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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)

**DISCLOSEABLE AND SHARE TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL
IN NM TECHNOLOGY
AND
ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE**

On 15 March 2018 (after trading hours), Harvest Year (a direct wholly owned subsidiary of the Company) entered into the Share Purchase Agreement with the Vendor, pursuant to which Harvest Year has conditionally agreed to acquire the entire issued share capital in NM Technology from the Vendor.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5% but less than 25%, the Acquisition constitutes a discloseable and share transaction for the Company under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that the completion of the Share Purchase Agreement is subject to the fulfillment or waiver of conditions precedent. As the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board wishes to announce that on 15 March 2018 (after trading hours), Harvest Year (a direct wholly owned subsidiary of the Company) entered into the Share Purchase Agreement with the Vendor, pursuant to which Harvest Year has conditionally agreed to acquire the entire issued share capital in NM Technology from the Vendor.

THE SHARE PURCHASE AGREEMENT

Date: 15 March 2018

Parties:

- (i) The Vendor, as the vendor
- (ii) Harvest Year, as the purchaser
- (iii) Mr. Jiang and Mr. Yu, as the covenantors

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Assets to be acquired: The entire issued share capital in NM Technology held by the Vendor.

Consideration for the RMB81 million

Acquisition:

The Consideration was determined after arm's length negotiations between Harvest Year and the Vendor, with reference to, among other factors:

- (i) the historical financial performance and financial position of NM Technology for the year ended 31 December 2017;
- (ii) the downward adjustment mechanism to the Consideration for the Final Payment (as defined below) which inferred the "floor" and "ceiling" amount of RMB12 million and RMB81 million, in particular the "floor" amount of RMB12 million was made reference to the audited consolidated net asset value of NM Technology as at 31 December 2017;
- (iii) the payment structure as described below with deferred settlements after Completion for the balance of the Consideration of RMB60 million upon the achievement of the relevant performance milestones of NM Technology;

- (iv) the historical price-to-earnings ratio (“**P/E ratio**”) based on the audited consolidated financial results of NM Technology for the year ended 31 December 2017 is considered fair and reasonable, given the considerable discount of such ratio as compared to the average and median historical P/E ratio of comparable listed companies on the Stock Exchange and the stock exchanges in the PRC (the “**Comparable Companies**”) engaging in similar business of the NM Group (i.e. the sales and distribution of electronic components, in particular for integrated circuits (“**ICs**”) and related products in the PRC) of approximately 16.3 times and 11.8 times respectively; and
- (v) the reasons for, and benefits, of the proposed Acquisition to the Group as set out under “Reasons for, and benefits of, the Acquisition” below.

The Consideration is payable by Harvest Year to the Vendor in the following manner:

- (1) the earnest money in the sum of HK\$14 million (equivalent to RMB12 million) paid by Harvest Year to the Vendor shall be applied towards payment of part of the Consideration upon Completion (the “**Deposit**”);
- (2) subject to Completion taking place:
 - (a) RMB9 million shall be settled by way of an unsecured, non-interest bearing promissory note to be issued by Harvest Year in favour of the Vendor with a term of 12 months (the “**Promissory Note**”);
 - (b) if it is revealed by the unaudited consolidated management accounts of NM Technology (which shall be prepared in accordance with the Hong Kong Financial Reporting Standards) that NM Technology achieves a consolidated profit after tax (excluding Extraordinary Items) in an amount of not less than RMB3 million for the period commencing from 1 January 2018 up to the relevant accounts date of the unaudited consolidated management accounts of NM Technology (but in any event not later than 31 December 2018), Harvest Year shall, within 30 Business Days after the recognition by the board of Harvest Year of the achievement of such milestone, pay to the Vendor RMB15 million (the “**Third Payment**”) in cash for payment of part of the Consideration. For the avoidance of doubt, if NM Technology fails to achieve a consolidated profit after tax (excluding Extraordinary Items) of not less than RMB3 million, no Third Payment shall become payable by Harvest Year;

- (c) on the Final Settlement Date, Harvest Year shall pay to the Vendor RMB45 million (subject to adjustment and deduction as set out under “Adjustment to Consideration” below) (the “**Final Payment**”) by procuring the Company to allot and issue, credited as fully paid, the Consideration Shares (rounded down to the near whole number of Share) at the issue price of HK\$3.40 per Share to the Vendor, all of which Consideration Shares shall rank pari passu with each other.

