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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

HIGHLIGHTS

- The total revenue of the Group amounted to approximately HK\$1,255.1 million for the Year, representing an increase of approximately HK\$158.9 million or 14.5% as compared to approximately HK\$1,096.2 million for the Previous Year.
- The profit and total comprehensive income of the Group for the Year was approximately HK\$28.6 million, representing a decrease of approximately HK\$1.5 million or 5.0% as compared to approximately HK\$30.1 million for the Previous Year. Such decrease was due to the increase in operating expenses of the Group for the Year.
- Basic earnings per Share for the Year and the Previous Year was HK\$0.10, respectively.
- The Board recommended the payment of a final dividend of HK\$0.055 per Share for the Year, subject to the approval by the Shareholders at the AGM.

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 2019 (the “**Year**”), together with the comparative figures for the year ended 31 March 2018 (the “**Previous Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 March	
		2019	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	1,255,078	1,096,205
Cost of sales		(1,130,470)	(976,975)
Gross profit		124,608	119,230
Other income		1,269	1,330
Other gains and losses, net		(453)	416
Other expenses		(2,124)	(1,906)
Distribution and selling expenses		(60,344)	(56,657)
Administrative expenses		(28,068)	(26,525)
Profit before taxation		34,888	35,888
Taxation	4	(6,259)	(5,806)
Profit and total comprehensive income for the year	5	28,629	30,082
Profit (loss) and total comprehensive income (expense) for the year attributable to			
— owners of the Company		28,883	30,082
— non-controlling interest		(254)	—
		28,629	30,082
Earnings per share	7		
Basic (HK\$)		0.10	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2019	2018
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,119	1,071
Deferred tax asset		388	388
Deposit paid for acquisition of property, plant and equipment		1,184	842
Prepayments and deposits	8	1,465	998
Derivative financial instruments		—	182
		<u>5,156</u>	<u>3,481</u>
CURRENT ASSETS			
Inventories		39,043	25,244
Trade and other receivables, prepayments and deposits	8	207,660	167,838
Pledged bank deposit		9,909	2,270
Bank balances and cash		252,385	246,552
		<u>508,997</u>	<u>441,904</u>
CURRENT LIABILITIES			
Trade and other payables and accruals	9	214,318	226,880
Amount due to a non-controlling interest of a subsidiary		599	—
Contract liabilities	10	81,959	—
Tax liabilities		1,879	118
		<u>298,755</u>	<u>226,998</u>
NET CURRENT ASSETS		<u>210,242</u>	<u>214,906</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>215,398</u>	<u>218,387</u>
NON-CURRENT LIABILITIES			
Derivative financial instruments		248	—
Deferred revenue	9	—	3,933
Contract liabilities	10	5,066	—
		<u>5,314</u>	<u>3,933</u>
NET ASSETS		<u>210,084</u>	<u>214,454</u>
CAPITAL AND RESERVES			
Share capital	11	3,000	3,000
Reserves		207,337	211,454
Equity attributable to owners of the Company		210,337	214,454
Non-controlling interest		(253)	—
		<u>210,084</u>	<u>214,454</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 ("**Mr. Yang**"), who is an executive Director.

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

Except 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.

2.1 HKFRS 15 Revenue from Contracts with Customers

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

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

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Design of solutions;
- Procurement of hardware and software;
- Provision of maintenance and/or support services to IT systems of the customers; and
- Provision of training programmes relating to cyber security.

2.1.1 Summary of effects arising from initial application of HKFRS 15

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

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

Notes:

- (a) As at 1 April 2018, advances from customers of HK\$19,767,000 previously included in trade and other payables were reclassified to contract liabilities.
- (b) As at 1 April 2018, deferred revenue of HK\$46,476,000 previously included in trade and other payables and accruals was reclassified to contract liabilities.

There is no material impact on the revenue recognition on the timing and amounts of revenue recognised upon the application of HKFRS 15 on 1 April 2018.

2.2 HKFRS 9 *Financial Instruments and the related amendments*

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

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 is recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2.2.1 Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables are assessed based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables. Based on the assessment by the management of the Group, the ECL on trade receivables is insignificant as at 1 April 2018.

Loss allowances for other financial assets at amortised cost mainly comprise of pledged bank deposits, bank balances and other receivables and deposits are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition. Based on assessment by the management of the Group, management of the Group considers that the ECL for other financial assets is insignificant as at 1 April 2018.

