to the Latest Time for Termination if:

- (a) there comes to the notice of the Joint Underwriters or they shall have reasonable cause to believe that any of the undertakings or other obligations expressed to be assumed by or imposed on the Company under the Underwriting Agreement have not been complied with in any material respect; or
- (b) there comes to the notice of the Joint Underwriters or they shall have reasonable cause to believe that (i) any of the representations, warranties or undertakings given by the Company under the Underwriting Agreement was or is untrue, incorrect, incomplete or misleading in any material respect, or (ii) any event has occurred or matter has arisen, which, if it had occurred or arisen before the date hereof or before the dates or before any time on which the representations, warranties and undertakings are deemed to be given would render any of those representations, warranties or undertakings untrue, incorrect, incomplete or misleading in any material respect; or
- (c) (i) the Prospectus Documents, when published, would contain information which would be untrue, inaccurate, incomplete or misleading in any material respect, (ii) matters have arisen or been discovered which would, if the Prospectus Documents were to be

issued at the time, render any information contained therein to be untrue, inaccurate, incomplete or misleading in any material respect, (iii) matters have arisen or been discovered which would, if the Prospectus Documents were to be issued at the time, constitute a material omission therefrom, or (iv) there is any adverse change in the business or in the financial or trading position or prospects of the Group which in the reasonable opinion of the Joint Underwriters is material in the context of the issue of the Rights Shares; or

- (d) there develops, occurs, exists or comes into effect any events, including:
- (i) the introduction of any new law or regulation or any change in existing laws or regulations (or any change in the judicial interpretation thereof) in Hong Kong; or
 - (ii) any adverse change or deterioration (whether or not permanent) in local, national or international economic, financial, political or military conditions or any event beyond the control of the Company; or
 - (iii) any adverse change or deterioration (whether or not permanent) in local, national or international securities market conditions; or
 - (iv) without prejudice to sub-paragraphs (ii) and (iii) above, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial or political circumstances or otherwise; or
 - (v) any suspension in the trading of Shares on the Stock Exchange for a continuous period of ten (10) business days (other than any suspension for the purpose of obtaining clearance from the Stock Exchange for the publication of this announcement, the Prospectus or the Prospectus Documents or any other announcements relating to the Rights Issue),

and in the reasonable opinion of the Joint Underwriters (aa) the success of the Rights Issue or the business or financial condition or prospects of the Group would be materially and adversely affected; or (bb) which makes it inadvisable or inexpedient to proceed with the Rights Issue; or (cc) which would have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms.

If the Joint Underwriters terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by the Joint Underwriters.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional upon, among other things, the fulfillment (or waiver, if permitted by the terms of the Underwriting Agreement) of the following conditions:

- (a) the issue by the Stock Exchange of a certificate of authorisation of registration in respect of, and the registration of one duly signed copy of, each of the Prospectus Documents (and all other documents required by Section 342C of the Companies (WUMP) Ordinance to be attached thereto) by the Registrar of Companies in Hong Kong prior to the Posting Date;
- (b) each of the Joint Underwriters receiving: (i) a certified copy of the resolution(s) of the Board (certified by a Director, a certified public accountant or a solicitor of Hong Kong) approving and authorising the issue of this announcement and the execution of the Underwriting Agreement, as soon as practicable after the execution of the Underwriting Agreement (but in any event not later than 12:00 noon on the business day following the execution of the Underwriting Agreement); and (ii) the relevant conditions precedent documents required under the Underwriting Agreement, on or before 7:00 p.m. on the day on which the Prospectus Documents are filed with the Registrar of Companies in Hong Kong;
- (c) the posting on the Posting Date of copies of the Prospectus Documents to Qualifying Shareholders;
- (d) the Listing Committee of the Stock Exchange granting or agreeing to grant, in writing, listing of and permission to deal in the Rights Shares in nil-paid and fully-paid forms (subject only to allotment and despatch of the appropriate documents of title) at or prior to 9:30 a.m. on the Settlement Date or the first trading day of the Rights Shares in nil-paid form if earlier, and such grant or agreement to grant not being withdrawn or revoked prior to the Settlement Date;
- (e) the Underwriting Agreement not having terminated in accordance with its terms.

