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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)

(i) ISSUE OF CONVERTIBLE BONDS

UNDER GENERAL MANDATE

AND

(ii) TERMINATION OF THE PREVIOUS PROPOSED

ISSUE OF CONVERTIBLE BONDS

On 31 July 2018, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which, the Company agreed to issue and the Subscriber agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$150,000,000.

The gross proceeds and the net proceeds from the issue of the Convertible Bonds will be HK\$150,000,000 and HK\$149,000,000, respectively. The Company intends to use the net proceeds to partially settle the consideration for the Acquisition contemplated under the Sale and Purchase Agreement, the Supplemental Agreement, the second Supplemental Agreement and the Third Supplemental Agreement.

The Conversion Shares will be issued and allotted under the General Mandate upon conversion of the Convertible Bonds. Assuming full conversion of the Convertible Bonds at the initial conversion price of HK\$2.50, the Convertible Bonds will be convertible into 60,000,000 Conversion Shares (subject to customary adjustments set out in the conditions of the Convertible Bonds), representing approximately 7.40% of the existing issued share capital of the Company as at the date of this announcement and approximately 6.89% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds (assuming there is no change in the issued share capital of the Company other than the issue of the Conversion Shares since the date of the Subscription Agreement up to the date of the full conversion of the Convertible Bonds).

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares, which may be issued and allotted upon conversion of the Convertible Bonds. No listing application will be made for the Convertible Bonds on the Stock Exchange or any other stock exchange.

Shareholders and potential investors should note that completion of the Subscription Agreement is subject to the fulfilment of the conditions precedent thereunder. As the issue of the Convertible Bonds may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

References are made to the announcement dated 13 February 2018 in relation to the previous proposed issue of convertible bonds under the previous general mandate and the announcements dated 23 March 2018 and 31 May 2018 in relation to the extension of the convertible bonds long stop date. The Board wishes to announce that due to certain conditions precedent not fulfilled in the previous subscription agreement dated 13 February 2018 (the “**Previous Subscription Agreement**”) entered into between the Company and Dongxing Securities (Hong Kong) Financial Holdings Limited (東興證券(香港)金融控股有限公司) (the “**Previous Subscriber**”), the Company and the Previous Subscriber mutually agreed to enter into a termination letter on 31 July 2018, pursuant to which the parties agreed to terminate the Previous Subscription Agreement, and all obligations of the Company and the Subscriber have ceased and terminated as at 31 July 2018.

ISSUE OF CONVERTIBLE BONDS

On 31 July 2018, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which, the Company agreed to issue and the Subscriber agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$150,000,000.

The Subscription Agreement

Date

31 July 2018

Parties:

- (a) the Company; and
- (b) Software Research Associates, Inc. (株式会社SRA)

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of the Subscriber and its ultimate beneficial owner(s) is a third party independent of the Company and its connected persons.

Completion

The Completion will take place on the Issue Date, which shall be a date as early as practicable after the completion conditions below are fulfilled (or waived in accordance with the terms of the Subscription Agreement) and no later than 30 September 2018 unless otherwise agreed by the Subscriber and the Company.

Completion Conditions

- (1) Completion is conditional upon the following conditions being fulfilled (or waived in accordance with (2) below) to the satisfaction of the Subscriber:
 - (a) the Transaction Documents shall have been in substantially agreed form and shall have been duly executed;
 - (b) the Subscriber shall have been satisfied with the results of the due diligence exercise on the legal, financial and business affairs of the Target Group and the Company;
 - (c) the Company shall have obtained all necessary consents, authorisations and approvals in relation to the Transaction Documents and transactions contemplated thereunder, including but not limited to, the approval of the Stock Exchange for the listing of, and permission to deal, in the Conversion Shares and such consents, authorisations and approvals shall remain in full force and effect and shall not have been revoked or amended in a manner not acceptable to the Subscriber;
 - (d) the Company shall have passed all the necessary resolutions of the board of directors of the Company approving, *inter alia*, the terms of, and the transactions contemplated by, the Transaction Documents and resolving that it executes the Transaction Documents to which it is a party and such resolutions shall remain in full force and effect and shall not have been revoked or amended in a manner not acceptable to the Subscriber;
 - (e) at the Issue Date, there shall not be an event existing or having occurred or a condition in existence which would (had the Convertible Bonds already been issued) constitute an Event of Default, and no event or act shall have occurred which (with the giving of notices, or the lapse of time, or both) would (had the Convertible Bonds already been issued) constitute an Event of Default;
 - (f) at the Issue Date, (i) the Warranties shall be true, accurate and correct at, and as if made on, such date; (ii) the Company shall have performed all of its obligations under the Subscription Agreement expressed to be performed on or before such date; and
 - (g) at the Issue Date, there shall not have occurred any change, or any development or event reasonably likely to involve a prospective change, in the condition (financial or other), prospects, results of operations or properties of the Group which, in the reasonable opinion of the Subscriber, has a Material Adverse Effect.

