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## **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 2020**

#### **HIGHLIGHTS**

- Total revenue of the Group amounted to approximately HK\$577.6 million for the Period, representing a decrease of approximately HK\$73.4 million or 11.3% as compared to approximately HK\$651.0 million for the Previous Period.
- Profit and total comprehensive income of the Group for the Period was approximately HK\$21.6 million, representing an increase of approximately HK\$9.2 million or 73.9% as compared to approximately HK\$12.4 million for the Previous Period. The Board considers that the economy of Hong Kong for the second half of this year is still challenging caused by COVID-19 and the ongoing tensions of the United States and China.
- Basic earnings per Share for the Period was HK\$0.07, as compared to HK\$0.04 for the Previous Period.
- The Board has declared the payment of an interim dividend of HK\$0.05 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 2020 (the “**Period**”), together with the comparative figures for the corresponding period in 2019 (the “**Previous Period**”) as follows:

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

*For the six months ended 30 September 2020*

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>NOTES</i>	<b>2020</b>	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
Revenue	3	<b>577,550</b>	650,993
Cost of sales		<b>(506,166)</b>	(584,460)
Gross profit		<b>71,384</b>	66,533
Other income		<b>590</b>	557
Other gains and losses, net		<b>(437)</b>	(3,812)
Other expenses		<b>(2,504)</b>	(1,572)
Distribution and selling expenses		<b>(30,069)</b>	(31,913)
Administrative expenses		<b>(14,148)</b>	(14,514)
Finance costs		<b>(154)</b>	(10)
Profit before taxation		<b>24,662</b>	15,269
Taxation	4	<b>(3,047)</b>	(2,836)
Profit and total comprehensive income for the period	5	<b>21,615</b>	12,433
Profit/(loss) and total comprehensive income/(expense) for the year attributable to:			
— owners of the Company		<b>21,780</b>	12,585
— non-controlling interest		<b>(165)</b>	(152)
		<b>21,615</b>	12,433
Earnings per share	7		
Basic (HK\$)		<b>0.07</b>	0.04

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	NOTES	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		8,156	11,459
Deferred tax asset		4	4
Deposit paid for acquisition of property, plant and equipment		1,478	803
Prepayments and deposits	8	1,207	1,109
		<u>10,845</u>	<u>13,375</u>
<b>CURRENT ASSETS</b>			
Inventories		30,273	39,101
Trade and other receivables, prepayments and deposits	8	213,232	247,160
Pledged bank deposit		11,671	11,277
Bank balances and cash		201,270	241,025
		<u>456,446</u>	<u>538,563</u>
<b>CURRENT LIABILITIES</b>			
Derivative financial instruments		132	—
Trade and other payables and accruals	9	183,013	228,863
Amount due to a non-controlling interest of a subsidiary		1,099	699
Contract liabilities		59,412	72,995
Tax liabilities		5,245	3,787
Leases liabilities		4,131	8,013
		<u>253,032</u>	<u>314,357</u>
<b>NET CURRENT ASSETS</b>		<u>203,414</u>	<u>224,206</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>214,259</u>	<u>237,581</u>
<b>NON-CURRENT LIABILITIES</b>			
Derivative financial instruments		600	106
Contract liabilities		3,146	3,494
Lease liabilities		—	83
		<u>3,746</u>	<u>3,683</u>
<b>NET ASSETS</b>		<u>210,513</u>	<u>233,898</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	3,000	3,000
Reserves		208,236	231,456
Equity attributable to owners of the Company		211,236	234,456
Non-controlling interest		(723)	(558)
		<u>210,513</u>	<u>233,898</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

### 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 additional accounting policies resulting from application of 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 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2020.

#### Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 2.1 *Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

## 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 procurement of hardware and software by the Group and such procurement together with provision of design of solutions and provision of maintenance and/or support services; and
- (2) IT managed services 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.

