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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2021
DECLARATION AND PAYMENT OF A SPECIAL DIVIDEND
AND
CLOSURE OF REGISTER OF MEMBERS**

HIGHLIGHTS

- The total revenue of the Group amounted to approximately HK\$1,114.3 million for the Year, representing a decrease of approximately HK\$251.1 million or 18.4% as compared to approximately HK\$1,365.3 million for the Previous Year.
- The profit and total comprehensive income of the Group for the Year was approximately HK\$46.9 million, representing an increase of approximately HK\$6.6 million or 16.4% as compared to approximately HK\$40.3 million for the Previous Year. Such increase was due to the receipt of government subsidies from the Employment Support Scheme implemented by the Hong Kong Government deducted in the related expenses.
- Basic earnings per Share for the Year was HK\$0.16, as compared to HK\$0.14 for the Previous Year.
- On 25 June 2021, the Board has resolved to declare a special dividend of HK\$0.05 per Share.
- The Board recommended the payment of a final dividend of HK\$0.05 per Share for the Year, subject to the approval by the Shareholders at the AGM.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Microware Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2021 (the “**Year**”), together with the comparative figures for the year ended 31 March 2020 (the “**Previous Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March 2021

| | | 2021 | 2020 |
|-------------------------------------------------------------------------------------|--------------|----------------------|----------------------|
| | <i>NOTES</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 3 | 1,114,277 | 1,365,341 |
| Cost of sales | | <u>(972,248)</u> | <u>(1,215,094)</u> |
| Gross profit | | 142,029 | 150,247 |
| Other income | | 2,234 | 1,346 |
| Other gains and losses, net | | 645 | 533 |
| Other expenses | | (2,864) | (2,763) |
| Distribution and selling expenses | | (59,857) | (68,669) |
| Administrative expenses | | (27,483) | (31,395) |
| Finance cost — interest on lease liabilities | | <u>(236)</u> | <u>(41)</u> |
| Profit before taxation | | 54,468 | 49,258 |
| Taxation | 4 | <u>(7,546)</u> | <u>(8,944)</u> |
| Profit and total comprehensive income for the year | 5 | <u><u>46,922</u></u> | <u><u>40,314</u></u> |
| Profit (loss) and total comprehensive income (expense) for the year attributable to | | | |
| — owners of the Company | | 47,332 | 40,619 |
| — non-controlling interest | | <u>(410)</u> | <u>(305)</u> |
| | | <u><u>46,922</u></u> | <u><u>40,314</u></u> |
| Earnings per share | 7 | | |
| Basic (HK\$) | | <u><u>0.16</u></u> | <u><u>0.14</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

| | NOTES | 2021 HK\$'000 | 2020 HK\$'000 |
|------------------------------------------------------------------|-------|------------------|------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 11,141 | 11,459 |
| Deferred tax asset | | — | 4 |
| Deposit paid for acquisition of property, plant and equipment | | 1,612 | 803 |
| Prepayments and deposits | 8 | 1,991 | 1,109 |
| | | <u>14,744</u> | <u>13,375</u> |
| CURRENT ASSETS | | | |
| Inventories | | 53,807 | 39,101 |
| Trade and other receivables, prepayments and deposits | 8 | 153,351 | 247,160 |
| Pledged bank deposit | | 27,639 | 11,277 |
| Bank balances and cash | | 239,933 | 241,025 |
| | | <u>474,730</u> | <u>538,563</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables and accruals | 9 | 193,204 | 228,863 |
| Amount due to a non-controlling interest of a subsidiary | | 1,099 | 699 |
| Contract liabilities | 10 | 62,131 | 72,995 |
| Tax liabilities | | 1,138 | 3,787 |
| Lease liabilities | | 7,269 | 8,013 |
| Derivative financial instruments | | 186 | — |
| | | <u>265,027</u> | <u>314,357</u> |
| NET CURRENT ASSETS | | <u>209,703</u> | <u>224,206</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>224,447</u> | <u>237,581</u> |
| NON-CURRENT LIABILITIES | | | |
| Derivative financial instruments | | — | 106 |
| Contract liabilities | 10 | 3,598 | 3,494 |
| Lease liabilities | | — | 83 |
| Deferred tax liabilities | | 29 | — |
| | | <u>3,627</u> | <u>3,683</u> |
| NET ASSETS | | <u>220,820</u> | <u>233,898</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 11 | 3,000 | 3,000 |
| Reserves | | 218,788 | 231,456 |
| Equity attributable to owners of the Company | | 221,788 | 234,456 |
| Non-controlling interest | | (968) | (558) |
| | | <u>220,820</u> | <u>233,898</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 20 January 2016. The addresses of the Company's registered office and the principal place of business are at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 1/F, Century Centre, 44-46 Hung To Road, Kwun Tong, Kowloon, Hong Kong, respectively.