- (2) The Subscriber may, to such extent as they think fit and are legally entitled to do so, at any time waive in writing any of the conditions set out in (1) above on such terms as it may decide (save for the conditions set out in (1)(a) above which cannot be waived).

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Convertible Bonds

Subject to certain conditions to Completion, the Company will issue the Convertible Bonds in an aggregate principal amount of HK\$150,000,000 which, unless previously redeemed, converted or purchased and cancelled, will mature on the date falling 24 months from the Issue Date, unless extended at the request of the Company.

Denomination

The Convertible Bonds are issued in registered form and will be in the denominations of HK\$200,000 and integral multiples of HK\$10,000 in excess thereof.

Issue Price of the Convertible Bonds

100% of the aggregate principal amount of the Convertible Bonds.

Interest

The Convertible Bonds will bear interest at a rate of 4% per annum, payable semi-annually in arrears in the sixth month after the Issue Date and in every sixth month thereafter to and including the Maturity Date or the Extended Maturity Date (as defined below), as the case may be.

Maturity Date

The date falling 24 months from the Issue Date.

Transferability

The Convertible Bonds may be freely assigned or transferred to any third party who has confirmed to the Holder in writing it is not a connected person of the Company within the meaning of the Listing Rules (save that the Convertible Bonds may be assigned or transferred to a connected person when the Company has given its written consent), subject to the compliance with (i) the Conditions; (ii) the Listing Rules; (iii) the approval for listing in respect of the Conversion Shares; and (iv) all applicable laws and regulations.

Ranking of the Convertible Bonds

The Convertible Bonds constitute the direct, unsubordinated, unconditional and unsecured general obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future direct, unsubordinated, unconditional and unsecured obligations.

Redemption on Maturity

Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds shall be redeemed at 100% of their principal amount plus accrued but unpaid interest on the Maturity Date, provided that, the Maturity Date may be extended to the date falling 36 months from the Issue Date at the request of the Company (the “**Extended Maturity Date**”).

Conversion right

At any time after the Issue Date and up to and inclusive of one Business Day prior to the Maturity Date or, as the case may be, the Extended Maturity Date, the Holder shall have the right, but not the obligation, to convert in whole or in part, the outstanding principal amount of the Convertible Bonds, into such number of fully paid Shares of the Company as determined in accordance with the following formula:

$$N = A/C$$

Where:

“N” is the number of Shares to be issued by the Company upon conversion.

“A” is the principal amount of the Convertible Bonds to be converted.

“C” is the conversion price, as adjusted from time to time.

The Holder shall effect conversions by delivering to the Company a completed notice in the form prescribed in the Convertible Bonds Instrument.

The Conversion Shares, when issued, will in all respects rank *pari passu* with the Shares already in issue on the day when the Conversion Shares are issued.

Conversion Price

The initial conversion price of HK\$2.50 represents:

- (1) a premium of approximately 28.21% to the closing price of HK\$1.950 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (2) a premium of approximately 28.34% to the average closing price of HK\$1.948 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day; and
- (3) a premium of approximately 28.14% to the average of closing price of HK\$1.951 per Share as quoted on the Stock Exchange for the last ten (10) trading days up to and including the Last Trading Day.

The initial conversion price was determined after arm’s length negotiations between the Company and the Subscriber with reference to, among others, the prevailing market price of the Shares.