Consideration Shares:

For illustration purpose only, assuming the maximum monetary amount of RMB45 million as the Final Payment, 16,434,826 Consideration Shares will be issuable by the Company.

The Consideration Shares represent (i) approximately 2.03% of the existing issued share capital of the Company as at the date of this announcement; and (ii) based on the assumptions set out in the table under “Effects on Shareholding Structure” below, approximately 1.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued under the General Mandate (as defined below) and will rank pari passu among themselves and with the existing Shares in issue on the Final Settlement Date.

Application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the Consideration Shares.

The issue price of HK\$3.40 per Consideration Share represents:

- (i) the closing price of HK\$3.40 per Share as quoted on the Stock Exchange on 15 March 2018, being the date of the Share Purchase Agreement;
- (ii) a discount of approximately 1.73% to the average closing price of approximately HK\$3.46 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date; and
- (iii) a discount of approximately 2.30% to the average closing price of approximately HK\$3.48 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day.

The issue price of the Consideration Share was determined after arm's length negotiations between Harvest Year and the Vendor with reference to the prevailing trading prices of the Shares as quoted on the Stock Exchange.

Each of the Vendor and Covenantors jointly and severally undertakes and warrants to Harvest Year that without the prior written consent of Harvest Year, they shall not sell, assign, transfer, pledge, hypothecate, or dispose of in any way, or otherwise create any encumbrances in respect of, all or any part of or any direct or indirect interest in any of the Consideration Shares to any person for the period commencing from the date of issue of such Consideration Shares ("**Issue Date**") up to and including the date which is 12 months after the Issue Date.

**Adjustment to
Consideration:**

The consolidated profit after tax (excluding Extraordinary Items) of NM Technology for the year ending 31 December 2018 ("**2018 NPAT**") as shown in the audited consolidated accounts of NM Technology, which shall be prepared according to Hong Kong Financial Reporting Standards, shall amount to at least RMB9 million.

If the 2018 NPAT, falls below RMB9 million, the Consideration shall be reduced as follows:

$$AR = (RMB9,000,000 - APAT) \times 9$$

Where:

AR means the amount of Consideration to be reduced, subject to a maximum amount of RMB69,000,000

APAT means the actual consolidated profit after tax (excluding Extraordinary Items) of NM Technology for the year ending 31 December 2018 as shown in its audited consolidated accounts, which is prepared according to Hong Kong Financial Reporting Standards

For the avoidance of doubt, if the 2018 NPAT, is equal to or exceeds RMB9 million, no adjustment shall be required to be made to the Consideration.

If at any time before the Final Settlement Date a claim is made by Harvest Year under or in relation to or arising out of the Share Purchase Agreement, including any warranty claim and indemnity claim, Harvest Year and the Vendor shall use all reasonable endeavors to quantify and settle such claim. The amount claimed by Harvest Year shall be deducted from the Final Payment and only the netted amount of Final Payment shall be payable by Harvest Year on Final Settlement Date.

If a reduction is required to be made to the Consideration, the amount of reduction (the “**Reduced Amount**”) shall be applied first to reduce the Final Payment payable by Harvest Year and only the netted amount of the Final Payment shall be payable by Harvest Year on the Final Settlement Date.

