



2019  
INTERIM REPORT

Microware Group Limited  
美高域集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1985

## BOARD OF DIRECTORS

### Executive Directors

CHU Ming Ho  
*(Chairman and Chief Executive Officer of the Group)*  
YANG Peter Shun Tsing

### Non-Executive Director

WAN Yiu Hon

### Independent Non-Executive Directors

LI Wai Man  
CHENG Tak Chung  
LI Richard King Hang

## AUDIT COMMITTEE

LI Wai Man *(Chairlady)*  
CHENG Tak Chung  
LI Richard King Hang

## REMUNERATION COMMITTEE

LI Richard King Hang *(Chairman)*  
CHU Ming Ho  
CHENG Tak Chung

## NOMINATION COMMITTEE

CHU Ming Ho *(Chairman)*  
CHENG Tak Chung  
LI Richard King Hang

## COMPANY SECRETARY

CHAN Wai Hing Gloria (HKICPA)

## AUTHORISED REPRESENTATIVES

CHU Ming Ho  
*(Chairman and Chief Executive Officer of the Group)*  
CHAN Wai Hing Gloria

## AUDITOR

Deloitte Touche Tohmatsu

## LEGAL ADVISERS

### As to Hong Kong Law

Sidley Austin  
Solicitors, Hong Kong

## REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1/F, Century Centre  
44-46 Hung To Road  
Kwun Tong  
Kowloon  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Ltd.  
Level 54, Hopewell Centre  
183 Queen's Road East,  
Hong Kong

## PRINCIPAL BANKS

Industrial and Commercial Bank of China (Asia) Limited  
Dah Sing Bank Limited  
Hang Seng Bank Limited  
DBS Bank (Hong Kong) Limited

## COMPANY'S WEBSITE

[www.microware1985.com](http://www.microware1985.com)

## STOCK CODE

1985

# Management Discussion and Analysis

## BUSINESS REVIEW

Microware Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is principally engaged in the provision of information technology (“**IT**”) infrastructure solutions services and IT managed services in Hong Kong. The Group strives to provide one-stop IT experience which begins with (i) consultation and advice; (ii) hardware and/or software procurement; (iii) implementation; (iv) management and maintenance of the IT infrastructure solutions; to (v) provision of cyber securities training programmes.

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

For the six months ended 30 September 2019 (the “**Period**”), the total revenue of the Group increased by approximately HK\$61.7 million or 10.5% as compared to that for the corresponding period of 2018 (the “**Previous Period**”). Such increase was due to the increase in revenue generated from the IT infrastructure solutions services and IT managed services business of the Group.

The Group has a good result in the first six months of 2019 in both business segments. In view of the current environment of Hong Kong, the board (the “**Board**”) of directors (the “**Directors**”) of the Group believes that the business environment of Hong Kong is challenging. The Group’s management team will continue to take proactive actions with an aim to improve the Group’s operations and results.

## FINANCIAL REVIEW

### Revenue

Total revenue of the Group amounted to approximately HK\$651.0 million for the Period, representing an increase of approximately HK\$61.7 million or 10.5% as compared to approximately HK\$589.3 million for the Previous Period. The increase in total revenue was mainly due to the increase in revenue of the business segment of IT infrastructure solution services which was approximately HK\$589.3 million for the Period, representing an increase of approximately HK\$57.1 million or 10.7% as compared to approximately HK\$532.2 million for the Previous Period. The revenue of the business segment of IT managed services was approximately HK\$61.7 million, representing an increase of approximately HK\$4.6 million or 8.1% as compared to approximately HK\$57.1 million for the Previous Period. For the Period, 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 Period was approximately HK\$584.5 million, representing an increase of approximately HK\$51.9 million or 9.7% from approximately HK\$532.6 million for the Previous Period. Such increase was generally in line with the increase in the Group’s total revenue.

### Gross profit

Gross profit of the Group for the Period was approximately HK\$66.5 million, representing an increase of approximately HK\$9.7 million or 17.1% from approximately HK\$56.8 million for the Previous Period. Such increase was mainly due to the increase in revenue.



## Gross profit margin

Gross profit margin of the Group for the Period was approximately 10.2%, which is quite stable compared to that of the Previous Period of approximately 9.6%.

## Operating expenses

Total operating expenses of the Group for the Period was approximately HK\$46.4 million, representing an increase of approximately HK\$3.4 million or 7.9% as compared to approximately HK\$43.0 million for the Previous Period. Such increase was due to the increase in the selling and distribution expenses of approximately HK\$2.4 million as a result of the increase in revenue and staff costs during the period.

## Other gains and losses

The increase in other gains and losses of approximately HK\$3.1 million derives from the allowance for impairment losses of trade receivables of approximately HK\$3.8 million.

## Profit for the Period

As a result of the foregoing, in particular the increase in the gross profit which was partially offset by increase in the distribution and selling expenses. The profit and total comprehensive income of the Group increased by approximately HK\$ 2.3 million (or 22.3%) to approximately HK\$ 12.6 million for the Period from HK\$10.3 million for the Previous Period.

## Liquidity and financial resources

### Capital structure

The Group did not have any borrowings as at 30 September 2019 (31 March 2019: Nil). The details of the share capital of the Company during the Period and the Previous Period are set out in note 13 to the unaudited condensed consolidated financial statements of the Group for the Period included in this report (the “**Financial Statements**”).