The conversion price at which the Company shall issue the Conversion Shares to the Holder upon conversion of the Convertible Bonds will initially be HK\$2.50 per Share but will be subject to adjustment for, among other matters, sub-division, consolidation and reclassification of Shares, issue of Shares in lieu of the whole or any part of a specifically declared cash dividend, capital distributions, issue of convertible securities, issue of new shares in discount, consideration issues and other dilutive events.

Covenants of the Company

The Company covenants to each Holder that for so long as the Convertible Bonds remain outstanding:

- (i) the Company shall give prompt written notice to each Holder of any Event of Default upon the occurrence thereof;
- (ii) the Company shall not authorise or effect a voluntary liquidation of the Company;
- (iii) the Company shall not in any way modify the rights attached to the Shares (except as contemplated under the Conditions) as a class or attach any special restrictions thereto except for any issue of securities by the Company carrying rights to convert into or subscribe for any Shares;
- (iv) the Company shall procure that at no time shall there be in issue Shares of different nominal amounts other than arising from any consolidation or sub-division of the Shares;
- (v) the Company shall comply with and procure the compliance and fulfilment of all conditions imposed by the Stock Exchange or by any other competent authority (in Hong Kong or elsewhere) for the issue of the Convertible Bonds or the Conversion Shares and shall ensure the continued compliance and fulfilment thereof (provided in each case that each Holder complies with and satisfies all such conditions applicable to it);
- (vi) the Company shall do all that is necessary to maintain in full force and effect any authorisation and/or approval required to enable it to perform its obligations under the Convertible Bonds, and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of the Convertible Bonds;
- (vii) the Company shall use its best endeavours to maintain the current listing status of all the existing issued Shares and all the Conversion Shares on the Stock Exchange;
- (viii) other than as expressly provided in the Conditions, the Company shall pay (i) the expenses of the issue of, and all expenses of obtaining listing or trading for, the Conversion Shares arising on conversion of the Convertible Bonds; and (ii) all taxes and/or capital, stamp, issue and registration and transfer taxes and duties payable in respect of the issue of the Convertible Bonds; and
- (ix) the Company shall not make any offer, issue or distribute or take any action the effect of which would be to reduce the conversion price below the nominal amount of the Shares of the Company.

Events of Default

If any Event of Default occurs and is continuing (whether it is voluntary or involuntary, or results from operation of law or otherwise), the Majority Convertible Bondholders shall, during the continuance of the Event of Default, have the right at their sole option (but are not obliged) to require by notice (the “**Default Notice**”) the Company to redeem the Convertible Bonds then outstanding at their principal amount, plus accrued but unpaid interest up to, but excluding, the relevant redemption date.

The occurrence of any one or more of the following events will constitute an “**Event of Default**”:

- (i) the Shares cease to be listed or admitted to trading on the main board of the Stock Exchange (which, for the avoidance of doubt, does not include any trading halt or suspension);
- (ii) the breach by the Company, the Major Shareholders or any members of the senior management of the Company of the Listing Rules or the SFO which has led to a prosecution action or a disciplinary action or a punishment by the relevant authorities and has a Material Adverse Effect;
- (iii) the breach by the Company, the Major Shareholders or any members of the senior management of the Company of any law in the place of its incorporation or Hong Kong which has a Material Adverse Effect;
- (iv) it is or will become unlawful for the Company to perform or comply with any of its obligations under the Transaction Documents or would result in any material terms contained in the Conditions be or becoming unenforceable, or would otherwise render the Transaction Documents cease to be legal, valid, binding, enforceable, effective or inadmissible as evidence in court;
- (v) other than the defaults specified in events (vi) and (vii) below, the Company does not perform or comply with one or more of its obligations, covenants, warranties, undertakings or other terms under the Transaction Documents and where such default is incapable of remedy or, if in the opinion of the Holder capable of remedy, is not remedied within thirty (30) Business Days after written notice is delivered by the Holder to the Company;
- (vi) failure by the Company to make any payment of the principal amount or interest or any other amount in respect of the Convertible Bonds in the manner specified in the Conditions within fifteen (15) Business Days after the due date of such payment;
- (vii) failure by the Company to deliver the required number of Shares as and when such Shares are required to be delivered following conversion of the Convertible Bonds;
- (viii) the Company or any of the principal subsidiaries (as defined in the Conditions) is insolvent or bankrupt, or unable to pay all or substantially all of its debts and proposes or makes any agreement for the deferral, re-scheduling, re-adjustment, assignment or other composition arrangement of all or substantially all of its debts with the relevant

creditors in respect of any of such debts, or a moratorium is agreed or declared or comes into effect in respect of or affecting all or substantially all of the debts of the Group as a whole;