The Company's immediate and ultimate holding company is Microware International Holdings Limited ("**Microware International**"). Microware International is a limited liability company incorporated in the British Virgin Islands (the "**BVI**") and wholly owned by Mr. Yang Peter Shun Tsing, who is an executive director of the Company.

The Company is an investment holding company. The Group is principally engaged in the provision of information technology ("**IT**") infrastructure solution services and IT managed services business in Hong Kong.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual periods beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

| | |
|-----------------------------------------------|--------------------------------|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of 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 year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. 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 year had no impact on the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| HKFRS 17 | Insurance Contracts and the related Amendments ⁵ |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework ⁴ |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform — Phase 2 ² |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶ |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions ¹ |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 ³ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁵ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ⁵ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ⁵ |
| Amendments to HKAS 16 | Property, Plant and Equipment — Proceeds before Intended Use ⁴ |
| Amendments to HKAS 37 | Onerous Contracts — Cost of Fulfilling a Contract ⁴ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020 ⁴ |

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

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

⁴ Effective for annual periods beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2023

⁶ Effective for annual periods beginning on or after a date to be determined

Except the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 “Reference to the Conceptual Framework”

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “**Conceptual Framework**”) instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform — Phase 2”

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 “Financial Instruments: Disclosures” to accompany the amendments regarding modifications and hedge accounting.

- Modification of financial assets, financial liabilities and lease liabilities. A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;
- Hedge accounting requirements. Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- Disclosures. The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 March 2021, the Group has several Hong Kong Interbank Offered Rate (“**HIBOR**”) bank loans which may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

3. REVENUE AND SEGMENT INFORMATION

Segment revenue and results

Revenue represents the fair value of amounts received and receivable for goods sold and services provided by the Group to outside customers, less discount and other allowances for the year, and is analysed as follows:

The Group determines its operating segments based on the reports reviewed by the executive directors 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 provision of design of solutions 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.

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

| | Segment of IT infrastructure solution services business <i>HK\$'000</i> | Segment of IT managed services business <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|----------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------|--------------------------|
| For the year ended 31 March 2021 | | | |
| Segment revenue | <u>995,842</u> | <u>118,435</u> | <u>1,114,277</u> |
| Segment results | <u>63,914</u> | <u>19,185</u> | 83,099 |
| Other income | | | 2,234 |
| Other gains and losses, net | | | 645 |
| Other expenses | | | (2,864) |
| Certain distribution and selling expenses | | | (927) |
| Administrative expenses | | | (27,483) |
| Finance cost — interest on lease liabilities | | | (236) |
| Profit before taxation | | | <u>54,468</u> |
| | | | |
| | Segment of IT infrastructure solution services business <i>HK\$'000</i> | Segment of IT managed services business <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| For the year ended 31 March 2020 | | | |
| Segment revenue | <u>1,241,676</u> | <u>123,665</u> | <u>1,365,341</u> |
| Segment results | <u>70,264</u> | <u>12,262</u> | 82,526 |
| Other income | | | 1,346 |
| Other gains and losses, net | | | 533 |
| Other expenses | | | (2,763) |
| Certain distribution and selling expenses | | | (948) |
| Administrative expenses | | | (31,395) |
| Finance cost — interest on lease liabilities | | | (41) |
| Profit before taxation | | | <u>49,258</u> |

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment result represents the profit earned by each segment without allocation of other income, other gains and losses, other expenses, certain distribution and selling expenses, administrative expenses, finance cost and taxation.

No analysis of the Group's assets and liabilities by reportable segments is disclosed as it is not regularly provided to the executive directors of the Company for review.

4. TAXATION

| | 2021 | 2020 |
|------------------------|---------------------|---------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong Profits Tax: | | |
| Current tax | 7,513 | 8,560 |
| Deferred tax | 33 | 384 |
| | <u>7,546</u> | <u>8,944</u> |
| | <u>7,546</u> | <u>8,944</u> |

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 year ended 31 March 2021 and 2020.