The conditions (a), (c) and (d) above are incapable of being waived by the Joint Underwriters or the Company. If any of the conditions of the Rights Issue are not fulfilled or waived by the Joint Underwriters by the Latest Time for Termination (or such later date or time as the Joint Underwriters may agree in writing with the Company pursuant to the Underwriting Agreement), the obligations of the parties arising from the Underwriting Agreement shall terminate and cease and no party shall have any claim against any other party (except in respect of any antecedent breach) and the Rights Issue will not proceed.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 18 November 2021 to Wednesday, 24 November 2021 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. During this period, no transfer of Shares will be registered.

CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon the obligations of the Joint Underwriters under the Underwriting Agreement becoming unconditional and the Joint Underwriters not terminating the Underwriting Agreement.

The Underwriting Agreement contains detailed conditions and events which may cause the Underwriting Agreement to be terminated by the Joint Underwriters. Please refer to the section headed “Underwriting Arrangement” in this announcement for details of the conditions and grounds of termination of the Underwriting Agreement. If the Underwriting Agreement does not become unconditional or is terminated, the Rights Issue will not proceed.

EXPECTED TIMETABLE

The expected timetable in respect of the Rights Issue is set out below:

Event	Time and Date 2021
Last day of dealing in the Shares on a cum-rights basis.....	Monday, 15 November
First day of dealing in the Shares on an ex-rights basis.....	Tuesday, 16 November
Latest time for lodging transfer of shares for entitlement to the Rights Issue	4:30 p.m. on Wednesday, 17 November
Closure of register of members to determine entitlements to the Rights Issue (both dates inclusive)	Thursday, 18 November to Wednesday, 24 November
Record Date for determining entitlements under Rights Issue.....	Wednesday, 24 November
Register of members of the Company re-opens.....	Thursday, 25 November
Despatch of Prospectus Documents (including the PAL, the EAF and the Prospectus) (in case of the Non-Qualifying Shareholders, the Prospectus only).....	Thursday, 25 November
First day of dealing in nil-paid Rights Shares	9:00 a.m. on Monday, 29 November
Latest time for splitting of the PAL	4:30 p.m. on Wednesday, 1 December
Last day of dealing in nil-paid Rights Shares	4:00 p.m. on Monday, 6 December

Event**Time and Date
2021**

Latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Thursday, 9 December
Latest time for the Rights Issue to become unconditional.....	4:00 p.m. on Friday, 10 December
Announcement of results of the Rights Issue.....	Thursday, 16 December
Despatch of refund cheques for wholly or partially unsuccessful excess applications or if the Rights Issue does not become unconditional.....	Friday, 17 December
Despatch of share certificates for fully-paid Rights Shares	Friday, 17 December
First day of dealings in fully-paid Rights Shares.....	9:00 a.m. on Monday, 20 December

All times and dates in this announcement refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above or in other parts of this announcement are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be announced or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, a “black” rainstorm warning signal and/or extreme conditions is/are:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application will be rescheduled to 4:00 p.m. on the following Business Day which does not have any of those warning signal and/or extreme conditions in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Thursday, 9 December 2021, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

EFFECT OF THE RIGHTS ISSUE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the changes in the shareholding structure of the Company arising from the Rights Issue: (i) assuming no change in the issued share capital of the Company on or before the Record Date; and (ii) assuming new Shares are issued on or before the Record Date pursuant to the exercise of all Vested Share Options and full conversion of the Convertible Bonds, but otherwise no other change in the issued share capital of the Company on or before the Record Date.