- (ix) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Company or any of the principal subsidiaries (as defined in the Conditions), and is not discharged or stayed within thirty (30) Business Days;
- (x) any action, legal proceeding or other procedure or step is taken in relation to the suspension of payment, a moratorium of any indebtedness, bankruptcy, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Company or any of the principal subsidiaries (as defined in the Conditions), a composition, compromise, assignment or arrangement with any creditor of the Company or any of the principal subsidiaries (as defined in the Conditions), enforcement of any security over any assets of the Company or any of the principal subsidiaries (as defined in the Conditions);
- (xi) an order is made or an effective resolution passed for the winding-up or dissolution or bankruptcy of the Company or any of the principal subsidiaries (as defined in the Conditions), or the Company or any of the principal subsidiaries (as defined in the Conditions) ceases to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation and any of the Company or the principal subsidiaries (as defined in the Conditions) remains solvent and the obligations of the Company under the Conditions and the Convertible Bonds are unaffected;
- (xii) an encumbrancer takes possession of or an administrator, liquidator, administrative receiver, compulsory manager or similar officer is appointed in respect of the whole or any substantial part of the property, assets or revenues of the Company or any of the principal subsidiaries (as defined in the Conditions) and is not discharged within thirty (30) Business Days;
- (xiii) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company or any of the principal subsidiaries (as defined in the Conditions);
- (xiv) (i) any present or future material indebtedness of the Company or any of the principal subsidiaries (as defined in the Conditions) for or in respect of moneys borrowed or raised exceeding HK\$150,000,000 becomes due and payable prior to its stated maturity by reason of any default or event of default and (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period;
- (xv) one or more final judgements or orders for the payment of money are rendered against the Company or any principal subsidiaries (as defined in the Conditions) (“**Persons**”) and are not paid or discharged, and there is a period of 90 consecutive days following entry of the final judgement or order that causes the aggregate amount for all such final judgements or orders outstanding and not paid or discharged against all such Persons to exceed HK\$150,000,000 during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

- (xvi) any of the representations and warranties made by the Company in the Transaction Documents were judicially determined to be untrue or misleading in any material respect at the time when such representations and warranties were made or repeated;
- (xvii) any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings, requisitions or disputes are judicially determined to have a Material Adverse Effect; and
- (xviii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to the events referred to in Conditions (viii) to (xiii).

EQUITY FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

Pursuant to the Global Offering (as defined in the Prospectus) of the Company, the Company raised net proceeds of approximately HK\$158.2 million and the Company intends to use, and has used, the net proceeds in accordance with the purposes set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, as follows:

Amount of net proceeds to be used	Amount of net proceeds used as at the date of the announcement (approximately)	Intended application
HK\$95.7 million or 60.5%	HK\$23.0 million	for research and development of the PLC technology and related products and solutions
HK\$32.0 million or 20.2%	HK\$4.0 million	for sales and marketing
HK\$14.7 million or 9.3%	HK\$14.7 million	for the repayment of an entrusted bank loan obtained for the purpose of supplementing the operating cash flow to facilitate payment for the purchase of new product assembly hub in Changsha, Hunan Province
HK\$15.8 million or 10.0%	HK\$15.8 million	for working capital and general corporate purposes

The net proceeds not yet utilised have been placed into interest-bearing bank accounts with licensed banks and financial institutions in Hong Kong and the PRC.

Save as disclosed above, the Company had not conducted any equity fund raising activities during the past twelve months immediately preceding the date of this announcement.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

Based on the initial conversion price of HK\$2.50 per Share and assuming full conversion of the Convertible Bonds at the initial conversion price, the Convertible Bonds will be convertible into 60,000,000 Shares, representing approximately 7.40% of the issued share capital of the Company as at the date of this announcement and approximately 6.89% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds (assuming there is no change in the issued share capital of the Company other than the issue of the Conversion Shares since the date of the Subscription Agreement up to the date of the full conversion of the Convertible Bonds).

