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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 2023
AND
CLOSURE OF REGISTER OF MEMBERS**

HIGHLIGHTS

- The total revenue of the Group amounted to approximately HK\$1,166.8 million for the Year, representing an increase of approximately HK\$17.8 million or 1.5% as compared to approximately HK\$1,149.0 million for the Previous Year.
- The profit and total comprehensive income of the Group for the Year was approximately HK\$33.2 million, representing an increase of approximately HK\$1.2 million or 3.8% as compared to approximately HK\$32.0 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\$5.9 million in the Year.
- Basic earnings per Share for the Year was HK\$0.11, as compared to HK\$0.11 for the Previous Year.
- On 19 June, 2023, the Board has resolved to declare a special dividend of HK\$0.08 per Share.
- The Board recommended the payment of a final dividend of HK\$0.025 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 2023 (the “**Year**”), together with the comparative figures for the year ended 31 March 2022 (the “**Previous Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March 2023

		2023	2022
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	1,166,848	1,148,967
Cost of sales		<u>(1,045,282)</u>	<u>(1,016,349)</u>
Gross profit		121,566	132,618
Other income		8,968	479
Other gains and losses, net		1,330	626
Other expenses		(2,222)	(2,213)
Distribution and selling expenses		(60,029)	(62,632)
Administrative expenses		(30,258)	(29,999)
Finance cost		<u>(620)</u>	<u>(554)</u>
Profit before taxation		38,735	38,325
Taxation	4	<u>(5,559)</u>	<u>(6,349)</u>
Profit and total comprehensive income for the year	5	<u>33,176</u>	<u>31,976</u>
Profit (loss) and total comprehensive income (expense) for the year attributable to			
— owners of the Company		33,179	31,970
— non-controlling interest		<u>(3)</u>	<u>6</u>
		<u>33,176</u>	<u>31,976</u>
Earnings per share	7		
Basic (HK\$)		<u>0.11</u>	<u>0.11</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		16,955	18,721
Deposit paid for acquisition of property, plant and equipment		—	169
Prepayments and deposits	8	1,944	1,797
Derivative financial instrument		177	6
		<u>19,076</u>	<u>20,693</u>
CURRENT ASSETS			
Inventories		58,220	55,199
Trade and other receivables, prepayments and deposits	8	146,202	197,721
Pledged bank deposits		39,900	32,348
Time deposit		5,161	5,104
Cash and cash equivalent		248,272	232,155
		<u>497,755</u>	<u>522,527</u>
CURRENT LIABILITIES			
Trade and other payables and accruals	9	203,350	212,118
Amount due to a non-controlling interest of a subsidiary		—	1,099
Contract liabilities	10	82,575	92,260
Tax liabilities		984	469
Lease liabilities		10,970	10,087
Bank borrowings		—	9,000
		<u>297,879</u>	<u>325,033</u>
NET CURRENT ASSETS		<u>199,876</u>	<u>197,494</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>218,952</u>	<u>218,187</u>
NON-CURRENT LIABILITIES			
Contract liabilities	10	4,634	3,352
Lease liabilities		1,639	3,797
Deferred tax liabilities		208	242
		<u>6,481</u>	<u>7,391</u>
NET ASSETS		<u>212,471</u>	<u>210,796</u>
CAPITAL AND RESERVES			
Share capital	11	3,000	3,000
Reserves		209,471	208,758
Equity attributable to owners of the Company		212,471	211,758
Non-controlling interest		—	(962)
		<u>212,471</u>	<u>210,796</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. GENERAL INFORMATION

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

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

The Company is an investment holding company. The Company and 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 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 following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

The application of the amendments to HKFRSs in the current year has 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.

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

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

³ Effective for annual periods beginning on or after 1 January 2024.

Except for the amendments to HKFRSs mentioned below, the Directors 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 HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 Non-current liabilities with covenants (the “2022 Amendments”)

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group’s outstanding liabilities as at 31 March 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group’s liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" ("HKAS 12") so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on 1 April 2023. The Group is in the process of assessing the full impact of the application of the amendments, specifically, whether deferred tax assets relating to deductible temporary differences meet the recognition criteria.

