

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020**

#### **HIGHLIGHTS**

- The total revenue of the Group amounted to approximately HK\$1,365.3 million for the Year, representing an increase of approximately HK\$110.3 million or 8.8% as compared to approximately HK\$1,255.1 million for the Previous Year.
- The profit and total comprehensive income of the Group for the Year was approximately HK\$40.3 million, representing an increase of approximately HK\$11.7 million or 40.9% as compared to approximately HK\$28.6 million for the Previous Year. Such increase was due to the increase of revenue of the Group for the Year.
- Basic earnings per Share for the Year was HK\$0.14, as compared to HK\$0.10 for the Previous Year.
- The Board recommended the payment of a final dividend of HK\$0.08 per Share for the Year, subject to the approval by the Shareholders at the AGM.
- The Board will consider and approve the payment of a special dividend for the Year, at the forthcoming board meeting.

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Microware Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2020 (the “**Year**”), together with the comparative figures for the year ended 31 March 2019 (the “**Previous Year**”) as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 March	
		2020	2019
	NOTES	HK\$'000	HK\$'000
Revenue	3	1,365,341	1,255,078
Cost of sales		<u>(1,215,094)</u>	<u>(1,130,470)</u>
Gross profit		150,247	124,608
Other income		1,346	1,269
Other gains and losses, net		533	(453)
Other expenses		(2,763)	(2,124)
Distribution and selling expenses		(68,669)	(60,344)
Administrative expenses		(31,395)	(28,068)
Finance cost — interest on lease liabilities		<u>(41)</u>	<u>—</u>
Profit before taxation		49,258	34,888
Taxation	4	<u>(8,944)</u>	<u>(6,259)</u>
Profit and total comprehensive income for the year	5	<u><u>40,314</u></u>	<u><u>28,629</u></u>
Profit (loss) and total comprehensive income (expense) for the year attributable to			
— owners of the Company		40,619	28,883
— non-controlling interest		<u>(305)</u>	<u>(254)</u>
		<u><u>40,314</u></u>	<u><u>28,629</u></u>
Earnings per share	7		
Basic (HK\$)		<u><u>0.14</u></u>	<u><u>0.10</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>NOTES</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		11,459	2,119
Deferred tax asset		4	388
Deposit paid for acquisition of property, plant and equipment		803	1,184
Prepayments and deposits	8	<u>1,109</u>	<u>1,465</u>
		<u>13,375</u>	<u>5,156</u>
<b>CURRENT ASSETS</b>			
Inventories		39,101	39,043
Trade and other receivables, prepayments and deposits	8	247,160	207,660
Pledged bank deposit		11,277	9,909
Bank balances and cash		<u>241,025</u>	<u>252,385</u>
		<u>538,563</u>	<u>508,997</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	9	228,863	214,318
Amount due to a non-controlling interest of a subsidiary		699	599
Contract liabilities	10	72,995	81,959
Tax liabilities		3,787	1,879
Lease liabilities		<u>8,013</u>	<u>—</u>
		<u>314,357</u>	<u>298,755</u>
<b>NET CURRENT ASSETS</b>		<u>224,206</u>	<u>210,242</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>237,581</u>	<u>215,398</u>
<b>NON-CURRENT LIABILITIES</b>			
Derivative financial instruments		106	248
Contract liabilities	10	3,494	5,066
Lease liabilities		<u>83</u>	<u>—</u>
		<u>3,683</u>	<u>5,314</u>
<b>NET ASSETS</b>		<u>233,898</u>	<u>210,084</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	3,000	3,000
Reserves		<u>231,456</u>	<u>207,337</u>
Equity attributable to owners of the Company		234,456	210,337
Non-controlling interest		<u>(558)</u>	<u>(253)</u>
		<u>233,898</u>	<u>210,084</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

### 1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 20 January 2016. The addresses of the Company's registered office and the principal place of business are at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 1/F, Century Centre, 44-46 Hung To Road, Kwun Tong, Kowloon, Hong Kong, respectively.

The Company's immediate and ultimate holding company is Microware International Holdings Limited ("**Microware International**"). Microware International is a limited liability company incorporated in the British Virgin Islands (the "**BVI**") and wholly owned by Mr. Yang Peter Shun Tsing, who is an executive director of the Company.

The Company is an investment holding company. The Group is principally engaged in the provision of information technology ("**IT**") infrastructure solution services and IT managed services in Hong Kong.

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

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**")

#### **New and amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## *HKFRS 16 “Leases”*

The Group has applied HKFRS 16 for the first time for the year. HKFRS 16 superseded HKAS 17 “Leases” (“**HKAS 17**”), and the related interpretations.

### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.375%.

	<b>At 1 April 2019</b> <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	936
Lease liabilities discounted at relevant incremental borrowing rates	918
Add: Extension options reasonably certain to be exercised	485
Less: Recognition exemption — short-term leases	(351)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	<u>1,052</u>
Analysed as	
Current	485
Non-current	567
	<u>1,052</u>

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	<b>At 1 April 2019</b> <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u>1,052</u>
By class:	
Land and buildings	<u>1,052</u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts previously reported at 31 March 2019</b>	<b>Adjustments</b>	<b>Carrying amounts under HKFRS 16 at 1 April 2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Right-of-use assets	—	1,052	1,052
<b>Current liabilities</b>			
Lease liabilities	—	485	485
<b>Non-current liabilities</b>			
Lease liabilities	—	567	567
	<u>          </u>	<u>          </u>	<u>          </u>

*Note:* For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 April 2019 as disclosed above.

#### **New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concession <sup>5</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>5</sup> Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the “Amendments to References to the Conceptual Framework in HKFRS Standards”, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

#### *Amendments to HKAS 1 and HKAS 8 “Definition of Material”*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

#### *Conceptual Framework for Financial Reporting 2018 (the “**New Framework**”) and the Amendments to References to the Conceptual Framework in HKFRS Standards*

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 April 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

### **3. REVENUE AND SEGMENT INFORMATION**

#### **Segment revenue and results**

Revenue represents the fair value of amounts received and receivable for goods sold and services provided by the Group to outside customers, less discount and other allowances for the year, and is analysed as follows:

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 procurement of hardware and software by the Group and such procurement together with provision of design of solutions; and
- (2) IT managed services provision of design of solutions business refers to the provision of design of solutions, provision of maintenance and/or support services to IT systems of the customers and provision of training programmes relating to cyber security by the Group.

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

	Segment of IT infrastructure solution services business <i>HK\$'000</i>	Segment of IT managed services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the year ended 31 March 2020</b>			
Segment revenue	<u>1,241,676</u>	<u>123,665</u>	<u>1,365,341</u>
Segment results	<u>70,264</u>	<u>12,262</u>	82,526
Other income			1,346
Other gains and losses, net			533
Other expenses			(2,763)
Certain distribution and selling expenses			(948)
Administrative expenses			(31,395)
Finance cost — interest on lease liabilities			(41)
Profit before taxation			<u>49,258</u>
	Segment of IT infrastructure solution services business <i>HK\$'000</i>	Segment of IT managed services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the year ended 31 March 2019</b>			
Segment revenue	<u>1,135,807</u>	<u>119,271</u>	<u>1,255,078</u>
Segment results	<u>49,992</u>	<u>14,922</u>	64,914
Other income			1,269
Other gains and losses, net			(453)
Other expenses			(2,124)
Certain distribution and selling expenses			(650)
Administrative expenses			(28,068)
Profit before taxation			<u>34,888</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. 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.

#### 4. TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	<u>8,944</u>	<u>6,259</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime (i.e. other subsidiaries of the Group) will continue to be taxed at a flat rate of 16.5%.

Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime for the year ended 31 March 2020 and 2019.

#### 5. PROFIT FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Staff costs:		
Directors' remuneration	6,110	4,940
Other staff costs	113,063	99,764
Contributions to retirement benefits scheme (excluding directors)	<u>3,610</u>	<u>3,459</u>
	<u>122,783</u>	<u>108,163</u>
Auditor's remuneration	2,000	1,850
Cost of inventories recognised as an expense	1,113,553	1,035,865
Depreciation of property, plant and equipment	2,303	1,079
(Reversal of) allowance for inventories (included in cost of sales)	<u>(3,605)</u>	<u>1,434</u>

## 6. DIVIDENDS

During the year ended 31 March 2020, the Company declared and paid dividends of HK\$16,500,000 of HK\$0.055 per share (2019: HK\$33,000,000 of HK\$0.11 per share) in respect of the year ended 31 March 2019 to its shareholders.

A final dividend of HK\$0.08 per share totally amounting to HK\$24,000,000 based on the number of ordinary shares as at 31 March 2020 of the Company in respect of the year ended 31 March 2020 (2019: HK\$0.055 per share totally amounting to HK\$16,500,000) has been proposed by the directors of the Company, which is subject to approval by the Shareholders of the Company (“Shareholders”) at the forthcoming annual general meeting (the “AGM”) of the Company.

A special dividend in respect of the year ended 31 March 2020 will be considered and approved by the directors of the Company at the forthcoming board meeting of Company.