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 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2021

⁴ 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

⁵ Effective for annual periods beginning on or after 1 January 2020

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows respectively by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK\$936,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK\$173,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group would elect 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 applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group would not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group would elect the modified retrospective approach for the application of HKFRS 16 as lessee and would recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

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. 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.

Except for above, the Directors do not anticipate that the application of the other new and amendments to HKFRSs will have a material effect on the amounts recognised in the Group’s consolidated financial statements.

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 who are also the chief operating decision makers (the “**CODM**”) that are used to make strategic decisions. Information reported to the CODM is based on the business lines operating by the Group. No operating segments have been aggregated to form the following reportable segments.

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

- (1) IT infrastructure solution services business refers to the design of solutions and/or procurement of hardware and software by the Group; and
- (2) IT managed services business refers to the provision of maintenance and/or support services to IT systems of the customers 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 HK\$'000	Segment of IT managed services business HK\$'000	Total HK\$'000
For the year ended 31 March 2019			
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			<u>(28,068)</u>
Profit before taxation			<u>34,888</u>
	Segment of IT infrastructure solution services business HK\$'000	Segment of IT managed services business HK\$'000	Total HK\$'000
For the year ended 31 March 2018			
Segment revenue	<u>986,040</u>	<u>110,165</u>	<u>1,096,205</u>
Segment results	<u>44,603</u>	<u>19,138</u>	63,741
Other income			1,330
Other gains and losses, net			416
Other expenses			(1,906)
Certain distribution and selling expenses			(1,168)
Administrative expenses			<u>(26,525)</u>
Profit before taxation			<u>35,888</u>

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

	For the year ended 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	6,259	5,806

Under the two-tiered profits tax rates regime, the first \$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above \$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 2019 and at 16.5% of the estimated assessable profits for the year ended 31 March 2018.

5. PROFIT FOR THE YEAR

	For the year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging:		
Staff costs:		
Directors' remuneration	4,940	4,677
Other staff costs	99,764	91,921
Contributions to retirement benefits scheme (excluding Directors)	3,459	3,258
	<u>108,163</u>	<u>99,856</u>
Auditor's remuneration	1,850	1,800
Cost of inventories recognised as an expense	1,035,865	893,715
Depreciation of property, plant and equipment	1,079	792
Minimum operating lease payments in respect of office premises and warehouses	6,626	6,675
Allowance for inventories (included in cost of sales)	1,434	1,488
	<u>1,048,817</u>	<u>998,325</u>

6. DIVIDENDS

During the year ended 31 March 2019, the Company declared and paid dividends of HK\$33,000,000 of HK\$0.11 per share (2018: HK\$18,000,000 of HK\$0.06 per share) in respect of the year ended 31 March 2018 to its shareholders (the "Shareholders").

A final dividend of HK\$0.055 per share of the Company in respect of the year ended 31 March 2019 (2018: HK\$0.07 per share) has been proposed by the Directors, which is subject to approval by the Shareholders at the forthcoming annual general meeting (the "AGM") of the Company.

7. EARNINGS PER SHARE

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

	For the year ended 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings:		
Profit for the year for the purpose of basic earnings per share	28,883	30,082
	<u>28,883</u>	<u>30,082</u>
	For the year ended 31 March	
	2019	2018
	<i>'000</i>	<i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	300,000	300,000
	<u>300,000</u>	<u>300,000</u>

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

	As at 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables from contracts with customers under HKFRS 15	174,858	150,780
Less: Allowance for credit losses	—	(277)
	174,858	150,503
Rental and utilities deposits	310	389
Prepayments for costs of maintenance services	16,376	12,947
Deposits paid to a supplier	13,260	—
Others	4,321	4,997
Total trade and other receivables, deposits and prepayments	209,125	168,836
Analysed as:		
Current	207,660	167,838
Non-current	1,465	998
	209,125	168,836

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

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

	As at 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	92,780	72,584
31 to 60 days	28,322	25,451
61 to 90 days	16,450	15,492
91 to 120 days	7,119	26,497
121 to 180 days	12,594	3,081
Over 180 days	17,593	7,398
	174,858	150,503

9. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	As at 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	176,296	136,158
Accrued staff costs	15,855	12,459
Receipt in advance	—	19,767
Deferred revenue	—	46,476
Others	22,167	15,953
	<u>214,318</u>	<u>230,813</u>
	214,318	230,813
Analysed as:		
Current	214,318	226,880
Non-current	—	3,933
	<u>214,318</u>	<u>230,813</u>
	214,318	230,813