1. Assuming no change in the issued share capital of the Company on or before the Record Date:

Shareholder	As at the date of this announcement		Immediately after completion of the Rights Issue (assuming all Qualifying Shareholders take up their respective allotment of the Rights Shares in full)		Immediately after completion of the Rights Issue (assuming no Qualifying Shareholders take up any of the Rights Shares and all the unsubscribed Rights Shares were subscribed for through the Joint Underwriters)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Connected persons						
Magical Success Holdings Limited (Note 1)	97,527,845	8.2	146,291,767	8.2	97,527,845	5.5
Seashore Fortune Limited (Note 2)	93,543,624	7.9	140,315,436	7.9	93,543,624	5.3
SB Asia Investment Fund II L.P.	197,340,537	16.7	296,010,805	16.7	197,340,537	11.1
Spitzer Fund VI L.P. (Note 3)	123,763,311	10.5	185,644,966	10.5	—	—
DING Zhigang (Note 3)	133,467,283	11.3	200,200,924	11.3	—	—
YU Lu (Note 6)	115,015,000	9.7	172,522,500	9.7	115,015,000	6.5
Public shareholders						
Spitzer Fund VI L.P. (Note 3)	—	—	—	—	123,763,311	7.0
DING Zhigang (Note 3)	—	—	—	—	133,467,283	7.5
The Joint Underwriters and/or subscriber(s) procured by it	—	—	—	—	591,969,535	33.3
Other public shareholders	<u>423,281,471</u>	<u>35.7</u>	<u>634,922,208</u>	<u>35.7</u>	<u>423,281,471</u>	<u>23.8</u>
Total	<u>1,183,939,071</u>	<u>100.0</u>	<u>1,775,908,606</u>	<u>100.0</u>	<u>1,775,908,606</u>	<u>100.0</u>

2. Assuming new Shares are issued on or before the Record Date pursuant to the exercise of all the Vested Share Options and full conversion of the Convertible Bonds, but otherwise no other change in the issued share capital of the Company on or before the Record Date:

Shareholder	As at the date of this announcement		Immediately after exercise of all the Vested Share Options and full conversion of the Convertible Bonds but otherwise no other change in the issued share capital of the Company from the date of this announcement up to the Record Date				Immediately after completion of the Rights Issue (assuming all Qualifying Shareholders take up their respective allotment of the Rights Shares in full)				Immediately after completion of the Rights Issue (assuming no Qualifying Shareholders take up any of the Rights Shares and all the unsubscribed Rights Shares were subscribed for through the Joint Underwriters)			
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Connected persons														
Magical Success Holdings Limited (Note 1)	97,527,845	8.2	97,527,845	7.1	146,291,767	7.1	97,527,845	5.0						
Seashore Fortune Limited (Note 2)	93,543,624	7.9	93,543,624	6.8	140,315,436	6.8	93,543,624	4.8						
SB Asia Investment Fund II L.P. (Note 3)	197,340,537	16.7	197,340,537	14.3	296,010,805	14.3	197,340,537	10.0						
Spitzer Fund VI L.P. (Note 3)	123,763,311	10.5	—	—	—	—	—	—						
DING Zhigang (Note 3)	133,467,283	11.3	—	—	—	—	—	—						
YU Lu (Note 6)	115,015,000	9.7	115,015,000	8.4	172,522,500	8.4	115,015,000	5.8						
Bondholder (Note 3&5)	—	—	187,500,000	13.6	281,250,000	13.6	—	—						
Holders of the Vested Share Options (Note 4)														
YUE Jingxing	—	—	863,587	0.1	1,295,381	0.1	863,587	0.0						
Other holders of the Vested Share Options	—	—	4,733,336	0.3	7,100,004	0.3	4,733,336	0.2						
Public shareholders														
Spitzer Fund VI L.P. (Note 3)	—	—	123,763,311	9.0	185,644,966	9.0	123,763,311	6.3						
DING Zhigang (Note 3)	—	—	133,467,283	9.7	200,200,925	9.7	133,467,283	6.8						
Bondholder (Note 3&5)	—	—	—	—	—	—	187,500,000	9.5						
The Joint Underwriters and/or subscriber(s) procured by it	—	—	—	—	—	—	591,969,535	30.1						
Other public shareholders	<u>423,281,471</u>	<u>35.7</u>	<u>423,281,471</u>	<u>30.7</u>	<u>634,922,207</u>	<u>30.7</u>	<u>423,281,471</u>	<u>21.5</u>						
Total	<u>1,183,939,071</u>	<u>100.0</u>	<u>1,377,035,994</u>	<u>100.0</u>	<u>2,065,553,991</u>	<u>100.0</u>	<u>1,969,005,529</u>	<u>100.0</u>						