### Cash position

The Group recorded net current assets of approximately HK\$203.3 million as at 30 September 2019 (31 March 2019: approximately HK\$210.2 million). As at 30 September 2019, the Group had cash and cash equivalents of approximately HK\$126.7 million (31 March 2019: approximately HK\$ 230.3 million).

### Capital expenditure

During the Period, the Group’s total capital expenditure amounted to approximately HK\$0.5 million as at 30 September 2019 (Previous Period: approximately HK\$1.8 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 30 September 2019 and 31 March 2019, respectively, since the Group did not have any interest-bearing liabilities as at 30 September 2019 and 31 March 2019, respectively.

### Performance guarantees

The Group's performance guarantees as at 30 September 2019 and 31 March 2019 are set out in note 17 to the Financial Statements.

### Contingent liabilities

Save as disclosed in note 17 to the Financial Statements, the Group has no other contingent liabilities as at 30 September 2019 and 31 March 2019.

### Pledge of assets

As at 30 September 2019, certain of the Group's bank deposits totaling HK\$10.3 million (31 March 2019: HK\$9.9 million) were pledged as securities for securing banking facilities granted to the Group.

### Foreign exchange risk

The Group's transactions are mainly denominated and settled in Hong Kong Dollars ("HK\$") and the United States Dollars ("US\$"). Foreign exchange exposure of the Group to US\$ will continue to be minimal as long as the policy of The Government of the Hong Kong Special Administrative Region to link HK\$ to US\$ remains in effect. During the 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 2019, the Group had a total of 276 employees (30 September 2018: 291 employees). For the Period, the total staff costs including Directors' emoluments was approximately HK\$55.1 million (Previous Period: HK\$52.0 million). The Group offers a competitive remuneration package to its employees, including mandatory provident funds in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and medical insurance coverage to employees who are retained after the probation period. The Group will review the performance of its employees and make reference to such performance reviews in its salary and/or promotional review in order to attract and retain talented employees.

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

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



## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (Previous Period HK\$0.04 per share).

## 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 there was no future plan for material investments or capital assets as at 30 September 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 30 September 2019, the Group had utilised approximately HK\$34.3 million of the Net Proceeds in accordance with the proposed applications as set out in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 24 February 2017 (the “**Prospectus**”), details of which are set out as follows:

| Use  | Approximate<br>amount of<br>Net Proceeds<br>(HK\$'million) | Approximate<br>percentage of<br>Net Proceeds | Approximate<br>amount of<br>Net Proceeds<br>utilised as at<br>30 September 2019<br>(HK\$'million) | Approximate<br>percentage of<br>Net Proceeds<br>utilised as at<br>30 September 2019 |
|--|--|--|---|---|
| Upgrading of the IT management systems of the Group                    | 19.6   | 35%  | 5.8   | 10.4%   |
| Enhancing of the Group's capability to undertake large-scale contracts | 14.0   | 25%  | 10.8  | 19.3%   |
| Recruitment and training of employees                                  | 11.2   | 20%  | 10.8  | 19.3%   |
| Strengthening the marketing efforts of the Group                       | 5.6  | 10%  | 1.4   | 2.5%  |
| Additional working capital and other general corporate purposes        | 5.6  | 10%  | 5.5   | 9.8%  |
|  | 56.0   | 100%   | 34.3  | 61.3%   |

| Use  | Approximate amount of Net Proceeds unutilised as at 1 April 2019 (HK\$'million) | Use of Net Proceeds during the Period | Approximate amount of Net Proceeds unutilised as at 30 September 2019 (HK\$'million) | Approximate percentage of Net Proceeds unutilised as at 30 September 2019 |
|--|---|---------------------------------------|--|---|
| Upgrading of the IT management systems of the Group                    | 15.9  | (2.1)                                 | 13.8   | 24.6%   |
| Enhancing of the Group's capability to undertake large-scale contracts | 3.5   | (0.3)                                 | 3.2  | 5.7%  |
| Recruitment and training of employees                                  | 3.8   | (3.4)                                 | 0.4  | 0.7%  |
| Strengthening the marketing efforts of the Group                       | 4.6   | (0.4)                                 | 4.2  | 7.5%  |
| Additional working capital and other general corporate purposes        | 5.6   | (5.5)                                 | 0.1  | 0.2%  |
|  | 33.4  | (11.7)                                | 21.7   | 38.7%   |

As at 30 September 2019, the unutilised Net Proceeds, have been deposited into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong. The unutilised Net Proceeds will be utilised in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

## FUTURE OUTLOOK

There was a fruitful result in the first six months of the Group recorded the growth of revenue. The Group will continue to take proactive steps to adapt and expand our scope of services to ensure the satisfaction of our customers and enhance our service capabilities. We also deepen our market penetration by integrating our value-added services into our customer's business.

Due to the trade tensions between China and the United States, and the economy environment of Hong Kong, it is a challenging year of the Group. The Group's management team is widening the business and empowering the employee to maintain and expand the market value to our customers and business partners. Once again, we will live our mission and "Create the Value, Explore the Future".



## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

Code Provision A.2.1 of the CG Code provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present separate roles of the chairman and chief executive officer. Mr. Chu Ming Ho is currently 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 for Mr. Chu Ming Ho to assume 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 guidelines for the Directors' dealings in the securities of the Company.

