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MICROWARE

Microware Group Limited
美高域集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1985)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

HIGHLIGHTS

- Total revenue of the Group amounted to approximately HK$589.3 million for the Period, representing an increase of approximately HK$110.3 million or 23.0% as compared to approximately HK$479.0 million for the Previous Period.

- Profit and total comprehensive income of the Group attributable to owners of the Company for the Period was approximately HK$10.3 million, representing a decrease of approximately HK$5.0 million or 32.7% as compared to approximately HK$15.3 million for the Previous Period.

- Basic earnings per Share for the Period was HK$0.03, as compared to HK$0.05 for the Previous Period.

- The Board recommends the payment of an interim dividend of HK$0.04 per Share for the Period (Previous Period: Nil).

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Microware Group Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2018 (the "**Period**"), together with the comparative figures for the corresponding period in 2017 (the "**Previous Period**") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

		Six months ended 30 September	
		2018	2017
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**589,324**	478,996
Cost of sales		**(532,552)**	(419,979)
Gross profit		**56,772**	59,017
Other income		**570**	478
Other gains and losses, net		**(694)**	295
Other expenses		**(1,046)**	(930)
Distribution and selling expenses		**(29,537)**	(27,249)
Administrative expenses		**(13,474)**	(13,018)
Profit before taxation		**12,591**	18,593
Taxation	*4*	**(2,372)**	(3,273)
Profit and total comprehensive income for the period	*5*	**10,219**	15,320
Profit/(loss) and total comprehensive income/(expense) for the year attributable to:			
— owners of the Company		**10,314**	15,320
— non-controlling interest		**(95)**	—
		10,219	15,320
Earnings per share	*7*		
Basic (HK$)		**0.03**	0.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

	NOTES	**At 30 September 2018** ***HK$'000*** **(unaudited)**	At 31 March 2018 *HK$'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,614**	1,071
Deferred tax asset		**388**	388
Deposit paid for acquisition of property, plant and equipment		**958**	842
Prepayments and deposits	*8*	**823**	998
Derivative financial instruments		**—**	182
		4,783	3,481
CURRENT ASSETS			
Inventories		**32,768**	25,244
Trade and other receivables, prepayment and deposits	*8*	**245,115**	167,838
Pledged bank deposit		**2,744**	2,270
Bank balances and cash		**146,178**	246,552
		426,805	441,904
CURRENT LIABILITIES			
Trade and other payables and accruals	*9*	**175,478**	226,880
Amount due to a non-controlling interest of a subsidiary		**599**	—
Contract liabilities		**46,463**	—
Tax liabilities		**479**	118
		223,019	226,998
NET CURRENT ASSETS		**203,786**	214,906
TOTAL ASSETS LESS CURRENT LIABILITIES		**208,569**	218,387
NON-CURRENT LIABILITIES			
Derivative financial instruments		**149**	—
Deferred revenue	*9*	**—**	3,933
Contract liabilities		**4,746**	—
		4,895	3,933
NET ASSETS		**203,674**	214,454
CAPITAL AND RESERVES			
Share capital	*10*	**3,000**	3,000
Reserves		**200,768**	211,454
Equity attributable to owners of the Company		**203,768**	214,454
Non-controlling interest		**(94)**	—
		203,674	214,454

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 20 January 2016. The Group is principally engaged in the provision of information technology ("**IT**") infrastructure solutions services and IT managed services in Hong Kong.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

The condensed consolidated financial statements are presented in Hong Kong dollar ("**HK$**") which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except for the new HKFRSs that have been applied in accordance with the relevant transition provisions in the respective standards which results in changes in accounting policies and amounts reported as described below, the application of other amendments to HKFRSs and the interpretation in the current interim period has had no material effect on the amounts reported set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group recognises revenue from the following major sources under HKFRS 15:

— design of solutions;
— procurement of hardware and software; and
— provision of maintenance and/or support services to IT systems of the customers.

For revenue from procurement of hardware and software, revenue is recognised when the customer obtains the control of the related products, being when the products are handed over to the customers and the titles of products are passed to the customers.