3. REVENUE AND SEGMENT INFORMATION

Segment revenue and results

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company who are also the chief operating decision makers (the "CODM") that are used to make strategic decisions. Information reported to the CODM is based on the business lines operating by the Group. No operating segments have been aggregated to form the following reportable segments.

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

- (1) IT infrastructure solution services business refers to the procurement of hardware and software by the Group and such procurement together with provision of design of solutions; and
- (2) IT managed services business refers to the provision of design of solutions, provision of maintenance and/or support services to IT systems of the customers.

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

For the year ended 31 March 2023

	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>
Segment revenue	<u><u>1,033,933</u></u>	<u><u>132,915</u></u>	<u><u>1,166,848</u></u>
Segment results	<u><u>49,806</u></u>	<u><u>12,811</u></u>	62,617
Other income			8,968
Other gains and losses, net			1,330
Other expenses			(2,222)
Certain distribution and selling expenses			(1,080)
Administrative expenses			(30,258)
Finance cost			<u>(620)</u>
Profit before taxation			<u><u>38,735</u></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 2022			
Segment revenue	<u>1,026,178</u>	<u>122,789</u>	<u>1,148,967</u>
Segment results	<u>53,918</u>	<u>17,242</u>	71,160
Other income			479
Other gains and losses, net			626
Other expenses			(2,213)
Certain distribution and selling expenses			(1,174)
Administrative expenses			(29,999)
Finance cost			<u>(554)</u>
Profit before taxation			<u>38,325</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, net, other expenses, certain distribution and selling expenses, administrative expenses and finance cost.

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

4. TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	5,593	6,136
Deferred tax	<u>(34)</u>	<u>213</u>
	<u>5,559</u>	<u>6,349</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 2023 and 2022.

5. PROFIT FOR THE YEAR

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Staff costs:		
Directors' remuneration	8,741	7,611
Other staff costs	96,507	100,036
Retirement benefits scheme contributions (excluding directors)	<u>3,415</u>	<u>3,467</u>
	<u>108,663</u>	<u>111,114</u>
Auditor's remuneration	1,540	1,750
Cost of inventories recognised as an expense (<i>note a</i>)	936,176	917,236
Depreciation of property, plant and equipment	<u>13,895</u>	<u>11,697</u>

note:

- a. Cost of inventories charged to profit or loss including allowance for inventories of HK\$212,000 (2022: allowance for inventories of HK\$416,000).

6. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2023 Interim dividend - HK\$0.045 (2022: 2022 interim dividend HK\$0.04) per share	13,500	12,000
2022 Final dividend - HK\$0.06 (2022: 2021 final dividend HK\$0.05) per share	18,000	15,000
2022 Special dividend - HK\$Nil (2022: 2021 special dividend HK\$0.05) per share	—	15,000
	<u>31,500</u>	<u>42,000</u>

Subsequent to the end of the reporting period, a special dividend in respect of the year ended 31 March 2023 of HK\$0.08 (2022: HK\$nil) per share in an aggregate amount of HK\$24,000,000 (2022: HK\$nil), has been declared by the directors of the Company. A final dividend in respect of the year ended 31 March 2023 of HK\$0.025 (2022: HK\$0.06) per share, in an aggregate amount of HK\$7,500,000 (2022: HK\$18,000,000), has been proposed by the Directors and is subject to approval by the shareholders of the Company (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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>33,179</u>	<u>31,970</u>
	2023 <i>'000</i>	2022 <i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	<u>300,000</u>	<u>300,000</u>

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

8. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables from contracts with customers	117,628	172,419
Less: Allowance for credit losses	<u>(9)</u>	<u>(9)</u>
	117,619	172,410
Rental and utilities deposits	320	320
Prepayments for costs of maintenance services	26,945	21,860
Others	<u>3,262</u>	<u>4,928</u>
Total trade and other receivables, deposits and prepayments	<u>148,146</u>	<u>199,518</u>
Analysed as:		
Current	146,202	197,721
Non-current (including prepayments for costs of maintenance services, rental and utilities deposits)	<u>1,944</u>	<u>1,797</u>
	<u>148,146</u>	<u>199,518</u>

As at 1 April 2021, trade receivables from contracts with customers amounted to HK\$132,964,000.