Specific enquiries 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.

## 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.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company (the "**Articles**") or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.



## SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on the Adoption Date, which, unless otherwise terminated or amended, will remain in force for a period of 10 years from the Adoption Date.

Since the Adoption Date, no share options have been granted, exercised or cancelled by the Company under the Share Option Scheme. There were no outstanding share options under the Share Option Scheme as at the date of this report.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2019, the interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### (1) Interest in the Company

| Name of Director                          | Nature of Interest                                  | Number of Shares <sup>(1)</sup> | Approximate percentage of shareholding |
|---|---|---------------------------------|--|
| Mr. Yang Peter Shun Tsing<br>("Mr. Yang") | Interest of a controlled corporation <sup>(2)</sup> | 164,804,000 (L)                 | 54.9%                                  |
|   | Beneficial owner                                    | 38,820,000 (L)                  | 12.9%                                  |
| Mr. Chu Ming Ho                           | Beneficial owner                                    | 11,500,000 (L)                  | 3.8%                                   |

Notes:

- (1) The Letter "L" denotes the person's long position in the Shares.
- (2) These 164,804,000 Shares are held by Microware International Holdings Limited ("Microware International"), which is beneficially and wholly owned by Mr. Yang Peter Shun Tsing. By virtue of the SFO, Mr. Yang is deemed to be interested in the Shares held by Microware International.

### (2) Interest in associated corporation of the Company

| Name of Director | Name of associated corporation | Nature of interest | Interest in shares | Percentage holding |
|------------------|--------------------------------|--------------------|--------------------|--------------------|
| Mr. Yang         | Microware International        | Beneficial owner   | 50,000             | 100%               |

Save as disclosed above, none of the Directors or chief executive of the Company had registered any interest or short positions in any shares, underlying shares and debentures of the Company or any associated corporation as at 30 September 2019, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES

As at 30 September 2019, the interests or short positions in the shares or underlying shares of the Company held by the persons (not being a Director or chief executive of the Company) which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

| <b>Name of Director</b> | <b>Nature of Interest</b> | <b>Number of Shares <sup>(1)</sup></b> | <b>Approximate percentage of shareholding</b> |
|-------------------------|---------------------------|--|---|
| Microware International | Beneficial owner          | 164,804,000 (L)                        | 54.9%   |

Note:

(1) The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as at 30 September 2019, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

## REVIEW OF THE INTERIM RESULTS AND INTERIM REPORT

The unaudited interim results and the unaudited condensed consolidated financial statements of the Group for the Period have been reviewed by the audit committee of the Board.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2019

|   | NOTES | Six months ended<br>30 September |                                 |
|---|-------|----------------------------------|---------------------------------|
|   |       | 2019<br>HK\$'000<br>(unaudited)  | 2018<br>HK\$'000<br>(unaudited) |
| Revenue   | 3     | <b>650,993</b>                   | 589,324                         |
| Cost of sales   |       | <b>(584,460)</b>                 | (532,552)                       |
| Gross profit  |       | <b>66,533</b>                    | 56,772                          |
| Other income  |       | <b>557</b>                       | 570                             |
| Other gains and losses, net   |       | <b>(3,812)</b>                   | (694)                           |
| Other expenses  |       | <b>(1,572)</b>                   | (1,046)                         |
| Distribution and selling expenses   |       | <b>(31,913)</b>                  | (29,537)                        |
| Administrative expenses   |       | <b>(14,514)</b>                  | (13,474)                        |
| Finance costs   |       | <b>(10)</b>                      | —                               |
| Profit before taxation  |       | <b>15,269</b>                    | 12,591                          |
| Taxation  | 5     | <b>(2,836)</b>                   | (2,372)                         |
| Profit and total comprehensive income for the period                                    | 6     | <b>12,433</b>                    | 10,219                          |
| Profit/(loss) and total comprehensive income/(expense)<br>for the year attributable to: |       |                                  |                                 |
| — owners of the Company   |       | <b>12,585</b>                    | 10,314                          |
| — non-controlling interest  |       | <b>(152)</b>                     | (95)                            |
|   |       | <b>12,433</b>                    | 10,219                          |
| Earnings per share  | 8     |                                  |                                 |
| Basic (HK\$)  |       | <b>0.04</b>                      | 0.03                            |