## 7. EARNINGS PER SHARE

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

	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings:		
Profit for the year for the purpose of basic earnings per share	<b>40,619</b>	28,883
	<b>2020</b>	2019
	<i>'000</i>	<i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	<b>300,000</b>	300,000

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

## 8. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables from contracts with customers	228,700	174,858
Less: Allowance for credit losses	—	—
	<u>228,700</u>	<u>174,858</u>
Rental and utilities deposits	312	310
Prepayments for costs of maintenance services	15,759	16,376
Deposits paid to a supplier	—	13,260
Others	3,498	4,321
	<u>3,498</u>	<u>4,321</u>
Total trade and other receivables, deposits and prepayments	<u><u>248,269</u></u>	<u><u>209,125</u></u>
Analysed as:		
Current	247,160	207,660
Non-current	1,109	1,465
	<u>1,109</u>	<u>1,465</u>
	<u><u>248,269</u></u>	<u><u>209,125</u></u>

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 impairment losses presented based on the invoice date at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	102,630	92,780
31 to 60 days	43,440	28,322
61 to 90 days	29,294	16,450
91 to 120 days	22,948	7,119
121 to 180 days	18,558	12,594
Over 180 days	11,830	17,593
	<u>11,830</u>	<u>17,593</u>
	<u><u>228,700</u></u>	<u><u>174,858</u></u>

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$139,254,000 (2019: HK\$92,020,000) which are past due as at the reporting date. Out of the past due balances, HK\$31,811,000 (2019: HK\$30,532,000) has been past due 90 days or more and is not considered as in default as these debtors have a good business relationship with the Group and recurring overdue records of these debtors with satisfactory settlement history.

## 9. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	176,812	176,296
Accrued staff costs	22,340	15,855
Others	29,711	22,167
	<u>228,863</u>	<u>214,318</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	101,457	97,693
31 to 60 days	48,681	49,148
61 to 90 days	25,189	21,835
Over 90 days	1,485	7,620
	<u>176,812</u>	<u>176,296</u>

## 10. CONTRACT LIABILITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current	72,995	81,959
Non-current	3,494	5,066
	<u>76,489</u>	<u>87,025</u>

As at 1 April 2018, contract liabilities amounted to HK\$66,243,000.

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers.

For the contract liabilities as at 31 March 2019 and 1 April 2018 of HK\$81,959,000 and HK\$62,310,000 respectively, the entire balances are recognised as revenue during the year ended 31 March 2020 and 2019.

## 11. SHARE CAPITAL

The share capital as at 31 March 2019 and 2020 represented the share capital of the Company with the details as follows:

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2018, 31 March 2019 and 2020	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 1 April 2018, 31 March 2019 and 2020	<u>300,000,000</u>	<u>3,000</u>

There was no movement in the Company's share capital for both years.

## **12. PERFORMANCE GUARANTEES**

As at 31 March 2020, the performance guarantees of the Group of approximately HK\$24,724,000 (2019: HK\$22,295,000) were given by a bank 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 31 March 2020 and 2019, the directors of the Company did not consider that it is probable that a claim will be made against the Group.

## **13. EVENTS AFTER THE REPORTING PERIOD**

Since January 2020, the outbreak of COVID-19 has impacted on the global business environment. Up to the date of this announcement, COVID-19 has not caused material adverse impact to the Group. Pending on the development and spread of COVID-19 subsequent to the date of this announcement, further changes in economic conditions arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement. The Group will closely monitor the situation of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group 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; (iv) management and maintenance of the IT infrastructure solutions; to (v) provision of cyber securities training programmes.

The Group is a well-established IT infrastructure solutions provider based in Hong Kong. As at 31 March 2020, the Group has maintained the number of both technical and sales staff who have passed the qualification test to ensure that the Group keeps abreast of the advanced technology development with its vendors. In addition, the Group has received a numerous of remarkable awards of top performance and enterprise solutions from the vendors as set out below:

<b>Presented by</b>	<b>Awards</b>
APC by Schneider Electric	2019 Select Partner
Arcserve	FY19 Best Sellers UDP Appliance
Arcserve	APAC Appliance Partner of the Year
CISCO	FY19H1 Best Volume Business Performer
CISCO	FY19 Volume Business Partner of the Year
Dell EMC	Dell EMC Partner Platinum
Epson	Epson's Valued Partner 2019
Hewlett Packard Enterprise	Top Performance on Hybrid IT — Enterprise
Hewlett Packard Enterprise	Top Performing Reseller on Hybrid IT
Hewlett Packard Enterprise	Top Performing PointNext Partner
Kaspersky	Outstanding Partner 2019
Lenovo (Hong Kong) Limited	FY1920 Top Commercial Partner Champion
Sophos Hong Kong Company Ltd	SOPHOS Partner of the Year
VMware Hong Kong Limited	Premier Solution Provider