5. PROFIT FOR THE YEAR

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-------------------------------------------------------------------|-------------------------|-------------------------|
| Profit for the year has been arrived at after charging: | | |
| Staff costs: | | |
| Directors' remuneration | 8,185 | 6,110 |
| Other staff costs | 91,565 | 113,063 |
| Retirement benefits scheme contributions (excluding directors) | 3,620 | 3,610 |
| | <u>103,370</u> | <u>122,783</u> |
| Auditor's remuneration | 1,600 | 2,000 |
| Cost of inventories recognised as an expense | 882,540 | 1,113,553 |
| Depreciation of property, plant and equipment | 10,281 | 2,303 |
| Reversal of allowance for inventories (included in cost of sales) | (201) | (3,605) |
| | <u><u>103,370</u></u> | <u><u>122,783</u></u> |

For the year ended 31 March 2021, Covid-19 related government grants amounted to HK\$13,401,000 have been offset against staff costs.

6. DIVIDENDS

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Dividends for ordinary shareholders of the Company recognised as distribution during the year: | | |
| Interim dividend — HK\$0.05 (2020: HK\$nil) per share | 15,000 | — |
| Final dividend — HK\$0.08 (2020: HK\$0.055) per share | 24,000 | 16,500 |
| Special dividend — HK\$0.07 (2020: HK\$nil) per share | 21,000 | — |
| | <u>60,000</u> | <u>16,500</u> |

Subsequent to the end of the reporting period, a special dividend in respect of the year ended 31 March 2021 of HK\$0.05 (2020: HK\$0.07) per Share in an aggregate amount of HK\$15,000,000 (2020: HK\$21,000,000), has been declared by the Board. A final dividend in respect of the year ended 31 March 2021 of HK\$0.05 (2020: HK\$0.08) per Share, in an aggregate amount of HK\$15,000,000 (2020: HK\$24,000,000), has been proposed by the directors of the Company. The final dividend is subject to approval by the shareholders in the forthcoming general meeting.

7. EARNINGS PER SHARE

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

| | 2021 | 2020 |
|-----------------------------------------------------------------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Earnings: | | |
| Profit for the year for the purpose of basic earnings per share | 47,332 | 40,619 |
| | 2021 | 2020 |
| | '000 | '000 |
| Number of shares: | | |
| Number of ordinary shares for the purpose of basic earnings per share | 300,000 | 300,000 |

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

8. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Trade receivables from contracts with customers | 132,964 | 228,700 |
| Less: Allowance for credit losses | — | — |
| | <u>132,964</u> | <u>228,700</u> |
| Rental and utilities deposits | 318 | 312 |
| Prepayments for costs of maintenance services | 17,534 | 15,759 |
| Others | 4,526 | 3,498 |
| | <u>155,342</u> | <u>248,269</u> |
| Total trade and other receivables, deposits and prepayments | <u>155,342</u> | <u>248,269</u> |
| Analysed as: | | |
| Current | 153,351 | 247,160 |
| Non-current (including prepayments for costs of maintenance services, rental and utilities deposits) | 1,991 | 1,109 |
| | <u>155,342</u> | <u>248,269</u> |

As at 1 April 2019, trade receivables from contracts with customers amounted to HK\$174,858,000.

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 7 to 90 days to its customers.

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:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| 0 to 30 days | 75,476 | 102,630 |
| 31 to 60 days | 18,369 | 43,440 |
| 61 to 90 days | 11,597 | 29,294 |
| 91 to 120 days | 12,856 | 22,948 |
| 121 to 180 days | 4,138 | 18,558 |
| Over 180 days | 10,528 | 11,830 |
| | <u>132,964</u> | <u>228,700</u> |

As at 31 March 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$68,084,000 (2020: HK\$139,254,000) which are past due as at the reporting date. Out of the past due balances, HK\$16,880,000 (2020: HK\$31,811,000) has been past due 90 days or more and is not considered as in default as these debtors have a good business relationship with the Group and recurring overdue records of these debtors with satisfactory settlement history.

