



Microware Group Limited  
美高域集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1985

Hybrid IT Infrastructure

Security

Smart Workspace

Managed Services

# 2020

## INTERIM REPORT



## 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  
Registered Public Interest Entity Auditors

## 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 solution services and IT managed services in Hong Kong. The Group strives to provide one-stop IT experience which begins with (i) consultation and advice; (ii) hardware and/or software procurement; (iii) implementation; (iv) management and maintenance of the IT infrastructure solutions, to (v) provision of cyber securities training programmes.

The Group is a well-established IT infrastructure solutions provider based in Hong Kong. During the six months ended 30 September 2020 (the “**Period**”), the total revenue of the Group decreased by approximately HK\$73.4 million or 11.3% as compared to that for the six months ended 30 September 2019 (the “**Previous Period**”). Such decrease was due to the decrease in revenue generated from the IT infrastructure solution services and IT managed services business of the Group. Gross profit of the Group for the Period was approximately HK\$71.4 million, representing an increase of approximately HK\$4.9 million or 7.3% from approximately HK\$66.5 million for the Previous Period. Such increase was mainly due to the decrease in cost of sales of IT infrastructure solution services and IT managed services.

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

## FINANCIAL REVIEW

### Revenue

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

### Cost of sales

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

### Gross profit

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

## Operating expenses

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

## Profit for the Period

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

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

## Liquidity and financial resources

### Capital structure

The Group did not have any borrowings as at 30 September 2020 (31 March 2020: Nil). The details of the share capital of the Company during the Period and the Previous Period are set out in note 13 on page 24 of this report.

### Cash position

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

### Capital expenditure

During the Period, the Group's total capital expenditure amounted to approximately HK\$1.7 million as at 30 September 2020 (Previous Period: approximately HK\$0.5 million), which was mainly incurred for acquisition of office equipment.

### Gearing ratio

The net gearing ratio of the Group (net borrowings, including interest-bearing bank loans and other borrowings less cash and cash equivalents and restricted cash, divided by the total equity) was not applicable as at 30 September 2020 and 31 March 2020, respectively, since the Group did not have any interest-bearing liabilities as at 30 September 2020 and 31 March 2020, respectively.

### Performance guarantees

The Group's performance guarantees as at 30 September 2020 are set out in note 17 of page 26 of this report.

### Contingent liabilities

As at 30 September 2020, the Group had no material contingent liabilities (as at 31 March 2019: Nil).

### Pledge of assets

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

### Foreign exchange risk

The Group's transactions are mainly denominated and settled in HK\$ and the United States Dollars ("US\$"). Foreign exchange exposure of the Group to US\$ will continue to be minimal as long as the policy of The Government of the Hong Kong Special Administrative Region to link HK\$ to US\$ remains in effect. During the Period, the Group has entered into HK\$/US\$ net-settled structured foreign currency forward contracts with banks in Hong Kong in order to mitigate foreign exchange exposure as a result of purchases made from certain suppliers in its regular course of business. The fair value changes of the derivative financial instruments comprised realized gain (loss) and unrealized fair value gain (loss) on the HK\$/US\$ net-settled structured foreign currency forward contracts entered into by the Group.

## HUMAN RESOURCES

As at 30 September 2020, the Group had a total of 281 employees (30 September 2019: 276 employees). For the Period, the total staff costs including Directors' emoluments amounted to approximately HK\$51.0 million (Previous Period: HK\$55.1 million). The remuneration policy of the Group is to offer 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 according to its remuneration policy in order to attract and retain talented employees.

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

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

## INTERIM DIVIDEND

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

## CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the shareholders' entitlement to the Interim Dividend for the Period, the register of members of the Company will be closed on Monday, 14 December 2020, on which day no transfer of shares of the Company (the "**Shares**") will be registered. In order to be eligible for the proposed Interim Dividend for the Period, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 11 December 2020.

## SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the Period.

## MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Period and no future plan for material investments or capital assets as at 30 September 2020.

## USE OF PROCEEDS

The net proceeds (the “**Net Proceeds**”) from the initial public offering of the Company in March 2017 amounted to approximately HK\$56.0 million (after deducting underwriting commissions and related expenses).

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

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

The original utilisation plans of the Net Proceeds as disclosed in the Company's prospectus of 24 February 2017 were delayed due to the complication of the Group's IT systems which required more time in evaluating and upgrading the IT systems, and the change of the Group's plan to allocate more proceeds to undertake large-scale contracts. Based on the current plan, the Group will utilise the unutilised Net Proceeds in the manner by the expected timeline as indicated in the above table.

As at 30 September 2020, the unutilised Net Proceeds have been deposited into short-term demand deposit with authorised financial institutions and/or licensed banks in Hong Kong.