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**

The total revenue of the Group amounted to approximately HK\$1,365.3 million for the Year, representing an increase of approximately HK\$110.3 million or 8.8% as compared to approximately HK\$1,255.1 million for the Previous Year. 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\$1,241.7 million for the Year, representing an increase of approximately HK\$105.9 million or 9.3% as compared to approximately HK\$1,135.8 million for the Previous Year. The revenue of the business segment of IT managed services was approximately HK\$123.7 million, representing an increase of approximately HK\$4.4 million or 3.7% as compared to approximately HK\$119.3 million for the Previous Year. For the Year, the business segments of IT infrastructure solutions services and IT managed services contributed approximately 90.9% and 9.1% to the total revenue of the Group, respectively.

### **Cost of sales**

The cost of sales of the Group for the Year was approximately HK\$1,215.1 million, representing an increase of approximately HK\$84.6 million or 7.5% from approximately HK\$1,130.5 million for the Previous Year. Such increase was mainly attributable to the business segment of IT infrastructure solution services.

### **Gross profit and gross profit margin**

The gross profit of the Group for the Year was approximately HK\$150.2 million, representing an increase of approximately HK\$25.6 million or 20.5% from approximately HK\$124.6 million for the Previous Year. Such increase was mainly due to the increase in gross profit generated from the IT infrastructure solutions services of the Group.

## **Operating expenses**

The total operating expenses of the Group for the Year was approximately HK\$100.1 million, representing an increase of approximately HK\$11.7 million or 13.2% as compared to approximately HK\$88.4 million for the Previous Year. Such increase was due to the increase in selling and distribution expenses of approximately HK\$8.3 million or 13.8%, which is in line with the increase of the revenue of the Group.

## **Profit for the Year**

The profit and total comprehensive income of the Group for the Year was approximately HK\$40.3 million, representing an increase of approximately HK\$11.7 million or 40.9% as compared to approximately HK\$28.6 million for the Previous Year. Such increase was due to the increase in revenue of the Group.

## **Liquidity and financial resources**

### ***Capital Structure***

The Group did not have any borrowings as at 31 March 2020 (31 March 2019: Nil). The details of the share capital of the Company during the Year and the Previous Year are set out in note 11 on page 15 of this announcement.

### ***Cash position***

The Group recorded net current assets of approximately HK\$224.2 million as at 31 March 2020, while the net current assets of the Group as at 31 March 2019 was approximately HK\$210.2 million. As at 31 March 2020, the Group had cash and cash equivalents of approximately HK\$225.6 million (31 March 2019: HK\$ 230.3 million).

### ***Capital expenditure***

During the Year, the Group's total capital expenditure amounted to approximately HK\$3.1 million (the Previous Year: HK\$2.1 million), which was mainly incurred for acquisition of office equipment.

### ***Gearing ratio***

Since the Group did not have any interest-bearing liabilities as at 31 March 2020 and 31 March 2019, gearing ratio is therefore not presented.

### ***Performance guarantees***

The Group's performance guarantees as at 31 March 2020 are set out in note 12 on page 16 of this announcement.

### ***Contingent liabilities***

The Group had no contingent liabilities as at 31 March 2020.

### ***Pledge of assets***

As at 31 March 2020, certain of the Group's bank deposits totaling HK\$11.3 million (31 March 2019: HK\$9.9 million) were pledged as securities for securing banking facilities granted to the Group.

### **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 Year, the Group has entered into the 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 realised gain (loss) and unrealised fair value gain (loss) on the HK\$/US\$ net-settled structured foreign currency forward contracts entered into by the Group.

## HUMAN RESOURCES

As at 31 March 2020, the Group had a total of 288 employees (31 March 2019: 277 employees). For the Year, the total staff costs including Directors' emoluments was approximately HK\$122.8 million (Previous Year: HK\$108.2 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 the 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.

## DIVIDENDS

The Board recommends the payment of a final dividend of HK\$0.08 per Share of the Company (the "**Shares**") for the Year (the "**2020 Final Dividend**") to the Shareholders. Subject to the approval by the Shareholders at the AGM to be held on Monday, 24 August 2020, the 2020 Final Dividend will be paid on or about Friday, 11 September 2020 to Shareholders whose names appear on the register of members of the Company on Monday, 31 August 2020 (Previous Year: HK\$0.055 per Share).

