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BoardWare

BoardWare Intelligence Technology Limited

博維智慧科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1204)

**INSIDE INFORMATION
MEMORANDUM OF UNDERSTANDING
IN RESPECT OF THE PROPOSED INVESTMENT AND
PROPOSED PLACING**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board is pleased to announce that on 20 October 2023 (after trading hours), the Company (as the intended purchaser) entered into the MOU with, among others, the Vendor, pursuant to which the Company intends to acquire, and the Vendor intends to sell, the entire issued share capital of the Target Company which will in turn own 100% of the share interest of Beijing Xinggu upon the Reorganisation. Upon Completion, each of the Target Company and Beijing Xinggu will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company and Beijing Xinggu will be consolidated into the accounts of the Group.

The Company intends to place certain new Shares to be issued under the General Mandate, the proceeds of which shall be used (i) to settle the consideration of the Proposed Investment; and (ii) as the general working capital of Beijing Xinggu for the Xinggu IDC Project. Terms of the Proposed Placing will be subject to further negotiations with the placing agent of the Company.

GENERAL

In the event that the Proposed Investment materialises, it is expected that the Proposed Investment will constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. Further announcement(s) in relation to the Proposed Investment will be made by the Company as and when appropriate in compliance with the Listing Rules.

Shareholders and potential investors of the Company should note that the MOU only sets out the intention of the Company and the Vendor in relation to the Proposed Investment, and is subject to, amongst other things, the signing of the Formal Agreement in which the terms and conditions of which are yet to be confirmed and agreed. The Proposed Investment may or may not proceed and the final structure and terms of the Proposed Investment, which are pending further negotiations between the Parties, have yet to be finalised and may deviate from those set out in the MOU. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

THE MOU

The Board is pleased to announce that on 20 October 2023 (after trading hours), the Company (as the intended purchaser) entered into the MOU with, among others, the Vendor, pursuant to which the Company intends to acquire, and the Vendor intends to sell, the entire issued share capital of the Target Company which will in turn own 100% of the share interest of Beijing Xinggu upon the Reorganisation. Upon Completion, each of the Target Company and Beijing Xinggu will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company and Beijing Xinggu will be consolidated into the accounts of the Group.

As at the date of the MOU, the Vendor holds 100% of the issued share capital of the Target Company.

Principal terms of the MOU

Date

20 October 2023 (after trading hours)

Parties

- (1) the Company or its wholly-owned subsidiary, as the purchaser;
- (2) the Vendor;
- (3) the Target Company, a direct wholly-owned subsidiary of the Vendor, and shareholder of Beijing Xinggu as to 49% of the equity interest as at the date of this announcement;
- (4) Keysource Investment, a shareholder of the Vendor as to 20% of the equity interest as at the date of this announcement;

- (5) SCB Investment, a shareholder of the Vendor as to 80% of the equity interest as at the date of this announcement;
- (6) Qiyuan Boya, a shareholder of Beijing Xinggu as to 51% of the equity interest as at the date of this announcement; and
- (7) Beijing Xinggu.

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

Assets intended to be acquired

Subject to the Parties entering into the Formal Agreement, the Company intends to acquire the entire issued share capital of the Target Company from the Vendor with the intention to indirectly acquire the entire equity interest in Beijing Xinggu, which is currently held by the Target Company and Qiyuan Boya as to 49% and 51% respectively and will be held by the Target Company as to 100% upon Reorganisation. The Target Company and Qiyuan Boya are investment holding companies. The principal asset of Beijing Xinggu is expected to be the land use right of the Land with a right to develop internet data centre under the Xinggu IDC Project in Pinggu, Beijing.

The Land is located in Pinggu, Beijing with an area of approximately 53,345.316 sq.m.. The use of the Land is for industrial purpose for a term of 20 years and the bidding of the Land by Beijing Xinggu was an important part of the Xinggu IDC Project. Beijing Xinggu won the bidding of the land use right of the Land and entered into relevant agreements in July 2023 with Beijing Municipal Commission of Planning and Natural Resources Pinggu Branch (北京市規劃和自然資源委員會平谷分局) and other relevant government departments, upon the satisfaction of the terms and conditions of which Beijing Xinggu will obtain the land use right. As at the date of this announcement, the Board is advised that, on the premise that Beijing Xinggu abides by relevant agreements with the local government, there is no legal impediment to obtain such land use right of the Land.