If the Reduced Amount equals to or exceeds the Final Payment, no Final Payment shall become payable by Harvest Year, and the Vendor shall pay to Harvest Year the amount which is the Reduced Amount less the Final Payment (“**Shortfall**”) by (i) first applying such amount of Shortfall to redeem pro tanto the outstanding principal amount of the Promissory Note on the date falling 7 Business Days after the date on which the audited consolidated accounts of NM Technology for the year ending 31 December 2018 are issued (the “**Early Redemption Date**”) (and Harvest Year shall deem to have made an early redemption for the Promissory Note); and (ii) (if the Shortfall exceeds the then outstanding principal amount of the Promissory Note), within 30 Business Days from the Early Redemption Date pay to Harvest Year in cash for the balance of the Shortfall (if any).

The adjustment mechanism to the Consideration was determined after arm’s length negotiations between Harvest Year and the Vendor, with reference to, among other factors, (i) the audited consolidated net asset value of NM Technology as at 31 December 2017; and (ii) the multiple of 9 times which represented (a) a considerable discount to the historical P/E ratio of the Comparable Companies; and (b) the future development prospects and the management team of the NM Group. The Directors consider such downward adjustment mechanism to the Consideration offers a downside protection to the Company.

Conditions:

Completion of the Share Purchase Agreement is subject to the fulfillment of the following conditions precedent:

- (a) none of the warranties having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect;
- (b) the granting of the approval for the listing of, and permission to deal in, the Consideration Shares by the Listing Committee (whether subject to conditions or not);

- (c) (if required) the approval by the Shareholders of the Share Purchase Agreement and the transactions contemplated thereby and all other consents and acts required under the Listing Rules or any other applicable law or regulations being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange;
- (d) Harvest Year having completed and is satisfied with the results of its due diligence review on the assets, liabilities, financial, tax and business of the NM Group and the Sale Shares; and
- (e) Mr. Jiang (General manager of the PRC Subsidiary), Mr. Yu Shihai (于世海) (Legal representative and deputy general manager of the PRC Subsidiary) and Mr. Hu Shaodong (胡少東) (Supervisor of the PRC Subsidiary) have each entered into an employment contract with the PRC Subsidiary for a term of at least 3 years from the date of the Share Purchase Agreement, in a form satisfactory to Harvest Year, and such employment contracts remain subsisting and valid as of the Completion Date.

Harvest Year may at its sole and absolute discretion and at any time waive in writing conditions (a), (d) and (e). None of the parties may waive conditions (b) and (c). In the event that any of the above conditions are not satisfied or waived on or before 5:00 p.m. on the 31 May 2018 (or such later date as Harvest Year and the Vendor may agree), the Share Purchase Agreement shall cease and determine and the Vendor and the Covenantors shall jointly and severally procure the Deposit to be refunded in full to Harvest Year within 3 Business Days. Save as aforesaid, none of the parties shall have any obligations and liabilities under the Share Purchase Agreement save for any antecedent breaches of the terms of the Share Purchase Agreement.

COMPLETION

Subject to the fulfillment of conditions (b), (c) and (d) as set out above, Completion shall take place on the 15th Business Days thereafter or such other time as the parties may agree.

EFFECTS ON SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon the allotment and issuance of the Consideration Shares, for illustration purpose only:

Shareholders	As at the date of this announcement		Immediately after the allotment and issuance of the Consideration Shares ^(Note 1)	
	Number of Shares	% <i>(Note 5)</i>	Number of Shares	% <i>(Note 5)</i>
Connected persons				
Magical Success Holdings Limited (“ Magical Success ”) ^(Note 2)	169,527,845	20.91%	169,527,845	20.49%
SB Asia Investment Fund II L.P.	197,340,537	24.34%	197,340,537	23.85%
Seashore Fortune Limited (“ Seashore Fortune ”) ^(Note 3)	91,943,624	11.34%	91,943,624	11.11%
Glorious Lead Limited (“ Glorious Lead ”) ^(Note 4)	940,859	0.12%	940,859	0.11%
Public				
Vendor	—	—	16,434,826	1.99%
Public Shareholders	<u>351,124,438</u>	<u>43.30%</u>	<u>351,124,438</u>	<u>42.44%</u>
Total:	<u>810,877,303</u>	<u>100.00%</u>	<u>827,312,129</u>	<u>100.00%</u>