# Condensed Consolidated Statement of Financial Position

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As at 30 September 2019

|   | NOTES | At<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | At<br>31 March<br>2019<br>HK\$'000<br>(audited) |
|---|-------|---|---|
| <b>NON-CURRENT ASSETS</b>                                     |       |   |   |
| Property, plant and equipment                                 | 9     | 3,828   | 2,119   |
| Deferred tax asset  |       | 388   | 388   |
| Deposit paid for acquisition of property, plant and equipment |       | 804   | 1,184   |
| Prepayments and deposits                                      | 10    | 1,062   | 1,465   |
| Derivative financial instruments                              | 12    | 27  | —   |
|   |       | <b>6,109</b>  | 5,156   |
| <b>CURRENT ASSETS</b>   |       |   |   |
| Inventories   |       | 38,393  | 39,043  |
| Trade and other receivables, prepayments and deposits         | 10    | 269,600   | 207,660   |
| Pledged bank deposit  |       | 10,259  | 9,909   |
| Bank balances and cash  |       | 145,301   | 252,385   |
|   |       | <b>463,553</b>  | 508,997   |
| <b>CURRENT LIABILITIES</b>                                    |       |   |   |
| Trade and other payables and accruals                         | 11    | 202,099   | 214,318   |
| Amount due to a non-controlling interest of a subsidiary      |       | 699   | 599   |
| Contract liabilities  |       | 53,924  | 81,959  |
| Tax liabilities   |       | 3,231   | 1,879   |
| Leases liabilities  |       | 328   | —   |
|   |       | <b>260,281</b>  | 298,755   |
| <b>NET CURRENT ASSETS</b>                                     |       | <b>203,272</b>  | 210,242   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                  |       | <b>209,381</b>  | 215,398   |
| <b>NON-CURRENT LIABILITIES</b>                                |       |   |   |
| Derivative financial instruments                              | 12    | —   | 248   |
| Contract liabilities  |       | 3,364   | 5,066   |
|   |       | <b>3,364</b>  | 5,314   |
| <b>NET ASSETS</b>   |       | <b>206,107</b>  | 210,084   |
| <b>CAPITAL AND RESERVES</b>                                   |       |   |   |
| Share capital   | 13    | 3,000   | 3,000   |
| Reserves  |       | 203,422   | 207,337   |
| Equity attributable to owners of the Company                  |       | <b>206,422</b>  | 210,337   |
| Non-controlling interest                                      |       | (405)   | (253)   |
|   |       | <b>206,107</b>  | 210,084   |

The condensed consolidated financial statements on pages 10 to 30 were approved and authorised for issue by the Board of Directors on 21 November 2019 and are signed on its behalf by:

**Chu Ming Ho**  
DIRECTOR

**Yang Shun Tsing**  
DIRECTOR

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019

|  | Attributable to owners of the Company |                           |                                     |                              |                   | Non-controlling interest<br>HK\$'000 | Total equity<br>HK\$'000 |
|--|---------------------------------------|---------------------------|-------------------------------------|------------------------------|-------------------|--------------------------------------|--------------------------|
|  | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Other reserve<br>HK\$'000<br>(Note) | Retained profits<br>HK\$'000 | Total<br>HK\$'000 |                                      |                          |
| At 1 April 2019 (audited)  | <b>3,000</b>                          | <b>75,297</b>             | <b>70,832</b>                       | <b>61,208</b>                | <b>210,337</b>    | <b>(253)</b>                         | <b>210,084</b>           |
| Profit/(loss) and total comprehensive income/ (expense) for the period | —                                     | —                         | —                                   | <b>12,585</b>                | <b>12,585</b>     | <b>(152)</b>                         | <b>12,433</b>            |
| Dividends paid (note 7)  | —                                     | —                         | —                                   | <b>(16,500)</b>              | <b>(16,500)</b>   | —                                    | <b>(16,500)</b>          |
| At 30 September 2019 (unaudited)                                       | <b>3,000</b>                          | <b>75,297</b>             | <b>70,832</b>                       | <b>57,293</b>                | <b>206,422</b>    | <b>(405)</b>                         | <b>206,017</b>           |
| At 1 April 2018 (audited)  | 3,000                                 | 75,297                    | 70,832                              | 65,325                       | 214,454           | —                                    | 214,454                  |
| Profit/(loss) and total comprehensive income/ (expense) for the period | —                                     | —                         | —                                   | 10,314                       | 10,314            | (95)                                 | 10,219                   |
| Dividends paid (note 7)  | —                                     | —                         | —                                   | (21,000)                     | (21,000)          | —                                    | (21,000)                 |
| Capital injection from non-controlling interest                        | —                                     | —                         | —                                   | —                            | —                 | 1                                    | 1                        |
| At 30 September 2018 (unaudited)                                       | 3,000                                 | 75,297                    | 70,832                              | 54,639                       | 203,768           | (94)                                 | 203,674                  |

Note: Other reserve represents the balance in relation to the shareholder's contribution arising from share-based payment arrangements attributable to owners of the Company.



# Condensed Consolidated Statement of Cash Flows

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For the six months ended 30 September 2019

|  | Six months ended<br>30 September |                  |
|--|----------------------------------|------------------|
|  | 2019<br>HK\$'000                 | 2018<br>HK\$'000 |
| NET CASH USED IN OPERATING ACTIVITIES  | <b>(88,845)</b>                  | (77,731)         |
| INVESTING ACTIVITIES   |                                  |                  |
| Bank interest received   | <b>497</b>                       | 427              |
| Purchase of property, plant and equipment  | <b>(480)</b>                     | (1,751)          |
| Deposit paid for acquisition of property, plant and equipment                            | <b>(1,257)</b>                   | (445)            |
| Placement of pledged bank deposits   | <b>(10,259)</b>                  | (2,744)          |
| Withdrawal of pledged bank deposits  | <b>9,909</b>                     | 2,270            |
| Placement of time deposits   | <b>(17,904)</b>                  | (24,001)         |
| Withdrawal of time deposits  | <b>21,347</b>                    | 24,031           |
| NET CASH FROM (USED IN) INVESTING ACTIVITIES   | <b>1,853</b>                     | (2,213)          |
| FINANCING ACTIVITIES   |                                  |                  |
| Advance from non-controlling interest of a subsidiary                                    | <b>100</b>                       | 600              |
| Repayment of lease liabilities   | <b>(249)</b>                     | —                |
| Dividends paid   | <b>(16,500)</b>                  | (21,000)         |
| CASH USED IN FINANCING ACTIVITIES  | <b>(16,649)</b>                  | (20,400)         |
| NET DECREASE IN CASH AND CASH EQUIVALENTS  | <b>(103,641)</b>                 | (100,344)        |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD                                     | <b>230,342</b>                   | 225,858          |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD,<br>represented by bank balances and cash | <b>126,701</b>                   | 125,514          |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

## 1. GENERAL AND BASIS OF PREPARATION

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

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2019.

### Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements:

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

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



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

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

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

##### **Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### **As a lessee**

###### *Short-term leases*

The Group applies the short-term lease recognition exemption to leases of premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

###### *Right-of-use assets*

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in “property, plant and equipment”, the same line item as that within which the corresponding underlying assets would be presented if they were owned.



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” *(continued)*

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

##### **As a lessee** *(continued)*

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets. In the opinion of the directors of the Company, the discounting effect at transition on the rental deposits is insignificant.

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments less any lease incentives receivable.

##### *Taxation*

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” *(continued)*

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

##### **Definition of a lease**

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

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

##### **As a lessee**

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” *(continued)*

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(continued)*

##### As a lessee *(continued)*

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

|   | <b>At<br/>1 April 2019<br/>HK\$’000</b> |
|---|---|
| On transition, the Group has made the following adjustments upon application of HKFRS 16:                 |   |
| Operating lease commitments disclosed as at 31 March 2019   | 936                                     |
| Lease liabilities discounted at relevant incremental borrowing rates                                      | 918                                     |
| Less: Recognition exemption — short-term leases   | (351)                                   |
| Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019 | 567                                     |
| Analysed as   |   |
| Current   | 484                                     |
| Non-current   | 83                                      |
|   | 567                                     |

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

|  | <b>At<br/>1 April 2019<br/>HK\$’000</b> |
|--|---|
| Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 | 567                                     |
| By class:  |   |
| Land and buildings   | 567                                     |



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” *(continued)*

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(continued)*

##### As a lessee *(continued)*

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

|                                | Carrying<br>amounts<br>previously<br>reported at<br>31 March 2019<br>HK\$'000 | Adjustments<br>HK\$'000 | Carrying<br>amounts<br>under<br>HKFRS 16 at<br>1 April 2019<br>HK\$'000 |
|--------------------------------|---|-------------------------|---|
| <b>Non-current assets</b>      |   |                         |   |
| Right-of-use assets            | —   | 567                     | 567   |
| <b>Current liabilities</b>     |   |                         |   |
| Lease liabilities              | —   | 484                     | 484   |
| <b>Non-current liabilities</b> |   |                         |   |
| Lease liabilities              | —   | 83                      | 83  |

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 April 2019 as disclosed above.

### 3. REVENUE FROM GOODS AND SERVICES

|  | Segment revenue   |   | Total<br>HK\$'000 |
|--|---|---|-------------------|
|  | IT infrastructure<br>solution<br>services<br>business<br>HK\$'000 | IT managed<br>service<br>business<br>HK\$'000 |                   |
| <b>For the six months ended<br/>30 September 2019 (unaudited)</b>          |   |   |                   |
| <b>Disaggregation of revenue and<br/>reconciliation to segment revenue</b> |   |   |                   |
| Procurement of hardware and software                                       | 583,670   | —   | 583,670           |
| Provision of design of solutions   | 5,657   | 7,791   | 13,448            |
| Provision of maintenance and/or support services                           | —   | 53,723  | 53,723            |
| Provision of training programmes relating to<br>cyber security             | —   | 152   | 152               |
| <b>Total</b>   | <b>589,327</b>  | <b>61,666</b>                                 | <b>650,993</b>    |
| <b>Timing of revenue recognition</b>                                       |   |   |                   |
| A point of time  | 583,670   | —   | 583,670           |
| Over time  | 5,657   | 61,666  | 67,323            |
| <b>Total</b>   | <b>589,327</b>  | <b>61,666</b>                                 | <b>650,993</b>    |

|  | Segment revenue   |   | Total<br>HK\$'000 |
|--|---|---|-------------------|
|  | IT infrastructure<br>solution<br>services<br>business<br>HK\$'000 | IT managed<br>service<br>business<br>HK\$'000 |                   |
| <b>For the six months ended<br/>30 September 2018 (unaudited)</b>          |   |   |                   |
| <b>Disaggregation of revenue and<br/>reconciliation to segment revenue</b> |   |   |                   |
| Procurement of hardware and software                                       | 528,193   | —   | 528,193           |
| Provision of design of solutions   | 4,032   | 4,697   | 8,729             |
| Provision of maintenance and/or support services                           | —   | 52,402  | 52,402            |
| <b>Total</b>   | <b>532,225</b>  | <b>57,099</b>                                 | <b>589,324</b>    |
| <b>Timing of revenue recognition</b>                                       |   |   |                   |
| A point of time  | 528,193   | —   | 528,193           |
| Over time  | 4,032   | 57,099  | 61,131            |
| <b>Total</b>   | <b>532,225</b>  | <b>57,099</b>                                 | <b>589,324</b>    |