Consideration

Subject to fair negotiation and mutual agreement between the Parties, the consideration of the Proposed Investment will be made reference to, among other factors, the valuation of the Target Company which shall be issued by an independent professional valuer engaged by the Company, and after taking into consideration the effect of the debts and liabilities of the Target Group on the valuation as at the date of Completion. The consideration and the payment terms of the Proposed Investment shall be further negotiated between the Parties, and be determined in the Formal Agreement.

The consideration of the Proposed Investment shall be paid in cash and be settled by the proceeds from the Proposed Placing.

Proposed Placing

The Company intends to place certain new Shares to be issued under the General Mandate, the proceeds of which shall be used (i) to settle the consideration of the Proposed Investment; and (ii) as the general working capital of Beijing Xinggu for the Xinggu IDC Project. Terms of the Proposed Placing will be subject to further negotiations with the placing agent of the Company.

Further announcement(s) in relation to the Proposed Placing will be made by the Company as and when appropriate in compliance with the Listing Rules.

Pre-Completion Reorganisation of Beijing Xinggu

As at the date of this announcement, Beijing Xinggu is owned as to 51% and 49% by Qiyuan Boya and the Target Company respectively. Prior to the Completion, the Target Company, Qiyuan Boya and Beijing Xinggu shall undertake internal reorganisation, as result of which the Target Company will, directly and indirectly (through the company(ies) to be established or incorporated by the Target Company as part of the Reorganisation and Qiyuan Boya), own the entire equity interest of Beijing Xinggu.

Condition precedents

Subject to the Formal Agreement, the closing of the Proposed Investment is conditional upon the following conditions:

- (1) the Formal Agreement being validly executed by the Parties in accordance with the applicable laws;
- (2) all approvals required for the Proposed Investment being obtained by the Parties;
- (3) all corporate filings in respect of the Proposed Investment being completed in accordance with all applicable laws and rules of the relevant securities regulators (including but not limited to the Listing Rules);
- (4) neither the business currently being carried out by the Beijing Xinggu nor the proposed business as represented to the Company is subject to foreign investment restriction in the PRC and the equity interest in Beijing Xinggu to be held by non-PRC companies upon Completion has been approved by the relevant PRC authorities;
- (5) the Company completing due diligence review to its satisfaction on all operational, financial, legal, valuation and other aspects of, among others, Beijing Xinggu, Qiyuan Boya and the Target Company;
- (6) the legal adviser of the Company as to PRC laws issuing a PRC legal opinion, the contents of which are to the satisfaction of the Company;

- (7) there being no adverse material change to the business, assets, operations, financials and business prospects of all the entities involved in the Proposed Investment prior to the Completion;
- (8) completion of the Proposed Placing;
- (9) completion of the Reorganisation to the satisfaction of the Company;
- (10) payment of the relevant tax arising from the Proposed Investment being fully settled by the Vendor (including but not limited to the stamp duty in Hong Kong arising from the transfer of shares of the Target Company) and the registration of the name of the Company or its wholly-owned subsidiary (whichever applicable) into the register of members of the Target Company being completed; and
- (11) other conditions as may be agreed and set forth in the Formal Agreement.

Termination

The MOU shall be terminated at the occurrence of any of the following events:

- (i) signing of the Formal Agreement in relation to the Proposed Investment;
- (ii) failure to execute a Formal Agreement prior 31 March 2024 (or any other date as may be agreed by the Parties in writing);
- (iii) agreement in writing by the Parties to terminate the MOU; or
- (iv) any other circumstances as requested by the applicable laws and regulations.