## Segment revenue and results

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

	<b>IT infrastructure solution services business HK\$ '000</b>	<b>IT managed services business HK\$ '000</b>	<b>Total HK\$ '000</b>
<b>For the six months ended</b>			
<b>30 September 2020 (unaudited)</b>			
Segment revenue	<b>517,141</b>	<b>60,409</b>	<b>577,550</b>
Segment results	<b>30,640</b>	<b>11,319</b>	<b>41,959</b>
Other income			<b>590</b>
Certain other gains and losses, net			<b>(437)</b>
Other expenses			<b>(2,504)</b>
Certain distribution and selling expenses			<b>(644)</b>
Administrative expenses			<b>(14,148)</b>
Finance cost			<b>(154)</b>
Profit before taxation			<b>24,662</b>
<b>For the six months ended</b>			
<b>30 September 2019 (unaudited)</b>			
Segment revenue	<b>589,327</b>	<b>61,666</b>	<b>650,993</b>
Segment results	<b>23,893</b>	<b>7,970</b>	<b>31,863</b>
Other income			<b>557</b>
Certain other gains and losses, net			<b>11</b>
Other expenses			<b>(1,572)</b>
Certain distribution and selling expenses			<b>(1,066)</b>
Administrative expenses			<b>(14,514)</b>
Finance cost			<b>(10)</b>
Profit before taxation			<b>15,269</b>

Segment result represents the profit earned by each segment without allocation of other income, certain 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

	<b>IT infrastructure solution services business HK\$'000</b>	<b>IT managed services business HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Total HK\$'000</b>
Amounts included in the measure of segment results:				
<b>For the six months ended</b>				
<b>30 September 2020 (unaudited)</b>				
Depreciation	1,636	1,142	2,198	4,976
Allowance for inventories	745	—	—	745
	<u>1,636</u>	<u>1,142</u>	<u>2,198</u>	<u>4,976</u>
<b>For the six months ended</b>				
<b>30 September 2019 (unaudited)</b>				
Depreciation	181	486	308	975
Reversal of allowance for inventories	(180)	—	—	(180)
Allowance for impairment losses in respect of trade receivables	3,823	—	—	3,823
	<u>3,823</u>	<u>486</u>	<u>308</u>	<u>4,617</u>

#### 4. TAXATION

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	<b>3,047</b>	2,836

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 period ended 30 September 2020 and 2019.

#### 5. PROFIT FOR THE PERIOD

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	<b>462,721</b>	534,789
Depreciation of property, plant and equipment	<b>4,976</b>	975
Allowance (reversal of allowance) for inventories (included in cost of sales)	<b>745</b>	(180)
Allowance for impairment losses in respect of trade receivables	—	3,823

## 6. DIVIDENDS

During the Period, a final dividend of HK\$0.08 per share of the Company (the “Share”) and special dividend of HK\$0.07 per Share in respect of the year ended 31 March 2020 (2019: HK\$0.055 per Share in respect of the year ended 31 March 2019) was declared and paid to owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK\$45 million (2019: HK\$16.5 million).

Subsequent to the end of the Period, the directors of the Company have declared that an interim dividend of HK\$0.05 per Share amounting to HK\$15 million in aggregate (30 September 2019: nil) will be paid to owners of the Company.

## 7. EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Earnings:		
Earnings for the period for the purpose of basic earnings per share	<b>21,780</b>	12,585
	<b>'000</b>	<b>'000</b>
Number of shares:		
Weighted average 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 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 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (audited)
Trade receivables	189,949	228,700
Less: Allowance for impairment losses ( <i>Note</i> )	—	—
	<u>189,949</u>	<u>228,700</u>
Rental deposits	312	312
Prepayment for costs of maintenance services	17,158	15,759
Others	7,020	3,498
	<u>7,020</u>	<u>3,498</u>
Total trade and other receivables, deposits and prepayments	<u><b>214,439</b></u>	<u><b>248,269</b></u>
Analysed as:		
Current	213,232	247,160
Non-current	1,207	1,109
	<u>1,207</u>	<u>1,109</u>
	<u><b>214,439</b></u>	<u><b>248,269</b></u>

*Note:* During the current interim period, the Group provided impairment allowance of HK\$nil (six months ended 30 September 2019: HK\$3,823,000).

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:

	At <b>30 September</b> <b>2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	At 31 March 2020 <i>HK\$'000</i> (audited)
0 to 30 days	78,288	102,630
31 to 60 days	40,589	43,440
61 to 90 days	21,637	29,294
91 to 120 days	8,556	22,948
121 to 180 days	19,768	18,558
Over 180 days	21,111	11,830
	<hr/> <b>189,949</b> <hr/>	<hr/> 228,700 <hr/>

#### 9. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	At <b>30 September</b> <b>2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	At 31 March 2020 <i>HK\$'000</i> (audited)
Trade payables	129,727	176,812
Accrued staff costs	29,647	22,340
Others	23,639	29,711
	<hr/> <b>183,013</b> <hr/>	<hr/> 228,863 <hr/>