The following table illustrates (i) the existing shareholding structure of the Company; (ii) the shareholding structure immediately after the issue of the Convertible Bonds and assuming no conversion of the Convertible Bonds into Conversion Shares; and (iii) the shareholding structure immediately after the issue of the Convertible Bonds and assuming full conversion of the Convertible Bonds into Conversion Shares:

	Existing (as at the date of this announcement)		Immediately after the issue of the Convertible Bonds and assuming no conversion of any Convertible Bonds		Immediately after the issue of the Convertible Bonds and assuming full conversion of the Convertible Bonds into Conversion Shares at the initial conversion price	
	No. of Shares	% of issued share capital of the Company	No. of Shares	% of issued share capital of the Company	No. of Shares	% of enlarged issued share capital of the Company
Substantial Shareholder						
Ms. Chen Junling ^(Note 1)	169,527,845	20.90%	169,527,845	20.90%	169,527,845	19.46%
Magical Success ^(Note 1)	169,527,845	20.90%	169,527,845	20.90%	169,527,845	19.46%
Mr. Andrew Y. Yan ^(Note 2)	197,340,537	24.33%	197,340,537	24.33%	197,340,537	22.65%
SAIF ^(Note 2)	197,340,537	24.33%	197,340,537	24.33%	197,340,537	22.65%
SAIF II GP L.P. ^(Note 2)	197,340,537	24.33%	197,340,537	24.33%	197,340,537	22.65%
SAIF Partners II L.P. ^(Note 2)	197,340,537	24.33%	197,340,537	24.33%	197,340,537	22.65%
SAIF II GP Capital Ltd. ^(Note 2)	197,340,537	24.33%	197,340,537	24.33%	197,340,537	22.65%
Cisco Systems, Inc. ^(Note 3)	197,340,537	24.33%	197,340,537	24.33%	197,340,537	22.65%
Seashore Fortune ^(Note 4)	91,943,624	11.33%	91,943,624	11.33%	91,943,624	10.55%
The Subscriber	—	—	—	—	60,000,000	6.89%
Directors						
Mr. Wang Shiguang ^(Note 1)	169,527,845	20.90%	169,527,845	20.90%	169,527,845	19.46%
Mr. Yue Jingxing ^(Note 4)	91,943,624	11.33%	91,943,624	11.33%	91,943,624	10.55%
Mr. Zhang Youyun ^(Note 5)	940,859	0.12%	940,859	0.12%	940,859	0.11%
Public Shareholders	351,494,556	43.33%	351,494,556	43.33%	351,494,556	40.34%
Total ^(Note 6)	811,247,421	100.00%	811,247,421	100.00%	871,247,421	100.00%

Notes:

- (1) Ms. Chen Junling is the sole shareholder of Magical Success Holdings Limited (“**Magical Success**”), which holds 169,527,845 Shares. Mr. Wang Shiguang is the spouse of Ms. Chen Junling. By virtue of the SFO, Ms. Chen Junling is deemed to be interested in the Shares in which Magical Success is interested and Mr. Wang Shiguang is deemed to be interested in Ms. Chen’s interest in the Company.
- (2) SB Asia Investment Fund II L.P. (“**SAIF**”) is an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of SAIF is SAIF II GP L.P., a limited partnership established in the Cayman Islands, whose general partner is SAIF Partners II L.P., a limited partnership established in the Cayman Islands. The general partner of SAIF Partners II L.P. is SAIF II GP Capital Ltd., an exempted limited liability company incorporated in the Cayman Islands wholly owned by Mr. Andrew Y. Yan. By virtue of the SFO, SAIF II GP L.P., SAIF Partners II L.P., SAIF II GP Capital Ltd. and Mr. Andrew Y. Yan are deemed to be interested in the Shares in which SAIF is interested.
- (3) Cisco Systems, Inc., being a limited partner of SAIF, holds 38.9% of equity interest in SAIF. By virtue of the SFO, Cisco Systems, Inc. is deemed to be interested in the Shares in which SAIF is interested.
- (4) Mr. Yue Jingxing is the sole shareholder of Seashore Fortune Limited (“**Seashore Fortune**”), which holds 91,943,624 Shares. By virtue of the SFO, Mr. Yue Jingxing is deemed to be interested in the Shares in which Seashore Fortune is interested.
- (5) Mr. Zhang Youyun is the sole shareholder of Glorious Lead Limited (“**Glorious Lead**”), which holds 940,859 Shares. By virtue of the SFO, Mr. Zhang Youyun is deemed to be interested in the Shares in which Glorious Lead is interested.
- (6) The percentages of the Shares are rounded to the nearest two decimal places, and the total number of the percentages may not add up to 100% due to rounding.