### 3. REVENUE FROM GOODS AND SERVICES (continued)

#### Revenue from major customer types

The following is an analysis of the Group's revenue from continuing operations from its major customer types:

|   | Segment of<br>IT infrastructure<br>solution<br>services<br>HK\$'000 | Segment of<br>IT managed<br>services<br>business<br>HK\$'000 | Total<br>HK\$'000 |
|---|---|--|-------------------|
| <b>For the six months ended<br/>30 September 2019 (unaudited)</b> |   |  |                   |
| <b>Public sector</b>  |   |  |                   |
| Hong Kong Government  | 129,943   | 13,797   | 143,740           |
| Public bodies   | 66,271  | 1,531  | 67,802            |
| Educational institutions and, non-profits organisations           | 96,055  | 5,754  | 101,809           |
| <b>Sub-total</b>  | <b>292,269</b>  | <b>21,082</b>  | <b>313,351</b>    |
| <b>Private sector</b>   |   |  |                   |
| Banking and finance   | 97,829  | 17,822   | 115,651           |
| IT  | 7,523   | 2,410  | 9,933             |
| Telecommunications and media                                      | 16,547  | 2,599  | 19,146            |
| Transportation  | 53,275  | 3,013  | 56,288            |
| Others  | 121,884   | 14,740   | 136,624           |
| <b>Sub-total</b>  | <b>297,058</b>  | <b>40,584</b>  | <b>337,642</b>    |
| <b>Total</b>  | <b>589,327</b>  | <b>61,666</b>  | <b>650,993</b>    |
|   | Segment of<br>IT infrastructure<br>solution<br>services<br>HK\$'000 | Segment of<br>IT managed<br>services<br>business<br>HK\$'000 | Total<br>HK\$'000 |
| <b>For the six months ended<br/>30 September 2018 (unaudited)</b> |   |  |                   |
| <b>Public sector</b>  |   |  |                   |
| Hong Kong Government  | 76,445  | 11,468   | 87,913            |
| Public bodies   | 55,631  | 1,361  | 56,992            |
| Educational institutions and, non-profits organisations           | 105,174   | 5,677  | 110,851           |
| <b>Sub-total</b>  | <b>237,250</b>  | <b>18,506</b>  | <b>255,756</b>    |
| <b>Private sector</b>   |   |  |                   |
| Banking and finance   | 70,671  | 16,363   | 87,034            |
| IT  | 4,673   | 3,169  | 7,842             |
| Telecommunications and media                                      | 34,273  | 2,165  | 36,438            |
| Transportation  | 54,971  | 2,779  | 57,750            |
| Others  | 130,387   | 14,117   | 144,504           |
| <b>Sub-total</b>  | <b>294,975</b>  | <b>38,593</b>  | <b>333,568</b>    |
| <b>Total</b>  | <b>532,225</b>  | <b>57,099</b>  | <b>589,324</b>    |

#### 4. 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
- (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:

|   | IT infrastructure<br>solution services<br>business<br>HK\$’000 | IT managed<br>services<br>business<br>HK\$’000 | Total<br>HK\$’000 |
|---|--|--|-------------------|
| <b>For the six months ended<br/>30 September 2019 (unaudited)</b> |  |  |                   |
| Segment revenue   | 589,327  | 61,666   | 650,993           |
| Segment results   | 23,893   | 7,970  | 31,863            |
| Other income  |  |  | 557               |
| Certain other gains and losses, net                               |  |  | 11                |
| Other expenses  |  |  | (1,572)           |
| Certain distribution and selling expenses                         |  |  | (1,066)           |
| Administrative expenses   |  |  | (14,514)          |
| Finance cost  |  |  | (10)              |
| Profit before taxation  |  |  | 15,269            |
|   | IT infrastructure<br>solution services<br>business<br>HK\$’000 | IT managed<br>services<br>business<br>HK\$’000 | Total<br>HK\$’000 |
| <b>For the six months ended<br/>30 September 2018 (unaudited)</b> |  |  |                   |
| Segment revenue   | 532,225  | 57,099   | 589,324           |
| Segment results   | 20,764   | 7,189  | 27,953            |
| Other income  |  |  | 570               |
| Other gains and losses, net                                       |  |  | (694)             |
| Other expenses  |  |  | (1,046)           |
| Certain distribution and selling expenses                         |  |  | (718)             |
| Administrative expenses   |  |  | (13,474)          |
| Profit before taxation  |  |  | 12,591            |



#### 4. SEGMENT INFORMATION *(continued)*

##### Segment revenue and results *(continued)*

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

|   | IT<br>infrastructure<br>solution<br>services<br>business<br>HK\$'000 | IT<br>managed<br>services<br>business<br>HK\$'000 | Unallocated<br>HK\$'000 | Total<br>HK\$'000 |
|---|--|---|-------------------------|-------------------|
| Amounts included in the measure of segment results:                         |  |   |                         |                   |
| <b>For the six months ended 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             |
| <b>For the six months ended 30 September 2018 (unaudited)</b>               |  |   |                         |                   |
| Depreciation  | 133  | 161   | 242                     | 536               |
| Allowance for inventories   | 1,260  | —   | —                       | 1,260             |
| Reversal of allowance for impairment losses in respect of trade receivables | (245)  | (32)  | —                       | (277)             |

#### 5. TAXATION

|                       | Six months ended<br>30 September |                                 |
|-----------------------|----------------------------------|---------------------------------|
|                       | 2019<br>HK\$'000<br>(unaudited)  | 2018<br>HK\$'000<br>(unaudited) |
| Current tax:          |                                  |                                 |
| Hong Kong Profits Tax | 2,836                            | 2,372                           |

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 2019 and at 16.5% of the estimated assessable profits for the period ended 30 September 2018.



