
LETTER FROM THE BOARD



Microwave Group Limited

美高域集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1985)

Executive Directors:

Mr. Wang Guangbo
Mr. Huang Tianlei

Non-executive Director:

Mr. Wang Zhi

Independent non-executive Directors:

Mr. Dai Bin
Mr. Xu Jianwen
Ms. Lan Jia

Registered Office:

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong:*

Room 1701, 17/F
BEA Tower, Millennium City 5
418 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

28 April 2025

To the Shareholders

Dear Sir/Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY
ASTRUM CAPITAL MANAGEMENT LIMITED
FOR AND ON BEHALF OF WEIYE HOLDINGS GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
MICROWARE GROUP LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
WEIYE HOLDINGS GROUP LIMITED AND CERTAIN PARTIES
ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Rule 3.5 Announcement. Astrum Capital, for and on behalf of the Offeror, makes a voluntary conditional cash offer to acquire all the issued Shares (other than those Shares already owned by the Offeror and Offeror Concert Parties) at HK\$1.36 per Share.

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The purpose of this Composite Document of which this letter forms part is to provide you with, among other matters, the terms of the Offer, information relating to the Group and the Offeror, as well as to set out the letter from the Independent Financial Adviser containing its advice to the Independent Shareholders in respect of the Offer.

Terms used in this letter shall have the same meanings as defined in this Composite Document unless the context otherwise requires.

THE OFFER

The “Letter from Astrum Capital” as set out on pages 6 to 16 of this Composite Document contains the information in respect of the Offer and the principal terms of the Offer are extracted below. You are recommended to refer to the “Letter from Astrum Capital”, the section headed “Further terms and procedures of acceptance of the Offer” as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance for further details.

As at the Latest Practicable Date, there were 300,000,000 Shares in issue, of which 209,000,000 Shares will be subject to the Offer. The Company had no outstanding options, warrants, derivatives, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

The Offer is made by Astrum Capital for and on behalf of the Offeror at the Offer Price:

For each Offer Share HK\$1.36 in cash

The Offer Shares to be acquired under the Offer shall be fully paid and free from any encumbrances and together with all rights and entitlements attaching or accruing thereto including, without limitation, the right to receive all dividends and other distributions, if any, the record date of which is on or after the date on which the Offer is made (i.e. the date of the despatch of this Composite Document).

The Company confirms that as at the Latest Practicable Date, (a) it had not declared any dividend, the record date of which falls on or after the expected date of despatch of this Composite Document; and (b) it did not have any intention to make, declare or pay any future dividend or make other distributions until the close of the Offer.

The Offer Price

Your attention is drawn to the section headed “The Offer – The Offer Price” in the “Letter from Astrum Capital” in this Composite Document.

Highest and Lowest Share Prices

During the Relevant Period, the highest closing price per Share as quoted on the Stock Exchange was HK\$1.50 per Share on 31 October 2024 and the lowest closing price per Share as quoted on the Stock Exchange was HK\$1.12 per Share on 20, 22 and 23 January 2025.

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Value of the Offer

Your attention is drawn to the sections headed “The Offer – Value of the Offer” in the “Letter from Astrum Capital” in this Composite Document which set out the value of the Offer.

Condition to the Offer

Your attention is drawn to the section headed “The Offer – Condition of the Offer” in the “Letter from Astrum Capital” in this Composite Document which sets out the condition to the Offer.

Reasons for and Benefits of the Offer

Your attention is drawn to the section headed “Reasons for the Offer” in the “Letter from Astrum Capital” in this Composite Document.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 of the Takeovers Code, a board which receives an offer, or is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance or voting.

As the non-executive Director, namely Mr. Wang Zhi, is presumed to be acting in concert with the Offeror under class (6) of the definition of acting in concert under the Takeovers Code as a result of the Offer, Mr. Wang Zhi should not be a member of the independent board committee to advise the Independent Shareholders on the terms of the Offer. As the independent non-executive Directors, namely Mr. Dai Bin, Mr. Xu Jianwen and Ms. Lan Jia have all provided the Irrevocable Undertakings, they should not be members of the independent board committee to advise the Independent Shareholders on the terms of the Offer.

As an independent board committee cannot be formed to make recommendations to the Shareholders, Red Sun has been appointed by the Company to act as the Independent Financial Adviser pursuant to Rule 2.8 of the Takeovers Code to advise the Independent Shareholders in respect of the Offer, and in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

The full texts of the letter from the Independent Financial Adviser addressed to the Independent Shareholders are set out on pages 24 to 43 in this Composite Document. You are advised to read the letter and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.

FURTHER DETAILS OF THE OFFER

You are advised to refer to the “Letter from Astrum Capital” as set out on pages 6 to 16 of this Composite Document, “Further terms and procedures of acceptance of the Offer” as set out in Appendix I to this Composite Document and the Form of Acceptance for further terms and conditions of the Offer and the procedures for acceptance and settlement of the Offer.

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INFORMATION ON THE GROUP

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 Company is the holding company of the Group. The Group is principally engaged in the provision of information technology infrastructure solutions and managed services and artificial intelligence solutions services.

Your attention is drawn to the “Financial Information of the Group” and “General Information of the Group” as set out in Appendices II and V to this Composite Document, respectively.

