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Microwave Group Limited

美高域集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1985)

DISCLOSEABLE TRANSACTION SUBSCRIPTIONS OF SHARES IN THE TARGET COMPANY

INTRODUCTION

The Board announces that on 29 August 2024 (after trading hours of the Stock Exchange), (i) the Subscriber I (a direct wholly-owned subsidiary of the Company) entered into the Subscription Agreement I with the Target Company, pursuant to which the Target Company conditionally agreed to issue and the Subscriber I conditionally agreed to subscribe for 1,750,000 Subscription Shares at the subscription price of RMB20 per Subscription Share at the consideration of RMB35,000,000; and (ii) the Subscriber II (a direct wholly-owned subsidiary of the Company) entered into the Subscription Agreement II with the Target Company, pursuant to which the Target Company conditionally agreed to issue and the Subscriber II conditionally agreed to subscribe for 750,000 Subscription Shares at the subscription price of RMB20 per Subscription Share at the consideration of RMB15,000,000.

Upon Completion, the Group will hold a total of 2,500,000 shares of the Target Company, representing approximately 0.24% of the enlarged share capital of the Target Company. The financial results of the Target Company will not be consolidated into the accounts of the Group.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.22 of the Listing Rules, a series of transactions will be aggregated and treated as if they were one transaction if they were all conducted within a 12-month period or were otherwise related. Accordingly, the Subscriptions are required to be aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) set out in the Listing Rules in respect of the Subscriptions under the Subscription Agreements in aggregate is/are more than 5% but less than 25%, the Subscriptions under the Subscription Agreements constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

INTRODUCTION

The Board announces that on 29 August 2024 (after trading hours), (i) the Subscriber I (a direct wholly-owned subsidiary of the Company) entered into the Subscription Agreement I with the Target Company, pursuant to which the Target Company conditionally agreed to issue and the Subscriber I conditionally agreed to subscribe for 1,750,000 Subscription Shares at the subscription price of RMB20 per Subscription Share at the consideration of RMB35,000,000; and (ii) the Subscriber II (a direct wholly-owned subsidiary of the Company) entered into the Subscription Agreement II with the Target Company, pursuant to which the Target Company conditionally agreed to issue and the Subscriber II conditionally agreed to subscribe for 750,000 Subscription Shares at the subscription price of RMB20 per Subscription Share at the consideration of RMB15,000,000.

Upon Completion, the Group will hold a total of 2,500,000 shares of the Target Company, representing approximately 0.24% of the enlarged share capital of the Target Company. The financial results of the Target Company will not be consolidated into the accounts of the Group.

THE SUBSCRIPTION AGREEMENTS

The principal terms of the Subscription Agreements are set out as follows:

(i) Subscription Agreement I

Date

29 August 2024 (after trading hours of the Stock Exchange)

Parties

- (1) the Subscriber I as subscriber; and
- (2) the Target Company as issuer.

Subject Matter

Pursuant to the Subscription Agreement I, the Target Company conditionally agreed to issue and the Subscriber I conditionally agreed to subscribe for 1,750,000 Subscription Shares of the Target Company at the subscription price of RMB20 per Subscription Share and the consideration will be RMB35,000,000, of which, RMB1,750,000 will be accounted for the registered capital of the Target Company and RMB33,250,000 will be accounted for the capital reserve of the Target Company.

Consideration

The subscription price of RMB20 per Subscription Share and the consideration of RMB35,000,000 under Subscription I were determined and agreed between the parties to the Subscription Agreement I after arm's length negotiations and taking into account, among other things: (i) the shareholding proportion of the Subscriber I in the Target Company; (ii) the funding needs of the Target Company for its future business development; (iii) the growth potential of the Target Company; and (iv) a valuation report prepared by an independent qualified valuer and the recent financial performance and position of the Target Group.

The consideration will be satisfied by the internal resources of the Group.

Condition Precedent

As a condition precedent, before the Subscriber I pays the consideration, the Target Company shall issue a payment notice (the "**Payment Notice I**") to the Subscriber I in writing, confirming that the information, statements and warranties provided by the Target Company to the Subscriber I are (and always are) true, accurate, complete and not misleading, except for adjustments made by the Target Company to its financial statements in accordance with accounting standards.

Completion of Subscription I

The completion of Subscription I shall take place on the second business day from the date on which the Target Company has issued the Payment Notice I to the Subscriber I, upon which the Subscriber I shall fully pay the consideration in cash to the designated bank account of the Target Company in one lump sum.

Within 90 days after the Subscriber I has fully paid the consideration, the Target Company shall handle the registration and filing in relation to the Subscription I with the relevant market supervision and administration bureau and obtain a new business license.

(ii) Subscription Agreement II

Date

29 August 2024 (after trading hours of the Stock Exchange)

Parties

- (3) the Subscriber II as subscriber; and
- (4) the Target Company as issuer.