## FUTURE OUTLOOK

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

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

## 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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

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

Code Provision A.2.1 of the CG Code provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present separate the roles of the chairman and chief executive officer. Mr. Chu Ming Ho is the chairman of the Board and the Chief Executive Officer. In view of the fact that Mr. Chu Ming Ho has been assuming the day-to-day responsibilities in operating and managing the Company since April 2000, the Board believes that it is in the best interest of the Company to have Mr. Chu Ming Ho taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from Code Provision A.2.1 of the CG Code is appropriate in such circumstances. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the securities dealing code for its Directors.

Specific enquiry had been made to all Directors and all of the Directors have confirmed that they have fully complied with the required standards and provisions as set out in the Model Code during the Period. The Company was not aware of any incidence of non-compliance with the Model Code by the Directors during the Period.

## PURCHASE, SALE OR REDEMPTION 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 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 2020, the interests or short positions of each Director and chief executive of the Company 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")) 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 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 ("Mr. Yang")	Interest of a controlled corporation <sup>(2)</sup>	164,804,000 (L)	54.9%
	Beneficial owner	40,076,000 (L)	13.4%
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. 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 any interest or short positions in any shares, underlying shares and debentures of the Company or any associated corporation as at 30 September 2020, 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 2020, 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) 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 2020, 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.

## REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the Period have been reviewed by the audit committee of the Board and the audit committee has no disagreement with the accounting treatment adopted by the Company.

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

For the six months ended 30 September 2020

	NOTES	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	3	<b>577,550</b>	650,993
Cost of sales		<b>(506,166)</b>	(584,460)
Gross profit		<b>71,384</b>	66,533
Other income		<b>590</b>	557
Other gains and losses, net		<b>(437)</b>	(3,812)
Other expenses		<b>(2,504)</b>	(1,572)
Distribution and selling expenses		<b>(30,069)</b>	(31,913)
Administrative expenses		<b>(14,148)</b>	(14,514)
Finance costs		<b>(154)</b>	(10)
Profit before taxation		<b>24,662</b>	15,269
Taxation	5	<b>(3,047)</b>	(2,836)
Profit and total comprehensive income for the period	6	<b>21,615</b>	12,433
Profit/(loss) and total comprehensive income/(expense) for the year attributable to:			
— owners of the Company		<b>21,780</b>	12,585
— non-controlling interest		<b>(165)</b>	(152)
		<b>21,615</b>	12,433
Earnings per share	8		
Basic (HK\$)		<b>0.07</b>	0.04

# Condensed Consolidated Statement of Financial Position

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As at 30 September 2020

	NOTES	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	8,156	11,459
Deferred tax asset		4	4
Deposit paid for acquisition of property, plant and equipment		1,478	803
Prepayments and deposits	10	1,207	1,109
		<b>10,845</b>	13,375
<b>CURRENT ASSETS</b>			
Inventories		30,273	39,101
Trade and other receivables, prepayments and deposits	10	213,232	247,160
Pledged bank deposit		11,671	11,277
Bank balances and cash		201,270	241,025
		<b>456,446</b>	538,563
<b>CURRENT LIABILITIES</b>			
Derivative financial instruments	12	132	—
Trade and other payables and accruals	11	183,013	228,863
Amount due to a non-controlling interest of a subsidiary		1,099	699
Contract liabilities		59,412	72,995
Tax liabilities		5,245	3,787
Leases liabilities		4,131	8,013
		<b>253,032</b>	314,357
<b>NET CURRENT ASSETS</b>		<b>203,414</b>	224,206
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>214,259</b>	237,581
<b>NON-CURRENT LIABILITIES</b>			
Derivative financial instruments	12	600	106
Contract liabilities		3,146	3,494
Lease liabilities		—	83
		<b>3,746</b>	3,683
<b>NET ASSETS</b>		<b>210,513</b>	233,898
<b>CAPITAL AND RESERVES</b>			
Share capital	13	3,000	3,000
Reserves		208,236	231,456
Equity attributable to owners of the Company		211,236	234,456
Non-controlling interest		(723)	(558)
		<b>210,513</b>	233,898

The condensed consolidated financial statements on pages 10 to 26 were approved and authorised for issue by the Board of Directors on 20 November 2020 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 2020