GENERAL MANDATE TO ISSUE SHARES

The Conversion Shares will be issued under the general mandate granted to the Directors at the last annual general meeting of the Company held on 25 May 2018 (the “**General Mandate**”). As at the date of this announcement, the Directors have not exercised the power to allot and issue any Shares pursuant to the General Mandate. Accordingly, as at the date of this announcement, the Company is entitled to issue up to 162,175,460 Shares pursuant to the General Mandate. The Conversion Shares will be issued under the General Mandate. The issue of Conversion Shares is not subject to any approval by the Shareholders.

APPLICATION FOR LISTING

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares, which may be issued and allotted upon conversion of the Convertible Bonds. No listing application will be made for the Convertible Bonds on the Stock Exchange or any other stock exchange.

INFORMATION OF THE GROUP

The Group is a fables research and development oriented technology company specialized in the power-line communications technology (“**PLC**”). The Group mainly has two business segments: (i) auto meter reading (“**AMR**”) business, which includes design, development and sale of PLC products and providing maintenance services in connection with the development and upgrades of AMR systems; and (ii) smart energy management (“**SEM**”) business, which includes design, development and sale of energy saving and environmental protection products and solutions used in streetlight control, building energy managements and photovoltaic power managements.

INFORMATION OF THE SUBSCRIBER

The Subscriber is a company incorporated under the laws of Japan and principally engaged in the provision of systems development software and services.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE BONDS

The Company will be able to raise funding through the issue of the Convertible Bonds to partially settle the consideration for the Acquisition contemplated under the Sale and Purchase Agreement, the Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement. Details on the reasons for and benefits of the Acquisition were disclosed in the section headed “General Information of the Group and Reasons for and Benefits of the Acquisition” of the announcement of the Company dated 28 December 2017.

On the above premises, the Directors (including the independent non-executive Directors) are of the view that the terms of the Transaction Documents (i) have been negotiated on an arm’s length basis; and (ii) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds and the net proceeds from the issue of the Convertible Bonds will be HK\$150,000,000 and HK\$149,000,000, respectively. Therefore, the net issue price per Conversion Share is estimated to be approximately HK\$2.48 based on the initial conversion price of HK\$2.50 per Conversion Share assuming the conversion of the Convertible Bonds into the Conversion Shares in full. The Company intends to use the net proceeds to partially settle the consideration for the Acquisition contemplated under the Sale and Purchase Agreement, the Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement.

GENERAL

Shareholders and potential investors should note that completion of the Subscription Agreement is subject to the fulfilment of the conditions precedent thereunder. As the issue of the Convertible Bonds may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

TERMINATION OF THE PREVIOUS PROPOSED ISSUE OF CONVERTIBLE BONDS

References are made to the announcement dated 13 February 2018 in relation to the previous proposed issue of convertible bonds under the previous general mandate and the announcements dated 23 March 2018 and 31 May 2018 in relation to the extension of the convertible bonds long stop date. The Board wishes to announce that due to certain conditions precedent not fulfilled in the previous subscription agreement dated 13 February 2018 (the “**Previous Subscription Agreement**”) entered into between the Company and Dongxing Securities (Hong Kong) Financial Holdings Limited (東興證券(香港)金融控股有限公司) (the “**Previous Subscriber**”), the Company and the Previous Subscriber mutually agreed to enter into a termination letter on 31 July 2018, pursuant to which the parties agreed to terminate the Previous Subscription Agreement, and all obligations of the Company and the Subscriber have ceased and terminated as at 31 July 2018.