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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	72,841	94,627
31 to 60 days	23,488	35,398
61 to 90 days	6,906	15,912
91 to 120 days	4,388	8,146
121 to 180 days	6,515	6,586
Over 180 days	3,481	11,741
	<u>117,619</u>	<u>172,410</u>

As at 31 March 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$48,412,000 (2022: HK\$83,872,000) which are past due as at the reporting date. Out of the past due balances, HK\$10,082,000 (2022: HK\$18,672,000) 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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	165,958	152,066
Accrued staff costs	14,522	18,182
Accrued purchases	11,327	26,110
Others	11,543	15,760
	<u>203,350</u>	<u>212,118</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	90,102	89,964
31 to 60 days	59,693	37,824
61 to 90 days	13,441	21,318
Over 90 days	<u>2,722</u>	<u>2,960</u>
	<u>165,958</u>	<u>152,066</u>

10. CONTRACT LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current	82,575	92,260
Non-current	<u>4,634</u>	<u>3,352</u>
	<u>87,209</u>	<u>95,612</u>

As at 1 April 2021, contract liabilities amounted to HK\$65,729,000.

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.

During the year ended 31 March 2023, the Group has recognised revenue of HK\$92,260,000 (2022: HK\$62,131,000) that was included in the contract liabilities balance at the beginning of the year.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Procurement of hardware and software, design of solution/maintenance and/or support services

The Group typically receives 20% - 30% of the contract value as deposits and advance payments for the procurement of hardware and software, design of solution/maintenance and/or support services when the purchase order is entered into, while the amount of deposits may be varied depending on the business relationship with the customers. The deposits and advance payments result in contract liabilities being recognised until the customer obtains control of hardware and software or until revenue recognised on the relevant contract exceeds the amounts of deposit and advance payments.

11. SHARE CAPITAL

The share capital as at 31 March 2022 and 2023 represented the share capital of the Company with the details as follows:

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2021, 31 March 2022 and 2023	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 1 April 2021, 31 March 2022 and 2023	<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 2023, the performance guarantees of the Group of HK\$29,591,000 (2022: HK\$26,136,000) 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 2023 and 2022, the Directors did not consider that it is probable that a claim will be made against the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of IT infrastructure solutions services and IT managed services in Hong Kong. The Group strives to provide one-stop IT experience which begins with (i) consultation and advice; (ii) hardware and/or software procurement; (iii) implementation; and (iv) management and maintenance of the IT infrastructure solutions.

The Group is a well-established IT infrastructure solutions provider based in Hong Kong. As at 31 March 2023, the Group has maintained qualified technical and sales staff 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 and charity organisation as set out below:

Presented by	Awards
Hewlett Packard Enterprise	FY22 Partner of The Year FY22 Partner of The Year — PointNext Services FY22 Top Performing Solution Partner — Scale-out Storage
HP Inc Hong Kong Limited	FY22 Best Contributor to Commercial Print Market Share
IBM	Top Contribution Award — Reseller Gold Award 2022
Kaspersky	Outstanding Partner
Lenovo	FY2122 Top Commercial Partner Champion FY2122 Top Commercial REL Champion FY2122 Top Growth ISG Partner
Micro Focus	Best Industry Focus Partner Award 2022
NetApp	Partner of the Year FY22 — Commercial Leader
The Community Chest of Hong Kong	Tenth Top Donor of the Year 2022/2023

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

FINANCIAL REVIEW

Revenue

The total revenue of the Group amounted to approximately HK\$1,166.8 million for the Year, representing an increase of approximately HK\$17.8 million or 1.5% as compared to approximately HK\$1,149.0 million for the Previous Year. The increase in total revenue was mainly due to the increase in revenue of the business segment of IT infrastructure solution services which was approximately HK\$1,033.9 million for the Year, representing an increase of approximately HK\$7.7 million or 0.8% as compared to approximately HK\$1,026.2 million for the Previous Year. The revenue of the business segment of IT managed services was approximately HK\$132.9 million, representing an increase of approximately HK\$10.1 million or 8.2% as compared to approximately HK\$122.8 million for the Previous Year. For the Year, the business segments of IT infrastructure solutions services and IT managed services contributed approximately 88.6% and 11.4% to the total revenue of the Group, respectively.