	Attributable to owners of the Company				Total HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained profits HK\$'000			
At 1 April 2020 (audited)	<b>3,000</b>	<b>75,297</b>	<b>70,832</b>	<b>85,327</b>	<b>234,456</b>	<b>(558)</b>	<b>233,898</b>
Profit/(loss) and total comprehensive income/ (expense) for the period	—	—	—	<b>21,780</b>	<b>21,780</b>	<b>(165)</b>	<b>21,615</b>
Dividends paid (note 7)	—	—	—	<b>(45,000)</b>	<b>(45,000)</b>	—	<b>(45,000)</b>
At 30 September 2020 (unaudited)	<b>3,000</b>	<b>75,297</b>	<b>70,832</b>	<b>62,107</b>	<b>211,236</b>	<b>(723)</b>	<b>210,513</b>
At 1 April 2019 (audited)	3,000	75,297	70,832	61,208	210,337	(253)	210,084
Profit/(loss) and total comprehensive income/ (expense) for the period	—	—	—	12,585	12,585	(152)	12,433
Dividends paid (note 7)	—	—	—	(16,500)	(16,500)	—	(16,500)
At 30 September 2019 (unaudited)	3,000	75,297	70,832	57,293	206,422	(405)	206,017

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 2020

	Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
NET CASH FROM (USED IN) OPERATING ACTIVITIES	<b>11,343</b>	(88,845)
INVESTING ACTIVITIES		
Bank interest received	<b>388</b>	497
Purchase of property, plant and equipment	<b>(1,698)</b>	(480)
Deposit paid for acquisition of property, plant and equipment	<b>(675)</b>	(1,257)
Placement of pledged bank deposits	<b>(11,671)</b>	(17,904)
Withdrawal of pledged bank deposits	<b>11,277</b>	21,347
Placement of time deposits	<b>(18,973)</b>	(10,259)
Withdrawal of time deposits	<b>15,972</b>	9,909
NET CASH (USED IN) FROM INVESTING ACTIVITIES	<b>(5,380)</b>	1,853
FINANCING ACTIVITIES		
Advance from non-controlling interest of a subsidiary	<b>400</b>	100
Repayment of lease liabilities	<b>(4,119)</b>	(249)
Dividends paid	<b>(45,000)</b>	(16,500)
CASH USED IN FINANCING ACTIVITIES	<b>(48,719)</b>	(16,649)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(42,756)</b>	(103,641)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>225,603</b>	230,342
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	<b>182,847</b>	126,701

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

## 1. GENERAL AND BASIS OF PREPARATION

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

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2020.

### Application of amendments to HKFRSs

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

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

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

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

### Application of amendments to HKFRSs *(continued)*

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

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

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

## 3. REVENUE FROM GOODS AND SERVICES

	Segment revenue		Total HK\$'000
	IT infrastructure solution services business HK\$'000	IT managed service business HK\$'000	
<b>For the six months ended 30 September 2020 (unaudited)</b>			
<b>Disaggregation of revenue and reconciliation to segment revenue</b>			
Procurement of hardware and software	500,719	—	500,719
Provision of design of solutions	16,218	6,830	23,048
Provision of maintenance and/or support services	204	53,579	53,783
<b>Total</b>	<b>517,141</b>	<b>60,409</b>	<b>577,550</b>
<b>Timing of revenue recognition</b>			
A point of time	500,719	—	500,719
Over time	16,422	60,409	76,831
<b>Total</b>	<b>517,141</b>	<b>60,409</b>	<b>577,550</b>



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

	Segment revenue		Total HK\$'000
	IT infrastructure solution services business HK\$'000	IT managed service business HK\$'000	
<b>For the six months ended</b>			
<b>30 September 2019 (unaudited)</b>			
<b>Disaggregation of revenue and 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 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>

### 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 IT infrastructure solution services HK\$'000	Segment of IT managed services business HK\$'000	Total HK\$'000
<b>For the six months ended 30 September 2020 (unaudited)</b>			
<b>Public sector</b>			
Hong Kong Government	97,025	16,328	113,353
Public bodies	56,895	2,010	58,905
Educational institutions and, non-profits organisations	80,021	5,364	85,385
<b>Sub-total</b>	<b>233,941</b>	<b>23,702</b>	<b>257,643</b>
<b>Private sector</b>			
Banking and finance	78,879	18,253	97,132
IT	6,657	2,191	8,848
Telecommunications and media	85,768	1,877	87,645
Transportation	37,633	2,725	40,358
Others	74,263	11,661	85,924
<b>Sub-total</b>	<b>283,200</b>	<b>36,707</b>	<b>319,907</b>
<b>Total</b>	<b>517,141</b>	<b>60,409</b>	<b>577,550</b>
	Segment of IT infrastructure solution services HK\$'000	Segment of IT managed services business HK\$'000	Total HK\$'000
<b>For the six months ended 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>

## 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 provision of maintenance and/or support services; and
- (2) IT managed services business refers to the provision of design of solutions, provision of maintenance and/or support services to IT systems of the customers and provision of training programmes relating to cyber security by the Group.