For stand-alone procurement of hardware and software, control transfers at the point in time when the customer takes undisputed delivery of the goods.

When the hardware and software are sold together with design of solutions, the Group determines the prices for each of the procurement of hardware and software and design of solutions on a stand-alone selling price basis at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer.

For revenue from provision of design of solutions, revenue is recognized over time using the input method when the assets of the customers are enhanced, being the time when the Group carries out implementation work of the solutions provided.

For revenue from provision of maintenance and/or support services, revenue is recognised over time using the input method when the customers simultaneously receive and consume the benefits provided by the Group's performance, being the time when the Group carries out the maintenance and support services.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

2.1.2 *Summary of effects arising from initial application of HKFRS 15*

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	**Reclassification**		**Carrying amounts under HKFRS 15 at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(note a)	*(note b)*	
Current liabilities				
Trade and other payables and accruals	226,880	(19,767)	(42,543)	164,570
Contract liabilities	—	19,767	42,543	62,310
Non-current liabilities				
Deferred revenue	3,933	—	(3,933)	—
Contract liabilities	—	—	3,933	3,933

Notes:

(a) As at 1 April 2018, advances from customers of HK$19,767,000 previously included in trade and other payables and accruals were reclassified to contract liabilities.

(b) As at 1 April 2018, deferred revenue of HK$46,476,000 previously included in trade and other payables and accruals were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	**Adjustments**		**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(note a)	*(note b)*	
Current Liabilities				
Trade and other payables and accruals	175,478	7,561	38,902	221,941
Contract liabilities	46,463	(7,561)	(38,902)	—
Non-current liabilities				
Deferred revenue	—	—	4,746	4,746
Contract liabilities	4,746	—	(4,746)	—

Notes:

(a) As at 30 September 2018, advances from customers of HK$7,561,000 were reported as contract liabilities under application of HKFRS 15.

(b) As at 30 September 2018, deferred revenue of HK$43,648,000 were reported as contract liabilities under application of HKFRS 15.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets, and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Classification and measurement of financial assets

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application/ initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. All financial assets continue to be measured on the same basis as were prevailing measured under HKAS 39.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan receivables, pledged bank deposit and bank balance and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the a foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group also considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment thereof are detailed in Note 2.2.2.

2.2.2 Summary of effects from initial application of HKFRS 9

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables are assessed individually based on its own credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of pledged bank deposits and bank balances are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, the directors of the Company considered the impairment under ECL as insignificant.

3. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company who are also the chief operating decision makers (the "**CODM**") that are used to make strategic decisions. Information reported to the CODM is based on the business lines operating by the Group. No operating segments have been aggregated to form the following reportable segments.

Details of the Group's operating and reportable segments are as follows:

(1) IT infrastructure solution services business refers to the design of solutions and/or procurement of hardware and software by the Group; and

(2) IT managed services business refers to the provision of maintenance and/or support services to IT systems of the customers by the Group.

Segment revenue and results

An analysis of the Group's operating and reportable segment revenue and segment results is set out as below:

	IT infrastructure solution services business *HK$'000*	**IT managed services business** *HK$'000*	**Total** *HK$'000*
For the six months ended 30 September 2018 (unaudited)			
Segment revenue	**532,225**	**57,099**	**589,324**
Segment results	**20,764**	**7,189**	**27,953**
Other income			**570**
Other gains and losses, net			**(694)**
Other expenses			**(1,046)**
Certain distribution and selling expenses			**(718)**
Administrative expenses			**(13,474)**
Profit before taxation			**12,591**

	IT infrastructure solution services business *HK$'000*	IT managed services business *HK$'000*	Total *HK$'000*
For the six months ended 30 September 2017 (unaudited)			
Segment revenue	423,061	55,935	478,996
Segment results	21,395	10,991	32,386
Other income			478
Other gains and losses, net			295
Other expenses			(930)
Certain distribution and selling expenses			(618)
Administrative expenses			(13,018)
Profit before taxation			18,593

Segment result represents the profit earned by each segment without allocation of other income, other gains and losses, other expenses, certain distribution and selling expenses, administrative expenses and taxation.