9. TRADE AND OTHER PAYABLES AND ACCRUALS

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

| | 2021 | 2020 |
|---------------------|-----------------------|-----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade payables | 153,509 | 176,812 |
| Accrued staff costs | 18,892 | 22,340 |
| Others | 20,803 | 29,711 |
| | <u>193,204</u> | <u>228,863</u> |
| | <u>193,204</u> | <u>228,863</u> |

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

| | 2021 | 2020 |
|---------------|-----------------------|-----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0 to 30 days | 87,352 | 101,457 |
| 31 to 60 days | 31,879 | 48,681 |
| 61 to 90 days | 27,715 | 25,189 |
| Over 90 days | 6,563 | 1,485 |
| | <u>153,509</u> | <u>176,812</u> |
| | <u>153,509</u> | <u>176,812</u> |

10. CONTRACT LIABILITIES

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|-------------|-------------------------|-------------------------|
| Current | 62,131 | 72,995 |
| Non-current | 3,598 | 3,494 |
| | <u>65,729</u> | <u>76,489</u> |

As at 1 April 2019, contract liabilities amounted to HK\$87,025,000.

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers.

For the contract liabilities as at 31 March 2020 and 31 March 2019 of HK\$72,995,000 and HK\$81,959,000 respectively, the entire balances are recognised as revenue during the year ended 31 March 2021 and 2020.

11. SHARE CAPITAL

The share capital as at 31 March 2020 and 2021 represented the share capital of the Company with the details as follows:

| | Number of shares | Amount <i>HK\$'000</i> |
|-----------------------------------------|----------------------|---------------------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| At 1 April 2019, 31 March 2020 and 2021 | <u>5,000,000,000</u> | <u>50,000</u> |
| Issued and fully paid: | | |
| At 1 April 2019, 31 March 2020 and 2021 | <u>300,000,000</u> | <u>3,000</u> |

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

12. PERFORMANCE GUARANTEES

As at 31 March 2021, the performance guarantees of the Group of HK\$21,943,000 (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 31 March 2021 and 2020, the directors of the Company did not consider that it is probable that a claim will be made against the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of IT infrastructure solution services and IT managed services business 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. As at 31 March 2021, the Group has maintained the number of both technical and sales staff who have passed the qualification test to ensure that the Group keeps abreast of the advanced technology development with its vendors. In addition, the Group has received a numerous of remarkable awards of top performance and enterprise solutions from the vendors as set out below:

| Presented by | Awards |
|------------------------------------------------|--------------------------------------------------------|
| Hewlett Packard Enterprise | Top Partner — Aruba Central Award FY20 |
| Cisco | Partner Awards FY20 — Spotlight Award — Cloud Frontier |
| City University of Hong Kong | Certificate for Scholarship and Bursary Support |
| Hewlett Packard Enterprise | Outstanding Business Partner Solution Architect FY20 |
| Hewlett Packard Enterprise | Top Performing Partner on PointNext Services FY20 |
| International Business Machines Corporation | Top Contribution Award — Reseller Gold Award 2020 |
| Kaspersky | Outstanding Partner 2020 |
| McAfee | Best Performer in FY20 |
| NetApp | Best Business Growth FY21 |
| RedHat | Top Performance Partner FY20 |
| Sangfor | Best Gold Partner 2020 |

The IT infrastructure solution industry in Hong Kong is highly competitive and fragmented. In particular, the Board believes that the business environment of Hong Kong is challenging. The Group's management team will continuously take proactive actions with an aim to improve the Group's operations and results.

FINANCIAL REVIEW

Revenue

The total revenue of the Group amounted to approximately HK\$1,114.3 million for the Year, representing a decrease of approximately HK\$251.1 million or 18.4% as compared to approximately HK\$1,365.3 million for the Previous Year. 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\$995.8 million for the Year, representing a decrease of approximately HK\$245.8 million or 19.8% as compared to approximately HK\$1,241.7 million for the Previous Year. The revenue of the business segment of IT managed services was approximately HK\$118.4 million, representing a decrease of approximately HK\$5.2 million or 4.2% as compared to approximately HK\$123.7 million for the Previous Year. For the Year, the business segments of IT infrastructure solution services and IT managed services contributed approximately 89.4% and 10.6% to the total revenue of the Group, respectively.

Cost of sales

The cost of sales of the Group for the Year was approximately HK\$972.2 million, representing a decrease of approximately HK\$242.8 million or 20.0% from approximately HK\$1,215.1 million for the Previous Year. Such decrease was mainly attributable to the business segment of IT infrastructure solution services and the receipt of government subsidies from the Employment Support Scheme implemented by the Hong Kong Government of approximately HK\$7.2 million.