Notes:

1. Magical Success Holdings Limited 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.

2. Seashore Fortune Limited is wholly owned by Mr. Yue Jingxing (“**Mr. Yue**”). Mr. Yue is the chairman of the Board and an executive Director.
3. Each of them is an Independent Third Party, other than being a substantial shareholder of the Company. As such, any change of their respective shareholding to less than 10% of the issued share capital of the Company would render any of them becoming a public shareholder of the Company within the meaning of Rule 8.24 of the Listing Rules.
4. Holders of such Vested Share Options are Mr. Yue and the employees of the Group. Save for Mr. Yue, the others holders will be considered as public shareholders of the Company within the meaning of Rule 8.24 of the Listing Rules.
5. The Bondholder, Software Research Associates, Inc. (株式会社SRA), a company incorporated under the laws of Japan, it and its ultimate beneficial owners being Independent Third Parties, will become a substantial shareholder, and therefore a connected person, of the Company upon full conversion of the Convertible Bonds.
6. Mr. Yu Lu is a non-executive Director.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Shares. Further announcements will be made by the Company in accordance with the Listing Rules following the completion of the Rights Issue upon which the Rights Shares are allotted and issued.

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

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.

As disclosed in the Company’s interim report for the six months ended 30 June 2021, the Group recorded revenue of approximately RMB37.7 million and loss attributable to owners of the Company of approximately RMB17.5 million for the six months ended 30 June 2021. The outbreak of the COVID-19 pandemic in early 2020 has affected the business and economic activities around the world and has brought about additional uncertainties to the Group’s operating environment and has to a certain extent impacted the Group’s operations and financial position. The Group has been closely monitoring the impact from the COVID-19 pandemic on the Group’s business. Faced with further hamper and uncertainties on Chinese economy caused by, among others, ad hoc COVID-19 pandemic, the Group has maintained a lean-cost strategy in so as to reduce the operating cost, especially the workforces in the administrative and research & development aspect. As at 30 June 2021, the Group had bank and cash balances of approximately RMB147.1 million and net current

liabilities of approximately RMB80.4 million. In addition, the Group had acquisition consideration payables of approximately RMB123.8 million, which comprises of the outstanding principal amounts and accrued interests of the Promissory Notes and the convertible bonds of approximately RMB124.1 million, which comprises of the outstanding principal amounts and accrued interests of the Convertible Bonds.

On 27 July 2021, the Company completed the subscription of new shares under general mandate with net proceeds of approximately HK\$33.3 million which has been applied for (i) full repayment of the principal amount of the First Promissory Note due on 14 August 2021; (ii) partial repayment of the principal amount of Second Promissory Note and (iii) partial repayment of the accrued interests of the Promissory Notes. After the above repayments, the outstanding principal amount and accrued interests of the Promissory Notes was approximately HK\$120.5 million which will be due on 30 December 2021. In addition, the Company entered into the amendment and extension agreement with the Bondholder on 13 August 2021 to extend the maturity date of the Convertible Bonds by twelve months from 13 August 2021 to 13 August 2022. In light of the imminent funding need to settle the outstanding liabilities and the uncertainty of the COVID-19 pandemic on the business of the Group in the foreseeable future, the Board considers that it is vital for the Group to have access to additional funding and working capital to improve its financial position.