No analysis of the Group's assets and liabilities by reportable segments is disclosed as it is not regularly provided to the executive directors of the Company for review.

Other segment information

	IT infrastructure solution services business	**IT managed services business**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment results:				
For the six months ended 30 September 2018 (unaudited)				
Depreciation	**133**	**161**	**242**	**536**
Allowance for inventories	**1,260**	**—**	**—**	**1,260**
For the six months ended 30 September 2017 (unaudited)				
Depreciation	137	104	144	385
Allowance for inventories	1,043	—	—	1,043

4. TAXATION

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	**2,372**	3,273

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

5. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**486,694**	381,033
Depreciation of property, plant and equipment	**536**	385
Minimum operating lease payments in respect of office premises and warehouses	**3,776**	3,290
Allowance for inventories (included in cost of sales)	**1,260**	1,043
Reversal of allowance for bad and doubtful debt	**(277)**	—

6. DIVIDEND

Final dividend for the year ended 31 March 2018 of HK$21 million of HK$0.07 per share (2017: HK$18 million of HK$0.06 per share) was paid during the six months ended 30 September 2018. Furthermore, an interim dividend of HK$0.04 per share (six months 30 September 2017: nil) was declared on 28 November 2018 for the six months ended 30 September 2018, which will be payable in cash. Other than that, no dividend was paid, declared, proposed during the six months ended 30 September 2018 and 2017.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings:		
Earnings for the period for the purpose of basic earnings per share	**10,314**	15,320

	Six months ended 30 September	
	2018	2017
	'000	*'000*
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**300,000**	300,000

No diluted earnings per share for both periods was presented as there were no potential ordinary shares in issue during both periods.

8. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

	At 30 September 2018 *HK$'000* (unaudited)	At 31 March 2018 *HK$'000* (audited)
Trade receivables	**227,215**	150,780
Less: Allowance for bad and doubtful debts	**—**	(277)
	227,215	150,503
Rental deposits	**311**	389
Prepayment for costs of maintenance services	**11,616**	12,947
Others	**6,796**	4,997
Total trade and other receivables, deposits and prepayments	**245,938**	168,836
Analysed as:		
Current	**245,115**	167,838
Non-current	**823**	998
	245,938	168,836

Before accepting any new customer, the Group performs a credit review to assess the potential customer's credit quality and defines credit limits by customer. Limits and credit rating to customers are reviewed on a regular basis. The Group allows credit period of 30 to 60 days to its customers.

The following is an ageing analysis of trade receivables from third parties net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	At 30 September 2018 *HK$'000* (unaudited)	At 31 March 2018 *HK$'000* (audited)
0 to 30 days	**82,056**	72,584
31 to 60 days	**42,093**	25,451
61 to 90 days	**33,459**	15,492
91 to 120 days	**18,260**	26,497
121 to 180 days	**20,669**	3,081
Over 180 days	**30,678**	7,398
	227,215	150,503

9. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an analysis of trade and other payables and accruals:

	At 30 September 2018 *HK$'000* (unaudited)	At 31 March 2018 *HK$'000* (audited)
Trade payables	**142,103**	136,158
Accrued staff costs	**17,395**	12,459
Receipt in advance	—	19,767
Deferred revenue	—	46,476
Others	**15,980**	15,953
	175,478	230,813
Analysed as:		
Current	**175,478**	226,880
Non-current	—	3,933
	175,478	230,813

The following is an ageing analysis of trade payables presented based on the invoice date:

	At 30 September 2018 *HK$'000* (unaudited)	At 31 March 2018 *HK$'000* (audited)
0 to 30 days	**63,654**	87,384
31 to 60 days	**43,184**	33,119
61 to 90 days	**31,838**	13,256
Over 90 days	**3,427**	2,399
	142,103	136,158

10. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2017, 30 September 2017, 1 April 2018 and 30 September 2018	5,000,000,000	50,000
Issued and fully paid:		
At 1 April 2017, 30 September 2017, 1 April 2018 and 30 September 2018	300,000,000	3,000

All issued shares of the Company rank pari passu in all respects with each other.

