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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)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO TENANCY AGREEMENTS

THE TENANCY AGREEMENTS

On 3 June 2019, Microware HK, an indirect wholly-owned subsidiary of the Company, as tenant entered into (i) the Residential Tenancy Agreement with Mr. Yang and Mrs. Yang as landlords, in respect of the leasing of the Residential Premises and the Car Parking Space for a term of one year commenced on 1 April 2019 and expiring on 31 March 2020; and (ii) the Office Tenancy Agreement with Microware Properties as landlord in respect of the leasing of the Office Premises for a term of one year commenced on 1 April 2019 and expiring on 31 March 2020.

LISTING RULES IMPLICATIONS

Mr. Yang is an executive Director and a substantial shareholder of the Company. Mrs. Yang is the spouse and thus an associate of Mr. Yang. Microware Properties is a wholly-owned subsidiary of Microware International, which is in turn wholly-owned by Mr. Yang. Accordingly, each of Mr. Yang, Mrs. Yang and Microware Properties is a connected person of the Company and the transactions contemplated under the Tenancy Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios (other than the profits ratio) for (a) the Tenancy Agreements on an aggregated basis; and (b) the Office Tenancy Agreement on a standalone basis is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under (a) the Tenancy Agreements on an aggregated basis; and (b) the Office Tenancy Agreement on a standalone basis are subject to the reporting, annual review and announcement requirements but exempt from the independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

INTRODUCTION

On 3 June 2019, Microware HK, an indirect wholly-owned subsidiary of the Company, as tenant entered into (i) the Residential Tenancy Agreement with Mr. Yang and Mrs. Yang as landlords, in respect of the leasing of the Residential Premises and the Car Parking Space for a term of one year commenced on 1 April 2019 and expiring on 31 March 2020; and (ii) the Office Tenancy Agreement with Microware Properties as landlord in respect of the leasing of the Office Premises for a term of one year commenced on 1 April 2019 and expiring on 31 March 2020. The major terms of the Residential Tenancy Agreement and the Office Tenancy Agreement, respectively, are set out below:

THE RESIDENTIAL TENANCY AGREEMENT

Date:	3 June 2019
Landlord:	(a) Mr. Yang; and (b) Mrs. Yang.
Tenant:	Microware HK
Premises:	the Residential Premises and the Car Parking Space
Usage:	the Residential Premises as residence for, and the Car Parking Space for car-parking will be used by, Mr. Chu, as director's quarter as part of his director's emoluments provided by the Group
Rent:	HK\$95,000 per month (exclusive of utilities, telephone charges and other similar charges). The rental payable was negotiated on an arm's length basis with reference to (i) the historical rent paid by Microware HK as tenant to Mr. Yang as landlord; and (ii) the prevailing market conditions and prevailing market rent for similar properties in the vicinity at the relevant time. The Residential Tenancy Agreement was entered into on normal commercial terms.
Lease term:	one year commenced from 1 April 2019 and ending on 31 March 2020 (both days inclusive)

Annual caps: based on the monthly rental payable under the Residential Tenancy Agreement, the annual cap for the transactions contemplated under the Residential Tenancy Agreement for the financial year ending 31 March 2020 is HK\$1,140,000

THE OFFICE TENANCY AGREEMENT

Date: 3 June 2019

Landlord: Microware Properties

Tenant: Microware HK

Premises: the Office Premises

Usage: for use as office, operation and warehouse by the Group

Rent: HK\$588,000 per month (exclusive of management fees, rates and Government rent to be paid in advance without any deduction whatsoever on the 1st day of each and every month). The rental payable was negotiated on an arm's length basis with reference to (i) the historical rent paid by Microware HK as tenant to Microware Properties as landlord; and (ii) the prevailing market conditions and prevailing market rent for similar properties in the vicinity at the relevant time. The Office Tenancy Agreement was entered into on normal commercial terms.

Lease term: one year commenced from 1 April 2019 and ending on 31 March 2020 (both days inclusive)

Annual caps: based on the monthly rental payable under the Office Tenancy Agreement, the annual cap for the transactions contemplated under the Office Tenancy Agreement for the financial year ending 31 March 2020 is HK\$7,056,000

HISTORICAL TRANSACTION AMOUNTS

The total amount of rental expenses paid by Microware HK in respect of the lease of the Residential Premises and the Car Parking Space for the three financial years ended 31 March 2019 were HK\$1,045,000, HK\$1,140,000 and HK\$1,140,000, respectively.

The total amount of rental expenses paid by Microware HK in respect of the lease of the Office Premises for the three financial years ended 31 March 2019 were HK\$5,583,840, HK\$5,880,000 and HK\$5,880,000, respectively.

ANNUAL CAPS FOR THE TENANCY AGREEMENTS

Based on the monthly rental payable under each of the Tenancy Agreements, the annual caps for the Tenancy Agreements for the financial year ending 31 March 2020 are as follows:

Annual Cap	Financial year ending 31 March 2020
Residential Tenancy Agreement	HK\$1,140,000
Office Tenancy Agreement	HK\$7,056,000
Aggregate	HK\$8,196,000

REASONS FOR AND BENEFITS OF THE TENANCY AGREEMENTS

The Tenancy Agreements were entered into in the ordinary and usual course of business of the Group. The Residential Premises will be used as residence for, and the Car Parking Space will be used by, Mr. Chu, as director's quarter as part of his director's emoluments provided by the Group. The Office Premises will be used as the head office of the Group. The terms (including the monthly rents) of each of the Tenancy Agreements were negotiated on arm's length negotiations with reference to the prevailing market conditions and prevailing market rent for comparable premises in the vicinity.