Gross profit and gross profit margin

The gross profit of the Group for the Year was approximately HK\$142.0 million, representing a decrease of approximately HK\$8.2 million or 5.5% from approximately HK\$150.2 million for the Previous Year. Such decrease was mainly due to the decrease in gross profit generated from the IT infrastructure solution services of the Group, which was partly offset by the recognition of the government subsidies from the Employment Support Scheme implemented by the Hong Kong Government of approximately HK\$7.2 million. .

Operating expenses

The total operating expenses of the Group for the Year was approximately HK\$87.3 million, representing a decrease of approximately HK\$12.7 million or 12.7% as compared to approximately HK\$100.1 million for the Previous Year. Such decrease was due to the decrease in selling and distribution expenses of approximately HK\$8.8 million or 12.8%, the decrease in administrative expenses of approximately HK\$3.9 million or 12.5% and the receipt of government subsidies from the Employment Support Scheme implemented by the Hong Kong Government of approximately HK\$6.2 million as the result of the outbreak of the coronavirus disease (“COVID-19”).

Profit for the Year

The profit and total comprehensive income of the Group for the Year was approximately HK\$46.9 million, representing an increase of approximately HK\$6.6 million or 16.4% as compared to approximately HK\$40.3 million for the Previous Year. Such increase was due to the receipt of government subsidies from the Employment Support Scheme implemented by the Hong Kong Government of approximately HK\$13.4 million.

Liquidity and financial resources

Capital Structure

The Group did not have any borrowings as at 31 March 2021 (31 March 2020: Nil). The details of the share capital of the Company during the Year and the Previous Year are set out in note 11 on page 14 of this announcement.

Cash position

The Group recorded net current assets of approximately HK\$209.7 million as at 31 March 2021, while the net current assets of the Group as at 31 March 2020 was approximately HK\$224.2 million. As at 31 March 2021, the Group had cash and cash equivalents of approximately HK\$234.8 million (31 March 2020: HK\$ 225.6 million).

Capital expenditure

During the Year, the Group's total capital expenditure amounted to approximately HK\$2.7 million (the Previous Year: HK\$3.1 million), which was mainly incurred for acquisition of office equipment.

Gearing ratio

The net gearing ratio was not applicable to the Group since it did not have any interest-bearing liabilities as at 31 March 2021 and 31 March 2020.

Performance guarantees

The Group's performance guarantees as at 31 March 2021 are set out in note 12 on page 15 of this announcement.

Contingent liabilities

The Group had no contingent liabilities as at 31 March 2021.

Pledge of assets

As at 31 March 2021, certain of the Group's bank deposits totaling HK\$27.6 million (31 March 2020: HK\$11.3 million) were pledged as securities for securing banking facilities granted to the Group.

Foreign exchange risk

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

HUMAN RESOURCES

As at 31 March 2021, the Group had a total of 263 employees (31 March 2020: 288 employees). For the Year, the total staff costs including Directors' emoluments was approximately HK\$103.4 million (Previous Year: HK\$122.8 million). The Group offers a competitive remuneration package to its employees, including mandatory provident funds in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and medical insurance coverage to employees who are retained after the probation period. The Group will review the performance of its employees and make reference to such performance reviews in its salary and/or promotional review in order to attract and retain talented employees.

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

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

DIVIDEND

The Board declared a special dividend of HK\$0.05 per Share for the Year (the “**2021 Special Dividend**”) to the Shareholders (Previous Year: HK\$0.07 per Share). The 2021 Special Dividend will be paid on or about Friday, 30 July 2021 to Shareholders whose names appear on the register of members of the Company on Monday, 19 July 2021.

The Board recommends the payment of a final dividend of HK\$0.05 per share of the Company (the “**Shares**”) for the Year (the “**2021 Final Dividend**”) to the Shareholders (Previous Year: HK\$0.08 per Share). Subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company (the “**AGM**”) to be held on Tuesday, 24 August 2021, the 2021 Final Dividend will be paid on or about Friday, 10 September 2021 to Shareholders whose names appear on the register of members of the Company on Monday, 30 August 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders’ rights to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 19 August 2021 to Tuesday, 24 August 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 18 August 2021.