11. CONTINGENT LIABILITIES

As at 30 September 2018, the performance guarantees of the Group of approximately HK$16,496,000 (31 March 2018: HK$17,205,000) were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance guarantees have been given, such customers may demand the bank to pay them the sum or sum stipulated in such demand. The Group will become liable to compensate the bank accordingly. The performance guarantee will be released upon completion of the contract works.

As at 30 September 2018 and 31 March 2018, the directors of the Company did not consider that it is probable that a claim will be made against the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is principally engaged in the provision of IT infrastructure solutions services and IT managed services in Hong Kong. The Group strives to provide one-stop IT experience which begins with (i) consultation and advice; (ii) hardware and/or software procurement; (iii) implementation; to (iv) management and maintenance of the IT infrastructure solutions.

On 8 March 2017, the Company was successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Through the Listing, the Group would like to significantly enhance the corporate governance and transparency in order to (i) continue its current business strategy of undertaking large-scale contracts; (ii) maintain and improve its quality of services to clients; (iii) improve its efficiency and achieve cost control; and (iv) strengthen its market position.

For the Period, total revenue of the Group increased by approximately HK$110.3 million or 23.0% as compared to that for the Previous Period. Such increase was mainly due to the increase in revenue generated from the IT infrastructure solutions services business of the Group. IT managed services business of the Group remained stable during the Period. The Group has continued to enhance its maintenance and support services, including broadening coverage aspects and improving various support services to enterprises.

The IT infrastructure solutions industry in Hong Kong is highly competitive and fragmented. In particular, the Board believes that the business environment of Hong Kong is challenging. The Group's management team will continuously take proactive actions with an aim to improve the Group's operations and results.

FINANCIAL REVIEW

Revenue

Total revenue of the Group amounted to approximately HK$589.3 million for the Period, representing an increase of approximately HK$110.3 million or 23.0% as compared to approximately HK$479.0 million for the Previous Period. The increase in total revenue was mainly due to the increase in revenue of the business segment of IT infrastructure solution services which was approximately HK$532.2 million for the Period, representing an increase of approximately HK$109.2 million or 25.8% as compared to approximately HK$423.1 million for the Previous Period. The revenue of the business segment of IT managed services was approximately HK$57.1 million, representing an increase of approximately HK$1.2 million or 2.1% as compared to approximately HK$55.9 million for the Previous Period. For the Period, the business segments of IT infrastructure solutions services and IT managed services contributed approximately 90.3% and 9.7% to the total revenue of the Group, respectively.

Cost of sales

The cost of sales of the Group for the Period was approximately HK$532.6 million, representing an increase of approximately HK$112.6 million or 26.8% from approximately HK$420.0 million for the Previous Period. Such increase was mainly attributable to the increase in staff costs due to the recruitment of additional staff for business expansion purpose and increase in remuneration of the existing staff during the Period.

Gross profit

Gross profit of the Group for the Period was approximately HK$56.8 million, representing a decrease of approximately HK$2.2 million or 3.8% from approximately HK$59.0 million for the Previous Period. Such decrease was mainly due to the increase in cost of sales.

Operating expenses

Total operating expenses of the Group for the Period was approximately HK$43.0 million, representing an increase of approximately HK$2.7 million or 6.8% as compared to approximately HK$40.3 million for the Previous Period. Such increase was mainly due to the increase in distribution and selling expenses of approximately HK$2.3 million or 8.4% for the Period.

Profit for the Period

The profit and total comprehensive income of the Group attributable to the owners of the Company for the Period was approximately HK$10.3 million, representing a decrease of approximately HK$5.0 million or 32.7% as compared to approximately HK$15.3 million for the Previous Period.