During the period between the signing of the MOU and its termination (for whatever reasons), subject to compliance with relevant laws and regulations and the requirements of government departments (if any), the Company has the right of exclusivity, pursuant to which, each of the Vendor, the Target Company, Keysource Investment, SCB Investment, Qiyuan Boya, Beijing Xinggu and the company(ies) to be established or incorporated for the purpose of the Reorganisation, (and each of their beneficial owner, controller and associates) shall not enter into negotiation with any third party in relation to the Proposed Investment, failure of which shall indemnify the Company for any loss arising from, or in connection with, such breach.

Binding effect

The MOU does not create legally binding obligations on the Parties on the substantive terms in relation to the Proposed Investment (including the consideration) but is legally binding as to some terms relating to confidentiality, terminations and governing laws contained therein.

REASONS FOR AND BENEFITS OF THE PROPOSED INVESTMENT

The land use right of the Land was listed for auction initially by the Beijing Municipal Commission of Planning and Natural Resources Pinggu Branch (北京市規劃和自然資源委員會平谷分局) as part of the Xinggu IDC Project. The Xinggu IDC Project is located in Xinggu, Beijing with sufficient land and power supplies. This site could provide information technology (“IT”) capacity deployment and could well support high-tech enterprises’ business growth in Beijing and Northern China.

The Company believes the Xinggu IDC Project aligns with the existing business strategy of the Company, and subsequent to the Proposed Investment, the Company intends to set up an internet data centre situated at the Land. The Board therefore believes that the Proposed Investment will further expand, extend and diversify the Group’s existing business, particularly in the PRC. The Proposed Investment will also significantly improve the Group’s resources and increase the profitability of the Group by capturing more business opportunities. The Proposed Investment will effectively synergise the existing business of the Group, creating value for the customers of the Group and the Shareholders as a whole. The Directors also consider that the Proposed Investment will increase sustainability and will create synergy to the existing business of the Group.

The terms of the MOU were arrived at after arm’s length negotiations among the Parties. The Directors consider that the terms of the MOU are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE GROUP

The Company is an investment holding company and the Group is principally engaged in provision of IT integrated solutions services, support services from leasing contracts and security monitoring services, IT equipment leasing, IT maintenance and consultancy services, and distribution and resale of packaged hardware and software in Macau, Hong Kong and the PRC.

INFORMATION OF THE TARGET COMPANY AND THE PARTIES

The Vendor

The Vendor is a company incorporate in Cayman Islands with limited liability. It is an investment holding company and directly owns the entire issued share capital of the Target Company. It is owned as to 20% and 80% by Keysource Investment and SCB Investment which are ultimately wholly owned by Mr. Deng Yuansheng and Mr. Jin Shuai respectively. Keysource Investment and SCB Investment are investment holding companies incorporated in the BVI.

The Target Company

The Target Company is a company incorporated in Hong Kong with limited liability. It is an investment holding company and owns 49% of the equity interest of Beijing Xinggu as at the date of this announcement.

Qiyuan Boya

Qiyuan Boya is a company incorporated in the PRC with limited liability. It is an investment holding company. It is owned as to 40% and 60% by Mr. Jin Shuai and Mr. Wang Wei, respectively. Qiyuan Boya is a shareholder of Beijing Xinggu as to 51% of its equity interests as at the date of this announcement.

Beijing Xinggu

Beijing Xinggu is a company incorporated in the PRC with limited liability. It is principally engaged in investing and developing internet data centre and is owned as to 49% and 51% by the Target Company and Qiyuan Boya respectively as at the date of this announcement.

GENERAL

As at the date of this announcement, the terms and conditions of the Proposed Investment are still being negotiated and no legally binding agreement has been entered into. In the event that the Proposed Investment materialises, it is expected that the Proposed Investment will constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. Further announcement(s) in relation to the Proposed Investment will be made by the Company as and when appropriate in compliance with the Listing Rules.