Cost of sales

The total cost of sales of the Group for the Year was approximately HK\$1,045.3 million, representing an increase of approximately HK\$29.0 million or 2.9% from approximately HK\$1,016.3 million for the Previous Year. The increase in total cost of sales was mainly due to the increase in cost of the business segment of IT infrastructure solution services which was approximately HK\$939.3 million for the Year, representing an increase of approximately HK\$14.8 million or 1.6% as compared to approximately HK\$924.5 million for the Previous Year. The cost of the business segment of IT managed services was approximately HK\$105.9 million, representing an increase of approximately HK\$14.0 million or 15.2% as compared to approximately HK\$91.9 million for the Previous Year.

Gross profit and gross profit margin

The gross profit of the Group for the Year was approximately HK\$121.6 million, representing a decrease of approximately HK\$11.0 million or 8.3% from approximately HK\$132.6 million for the Previous Year. Such decrease was due to the decrease in gross profit of both the business segments of IT infrastructures solution services and IT managed services.

The gross profit of the business segment of IT infrastructure solution services was approximately HK\$94.6 million, representing a decrease of approximately HK\$7.1 million or 7.0% as compared to approximately HK\$101.7 million for the Previous Year. The gross profit of the business segment of IT managed services was approximately HK\$27.0 million, representing a decrease of approximately HK\$4.0 million or 12.9% as compared to approximately HK\$31.0 million for the Previous Year.

Operating expenses

The total operating expenses of the Group for the Year was approximately HK\$90.3 million, representing a decrease of approximately HK\$2.3 million or 2.5% as compared to approximately HK\$92.6 million for the Previous Year. Such decrease was due to the net impact of decrease in distribution and selling expenses and increase in administrative expenses of approximately HK\$2.6 million or 4.2% and HK\$0.3 million or 0.9% respectively.

Profit for the Year

The profit and total comprehensive income of the Group for the Year was approximately HK\$33.2 million, representing an increase of approximately HK\$1.2 million or 3.8% as compared to approximately HK\$32.0 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 as the result of the outbreak of the Covid-19 of approximately HK\$5.9 million for the Year.

Liquidity and financial resources

Capital Structure

The Group did not have any borrowings as at 31 March 2023 (31 March 2022: HK\$9.0 million). The details of the share capital of the Company during the Year and the Previous Year are set out in note 11 on page 16 of this announcement.

Cash position

The Group recorded net current assets of approximately HK\$199.9 million as at 31 March 2023, while the net current assets of the Group as at 31 March 2022 was approximately HK\$197.5 million. As at 31 March 2023, the Group had cash and cash equivalents of approximately HK\$248.3 million (31 March 2022: HK\$232.2 million). Most of the cash and cash equivalents of the Group were denominated in HK\$ and United States Dollars (“US\$”).

Capital expenditure

During the Year, the Group’s total capital expenditure amounted to approximately HK\$2.5 million (the Previous Year: HK\$3.6 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 2023 (the Previous Year: 4.27% which is total interest-bearing bank loans divided by the total equity and multiplied by 100%).

Performance guarantees

The Group’s performance guarantees as at 31 March 2023 are set out in note 12 on page 16 of this announcement.

Contingent liabilities

The Group had no contingent liabilities as at 31 March 2023 (as at 31 March 2022: Nil).

Pledge of assets

As at 31 March 2023, certain of the Group’s bank deposits totaling HK\$39.9 million (31 March 2022: HK\$32.3 million) were pledged to secure derivative financial instruments and performance guarantees which will be released upon the maturity of the derivative financial instruments and completion of the contract works, respectively.