Such decrease was due to the decrease of approximately HK$2.2 million in the gross profit of the Group and increase in the distribution and selling expenses of approximately HK$2.3 million during the Period.

Liquidity and financial resources

Capital structure

The Group did not have any borrowings as at 30 September 2018 (31 March 2018: Nil). The details of the share capital of the Company during the Period and the Previous Period are set out in note 10 on page 18 of this announcement.

Cash position

The Group recorded net current assets of approximately HK$203.8 million as at 30 September 2018 (31 March 2018: approximately HK$214.9 million). As at 30 September 2018, the Group had cash and cash equivalents of approximately HK$125.5 million (31 March 2018: approximately HK$ 225.9 million).

Capital expenditure

During the Period, the Group's total capital expenditure amounted to approximately HK$1.8 million (Previous Period: approximately HK$0.3 million), which was mainly incurred for acquisition of office equipment.

Gearing ratio

The net gearing ratio of the Group (net borrowings, including interest-bearing bank loans and other borrowings less cash and cash equivalents and restricted cash, divided by the total equity) was not applicable as at 31 March 2018 and 30 September 2018, respectively, since the Group did not have any interest-bearing liabilities as at 31 March 2018 and 30 September 2018, respectively.

Contingent liabilities

The Group's contingent liabilities as at 30 September 2018 are set out in note 11 on page 18 of this announcement. Save as disclosed in this announcement, the Group did not have other contingent liabilities as at 30 September 2018.

Foreign exchange risk

The Group's transactions are mainly denominated and settled in Hong Kong Dollars ("**HK$**") and the United States Dollars ("**US$**"). Foreign exchange exposure of the Group to US$ will continue to be minimal as long as the policy of The Government of the Hong Kong Special Administrative Region to link HK$ to US$ remains in effect. During the Period, the Group has entered into HK$/US$ net-settled structured foreign currency forward contracts with banks in Hong Kong in order to mitigate foreign exchange exposure as a result of purchases made from certain suppliers in its regular course of business. The fair value changes of the derivative financial instruments comprised realized gain (loss) and unrealized fair value gain (loss) on the HK$/US$ net- settled structured foreign currency forward contracts entered into by the Group.

HUMAN RESOURCES

As at 30 September 2018, the Group had a total of 291 employees (30 September 2017: 268 employees). For the Period, the total staff costs including Directors' emoluments was approximately HK$52.0 million (Previous Period: HK$47.8 million). The Group offers a competitive remuneration package to its employees, including mandatory provident funds in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and medical insurance coverage to employees who are retained after the probation period. The Group will review the performance of its employees and make reference to such performance reviews in its salary and/or promotional review in order to attract and retain talented employees.

In order to promote overall efficiency, employee loyalty and retention, employees of the Group are required to attend orientation sessions when they first join the Group and may attend other training courses held onsite or externally. The Group has also implemented (i) an educational subsidy programme to its employees to allow them to enrol courses relating to IT services from external organisations; (ii) an university education subsidy programme for children of its employees; and (iii) a medical check programme for its employees.

The Company adopted a share option scheme (the "**Share Option Scheme**") on 15 February 2017 (the "**Adoption Date**"). As such, share options may be granted to eligible employees of the Group pursuant to the Share Option Scheme. During the period from the Adoption Date to the date of this announcement, no share options have been granted under the Share Option Scheme.

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK$0.04 per share of the Company (the "**Share(s)**") for the Period (the "**Interim Dividend**") to the shareholders of the Company (the "**Shareholders**"). The Interim Dividend for the Period will be paid on or about Friday, 28 December 2018 to Shareholders whose names appear on the register of members of the Company on Thursday, 13 December 2018. (Previous Period: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the Shareholders' entitlement to the Interim Dividend for the Period, the register of members of the Company will be closed on Thursday, 13 December 2018, on which day no transfer of Shares will be registered. In order to be eligible for the proposed Interim Dividend for the Period, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 12 December 2018.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the Period.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Period and no future plan for material investments or capital assets as at 30 September 2018.