## 6. PROFIT FOR THE PERIOD

|  | Six months ended<br>30 September |                                 |
|--|----------------------------------|---------------------------------|
|  | 2019<br>HK\$'000<br>(unaudited)  | 2018<br>HK\$'000<br>(unaudited) |
| Profit for the period has been arrived at after charging (crediting):                      |                                  |                                 |
| Cost of inventories recognised as an expense   | 534,789                          | 486,694                         |
| Depreciation of property, plant and equipment  | 975                              | 536                             |
| (Reversal of allowance) allowance for inventories (included in cost of sales)              | (180)                            | 1,260                           |
| Allowance (reversal of allowance) for impairment losses<br>in respect of trade receivables | 3,823                            | (277)                           |

## 7. DIVIDENDS

No interim dividend was declared for the six months ended 30 September 2019 (six months ended 30 September 2018: HK\$12 million of HK\$0.04 per share). Final dividend for the year ended 31 March 2019 of HK\$16.5 million of HK\$0.055 per share (year ended 31 March 2018: HK\$21 million of HK\$0.07 per share) was paid during the six months ended 30 September 2019.

## 8. EARNINGS PER SHARE

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

|   | Six months ended<br>30 September |                                 |
|---|----------------------------------|---------------------------------|
|   | 2019<br>HK\$'000<br>(unaudited)  | 2018<br>HK\$'000<br>(unaudited) |
| Earnings:   |                                  |                                 |
| Earnings for the period for the purpose of basic earnings per share                       | 12,585                           | 10,314                          |
| Number of shares:   |                                  |                                 |
| Weighted average number of ordinary shares for the<br>purpose of basic earnings per share | 300,000                          | 300,000                         |

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



## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group spent HK\$480,000 (for the six months ended 30 September 2018: HK\$1,751,000) on the acquisition of property, plant and equipment.

During the current interim period, the Group entered into a lease agreement for the use of office premises for 2 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised HK\$325,000 of right-of-use assets and HK\$328,000 of lease liabilities.

## 10. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

|   | At<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | At<br>31 March<br>2019<br>HK\$'000<br>(audited) |
|---|---|---|
| Trade receivables   | 254,469   | 174,858   |
| Less: Allowance for impairment losses                       | (3,823)   | —   |
|   | <b>250,646</b>  | 174,858   |
| Rental deposits   | 312   | 310   |
| Prepayment for costs of maintenance services                | 14,561  | 16,376  |
| Deposits paid to a supplier                                 | —   | 13,260  |
| Others  | 5,143   | 4,321   |
| Total trade and other receivables, deposits and prepayments | <b>270,662</b>  | 209,125   |
| Analysed as:  |   |   |
| Current   | 269,600   | 207,660   |
| Non-current   | 1,062   | 1,465   |
|   | <b>270,662</b>  | 209,125   |

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.

## 10. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS *(continued)*

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<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | At<br>31 March<br>2019<br>HK\$'000<br>(audited) |
|-----------------|---|---|
| 0 to 30 days    | 96,362  | 92,780  |
| 31 to 60 days   | 65,582  | 28,322  |
| 61 to 90 days   | 34,951  | 16,450  |
| 91 to 120 days  | 14,730  | 7,119   |
| 121 to 180 days | 14,644  | 12,594  |
| Over 180 days   | 24,377  | 17,593  |
|                 | <b>250,646</b>  | 174,858   |

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

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

|                     | At<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | At<br>31 March<br>2019<br>HK\$'000<br>(audited) |
|---------------------|---|---|
| Trade payables      | 160,025   | 176,296   |
| Accrued staff costs | 20,687  | 15,855  |
| Others              | 21,387  | 22,167  |
|                     | <b>202,099</b>  | 214,318   |
| Analysed as:        |   |   |
| Current             | <b>202,099</b>  | 214,318   |



## 11. TRADE AND OTHER PAYABLES AND ACCRUALS (continued)

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

|               | At<br>30 September<br>2019<br>HK\$'000<br>(unaudited) | At<br>31 March<br>2019<br>HK\$'000<br>(audited) |
|---------------|---|---|
| 0 to 30 days  | 153,566   | 97,693  |
| 31 to 60 days | 5,691   | 49,148  |
| 61 to 90 days | 171   | 21,835  |
| Over 90 days  | 597   | 7,620   |
|               | <b>160,025</b>  | 176,296   |

## 12. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into HK\$ to United States dollars (“US\$”) net-settled structured foreign currency forward contracts with banks in Hong Kong in order to manage the Group’s currency risk.