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

	As at 31 March	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	97,693	87,384
31 to 60 days	49,148	33,119
61 to 90 days	21,835	13,256
Over 90 days	7,620	2,399
	<u>176,296</u>	<u>136,158</u>
	176,296	136,158

10. CONTRACT LIABILITIES

	31 March 2019 <i>HK\$'000</i>	1 April 2018* <i>HK\$'000</i>
Current	81,959	62,310
Non-current	5,066	3,933
	87,025	66,243

* The amounts in this column are after the adjustments from the application of HKFRS 15.

Contract liabilities are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers and how much relates to performance obligations that were satisfied in prior periods.

11. SHARE CAPITAL

The share capital as at 31 March 2018 and 2019 represented the share capital of the Company with the details as follows:

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2017, 31 March 2018 and 2019	5,000,000,000	50,000
Issued and fully paid:		
At 1 April 2017, 31 March 2018 and 2019	300,000,000	3,000

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

12. PERFORMANCE GUARANTEES

As at 31 March 2019, the performance guarantees of the Group of approximately HK\$22,295,000 (2018: HK\$17,205,000) 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 its customers. If the Group fails to provide satisfactory performance to its 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 2019 and 2018, the Directors did not consider that it is probable that a claim will be made against 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; and (v) provision of cyber securities training programmes.

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

The Group is a well-established IT infrastructure solutions provider based in Hong Kong. As at 31 March 2019, 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:

Presented by	Awards
Lenovo (Hong Kong) Limited	FY1819 1H Best Dealer Award
Lenovo (Hong Kong) Limited	DCG Top Performance Award - Enterprise OpenStack Cloud Solution
Lenovo (Hong Kong) Limited	PCG Top Dealer Award
Hewlett Packard Enterprise	Top Performing PointNext Partner
Hewlett Packard Enterprise	Top Performing Reseller on Hybrid IT
Arcserve	FY19 Best Sellers UDP Appliance
CISCO	FY19H1 Best Volume Business Performer

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\$1,255.1 million for the Year, representing an increase of approximately HK\$158.9 million or 14.5% as compared to approximately HK\$1,096.2 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\$1,135.8 million for the Year, representing an increase of approximately HK\$149.8 million or 15.2% as compared to approximately HK\$986.0 million for the Previous Year. The revenue of the business segment of IT managed services was approximately HK\$119.3 million for the Year, representing an increase of approximately HK\$9.1 million or 8.3% as compared to approximately HK\$110.2 million for the Previous Year. For the Year, the business segments of IT infrastructure solutions services and IT managed services contributed approximately 90.5% and 9.5% to the total revenue of the Group, respectively.

Cost of sales

The cost of sales of the Group for the Year was approximately HK\$1,130.5 million, representing an increase of approximately HK\$153.5 million or 15.7% from approximately HK\$977.0 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\$124.6 million, representing an increase of approximately HK\$5.4 million or 4.5% from approximately HK\$119.2 million for the Previous Year. Such increase was mainly due to the increase in gross profit generated from the business segment of IT infrastructure solutions services of the Group.

Operating expenses

The total operating expenses of the Group for the Year was approximately HK\$88.4 million, representing an increase of approximately HK\$5.2 million or 6.3% as compared to approximately HK\$83.2 million for the Previous Year. Such increase was due to the increase in selling and distribution expenses of approximately HK\$3.7 million or 6.5%.

Profit for the Year

The profit and total comprehensive income of the Group for the Year was approximately HK\$28.6 million, representing a decrease of approximately HK\$1.5 million or 5.0% as compared to approximately HK\$30.1 million for the Previous Year. Such decrease was due to the increase of operating expenses of the Group.

Liquidity and financial resources

Capital Structure

The Group did not have any borrowings as at 31 March 2019 (31 March 2018: 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 16 of this announcement.

Cash position

The Group recorded net current assets of approximately HK\$210.2 million as at 31 March 2019, while the net current assets of the Group as at 31 March 2018 was approximately HK\$214.9 million. As at 31 March 2019, the Group had cash and cash equivalents of approximately HK\$230.3 million (31 March 2018: HK\$ 225.9 million).