For the purposes of determining the Shareholders’ entitlement to the 2021 Final Dividend, if approved by the Shareholders at the AGM, the register of members of the Company will be closed on Monday, 30 August 2021, on which day no transfer of Shares will be registered. In order to be eligible for the 2021 Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 27 August 2021.

For the purpose of determining the Shareholders entitlement to the 2021 Special Dividend, the register of members of the Company will be closed on Monday, 19 July 2021, on which day no transfer of shares will be registered. In order to be eligible for the 2021 Special Dividend, all share 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 4:30pm on Friday, 16 July 2021.

SIGNIFICANT INVESTMENTS HELD

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

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

The Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Year and no future plans for material investments or capital assets as at 31 March 2021.

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).

The proposed allocation of the Net Proceeds as set out in the Company's announcement of 19 December 2019 and the actual usage of the Net Proceeds up to 31 March 2021 are set out below:

| | Approximate planned use of Net Proceeds — after Reallocation <i>(HK\$'million)</i> | Approximate amount of Net proceeds utilised | | Approximate Unutilised of Net Proceeds as at 31 March 2021 <i>(HK\$'million)</i> | Expected timeline for fully utilising the remaining Net Proceeds |
|------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------|--------------------------------------------|----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| | | Utilised during the year <i>(HK\$'million)</i> | Total utilised <i>(HK\$'million)</i> | | |
| Upgrading of the IT management systems of the Group | 12.6 | 4.5 | 11.7 | 0.9 | Expected to be fully utilized on or before 31 March 2022 |
| Enhancing of the Group's capability to undertake large-scale contracts | 21.0 | 2.3 | 14.5 | 6.5 | Expected to be fully utilized on or before 31 December 2022 <i>(Note 1)</i> |
| Recruitment and training of employees | 13.2 | — | 13.2 | — | — |
| Strengthening the marketing efforts of the Group | 3.6 | 0.5 | 1.9 | 1.7 | Expected to be fully utilized on or before 31 March 2023 <i>(Note 1)</i> |
| Additional working capital and other general corporate purposes | 5.6 | 0.1 | 5.6 | — | |
| | <u>56.0</u> | <u>7.4</u> | <u>46.9</u> | <u>9.1</u> | |

Note 1. As a result of the impact of COVID-19 pandemic, there had been a decrease in marketing activities such as industry exhibitions and forums and delay in undertaking large-scale contracts during the Year, the original plan for utilising the Net Proceeds in these areas had further been delayed as disclosed above.

FUTURE OUTLOOK

COVID-19 has caused a decline in the Group's business due to the shutdown of international borders and trades. The Group will keep close attention on impact of pandemic and the ongoing tensions between the US and China. Despite the current uncertain economic environment in Hong Kong, the Group is optimistic about future business opportunities. The Group had a good capital structure and a prudent financial policy to minimise the financial risk.

The Group will proactively seek and widen the business opportunities, and will continue to focus on core businesses and partnerships with key vendors. Other than looking for new market offerings and demand, the Group will optimize operational efficiencies and leverage its industry leadership to achieve long-term sustainable growth.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event affecting the Group that had occurred since the end of the Year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the Year, except for code provision A.2.1 of the CG Code.

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

COMPLIANCE WITH THE MODEL CODE

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

Specific enquiries had been made to all Directors and all the Directors have confirmed that they have fully complied with the required standards and provisions as set out in the Model Code during the Year.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

REVIEW OF THE ANNUAL RESULTS

The audit committee of the Board (the “**Audit Committee**”) has reviewed the annual results for the Year with the Company’s management and considered that such results have been prepared in accordance with the applicable accounting standards and requirements with sufficient disclosure. The Audit Committee has been established in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Ms. Li Wai Man, Mr. Cheng Tak Chung, and Mr. Li Richard King Hang. Ms. Li Wai Man serves as the chairlady of the Audit Committee. The primary responsibilities of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting system, risk management and internal control systems of the Group, to oversee the audit process, to develop and review the Group’s policies and to perform other duties and responsibilities as assigned by the Board.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.microware1985.com. The annual report of the Company for the Year containing all the relevant information required by the Listing Rules will be despatched to the Shareholders and also published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Microware Group Limited
Chu Ming Ho

Chairman, executive Director and chief executive officer

Hong Kong, 25 June 2021

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chu Ming Ho, Mr. Yang Peter Shun Tsing and Mr. Cheng Wing Fai, 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.