Subject Matter

Pursuant to the Subscription Agreement II, the Target Company conditionally agreed to issue and Subscriber II conditionally agreed to subscribe 750,000 Subscription Shares of the Target Company at the subscription price of RMB20 per Subscription Share and the consideration will be RMB15,000,000, of which, RMB750,000 will be accounted for the registered capital of the Target Company and RMB14,250,000 will be accounted for the capital reserve of the Target Company.

Consideration

The subscription price of RMB20 per Subscription Share and the consideration of RMB15,000,000 under Subscription II were determined and agreed between the parties to the Subscription Agreement II after arm's length negotiations and taking into account, among other things: (i) the shareholding proportion of the Subscriber II in the Target Company; (ii) the funding needs of the Target Company for its future business development; (iii) the growth potential of the Target Company; and (iv) a valuation report prepared by an independent qualified valuer and the recent financial performance and position of the Target Group.

The consideration will be satisfied by the internal resources of the Group.

Condition Precedent

As a condition precedent, before the Subscriber II pays the consideration, the Target Company shall issue a payment notice (the "**Payment Notice II**") to the Subscriber II in writing, confirming that the information, statements and warranties provided by the Target Company to the Subscriber II are (and always are) true, accurate, complete and not misleading, except for adjustments made by the Target Company to its financial statements in accordance with accounting standards.

Completion of Subscription II

The completion of Subscription II shall take place on the second business day from the date on which the Target Company has issued the Payment Notice II to the Subscriber II, upon which the Subscriber II shall fully pay the consideration in cash to the designated bank account of the Target Company in one lump sum.

Within 90 days after the Subscriber II has fully paid the consideration, the Target Company shall handle the registration and filling in relation to the Subscription II with the relevant market supervision and administration bureau and obtain a new business license.

INFORMATION OF THE PARTIES

The Company

The Company is incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of information technology (“IT”) infrastructure solutions and managed services and artificial intelligence (“AI”) solutions services.

The Subscriber I

The Subscriber I, a direct wholly-owned subsidiary of the Company, is a company established in the PRC with limited liability. It is principally engaged in the business of AI software and hardware products and solutions, including computing centre construction, overall implementation of software and hardware in computing centres, and computing power operation and maintenance.

The Subscriber II

The Subscriber II, a direct wholly-owned subsidiary of the Company, is a company established in the PRC with limited liability. It is principally engaged in the business of AI software and hardware products and solutions, including computing centre construction, overall implementation of software and hardware in computing centres, and computing power operation and maintenance.

The Target Company

The Target Company is a joint stock company established in the PRC with limited liability. The Target Company is principally engaged in the provision of full-stack AI and Internet of Things (“AIoT”) products including software, hardware and services to enterprises, public administrators and other participants in the public realm AIoT market.

According to the Target Company’s unaudited consolidated financial statements prepared under the IFRS, (i) for the year ended 31 December 2022, the Target Company recorded revenue in the range of RMB730 million to RMB830 million, losses (before taxation) in the range of RMB1,600 million to RMB1,700 million and losses (after taxation) in the range of RMB1,600 million to RMB1,700 million and adjusted net losses (non-IFRS measure) in the range of RMB850 million to RMB900 million, and (ii) for the year ended 31 December 2023, the Target Company recorded revenue in the range of RMB920 million to RMB1,020 million, losses (before taxation) in the range of RMB600 million to RMB700 million and losses (after taxation) in the range of RMB600 million to RMB700 million and

adjusted net losses (non-IFRS measure) in the range of RMB450 million to RMB500 million. As at 31 December 2023, the unaudited consolidated total asset value of the Target Company was more than RMB4,300 million and less than RMB4,500 million.

Upon Completion, the Group will hold a total of 2,500,000 shares of the Target Company, representing approximately 0.24% of the enlarged share capital of the Target Company. The financial results of the Target Company will not be consolidated into the accounts of the Group.

To the best of knowledge, information and belief and having made all reasonable enquiries by the directors of the Target Company, approximately 27.28% of the equity interest of Target Company is owned by the single largest group of shareholders, comprising Mr. Ai Yu(艾渝)(“**Mr. Ai**”), Chongqing Guangzhi No. 1 Enterprise Management Consulting Center (Limited Partnership)(重慶光智一號企業管理諮詢中心(有限合夥)) (“**Guangzhi No.1**”), Beijing Aite Jizhi Enterprise Management Consulting Center (Limited Partnership)(北京愛特吉智企業管理諮詢中心(有限合夥)) (“**Aite Jizhi**”), Zhuhai Telian No. 1 Investment Partnership (Limited Partnership)(珠海特聯一號投資合夥企業(有限合夥)) (“**Telian No. 1**”), Zhuhai Guangzhi Huiyun Business Consulting Enterprise (Limited Partnership)(珠海光智匯雲商務諮詢企業(有限合夥)) (“**Guangzhi Huiyun**”), Chongqing Guangzhi Gaoda Enterprise Management Consulting Co., Ltd.(重慶光智高達企業管理諮詢有限公司)(“**Guangzhi Gaoda**”), Zhuhai Guanglian Jiayu Equity Investment Management Center (Limited Partnership) (“**Guanglian Jiayu**”), Chongqing Gaofan Huiyuan Enterprise Management Consulting Center (Limited Partnership)(重慶高帆匯遠企業管理諮詢中心(有限合夥)) (“**Gaofan Huiyuan**”) and Zhuhai Guanghui Jiahua Business Consulting Enterprise (Limited Partnership)(珠海光匯嘉華商務諮詢企業(有限合夥)) (“**Guanghui Jiahua**”).