### Segment revenue and results

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

	IT infrastructure solution services business HK\$'000	IT managed services business HK\$'000	Total HK\$'000
<b>For the six months ended 30 September 2020 (unaudited)</b>			
Segment revenue	517,141	60,409	577,550
Segment results	30,640	11,319	41,959
Other income			590
Certain other gains and losses, net			(437)
Other expenses			(2,504)
Certain distribution and selling expenses			(644)
Administrative expenses			(14,148)
Finance cost			(154)
Profit before taxation			24,662
<b>For the six months ended 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

#### 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 infrastructure solution services business HK\$'000	IT managed services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
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Amounts included in the measure of segment results:

<b>For the six months ended 30 September 2020 (unaudited)</b>				
Depreciation	1,636	1,142	2,198	4,976
Allowance for inventories	745	—	—	745
<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

#### 5. TAXATION

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

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime (i.e. other subsidiaries of the Group) will continue to be taxed at a flat rate of 16.5%.

Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime for the period ended 30 September 2020 and 2019.

## 6. PROFIT FOR THE PERIOD

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

## 7. DIVIDENDS

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

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

## 8. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Earnings:		
Earnings for the period for the purpose of basic earnings per share	21,780	12,585
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the 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 2020, the Group spent HK\$1,698,000 (for the six months ended 30 September 2019: HK\$480,000) on the acquisition of property, plant and equipment.

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

	At 30 September 2020 HK\$'000 (unaudited)	At 31 March 2020 HK\$'000 (audited)
Trade receivables	<b>189,949</b>	228,700
Less: Allowance for impairment losses (Note)	—	—
	<b>189,949</b>	228,700
Rental deposits	<b>312</b>	312
Prepayments for costs of maintenance services	<b>17,158</b>	15,759
Others	<b>7,020</b>	3,498
Total trade and other receivables, prepayments and deposits	<b>214,439</b>	248,269
Analysed as:		
Current	<b>213,232</b>	247,160
Non-current	<b>1,207</b>	1,109
	<b>214,439</b>	248,269

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

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

## 10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS 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:

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

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

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

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

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

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

## 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 the difference between spot rate and strike price depending on respective contract terms. If the spot rate on fixing date is higher than or equal to strike price, the Group will buy Notional Amount 1 from the banks at strike price. If the spot rate on fixing date is lower than strike price, the Group will buy notional amount 2 at strike price from the banks.

	Notional amount 1	Notional amount 2	Contract date	Strike price	Beginning fixing date	Ending fixing date (note)
<b>As at 31 March 2020 (audited):</b>						
Contract A	US\$600,000	US\$1,200,000	11 April 2019	7.749	8 August 2019	8 July 2021
<b>As at 30 September 2020 (unaudited):</b>						
Contract A	US\$600,000	US\$1,200,000	11 April 2019	7.749	8 August 2019	8 July 2021
Contract B	US\$600,000	US\$1,200,000	17 April 2020	7.746	17 April 2020	28 March 2022

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 of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2019, 30 September 2019, 1 April 2020 and 30 September 2020	5,000,000,000	50,000
Issued and fully paid:		
At 1 April 2019, 30 September 2019, 1 April 2020 and 30 September 2020	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 2020, the Group has capital commitment of HK\$1,530,000 (31 March 2020: HK\$2,107,000) 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:

Name of related party	Nature of transactions	Six months ended 30 September	
		2020 HK\$'000	2019 HK\$'000
Microware Properties limited	Interest expenses on lease liabilities	125	N/A
	Lease liabilities	3,803	N/A
	Operating lease expenses	N/A	3,528
Mr. Yang	Interest expenses on lease liabilities	29	N/A
	Lease liabilities	328	N/A
	Operating lease expenses	N/A	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.

## 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 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Short-term benefits	4,758	3,919
Post-employment benefits	101	94
	<b>4,859</b>	<b>4,013</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 liabilities	Fair value as at		Fair value hierarchy	Valuation technique	Key input
	30 September 2020 (unaudited)	31 March 2020 (audited)			
Derivative financial instruments	Liabilities: HK\$732,000	Liabilities: HK\$106,000	Level 2	Discounted cash flow	Forward exchange rate and contracted 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 2020, the performance guarantees of the Group of approximately HK\$21,948,000 (31 March 2020: HK\$24,724,000) were given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance guarantees have been given, such customers may demand the bank to pay them the sum or sum stipulated in such demand. The Group will become liable to compensate the bank accordingly. The performance guarantee will be released upon completion of the contract works.

As at 30 September 2020 and 31 March 2020, the directors of the Company did not consider that it is probable that a claim will be made against the Group.