Notes:

- On the assumption that the maximum monetary amount of RMB45 million as the Final Payment, 16,434,826 Consideration Shares will be issuable by the Company.
- Magical Success is wholly owned by Ms. Chen Junling (“**Ms. Chen**”). Ms. Chen is the spouse of Mr. Wang Shiguang, the chairman of the Board and an executive Director.
- Seashore Fortune is wholly owned by Mr. Yue Jingxing (“**Mr. Yue**”). Mr. Yue is the chief executive officer of the Company and an executive Director.
- Glorious Lead is wholly owned by Mr. Zhang Youyun (“**Mr. Zhang**”). Mr. Zhang is an executive Director.
- The percentage figures have been rounded to the nearest two decimal place, therefore the total percentage figure may not add up to 100% due to rounding.
- As disclosed in the above shareholding table, immediately after completion of the allotment and issuance of the Consideration Shares, a minimum of 25% of the issued share capital of the Company will be in public hands.

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

The principal activity of NM Technology is investment holding, and through the PRC subsidiary, principally engages in sales and distribution of electronic components, in particular for ICs and related products in the PRC.

The principal activity of the Company is investment holding, and through its subsidiaries, a group of research and development oriented technology companies specialise in 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 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.

The Acquisition envisaged under the Share Purchase Agreement would allow the Group to collaborate with the NM Group to diversify its customer base, achieve vertical integration of the Group’s business and broaden the Group’s revenue stream in AMR business. This is conducive to the long-term growth and sustainable development of the Group as a whole, and may enhance shareholder value in the long run.

Accordingly, the Directors consider that the terms of the Share Purchase Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL INFORMATION OF NM TECHNOLOGY

Based on the audited consolidated accounts of NM Technology for the year ended 31 December 2017, the consolidated net asset value of NM Technology was approximately RMB10,950,000 as at 31 December 2017, while the consolidated net profit before and after taxation attributable to the equity holder of NM Technology for the year ended 31 December 2017 amounted to approximately RMB14,310,000 and RMB10,710,000, respectively. Based on the audited consolidated accounts of NM Technology for the period from 3 May 2016 (date of incorporation) and up to 31 December 2016, the consolidated net profit before and after taxation attributable to the equity holder of NM Technology for such period amounted to approximately RMB194,000 and RMB171,000, respectively.

FUNDING OF THE CONSIDERATION

The Consideration will be satisfied partly by (i) cash; (ii) the issue of the Promissory Note; and (iii) the allotment and issue of the Consideration Shares. The cash Consideration and the Promissory Note will be funded by the internal resources of the Group. For avoidance of doubt, the cash Consideration and the Promissory Note will not be funded by the net proceeds raised from the initial public offering of the Company and the net proceeds raised thereunder have been and will be applied by the Company in accordance with the use of proceeds as disclosed in the Prospectus.

ISSUE OF THE CONSIDERATION SHARES UNDER THE GENERAL MANDATE

By written resolutions passed by the then Shareholders on 16 May 2017, the then Shareholders granted the general mandate to the Directors to allot and issue up to 20% of the issued share capital of the Company upon the completion of the Capitalisation Issue (as defined in the Prospectus) and the Global Offering (as defined in the Prospectus) but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option (as defined in the Prospectus) or any options granted or to be granted under the Pre-IPO Share Option Scheme (as defined in the Prospectus) or the Share Option Scheme (as defined in the Prospectus), being 160,000,000 Shares (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 160,000,000 Shares pursuant to the General Mandate.

The Consideration Shares to be issued upon Final Settlement Date will be allotted and issued under the General Mandate and, as such, no Shareholders’ approval is required.