The Board will consider and approve the payment of a special dividend for the Year (the "**2020 Special Dividend**") to the Shareholders at the forthcoming board meeting of the Company to be held on Tuesday, 30 June 2020. Subject to the approval by the Board, the 2020 Special Dividend will be paid on or about Wednesday, 29 July 2020 to Shareholders whose names appear on the register of members of the Company on Friday, 17 July 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the Shareholders' rights to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 19 August 2020 to Monday, 24 August 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 18 August 2020.

For the purposes of determining the Shareholders' entitlement to the 2020 Final Dividend, if approved by the Shareholders at the AGM, the register of members of the Company will be closed on Monday, 31 August 2020, on which day no transfer of Shares will be registered. In order to be eligible for the proposed 2020 Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 28 August 2020.

## **SIGNIFICANT INVESTMENTS HELD**

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

## **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 Year and no future plans for material investments or capital assets as at 31 March 2020.

## 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 set out in the announcement of the Group dated 19 December 2019, the Board resolved to reallocate (the “**Reallocation**”) the amount of Net Proceeds which were unutilised (the “**Unutilised Net Proceeds**”). The proposed allocation of the Net Proceeds in accordance with the Prospectus (the “**Planned Use of Net Proceeds**”), the reallocated use of the Net Proceeds and the actual usage of the Net Proceeds up to 31 March 2020 are set out below:

	Approximate Planned Use of Net Proceeds (HK\$' million)	Approximate planned use of Net Proceeds — after Reallocation (HK\$' million)	Approximate amount of net proceeds utilised Utilised during the Year (HK\$' million)	Approximate Total utilised (HK\$' million)	Approximate Unutilised Net Proceeds as at 31 March 2020 (HK\$' million)
Upgrading of the IT management systems of the Group	19.6	12.6	3.5	7.2	5.4
Enhancing of the Group’s capability to undertake large-scale contracts	14.0	21.0	1.7	12.2	8.8
Recruitment and training of employees	11.2	13.2	5.8	13.2	—
Strengthening the marketing efforts of the Group	5.6	3.6	0.4	1.4	2.2
Additional working capital and other general corporate purposes	5.6	5.6	5.5	5.5	0.1
	<u>56.0</u>	<u>56.0</u>	<u>16.9</u>	<u>39.5</u>	<u>16.5</u>

As at 31 March 2020, the unutilised Net Proceeds have been deposited into short-term demand deposit with authorised financial institutions and/or licensed banks in Hong Kong.

## **FUTURE OUTLOOK**

As the impact of the COVID-19 pandemic led to an unprecedented shutdown of international borders and trade, and the impact of the ongoing tensions between the US and China, 2020 is an unpredictable year. The Group is optimistic about future business prospects, and will keep a close attention on these conditions and will adhere to its prudent financial policy. For the uncertainty of Hong Kong economic environment, the Group will pay effort to maintain good standard of debt structure and minimise the financial risk.

The Group will continue to focus on core businesses and partnerships with key vendors, and working with various business partners to widen our business offerings. Other than looking for new market opportunities, the Group will optimize operational efficiencies and leverage our industry leadership to achieve long-term sustainable growth.

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

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

## **EVENTS AFTER THE REPORTING PERIOD**

The Group's events after the reporting period up to the date of this announcement are set out in note 13 on page 16 of this announcement.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the Year, except for code provision A.2.1 of the CG Code.

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 Company and the chief executive officer of the Company. In view of the fact that Mr. Chu Ming Ho has been assuming day-to-day responsibilities in operating and managing the Group since April 2000, the Board believes that it is in the best interest of the Company to have Mr. Chu 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 circumstance. 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 securities dealing code for the Directors in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”).

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 Year.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **REVIEW OF THE ANNUAL RESULTS**

The audit committee of the Board (the “**Audit Committee**”) has reviewed the annual results for the Year with the Company’s management and considered that such results have been prepared in accordance with the applicable accounting standards and requirements with sufficient disclosure. The Audit Committee has been established in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Ms. Li Wai Man, Mr. Cheng Tak Chung, and Mr. Li Richard King Hang. Ms. Li Wai Man serves as the chairlady of the Audit Committee. The primary responsibilities of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting system, risk management and internal control systems of the Group, to oversee the audit process, to develop and review the Group’s policies and to perform other duties and responsibilities as assigned by the Board.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the Company's website at [www.microware1985.com](http://www.microware1985.com). The annual report of the Company for the Year 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, 26 June 2020

*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.*