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

	At <b>30 September</b> <b>2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	At 31 March 2020 <i>HK\$'000</i> (audited)
0 to 30 days	64,867	101,457
31 to 60 days	32,445	48,681
61 to 90 days	28,407	25,189
Over 90 days	4,008	1,485
	<u>129,727</u>	<u>176,812</u>

## 10. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2019, 30 September 2019, 1 April 2020 and 30 September 2020	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 1 April 2019, 30 September 2019, 1 April 2020 and 30 September 2020	<u>300,000,000</u>	<u>3,000</u>

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

## **11. PERFORMANCE GUARANTEES**

As at 30 September 2020, the performance guarantees of the Group of approximately HK\$21,948,000 (31 March 2020: HK\$24,724,000) 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 30 September 2020 and 31 March 2020, 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 solution 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. During the Period, total revenue of the Group decreased by approximately HK\$73.4 million or 11.3% as compared to that for the Previous Period. Such decrease was due to the decrease in revenue generated from the IT infrastructure solution services and IT managed services business of the Group. Gross profit of the Group for the Period was approximately HK\$71.4 million, representing an increase of approximately HK\$4.9 million or 7.3% from approximately HK\$66.5 million for the Previous Period. Such increase was mainly due to the decrease in cost of sales of IT infrastructure solution services and IT managed services.

During the Period, the Group received HK\$8.9 million as subsidies from the Employment Support Scheme implemented by the Hong Kong Government as the result of the outbreak of the coronavirus disease (COVID-19). Excluding such subsidies, the financial performance of the Group remained stable amidst COVID-19. However, the Board considers that the economy of Hong Kong for the second half of this year is still challenging given the continual impact of COVID-19 and the ongoing tensions of the United States and China.

### **FINANCIAL REVIEW**

#### **Revenue**

Total revenue of the Group amounted to approximately HK\$577.6 million for the Period, representing a decrease of approximately HK\$73.4 million or 11.3% as compared to approximately HK\$651.0 million for the Previous Period. The decrease in total revenue was mainly due to the decrease in revenue of the business segment of IT infrastructure solution services which was approximately HK\$517.1 million for the Period, representing a decrease of approximately HK\$72.2 million or 12.3% as compared to approximately HK\$589.3 million for the Previous Period. The revenue of the business segment of IT managed services which was approximately HK\$60.4 million, representing a decrease of approximately HK\$1.3 million or 2.0% as compared to approximately HK\$61.7 million for the Previous Period. For the Period, the business segments of IT infrastructure solutions services and IT managed services contributed approximately 89.5% and 10.5% to the total revenue of the Group, respectively.

### **Cost of sales**

The cost of sales of the Group for the Period was approximately HK\$506.2 million, representing a decrease of approximately HK\$78.3 million or 13.4% from approximately HK\$584.5 million for the Previous Period. Such decrease was mainly due to decrease in cost of IT infrastructure solution services and IT managed services, and the receipt of the government subsidies of HK\$4.8 million from the Employment Support Scheme under Anti-Epidemic Fund recognised for the Period.

### **Gross profit**

Gross profit of the Group for the Period was approximately HK\$71.4 million, representing an increase of approximately HK\$4.9 million or 7.3% from approximately HK\$66.5 million for the Previous Period. Such increase was mainly due to the decrease in cost of sales of IT infrastructure solution services and IT managed services which was primarily due to the receipt of the aforementioned government subsidies.

### **Operating expenses**

Total operating expenses of the Group for the Period was approximately HK\$44.2 million, representing a decrease of approximately HK\$2.2 million or 4.8% as compared to approximately HK\$46.4 million for the Previous Period. Such decrease due to the receipt of the government subsidies of HK\$4.1 million from the Employment Support Scheme under Anti-Epidemic Fund recognised for the Period.

### **Profit for the Period**

As a result of the foregoing, the profit and total comprehensive income of the Group increased by approximately HK\$9.2 million or 73.9% to approximately HK\$21.6 million for the Period from HK\$12.4 million for the Previous Period.

Excluding the government subsidies of HK\$8.9 million from the Employment Support Scheme under Anti-Epidemic Fund recognised for the Period, the adjusted profit and total comprehensive income of the Group attributable to the owners of the Company for the Period was HK\$12.9 million, representing an increase of approximately 2.4% as compared with the Previous Period.