PLEDGE OF ASSETS

As at 30 September 2018, certain of the Group's bank deposits totaling HK$2.7 million (31 March 2018: 2.3 million) were pledged as securities for securing banking facilities granted to the Group.

USE OF PROCEEDS

The net proceeds (the "**Net Proceeds**") from the initial public offering of the Company in March 2017 amounted to approximately HK$56.0 million (after deducting underwriting commissions and related expenses). As at 30 September 2018, the Group had utilised approximately HK$11.3 million of the Net Proceeds in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 24 February 2017, details of which are set out as follows:

Use	**Approximate amount of Net Proceeds** *(HK$'million)*	**Approximate percentage of Net Proceeds**	**Approximate amount utilised as at 30 September 2018** *(HK$'million)*
Upgrading of the IT management systems of the Group	19.6	35%	3.0
Enhancing of the Group's capability to undertake large-scale contracts	14.0	25%	3.0
Recruitment and training of employees	11.2	20%	4.5
Strengthening the marketing efforts of the Group	5.6	10%	0.8
Additional working capital and other general corporate purposes	5.6	10%	0.0
	56.0	100%	11.3

As at 30 September 2018, the unutilised Net Proceeds, have been deposited into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

FUTURE OUTLOOK

The Group is widening its scope of services and exploring the potential to expand market share of its core business, through which it can take advantage of its economies of scale in highly fragmented and competitive business landscape. The Group will expand its business scope by leveraging the strengths of its business partners in various initiatives. The Group will consolidate its leading market position and reinforce clients' confidence in its strengths as a service provider. The Group will continue to maintain good relationships with international vendors and help them to establish their markets in Hong Kong.

Hong Kong will continue to be the Group's key market and the Group will build on its distinctive advantage in Hong Kong by leveraging its attributes as a financial centre. Moreover, the Group plans to enlarge its frontline sales professionals and delivery manpower to reach out to more enterprises and provide a variety of solutions. The Group will make full use of the Net Proceeds to enhance its own competitive advantages and thus consolidating its leading position in the IT industry.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving good corporate governance practices by emphasising its accountability, transparency, independence, responsibility and fairness. The Company's corporate governance practices are based on the principles (the "**Principles**") and code provisions (the "**Code Provisions**") in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Save for Code Provision A.2.1 of the CG Code as disclosed below, the Company has applied the Principles and complied with all applicable Code Provisions during the Period.

The chairman of the Board is responsible for overseeing the strategic planning and leadership of the Group and for ensuring that the entire Board members are properly briefed on issues at Board meetings and receive adequate and reliable information on a timely basis. The chief executive officer of the Group (the "**Chief Executive Officer**") is responsible for the strategic development and maintaining the Company's relationship with companies outside of the Group. Senior management is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

Code Provision A.2.1 of the CG Code provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present separate roles of the chairman and chief executive officer. Mr. Chu Ming Ho is the chairman of the Board and the Chief Executive Officer. In view of the fact that Mr. Chu Ming Ho has been assuming the day-to-day responsibilities in operating and managing the Company since April 2000, the Board believes that it is in the best interest of the Company to have Mr. Chu Ming Ho taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from Code Provision A.2.1 of the CG Code is appropriate in such circumstances. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the securities dealing code for its Directors.

Specific enquiry had been made to all Directors and all the Directors have confirmed that they have fully complied with the required standards and provisions as set out in the Model Code during the Period.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the Period have been reviewed by the audit committee of the Board.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.microware1985.com. The interim report of the Company for the Period containing all the relevant information required by the Listing Rules will be despatched to the Shareholders and also published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Microware Group Limited
Chu Ming Ho
Chairman, executive Director and Chief Executive Officer

Hong Kong, 28 November 2018

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chu Ming Ho and Mr. Yang Peter Shun Tsing, one non-executive Director, namely Mr. Wan Yiu Hon and three independent non-executive Directors, namely Mr. Cheng Tak Chung, Ms. Li Wai Man and Mr. Li Richard King Hang.