Foreign exchange risk

The Group's transactions are mainly denominated and settled in HK\$ and the US\$. Foreign exchange exposure of the Group to US\$ will continue to be minimal as long as the policy of the Hong Kong Government 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 2023, the Group had a total of 240 employees (31 March 2022: 253 employees). For the Year, the total staff costs including Directors' emoluments was approximately HK\$108.7 million (Previous Year: HK\$111.1 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\$0.08 per share of the Company (the "**Shares**") for the Year (the "**2023 Special Dividend**") to the Shareholders (Previous Year: HK\$Nil per Share). The 2023 Special Dividend will be paid on or about Wednesday, 26 July 2023 to Shareholder whose names appear on the register of members of the Company on Wednesday, 12 July 2023.

The Board recommends the payment of a final dividend of HK\$0.025 per Share for the Year (the “**2023 Final Dividend**”) to the Shareholders (Previous Year: HK\$0.06 per Share). Subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company (the “**AGM**”) to be held on Wednesday 16 August 2023, the 2023 Final Dividend will be paid on or about Friday 1 September 2023 to Shareholders whose names appear on the register of members of the Company on Tuesday, 22 August 2023.

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 Friday, 11 August 2023 to Wednesday, 16 August 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 10 August 2023.

For the purposes of determining the Shareholders’ entitlement to the 2023 Final Dividend, if approved by the Shareholders at the AGM, the register of members of the Company will be closed on Tuesday, 22 August 2023, on which day no transfer of Shares will be registered. In order to be eligible for the proposed the 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for registration no later than 4:30 p.m. on Monday, 21 August 2023.

For the purposes of determining the Shareholders’ entitlement to the 2023 Special Dividend, the register of members of the Company will be closed on 12, July 2023, on which day no transfer of Shares will be registered. In order to be eligible for the 2023 Special 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 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for registration no later than 4:30 p.m. on 11, July 2023.

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 2023.

USE OF PROCEEDS

The net proceeds (the “**Net Proceeds**”) from the initial public offering of the Company in March 2017 amounted to approximately HK\$56.0 million (after deducting underwriting commissions and related expenses). As at 31 March 2023, the Net Proceeds had been fully utilised.

The planned usage of the Net Proceeds (as reallocated as per the Company’s announcement dated 19 December 2019) and the actual usage of the Net Proceeds as at 31 March 2023 are set out below:

	Approximate planned use of Net Proceeds — after Reallocation (HK\$’million)	Approximate amount of Net proceeds utilised Utilised during the Year (HK\$’million)	Total utilised (HK\$’million)
Upgrading of the IT management systems of the Group	12.6	—	12.6
Enhancing of the Group’s capability to undertake large-scale contracts	21.0	4.1	21.0
Recruitment and training of employees	13.2	—	13.2
Strengthening the marketing efforts of the Group	3.6	1.6	3.6
Additional working capital and other general corporate purposes	5.6	—	5.6
	<u>56.0</u>	<u>5.7</u>	<u>56.0</u>

FUTURE OUTLOOK

Affected by the pandemic, the global economy continued to slow down during the Year. For the first half of 2023, most countries are reopening the international borders and the supply chains are recovering, but the results of rebound is still uncertain. Moreover, the ongoing tensions between the United States and China is unpredictable, and the influence of the economic environment is equivocal. The business environment remains to be challenging for the Group as the labour cost has increased due to the IT talents continuing shortage and the inflation rate uncertainty in Hong Kong.

The Group will continue to focus on the core business and partnerships with key vendors and work with various business partners to expand its business offerings. To minimize the financial risk, the Group maintains a good capital structure and prudent financial policy. Moreover, the Group will continue to diversify and broaden its expertise, and it will widen up the skills and solution services for different business sectors.

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 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

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 and code provisions (the "**Code Provisions**") in the Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company complied with the CG Code throughout the Year, except for Code Provision C.2.1 of the CG Code, details of which are set out below. Further details could be referred to the Corporate Governance Report of the Company set out in the Company's annual report for the Year which will be published in due course.

Code Provision C.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 Board and the Chief Executive Officer. In view of the fact that Mr. Chu Ming Ho has been assuming 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 taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from Code Provision C.2.1 of the CG Code is appropriate in such circumstance. Notwithstanding the deviation, 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.

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. Having made specific enquiry to all Directors, all Directors 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 2023 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 opinion or 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, 19 June 2023

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