Capital expenditure

During the Year, the Group's total capital expenditure amounted to approximately HK\$2.1 million (the Previous Year: HK\$0.8 million), which was mainly incurred for acquisition of office equipment.

Gearing ratio

The net gearing ratio of the Group (net borrowings, including interest-bearing bank loans and other borrowings less cash and cash equivalents and restricted cash, divided by the total equity) was not applicable as at 31 March 2019 and 31 March 2018 since the Group did not have any interest-bearing liabilities as at 31 March 2019 and 31 March 2018.

Performance guarantees

The Group's performance guarantees as at 31 March 2019 are set out in note 12 on page 17 of this announcement.

Contingent liabilities

The Group has no contingent liabilities as at 31 March 2019.

Pledge of assets

As at 31 March 2019, certain of the Group's bank deposits totaling HK\$9.9 million (31 March 2018: HK\$2.3 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 2019, the Group had a total of 277 employees (31 March 2018: 277 employees). For the Year, the total staff costs including Directors' emoluments was approximately HK\$108.2 million (Previous Year: HK\$99.9 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.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK\$0.055 per share of the Company (the “Share”) for the Year (the “2019 Final Dividend”) to the Shareholders. Subject to the approval by the Shareholders at the forthcoming AGM to be held on Thursday, 22 August 2019, the 2019 Final Dividend will be paid on or about Wednesday, 11 September 2019 to Shareholders whose names appear on the register of members of the Company on Wednesday, 28 August 2019. (Previous Year: HK\$0.07 per Share). During the Year, the Company declared and paid interim dividend of HK\$0.04 per Share. (Previous Year: Nil)

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 Monday, 19 August 2019 to Thursday, 22 August 2019, 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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, with effect from 11 July 2019) for registration no later than 4:30 p.m. on Friday, 16 August 2019.

For the purposes of determining the Shareholders’ entitlement to the 2019 Final Dividend, if approved by the Shareholders at the AGM, the register of members of the Company will be closed on Wednesday, 28 August 2019, on which day no transfer of Shares will be registered. In order to be eligible for the proposed 2019 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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, with effect from 11 July 2019) for registration no later than 4:30 p.m. on Tuesday, 27 August 2019.

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 2019.

USE OF PROCEEDS

The net proceeds (the “**Net Proceeds**”) from the initial public offering of the Company in March 2017 amounted to approximately HK\$56.0 million (after deducting underwriting commissions and related expenses). As at 31 March 2019, the Group had utilised approximately HK\$22.6 million of the Net Proceeds in accordance with the proposed applications as set out in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company date 24 February 2017 (the “**Prospectus**”), details of which are set out as follows:

Use	Approximate amount of Net Proceeds (HK\$ 'million)	Approximate percentage of Net Proceeds as stated in the Prospectus	Approximate amount utilised as at 31 March 2019 (HK\$ 'million)
Upgrading of the IT management systems of the Group	19.6	35%	3.7 <i>(Note 1)</i>
Enhancing of the Group’s capability to undertake large-scale contracts	14.0	25%	10.5
Recruitment and training of employees	11.2	20%	7.4 <i>(Note 2)</i>
Strengthening the marketing efforts of the Group	5.6	10%	1.0
Additional working capital and other general corporate purposes	5.6	10%	0.0
	<u>56.0</u>	<u>100%</u>	<u>22.6</u>

Notes:

1. The utilisation of proceeds for upgrading of the IT management systems of the Group has fallen behind the schedule as disclosed in the Prospectus due to the complication of the Group’s systems. The Group is in the process of evaluating and upgrading the existing systems.
2. The utilisation of proceeds for recruitment and training of employees has fallen behind the schedule as disclosed in the Prospectus due to the insufficient supply of labour in the market. The Group is in the process of identifying suitable candidates for the relevant positions.

As at 31 March 2019, 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 US — China trade war is uncertain, the global economy is facing an unpredictable slow-down and the US dollars is strengthening, 2019 is definitely a challenging year. The Group will keep a close attention on these conditions and will adhere to its prudent financial policy to maintain good standard of debt structure and minimise the financial risk.

The Group will continue to focus on IT infrastructure solutions services and IT managed services, and also explore cyber security training services and clouds solutions businesses. In response to market needs, the Group will continuously widen its business platform for providing various solutions to customers.

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.

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 on the Stock Exchange (the “**Listing Rules**”) 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 2019 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. 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 and on the Company's website at 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, 28 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.