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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus issued by Microware Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 24 February 2017 (the “**Prospectus**”) in relation to the global offering (the “**Global Offering**”) for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

USE OF PROCEEDS

The net proceeds from the Global Offering after deducting underwriting commissions and related expenses in connection with the Listing (the “**Net Proceeds**”) amounted to approximately HK\$56.0 million. It was disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus that it was intended to apply the Net Proceeds in the following manner:

*HK\$ million
(approximately)*

- | | | |
|-------|---|------|
| (i) | approximately 35% of the net proceeds from the Global Offering, will be used for upgrading the IT management systems of the Group; | 19.6 |
| (ii) | approximately 25% of the net proceeds from the Global Offering, will be used for enhancing the Group’s capability to undertake large-scale contracts by financing performance securities; | 14.0 |
| (iii) | approximately 20% of the net proceeds from the Global Offering, will be used for recruitment and training of employees; | 11.2 |

(iv)	approximately 10% of the net proceeds from the Global Offering, will be used for strengthening marketing efforts of the Group; and	5.6
(v)	the remaining balance of approximately 10% of the net proceeds from the Global Offering, will be used for additional working capital and other general corporate purposes.	5.6
Total		56.0

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the Company has utilised approximately HK\$36.3 million of the Net Proceeds. The amount of Net Proceeds which remains unutilised up to the date of this announcement amounted to approximately HK\$19.7 million (the “**Unutilised Net Proceeds**”).

On 19 December 2019, the board (“**Board**”) of directors (“**Directors**”) of the Company resolved to change the use of the Unutilised Net Proceeds. An analysis of the utilisation of the Net Proceeds up to the date of this announcement and the proposed change of use of the Unutilised Net Proceeds (the “**Proposed Change**”) are summarised as follows:

	Planned use of Net Proceeds as disclosed in the Prospectus <i>HK\$ million (approximately)</i>	Utilised Net Proceeds up to date of this announcement <i>HK\$ million (approximately)</i>	Unutilised Net Proceeds <i>HK\$ million (approximately)</i>	Proposed application of the Unutilised Net Proceeds <i>HK\$ million (approximately)</i>
(i) Upgrading of IT management systems	19.6	6.0	13.6	6.6
(ii) Enhancing capability to undertake large-scale contracts	14.0	12.2	1.8	8.8
(iii) Recruitment and training of employees	11.2	11.2	—	2.0
(iv) Strengthening marketing efforts	5.6	1.4	4.2	2.2
(v) Additional working capital and other general corporate purposes	5.6	5.5	0.1	0.1
Total	56.0	36.3	19.7	19.7

REASONS FOR THE PROPOSED CHANGE

The major reasons for the Proposed Change are as follows:

(1) Upgrading of IT management systems

After Listing, the Company implemented stringent cost control in upgrading its IT systems, in particular, it had reduced the number of permitted users for the license of the customer relationship management system and the license of the enterprise resources planning system. As at the date of this announcement, the Company has utilised approximately HK\$6.0 million. As a result of the cost control, the Company estimated that it would further require only HK\$6.6 million for upgrading its IT management systems based on its existing IT expansion plan. In order to better utilise the Unutilised Net Proceeds, the Directors considered that it would be in the best interest of the Company to reallocate part of the Unutilised Net Proceeds to supplement and enhance the Group's ability to enter into large-scale contracts.

As disclosed in the Prospectus, the Group's clients would require the Group to provide performance securities in large-scale contracts where a large contract sum is involved. As the provision of performance securities may lead to cash outflows from the Group, the resulting financial position may affect its ability to enter into large-scale contracts. Therefore, part of the Unutilised Net Proceeds will be reallocated to enlarge the Group's available financial resources and provide flexibility for the Group to enter into more large-scale contracts that require provision of performance securities. The Board is of the view that such reallocation is in line with the business strategy of the Group and would allow the Group to obtain more large-scale contracts to maximise the return for the Company's shareholders.

(2) Strengthening marketing efforts

As disclosed in the Prospectus, the Group aims to build and enhance the connections with existing and potential clients and the hardware and/or software manufacturers by organising seminars and customer relationship events. In light of the recent downturn of the economy and negative impact on the social environment, there has been a decrease in marketing activities, such as industry exhibitions and forums, for the Group to participate in or sponsor. As the Net Proceeds originally allocated to the recruitment and training of employees have been fully utilised, the Directors considered that reallocating part of the Unutilised Net Proceeds to maintain the new headcount recruited in the years ended 31 March 2018 and 31 March 2019 for the two years ending 31 March 2021 will strengthen the Group's resources as the business continues to develop, and is in line with the business strategy of the Group.

Based on the aforementioned Proposed Change, the Board intends to utilise the Unutilised Net Proceeds in the following manner:

Business strategy	Proposed use of Unutilised Net Proceeds	Implementation plan	
		For the year ending 31 March 2020	For the year ending 31 March 2021
	<i>HK\$ million (approximately)</i>	<i>HK\$ million (approximately)</i>	<i>HK\$ million (approximately)</i>
Upgrading of IT management systems	6.6	2.0	4.6
Enhancing capability to undertake large-scale contracts	8.8	4.0	4.8
Recruitment and training of employees	2.0	1.0	1.0
Strengthening marketing efforts	2.2	0.5	1.7
Additional working capital and other general corporate purposes	0.1	0.1	—
Total	19.7	7.6	12.1

The Directors confirmed that there is no material change in the nature of business of the Group as set out in the Prospectus. The Board considers that the above Proposed Change in the use of the Unutilised Net Proceeds will allow the Company to deploy its financial resources more efficiently, and the reallocation is in the best interest of the Company and its shareholders as a whole.

By order of the Board
Microware Group Limited
Chu Ming Ho

Chairman, executive Director and chief executive officer

Hong Kong, 19 December 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.