REQUIREMENTS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5% but less than 25%, the Acquisition constitutes a discloseable and share transaction for the Company under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that the completion of the Share Purchase Agreement is subject to the fulfillment or waiver of conditions precedent. As the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise required, the following terms and expressions have the following meanings when used herein.

“Acquisition”	the acquisition by Harvest Year of the Sale Shares from the Vendor subject to and upon the terms and conditions of the Share Purchase Agreement
“Board”	the board of Directors
“Business Days”	a day (other than Saturdays, Sundays, general holidays (as defined under the General Holidays Ordinance, Cap. 149 of the Laws of Hong Kong) and such other days where a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above is in force in Hong Kong), on which licensed banks in Hong Kong are open for business throughout their normal business hours

“Company”	Risecomm Group Holdings Limited (瑞斯康集團控股有限公司), an exempted company with limited liability incorporated under the laws of Cayman Islands whose issued shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Share Purchase Agreement in accordance with its terms
“Completion Date”	subject to the fulfillment of conditions (b), (c) and (d) as set out under “The Share Purchase Agreement — Conditions”, on the 15th Business Days thereafter or such other time as the parties may agree
“connected person(s)”	has the meaning given to it in the Listing Rules
“Consideration”	the consideration payable by Harvest Year to the Vendor pursuant to the Share Purchase Agreement
“Consideration Shares”	a maximum of 16,434,826 new Shares which may be allotted and issued, credited as fully paid, by the Company, which shall be the quotient of (a) the Final Payment (as adjusted and reduced pursuant to the adjustment mechanism as set out under “The Share Purchase Agreement — Adjustment to Consideration”), as divided by (b) the issue price of HK\$3.40 per Share, round down to the nearest whole number of Share
“Covenantors”	Mr. Jiang and Mr. Yu
“Directors”	the directors of the Company
“Extraordinary Items”	the definition of “extraordinary items” as referred to in “《公開發行證券的公司信息披露解釋性公告第1號 — 非經常性損益 (2008)》” issued by the China Securities Regulatory Commission
“Final Settlement Date”	the 20th Business Days, if such day falls on a day which is not a Business Day the next Business Day, from the date of issue of the audited consolidated accounts of NM Technology for the year ending 31 December 2018 which shall be prepared according to Hong Kong Financial Reporting Standards
“Group”	the Company and its subsidiaries
“Harvest Year”	HARVEST YEAR GLOBAL LIMITED (康年環球有限公司), a company incorporated in Seychelles with limited liability and a direct wholly owned subsidiary of the Company

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Date”	14 March 2018, being the last trading day immediately prior to the signing of the Share Purchase Agreement
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Jiang”	Mr. Jiang Jingdong, one of the Covenantors and a shareholder of the Vendor
“Mr. Yu”	Mr. Yu Jialiang, one of the Covenantors and a shareholder of the Vendor
“NM Group”	NM Technology, the PRC subsidiary and other subsidiary of NM Technology (if any) as at the date of Completion
“NM Technology”	North Mountain Information Technology Company Limited, a company incorporated in Hong Kong with limited liability
“PRC”	The People’s Republic of China
“PRC Subsidiary”	North Mountain Power Technology (Beijing) Co., Ltd.* (北山網電電力技術(北京)有限公司), a limited liability company established in the PRC and wholly owned by NM Technology
“Prospectus”	the prospectus of the Company dated 29 May 2017
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the entire issued share capital in NM Technology held by the Vendor
“Share(s)”	the ordinary share(s) of HK\$0.0001 each in the share capital of the Company
“Share Purchase Agreement”	the conditional share purchase agreement dated 15 March 2018 entered into between the Vendor as the vendor and Harvest Year as purchaser in relation to the Acquisition
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

“Vendor” NM Infortech Company Ltd, a company incorporated in Seychelles with limited liability which is owned as to 80% by Mr. Jiang and 20% by Mr. Yu

“%” per cent.

* denotes English translation of the name of a Chinese company, and is provided for identification purposes only.

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

Hong Kong, 15 March 2018

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