The Board has considered other fund raising alternatives before resolving to the Rights Issue, including but not limited to debt financing and equity financing. However, debt financing will put further pressure on the financial position of the Group, and will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. The Board considers that the form of equity is better alternative than debt financing as it would not result in additional interest burden and will improve the gearing of the Group. The Board considers that placing or subscription of new Shares or convertible securities will dilute the shareholding of the existing Shareholders without giving the chance to the existing Shareholders to participate, and places or subscribers might require a higher discount on issue price as a result of the current financial position of the Company.

Having considered the above factors, the Board considers that the Rights Issue is pre-emptive in nature, which allows the Group to improve its liquidity and capital base while mitigate dilution effect to the existing Shareholders. Qualifying Shareholders can maintain their proportional shareholdings in the Company through participation in the Rights Issue. The Rights Issue also allows the Qualifying Shareholders to (a) increase their respective shareholding in the Company by acquiring additional rights entitlement in the open market (subject to the availability) and through excess applications; or (b) reduce their respective shareholding in the Company by disposing of their rights entitlements in the open market (subject to the market demand). Also, compared to an open offer, the Rights Issue allows the trading of rights entitlements. Further, the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position without increasing its debt or finance costs.

The maximum net proceeds from the Rights Issue after deducting professional fees and other related expenses are estimated to be (i) approximately HK\$121.1 million (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately

HK\$141.2 million (assuming no change in the number of Shares in issue on or before the Record Date other than the exercise in full of the Vested Share Options and full conversion of the Convertible Bonds).

The Rights Issue will proceed on a best-effort-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event the Rights Issue is undersubscribed, any Unsubscribed Rights Shares will be subscribed by subscribers procured by the Joint Underwriters or by the Joint Underwriters themselves, on a best effort basis, pursuant to the Underwriting Agreement. Any Unsubscribed Rights Shares not subscribed by subscribers procured by the Joint Underwriters or by the Joint Underwriters themselves will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There are no statutory requirements regarding minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue.

Depending on the level of subscription of the Rights Issue, the Company intends to use the net proceeds in the following order of priority:

- (1) for the full settlement of the outstanding principal and accrued interests of the Promissory Notes; and
- (2) for the settlement of other outstanding indebtedness and trade and other payables of the Group.

Having considered the above, the Board considers that the Rights Issue provides a good opportunity for the Group to strengthen its capital base without increasing debt or incurring financing cost and to enhance its financial position, while at the same time the Rights Issue will enable all Shareholders to participate in the future development of the Company on equal terms. The Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS UNDER THE SHARE OPTION SCHEME AND THE ADJUSTMENT TO THE CONVERTIBLE BONDS

The Rights Issue may lead to adjustments to (i) the exercise price and/or the number of Shares to be issued upon exercise of the Share Options under the Share Option Scheme and Pre-IPO Share Option Scheme; and/or (ii) the conversion prices and/or number of Shares to be issued upon exercise of the conversion rights under the terms and conditions of the Convertible Bonds.

The Company will notify the holders of such Share Options, the Bondholders and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme and Pre-IPO Share Option Scheme and the terms and conditions of the Convertible Bonds, and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS FROM THE DATE OF THIS ANNOUNCEMENT

Save as disclosed below, the Company had not completed any equity fund raising activities in the 12 months immediately preceding the date of this announcement:

Date of announcement	Relevant event	Net Proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds up to the date of this announcement
12 July 2021	Subscription of 197,320,000 new shares under general mandate	HK\$33.3 million	Repayment of outstanding indebtedness of the Group to lower its gearing ratio	The net proceeds have been fully utilised for repayment of certain outstanding indebtedness of the Group as at the date of this announcement.