As of the date of this announcement, the general partner of Aite Jizhi is Guanglian Jiayu, the general partner of which is Guangzhi Gaoda, which is wholly owned by Mr. Ai. In addition, the general partner of Guanghui Jiahua, Guangzhi No.1 and Guangzhi Huiyun is Guangzhi Gaoda. Gaofan Huiyuan is owned as to 0.33% and controlled by Guangzhi Gaoda as its general partner, and is owned as to 99.67% by Mr. Ai as its sole limited partner. Telian No. 1 is a share incentive platform of the Target Company owned by management and employees of the Target Company and controlled by its general partner, Guanglian Jiayu.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, the Target Company and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS

The Directors (including the independent non-executive Directors) are of the view that the Subscriptions to be a very good business opportunity to invest in the Target Company because the provision of full-stack AIoT products including software, hardware and services to enterprises, public administrators and other participants in the public realm AIoT market has great potential, and the Subscriptions will provide synergetic effect on the Group's IT solutions services and AI solutions services business with the Target Company and to enhance the Group's competitiveness, which is in line with the Group's long-term development objectives and business development strategy. Based on the above, the Directors (including the independent non-executive Directors) consider that the Subscriptions can further enhance the value of the Group and maximise the returns to the Shareholders.

The Board (including the independent non-executive Directors) considers that the terms of the Subscription Agreements are negotiated at arm's length basis and on normal commercial terms and are fair and reasonable and that it is in the interest of the Company and the Shareholders as a whole to enter into the Subscription Agreements to invest in the Target Company.

LISTING RULES IMPLICATION

Pursuant to Rule 14.22 of the Listing Rules, a series of transactions will be aggregated and treated as if they were one transaction if they were all conducted within a 12-month period or were otherwise related. Accordingly, the Subscriptions are required to be aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) set out in the Listing Rules in respect of the Subscriptions under the Subscription Agreements in aggregate is/are more than 5% but less than 25%, the Subscriptions under the Subscription Agreements constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“business day”	a day (other than a Saturday or Sunday or Public Holiday) on which banks are open for business in Hong Kong
“Company”	Microware Group 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: 1985)
“Completion”	completion of the Subscriptions pursuant to the Subscription Agreements
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, and for the sole purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber I”	Microware (Shanghai) Artificial Intelligence Technology Co., Ltd.* (美高域(上海)人工智能科技有限公司), a company established in the PRC with limited liability, and a direct wholly-owned subsidiary of the Company

“Subscriber II”	Shanghai Actuarial Creativity Technology Co., Ltd.* (上海精算創圖算力科技有限公司), a company established in the PRC with limited liability, and a direct wholly-owned subsidiary of the Company
“Subscribers”	collectively, the Subscriber I and the Subscriber II
“Subscription I”	the subscription of 1,750,000 Subscription Shares by the Subscriber I pursuant to the Subscription Agreement I
“Subscription II”	the subscription of 750,000 Subscription Shares by the Subscriber II pursuant to the Subscription Agreement II
“Subscriptions”	collectively, the Subscription I and the Subscription II
“Subscription Agreement I”	the subscription agreement dated 29 August 2024 entered into between the Subscriber I and the Target Company in relation to the Subscription I
“Subscription Agreement II”	the subscription agreement dated 29 August 2024 entered into between the Subscriber II and the Target Company in relation to the Subscription II
“Subscription Agreements”	collectively, the Subscription Agreement I and the Subscription Agreement II
“Subscription Share(s)”	the ordinary share(s) of the Target Company to be allotted and issued by the Target Company to the Subscribers pursuant to the Subscription Agreements
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Target Company”	Chongqing Terminus Smart Technology Inc., Co., Ltd. (重慶特斯聯智慧科技股份有限公司), a joint stock company established in the PRC with limited liability

“HK\$” Hong Kong dollar, the lawful currency of Hong Kong

“%” per cent

On behalf of the Board
Microwave Group Limited
Wang Guangbo
Chairman and executive Director

Hong Kong, 29 August 2024

As at the date of this announcement, the executive Directors are Mr. Wang Guangbo, Mr. Huang Tianlei and Mr. Zhang Ting, the non-executive Director is Mr. Wang Zhi and the independent non-executive Directors are Mr. Dai Bin, Mr. Xu Jianwen, Mr. Lu Junbo and Ms. Lan Jia.

** for identification purpose only*