## **Liquidity and financial resources**

### ***Capital structure***

The Group did not have any borrowings as at 30 September 2020 (31 March 2020: 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 12 of this announcement.

### ***Cash position***

The Group recorded net current assets of approximately HK\$203.4 million as at 30 September 2020 (31 March 2020: approximately HK\$224.2 million). As at 30 September 2020, the Group had cash and cash equivalents of approximately HK\$182.8 million (31 March 2020: approximately HK\$225.6 million).

### ***Capital expenditure***

During the Period, the Group's total capital expenditure amounted to approximately HK\$1.7 million as at 30 September 2020 (Previous Period: approximately HK\$0.5 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 30 September 2020 and 31 March 2020, respectively, since the Group did not have any interest-bearing liabilities as at 30 September 2020 and 31 March 2020, respectively.

### ***Performance guarantees***

The Group's performance guarantees as at 30 September 2020 are set out in note 11 of page 13 of this announcement.

### ***Contingent liabilities***

The Group did not have contingent liabilities as at 30 September 2020.

### *Pledge of assets*

As at 30 September 2020, certain of the Group's bank deposits totaling HK\$11.7 million (31 March 2020 HK\$11.3 million) were pledged for securing banking facilities granted to the Group.

### *Foreign exchange risk*

The Group's transactions are mainly denominated and settled in 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 2020, the Group had a total of 281 employees (30 September 2019: 276 employees). For the Period, the total staff costs including Directors' emoluments was approximately HK\$51.0 million (Previous Period: HK\$55.1 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. Since the Adoption Date to the date of this announcement, no share options have been granted under the Share Option Scheme.

## **INTERIM DIVIDEND**

The Board declared the payment of an interim dividend of HK\$15.0 million of HK\$0.05 per Share (the “**Interim Dividend**”) (six months 30 September 2019: nil) on 20 November 2020 for the Period, which will be payable to the shareholders of the Company in cash on or before Monday, 28 December 2020.

## **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 Monday, 14 December 2020, 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 11 December 2020.

## **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 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).

Set out below is a summary of the utilisation of the Net Proceeds as at 30 September 2020 against the planned use of the Net Proceeds as reallocated by the Board on 19 December 2019:

	Approximate planned use of Net Proceeds – after reallocation <i>(HK\$'million)</i>	Approximate amount of Net proceeds utilised Utilised during the Period <i>(HK\$'million)</i>	Total Utilised as at 30 September 2020 <i>(HK\$'million)</i>	Approximate unutilised Net Proceeds as at 30 September 2020 <i>(HK\$'million)</i>	Actual and expected timeline for utilizing the remaining Net Proceeds
Upgrading of the IT management systems of the Group	12.6	2.5	9.7	2.9	Expected to be fully utilised on or before 31 March 2022
Enhancing of the Group's capability to undertake large-scale contracts	21.0	0.3	12.5	8.5	Expected to be fully utilised on or before 30 September 2021
Recruitment and training of employees	13.2	—	13.2	—	—
Strengthening the marketing efforts of the Group	3.6	0.2	1.6	2.0	Expected to be fully utilised on or before 31 December 2021
Additional working capital and other general corporate purposes	5.6	0.1	5.6	—	—
	<u>56.0</u>	<u>3.1</u>	<u>42.6</u>	<u>13.4</u>	

As at 30 September 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**

The substantial improvement of the Group's performance for the Period was primarily due to the receipt of government subsidies from the Employment Support Scheme implemented by the Hong Kong Government as the result of the outbreak of the coronavirus disease and the improvement of the gross profit of the group. However, as COVID-19 is having a continued impact on Hong Kong resulting in a prolonged period of shutdown of the international borders and trade, the economic environment of Hong Kong is still challenging in the second half of this year and the year of 2021. Moreover, the ongoing tensions between the United States and China is unpredictable, the influence of the economic environment is equivocal. Amidst these uncertainties, the Group will concentrate its effort to optimise the future business opportunities, and will keep close attention on these conditions and will adhere to its prudent financial policy. The Group will also maintain an optimal capital and debt structure and minimise the financial risk.

Looking forward, the Group will continue to establish core partnerships with key vendors and working with various business partners to expand its business offerings. The Group will explore new market opportunities, optimise operational efficiencies and leverage its industry leadership to achieve long-term sustainable growth.

## **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 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 the 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 of 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](http://www.hkexnews.hk) and on the Company's website at [www.microware1985.com](http://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 of the Company 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, 20 November 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.*