LISTING RULES IMPLICATIONS

Save for the completion of the Second Amendment to the Convertible Bonds, the Company has not completed any rights issue, open offer or specific mandate placing within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealings in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it granted any bonus securities, warrants or other convertible securities within such 12-month period as part of such rights issue, open offer or specific mandate placing. Accordingly, based on the terms of the Rights Issue and assuming that the maximum number of Rights Shares is issued, the Rights Issue, on its own or when aggregated with the Second Amendment to the Convertible Bonds, will not result in theoretical dilution effects of 25% or more and thus complies with the requirement under Rule 7.27B of the Listing Rules. As the Rights Issue will not increase the Shares in issue or market capitalisation of the Company by more than 50%, the Rights Issue is not subject to approval of the independent Shareholders under the Listing Rules. The Rights Issue will be carried out in compliance with Rule 7.21(1)(a) of the Listing Rules.

GENERAL

The Prospectus containing, among other things, details of the Rights Issue is expected to be despatched by the Company to the Qualifying Shareholders on the Posting Date. The PALs and the EAFs will also be sent to the Qualifying Shareholders on the same date. A copy of the Prospectus will also be made available on the websites of the Company (www.risecomm.com.cn) and the Stock Exchange (www.hkexnews.hk). Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent

reasonably practicable, the Company may send copies of the Prospectus to the Non-Qualifying Shareholders, as well as to the holders of the Share Options and the Convertible Bonds for their information only but will not send any PAL or EAF to them.

WARNING OF THE RISKS OF DEALING IN SHARES AND THE NIL-PAID RIGHTS

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Joint Underwriters not having terminated the Underwriting Agreement in accordance with its terms. It should also be noted that the Underwriting Agreement contains provisions granting the Joint Underwriters the right to terminate their respective obligations on the occurrence of certain events. Please refer to the section headed “The Underwriting Arrangement — Termination of the Underwriting Agreement” in this announcement for further details. Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Tuesday, 16 November 2021. Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 29 November 2021 to Monday, 6 December 2021 (both dates inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any dealings in the Shares from the date of this announcement up to the date on all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form should exercise caution and are recommended to consult their professional advisers.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Bondholder”	Software Research Associates, Inc. (株式会社SRA), a company incorporated under the laws of Japan, it and its ultimate beneficial owners being Independent Third Parties
“Business Day”	a day (other than a Saturday, a Sunday, a public holiday and a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is 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 licensed banks are open for general banking business in Hong Kong throughout their normal business hours

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Law”	the Companies Law (Revised) of the Cayman Islands
“Company”	Risecomm Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1679)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Conversion Shares”	the Shares to be allotted and issued by the Company upon the exercise of the conversion rights attaching to the Convertible Bonds, as amended and supplemented by the Second Supplemental Deed
“Convertible Bonds”	the fixed rate senior convertible bonds in the aggregate principal amount of HK\$150,000,000 at a rate of 4% per annum issued by the Company on 13 August 2018 as constituted by the Instrument
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for Rights Shares in excess for their pro-rata entitlements under the Rights Issue
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administration Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and not a connected person (as defined in the Listing Rules) of the Company
“Instrument”	the instrument constituting the Convertible Bonds, as amended and supplemented from time to time

“Joint Underwriters”	(i) Maxa Capital Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on business in Type 1 and Type 6 regulated activities under the SFO; and (ii) Sorrento Securities Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on business in Type 1 and Type 4 regulated activities under the SFO
“Last Trading Day”	18 October 2021, being the last full trading day for the Shares immediately prior to the date of this announcement
“Latest Acceptance Date”	4:00 p.m. on Thursday, 9 December 2021, being the last day for acceptance of and payment for the Rights Shares and for application or such other date as the Company and the Joint Underwriters may determine
“Latest Time for Termination”	4:00 p.m. on Friday, 10 December 2021 or such later time or date as may be agreed between the Company and the Joint Underwriters in writing, being the next Business Day after the Latest Acceptance Date, which shall be the latest time for termination of the Underwriting Agreement
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Directors, after making due and careful enquiries regarding the legal restrictions under the laws of the relevant jurisdictions or the requirements of the relevant overseas regulatory bodies or stock exchanges, consider it necessary or expedient to exclude them from the Rights Issue
“Overseas Shareholder(s)”	the Shareholder(s) (whose names appear on the register of members of the Company as at the close of business on the Record Date) with registered address(es) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Posting Date”	Thursday, 25 November 2021 or such other date as the Company and the Joint Underwriters may agree in writing, being the date on which the Prospectus Documents are posted to the Qualifying Shareholders
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan

“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 25 August 2016
“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 announcements 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, 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 ”)
“Prospectus”	the prospectus to be issued to the Shareholders containing, among other things, details of the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s) to be issued by the Company
“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear on the register of members of the Company at the close of business on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	Wednesday, 24 November 2021 or on such other date as the Company and the Joint Underwriters may agree in writing, being the date by reference to which the Shareholders’ entitlements to the Rights Issue are to be determined
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company
“Rights Issue”	the proposed offer for subscription of the Rights Shares at the Subscription Price on the basis of one (1) Rights Shares for every two (2) existing Shares held by the Shareholders on the Record Date and subject to the conditions set out in the section headed “Conditions of the Rights Issue” in this announcement

“Rights Shares”	the new Share(s) to be allotted and issued under the Rights Issue, being not less than 591,969,535 Rights Shares (assuming no change in the issued share capital of the Company on or before the Record Date) and not more than 688,517,997 Rights Shares (assuming new Shares are issued on or before the Record Date pursuant to the exercise of all Vested Share Options and full conversion of the Convertible Bonds, but otherwise no other change in the issued share capital of the Company on or before the Record Date)
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Second Amendment”	the second amendment to the conditions of the Convertible Bonds, which among others, further extend the relevant maturity date by 12 months, and in ancillary to such amendment, Specific Mandate has been sought and approved by the Shareholders
“Second Supplemental Deed”	the second supplemental deed of Instrument executed by the Company on 6 October 2021 in connection with the Second Amendment
“Settlement Date”	Friday, 10 December 2021 or such later date as may be agreed between the Company and the Joint Underwriters in writing
“Specific Mandate”	the specific mandate for the issuance of the Conversion Shares under the amended terms of the Convertible Bonds
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of nominal value of HK\$0.0001 each in the share capital of the Company
“Share Options”	a right to subscribe for Shares pursuant to the Share Option Scheme, the Pre-IPO Share Option Scheme or any share option
“Share Option Scheme”	the share option scheme adopted by the Company on 16 May 2017
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.208 per Rights Share
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Underwriting Agreement”	the underwriting agreement dated 19 October 2021 entered into between the Company and the Joint Underwriters and as revised, supplemented and/or amended from time to time in accordance with its terms
“Underwritten Shares”	such number of Unsubscribed Rights Shares (up to 591,969,535 Rights Shares) to be underwritten by the Joint Underwriters on a best effort basis subject to the terms and conditions of the Underwriting Agreement
“Unsubscribed Rights Shares”	such number of Rights Shares for which duly completed PAL(s) or EAF(s) have not been lodged for acceptance or not fully paid by the Latest Acceptance Date, including any Rights Shares to which the Non-Qualifying Shareholders would have otherwise been entitled to under the Rights Issue
“Vested Share Options”	outstanding and vested Share Options granted to subscribe for 5,596,923 Shares pursuant to the Share Option Scheme and the Pre-IPO Share Option Scheme that are exercisable on or before the Record Date
“%”	per cent.

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

Hong Kong, 19 October 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 Directors are Mr. Cheung Fan and Mr. Yu Lu, and the independent non-executive Directors are Mr. Ong King Keung, Ms. Lo Wan Man and Mr. Zou Heqiang.