The Group is required to transact with the bank monthly during contract period for designated notional amount under the respective contract. If the spot rate for conversion of US\$ for HK\$ as prevailing in the international foreign exchange market (“Spot Rate”) on fixing date is higher than the upper strike price, the Group will pay the bank for an amount equivalent to notional amount 1 multiplied by (1) the difference between upper strike price and lower strike price, or (2) the difference between spot rate and bonus points ranging from 0.00 to 0.05, depending on respective contract terms. If the spot rate on fixing date is lower than the upper strike price but higher than lower strike price, the Group will buy Notional Amount 1 from the banks at lower strike price. If the spot rate on fixing date is lower than lower strike price, the Group will buy notional amount 2 at lower strike price from the banks.

|   | Notional<br>amount 1 | Notional<br>amount 2 | Contract date    | Lower<br>strike<br>price | Upper<br>strike<br>price | Beginning<br>fixing date | Ending<br>fixing date<br>(note) |
|---|----------------------|----------------------|------------------|--------------------------|--------------------------|--------------------------|---------------------------------|
| <b>As at 31 March 2019 (audited):</b>       |                      |                      |                  |                          |                          |                          |                                 |
| Contract A                                  | US\$600,000          | US\$1,200,000        | 7 September 2018 | 7.749                    | 7.749                    | 9 January 2019           | 11 December 2020                |
| Contract B                                  | US\$500,000          | US\$1,000,000        | 27 February 2019 | 7.755                    | 7.755                    | 28 May 2019              | 26 February 2021                |
| <b>As at 30 September 2019 (unaudited):</b> |                      |                      |                  |                          |                          |                          |                                 |
| Contract C                                  | US\$600,000          | US\$1,200,000        | 11 April 2019    | 7.7490                   | 7.7490                   | 8 August 2019            | 8 July 2021                     |
| Contract D                                  | US\$600,000          | US\$1,200,000        | 27 February 2019 | 7.7550                   | 7.7550                   | 28 May 2019              | 26 February 2021                |

Note: The contract maturity date is approximate to the ending fixing date.

The above contracts are measured at fair value at the end of the reporting period.

### 13. SHARE CAPITAL

|  | Number<br>of shares | Amount<br>HK\$'000 |
|--|---------------------|--------------------|
| Ordinary shares of HK\$0.01 each                                       |                     |                    |
| Authorised:  |                     |                    |
| At 1 April 2018, 30 September 2018, 1 April 2019 and 30 September 2019 | 5,000,000,000       | 50,000             |
| Issued and fully paid:   |                     |                    |
| At 1 April 2018, 30 September 2018, 1 April 2019 and 30 September 2019 | 300,000,000         | 3,000              |

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

### 14. CAPITAL COMMITMENT

At 30 September 2019, the Group has capital commitment of HK\$2,303,000 (31 March 2019: HK\$440,000) in respect of the acquisition of property, plant and equipment contracted but not provided for.

### 15. RELATED PARTY TRANSACTIONS

The Group had entered into the following related party transactions:

| Relationship  | Nature of transactions | Six months ended<br>30 September |                                 |
|---|------------------------|----------------------------------|---------------------------------|
|   |                        | 2019<br>HK\$'000<br>(unaudited)  | 2018<br>HK\$'000<br>(unaudited) |
| Wholly-owned subsidiary of<br>immediate and ultimate<br>holding company | Rental paid            | 3,528                            | 2,940                           |
| Director and controlling shareholder                                    | Rental paid            | 570                              | 570                             |

The Group leases its office premises from a related company and a director's quarter from Mr. Yang Shun Tsing ("Mr. Yang"), the director and the controlling shareholder of the Company.

During both periods, the Group, as the tenant, and Mr. Yang, as the landlord, entered into a tenancy agreement in respect of a residential property which is provided to Mr. Chu Ming Ho, the executive director of the Company, as the director's quarter.

Mr. Yang is the controlling shareholder of Microware Properties, wholly-owned subsidiary of immediate and ultimate holding company.



## 15. RELATED PARTY TRANSACTIONS *(continued)*

### Compensation of key management personnel

The remuneration of the executive directors and other members of key management during the period were as follows:

|                          | Six months ended<br>30 September |                                 |
|--------------------------|----------------------------------|---------------------------------|
|                          | 2019<br>HK\$'000<br>(unaudited)  | 2018<br>HK\$'000<br>(unaudited) |
| Short-term benefits      | 3,919                            | 3,934                           |
| Post-employment benefits | 94                               | 92                              |
|                          | <b>4,013</b>                     | <b>4,026</b>                    |

## 16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

| Financial assets<br>and liabilities | Fair value as at                 |                             | Fair value<br>hierarchy | Valuation<br>technique  | Key input   |
|-------------------------------------|----------------------------------|-----------------------------|-------------------------|-------------------------|---|
|                                     | 30 September 2019<br>(unaudited) | 31 March 2019<br>(audited)  |                         |                         |   |
| Derivative financial<br>instruments | Assets:<br>HK\$27,000            | Liabilities:<br>HK\$248,000 | Level 2                 | Discounted cash<br>flow | Forward exchange<br>rate and<br>contracted<br>exchange rate |

There were no transfers between Level 1 and 2 during both periods.

### Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated statement of financial position approximate their fair values.

## 17. PERFORMANCE GUARANTEES

As at 30 September 2019, the performance guarantees of the Group of approximately HK\$22,364,000 (31 March 2019: HK\$22,295,000) were given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance guarantees have been given, such customers may demand the bank to pay them the sum or sum stipulated in such demand. The Group will become liable to compensate the bank accordingly. The performance guarantee will be released upon completion of the contract works.

As at 30 September 2019 and 31 March 2019, the directors of the Company did not consider that it is probable that a claim will be made against the Group.