PROFIT ESTIMATE

As disclosed in the Profit Warning Announcements, based on the preliminary review of the Company’s latest unaudited consolidated management accounts for the year ended 31 March 2025, which has been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2024 which conform with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants, and information currently available to the Board, it is expected that the Group will record a profit before taxation for the year ended 31 March 2025 of approximately HK\$18.7 million (the “**Profit Estimate**”), as compared to the profit before taxation of approximately HK\$43.8 million for the corresponding period in 2024 (a decrease of approximately 57.3%). Such decrease was mainly due to the share-based compensation expenses of approximately HK\$38.4 million primarily attributable to the share award scheme adopted by the Company on 16 January 2024, certain terms of which were amended on 23 December 2024.

The Profit Estimate constitutes a “profit forecast” under Rule 10 of the Takeovers Code and shall be reported on by the Independent Financial Adviser and the Company’s auditors in accordance with the requirements under Rule 10 of the Takeovers Code. The Profit Estimate has been reported on by Deloitte and Red Sun Capital. Deloitte has reported that, so far as the accounting policies and calculations are concerned, the Directors have properly compiled the Profit Estimate in accordance with the bases adopted by the Directors and the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Red Sun Capital is satisfied that the Profit Estimate has been made by the Board with due care and consideration.

Your attention is drawn to the report issued by Red Sun Capital and the letter from Deloitte on the Profit Estimate set out in Appendix III and IV to this Composite Document, respectively.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company as at the Latest Practicable Date:

Name of Shareholders	As at the Latest Practicable Date	
	Number of Shares	Approximate % of issued Shares (Note 6)
The Offeror and the Offeror Concert Parties		
Offeror	42,500,000	14.17
Mr. Wang (Note 2)	47,000,000 (Note 3)	15.66
Mr. Wang Zhi (Note 4)	1,500,000	0.5
Sub-total	91,000,000	30.33
Non-Accepting Shareholders		
Mr. Chen Jianyong (陳鑑勇)	18,162,000	6.05
Mr. Han Shaoye (韓少野)	19,754,000	6.58
Mr. Dai Bin (Note 5)	1,500,000	0.5
Mr. Xu Jianwen (Note 5)	1,500,000	0.5
Ms. Lan Jia (Note 5)	1,500,000	0.5
Sub-total	42,416,000	14.14
Other Shareholders	166,584,000	55.53
Total	300,000,000 (Note 1)	100

Notes:

- The percentage figures are calculated on the basis on 300,000,000 issued Shares, which represent the entire issued share capital of the Company as at the Latest Practicable Date.
- The Offeror is a limited liability company incorporated in the British Virgin Islands and is beneficially and wholly-owned by Mr. Wang, being the chairman of the Board and an executive Director. By virtue of the SFO, Mr. Wang is deemed to be interested in the Shares held by the Offeror.
- Including the 12,000,000 Awarded Shares granted and vested to Mr. Wang with nil consideration on 3 January 2025 under the Share Award Scheme.
- On 3 January 2025, 1,500,000 Awarded Shares were granted and vested to Mr. Wang Zhi. As at the Latest Practicable Date, Mr. Wang Zhi is a non-executive Director. As the non-executive Director, Mr. Wang Zhi is presumed to be acting in concert with the Offeror under class (6) of the definition of acting in concert under the Takeovers Code as a result of the Offer.

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5. On 3 January 2025, 1,500,000 Awarded Shares were granted and vested to each of Mr. Dai Bin, Mr. Xu Jianwen and Ms. Lan Jia under the Share Award Scheme. As at the Latest Practicable Date, Mr. Dai Bin, Mr. Xu Jianwen, and Ms. Lan Jia are independent non-executive Directors. Save as disclosed in the table above, no other Directors hold Shares as at the Latest Practicable Date.
6. Certain percentage figures in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
7. The trustee of the Share Award Scheme, namely Well Mount Holdings Limited, does not hold any Shares as at the Latest Practicable Date.

Your attention is drawn to the “Financial Information of the Group” and “General Information of the Group” as set out in Appendices II and V to this Composite Document, respectively.

INFORMATION OF THE OFFEROR AND INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the sections headed “Information of the Offeror” and “Intentions of the Offeror in relation to the Group” in the “Letter from Astrum Capital” as set out on pages 12 to 13 of this Composite Document.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the listed issuer, being 25% of the issued Shares (excluding treasury shares, if any), are held by the public or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Board is aware of the Offeror’s intentions in respect of the Group and its employees and is willing to cooperate with the Offeror and act in the best interests of the Company and the Shareholders as a whole.

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RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Financial Adviser” as set out on pages 24 to 43 of this Composite Document, which sets out its advice to the Independent Shareholder in relation to the Offer and the principal factors considered by it in arriving at its advice.

ADDITIONAL INFORMATION

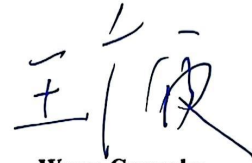
Your attention is drawn to the “Letter from Astrum Capital” and the “Letter from the Independent Financial Adviser” as set out in this Composite Document, the accompanying Form of Acceptance and the additional information as set out in the appendices to, which form part of, this Composite Document.

Yours faithfully,
By order of the Board
Microware Group Limited

Wang Guangbo
Chairman and executive Director

LETTER FROM THE BOARD

Yours faithfully,
By order of the Board
Microwave Group Limited

A handwritten signature in black ink, appearing to be '王廣波' (Wang Guangbo), written in a cursive style.

Wang Guangbo
Chairman and executive Director