The Board considers that the termination of the Previous Subscription Agreement has no material adverse impact on the business operations and financial position of the Group.

DEFINITIONS

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

“Acquisition”	has the meaning as ascribed thereto in the announcement of the Company dated 28 December 2017;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday or a Sunday or public holiday) on which licensed banks in Hong Kong are open for business;
“Company”	Risecomm Group Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability and whose Shares are listed and traded on the main board of the Stock Exchange (stock code: 1679);
“Completion”	the completion of the subscription of the Convertible Bonds;
“Conditions”	the terms and conditions of the Convertible Bonds;
“Conversion Shares”	Shares to be issued and allotted by the Company upon conversion of the Convertible Bonds;
“Convertible Bonds”	4% senior convertible bonds in the aggregate principal amount of HK\$150,000,000 proposed to be issued by the Company;
“Convertible Bonds Instrument”	the instrument to be executed by the Company constituting the Convertible Bonds;

“Directors”	directors of the Company;
“Events of Default”	the events of defaults as specified in the Convertible Bonds Instrument;
“General Mandate”	has the meaning ascribed thereto under the section headed “General Mandate to Issue Shares”;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong;
“Holder”	a person in whose name a Convertible Bond is registered in the register of holders of Convertible Bonds (or in the case of joint holders, the first named thereof);
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Issue Date”	the date on which the Convertible Bonds are issued, which shall be no later than 30 September 2018 unless otherwise agreed by the Company and the Subscriber;
“Issue Price”	100% of the aggregate principal amount of the Convertible Bonds;
“Last Trading Day”	31 July 2018, being the last full trading day immediately before the date of this announcement;
“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;
“Major Shareholders”	the Shareholders holding more than 10% of the Shares;
“Majority Convertible Bondholders”	the Holder(s) of at least 50% in principal amount of the Convertible Bonds then outstanding;
“Material Adverse Effect”	a material adverse effect on or a material adverse change in the financial condition, assets, liabilities, prospects, business, results of operations or properties of the Group taken as a whole or the ability of the Company to perform and comply with its obligations under the Convertible Bonds;
“Maturity Date”	the date falling 24 months from the issue date of the Convertible Bonds;

“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Taiwan and Macau;
“Prospectus”	the prospectus of the Company dated 29 May 2017;
“Sale and Purchase Agreement”	has the meaning as ascribed thereto in the announcement of the Company dated 28 December 2017;
“Second Supplemental Agreement”	has the meaning ascribed thereto in the announcement of the Company dated 31 May 2018;
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter. 571 of the Laws of Hong Kong) as amended or re-enacted from time to time;
“Shareholders”	the holder(s) of the Shares;
“Shares”	the ordinary shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	Software Research Associates, Inc. (株式会社SRA), a company incorporated under the laws of Japan with limited liability;
“Subscription Agreement”	the subscription agreement dated 31 July 2018 and entered into between the Company and the Subscriber relating to the subscription of the Convertible Bonds;
“Supplemental Agreement”	has the meaning ascribed thereto in the announcement of the Company dated 12 February 2018;
“Target Company”	has the meaning as ascribed thereto in the announcement of the Company dated 28 December 2017;
“Target Group”	has the meaning as ascribed thereto in the announcement of the Company dated 28 December 2017;
“Third Supplemental Agreement”	a supplemental agreement to the Sale and Purchase Agreement entered into between the Company and the Vendor on 31 May 2018;
“Transaction Documents”	the Subscription Agreement, the Convertible Bond Instrument and the certificate issued to the Holder in respect of its registered holding of the Convertible Bonds;

“Warranties” the representations, warranties and undertakings by the Company as set out in the Subscription Agreement; and

“%” per cent.

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

Hong Kong, 31 July 2018

As at the date of this announcement, the executive directors of the Company are Mr. Yue Jingxing and Mr. Zhang Youyun, the non-executive directors of the Company are Mr. Wang Shiguang and Mr. Lau Wai Leung, Alfred and the independent non-executive directors of the Company are Mr. Pan Song, Mr. Chen Yong and Mr. Ong King Keung.