The Directors, including the independent non-executive Directors, consider that all the continuing connected transactions above and their respective annual caps are fair and reasonable, and that such transactions have been entered into in the ordinary and usual course of the business of the Group, on normal commercial terms and are fair and reasonable and in the interests of the Group and its Shareholders as a whole.

INFORMATION OF THE PARTIES

The Group is principally engaged in the provision of information technology (“IT”) infrastructure solutions services and IT managed services in Hong Kong. The Group provides an one-stop IT experience which begins with (i) consultation and advice; (ii) and/or software procurement; (iii) implementation; (iv) management and maintenance of the IT infrastructure solutions; and (v) provision of cyber securities training programs.

Microware HK is an indirect wholly-owned subsidiary of the Company and is principally engaged in sales of computers and related equipment in Hong Kong.

Mr. Yang is an executive Director and a substantial shareholder of the Company, and Mrs. Yang is the spouse of Mr. Yang.

Microware Properties is an investment holding company and a wholly-owned subsidiary of Microware International, an investment holding company wholly-owned by Mr. Yang.

LISTING RULES IMPLICATIONS

Mr. Yang is an executive Director and a substantial shareholder of the Company. Mrs. Yang is the spouse and thus an associate of Mr. Yang. Microware Properties is a wholly-owned subsidiary of Microware International, which is in turn wholly-owned by Mr. Yang. Accordingly, each of Mr. Yang, Mrs. Yang and Microware Properties is a connected person of the Company and the transactions contemplated under the Tenancy Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since the lease term of each of the Tenancy Agreements is for 12 months only, the Group is not required to recognise a right-of-use asset in respect of the Tenancy Agreements under HKFRS 16.

Since each of the applicable percentage ratios (other than the profits ratio) for (a) the Tenancy Agreements on an aggregates basis; and (b) the Office Tenancy Agreement on a standalone basis is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under (a) the Tenancy Agreements on an aggregated basis; and (b) the Office Tenancy Agreement on a standalone basis are subject to the reporting, annual review and announcement requirements but exempt from the independent Shareholders’ approval requirement under Rule 14A.76(2) of the Listing Rules.

The Directors, including the independent non-executive Directors, consider that all the continuing connected transactions above and their respective annual caps are fair and reasonable, and that such transactions have been entered into in the ordinary and usual course of the business of the Group, on normal commercial terms and are fair and reasonable and in the interests of the Group and its Shareholders as a whole.

As Mr. Yang is an executive Director and a substantial shareholder of the Company, and Microware Properties is a wholly-owned subsidiary of Microware International, which is in turn wholly-owned by Mr. Yang, Mr. Yang is deemed to have material interests in the continuing connected transactions in respect of the Tenancy Agreements and therefore has abstained from voting on the board resolutions of the Company for approval of the Tenancy Agreements. Since the Residential Premises and Car Parking Space is provided to Mr. Chu as the director's quarter as part of his director's emoluments, Mr. Chu is also deemed to have material interests in the Residential Tenancy Agreement and therefore has abstained from voting on the board resolutions of the Company for approval of the Residential Tenancy Agreement. Save as disclosed above, none of the other Directors has any material interests in the Tenancy Agreements.

DEFINITIONS

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Car Parking Space”	a car parking space in the same building as the Residential Premises
“Company”	Microware Group Limited, an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the Director(s) of the Company
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Microware HK”	Microware Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Microware International”	Microware International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Yang
“Microware Properties”	Microware Properties Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Microware International
“Mr. Chu”	Mr. Chu Ming Ho, an executive Director, chairman and chief executive officer of the Company
“Mr. Yang”	Mr. Yang Peter Shun Tsing, an executive Director and one of the controlling shareholders of the Company
“Mrs. Yang”	Mrs. Yang Wong Rebecca Mi Kam, the spouse of Mr. Yang
“Office Premises”	the property situated at 1st Floor, Century Centre, 44 and 46 Hung To Road, Kwun Tong, Kowloon, Hong Kong
“Office Tenancy Agreement”	the tenancy agreement dated 3 June 2019 entered into between Microware Properties as landlord and Microware HK as tenant in respect of the Office Premises with a total gross floor area of approximately 48,690 square feet
“PRC”	the People’s Republic of China
“Residential Premises”	the property situated at Flat B, 8/F, Tower 3, One Mayfair, 1 Broadcast Drive, Kowloon Tong, Kowloon, Hong Kong with a total gross floor area of approximately 2,177 square feet

“Residential Tenancy Agreement”	the tenancy agreement dated 3 June 2019 entered into between Mr. Yang and Mrs. Yang as landlords and Microware HK as tenant in respect of the Residential Premises and Car Parking Space
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Tenancy Agreements”	the Residential Tenancy Agreement and the Office Tenancy Agreement
“%”	per cent

By Order of the Board
Microware Group Limited
Chu Ming Ho

Chairman, executive Director and Chief Executive Officer

Hong Kong, 3 June 2019

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.