Shareholders and potential investors of the Company should note that the MOU only sets out the intention of the Company and the Vendors in relation to the Proposed Investment, and is subject to, amongst other things, the signing of the Formal Agreement in which the terms and conditions of which are yet to be confirmed and agreed. The Proposed Investment may or may not proceed and the final structure and terms of the Proposed Investment, which are pending further negotiations between the Parties, have yet to be finalised and may deviate from those set out in the MOU. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Beijing Xinggu” Beijing Xingguanyu Technology Development Co., Ltd. (北京興谷源亞科技發展有限公司), a company incorporated in the PRC with limited liability and is owned as to 49% and 51% by the Target Company and Qiyuan Boya respectively as at the date of this announcement

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	BoardWare Intelligence Technology Limited, a company incorporated in the Cayman Islands with limited liability, and the Shares of which are listed on the main board of the Stock Exchange (stock code: 1204)
“Completion”	completion of the Proposed Investment
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Formal Agreement”	the legally binding formal sale and purchase agreement which may or may not be entered into in relation to the Proposed Investment
“General Mandate”	the general mandate granted to the Directors under the resolutions of the Shareholders at the annual general meeting of the Company on 20 June 2023
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	party(ies) who is (are) independent from the Company and its connected person (as defined in the Listing Rules)
“Keysource Investment”	Keysource Investment Holdings Ltd., a company incorporated in BVI with limited liability and a shareholder of the Vendor as to 20% of the equity interest as at the date of this announcement
“Land”	land parcel located in Pinggu, Beijing proposed to be owned by Beijing Xinggu with an area of approximately 53,345.316 sq.m.
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	the Macau Special Administrative Region of the People’s Republic of China

“MOU”	the non-legally binding memorandum of understanding dated 20 October 2023 entered into between, amongst others, the Vendor and the Company setting out the preliminary understanding in relation to the Proposed Investment, except for some terms relating to confidentiality, termination and governing laws contained therein
“MW”	megawatt
“Party(ies)”	party(ies) to the MOU
“PRC”	the People’s Republic of China, which for the sole purpose of this announcement, shall exclude Hong Kong, Macau and Taiwan
“Proposed Investment”	the proposed acquisition of the entire issued share capital of the Target Company with the intention to indirectly acquire the entire equity interest in Beijing Xinggu by the Company as contemplated under the MOU
“Proposed Placing”	the proposed placing of certain new Shares to be issued by the Company under the General Mandate
“Qiyuan Boya”	Beijing Qiyuan Boya Technology Development Limited* (北京啟源博雅科技發展有限公司), a company incorporated in the PRC with limited liability and a shareholder of Beijing Xinggu as to 51% of the equity interest as at the date of this announcement
“Reorganisation”	pre-completion reorganisation of Beijing Xinggu as described in the paragraph headed “Pre-Completion Reorganisation of Beijing Xinggu” in this announcement
“SCB Investment”	SCB Investment Holdings Limited, a company incorporated in BVI with limited liability and a shareholder of the Vendor as to 80% of the equity interest as at the date of this announcement
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq. m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	SCB Asia Management Limited, a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Vendor. The Target Company is a shareholder of Beijing Xinggu as to 49% of the equity interest as at the date of this announcement
“Target Group”	Beijing Xinggu, Qiyuan Boya, the company(ies) to be established or incorporated for the purpose of the Reorganisation and the Target Company
“Vendor”	SCB Global Capital Holdings Ltd., a company incorporated in Cayman Islands with limited liability
“Xinggu IDC Project”	Intelligence Industry Empowerment Centre Project in Pinggu, Beijing implemented through bidding by Beijing Municipal Commission of Planning and Natural Resources Pinggu Branch (北京市規劃和自然資源委員會平谷分局)
“%”	per cent

By order of the Board
BoardWare Intelligence Technology Limited
Chao Ka Chon
Chairman and Executive Director

Hong Kong, 20 October 2023

As at the date of this announcement, the Board comprises Mr. Chao Ka Chon, Ms. Chiu Koon Chi, Ms. Lei Sok Han and Mr. Ng Hong Kei as executive Directors; Mr. Li Haodong as non-executive Director; and Mr. Man Wing Pong, Mr. U Seng Pan and Mr. Suen Chi Wai as independent non-executive Directors.

* *For identification purpose only*