Microware Group Limited
美高域集團有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1985

ANNUAL REPORT
2023

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

CHU Ming Ho
(Chairman and Chief Executive Officer of the Group)
YANG Peter Shun Tsing
CHENG Wing Fai
AU Man Wah

Non-Executive Directors

WAN Yiu Hon

Independent Non-Executive Directors

LI Wai Man
CHENG Tak Chung
LI Richard King Hang

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

CHAN Wai Hing Gloria (HKICPA)

AUTHORISED REPRESENTATIVES

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

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISERS

As to Hong Kong Law

Sidley Austin
Solicitors, Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kwun Tong Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
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Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Ltd.
17/F, Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

PRINCIPAL BANKS

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

COMPANY'S WEBSITE

www.microware1985.com

STOCK CODE

1985

Highlights of the Year

Business Activities

1

Microware organized end user event with a wide range of business areas to promote the latest IT solutions across different industries.



HPE Webinar

CheckPoint Seminar

2

Microware participation in the event to support the digital transformation in Hong Kong enterprises.

Highlights of the Year

3 Awards

Barracuda Premier Partner

Awarded by HP Inc Hong Kong Limited

Awarded by Hewlett Packard Enterprise

Awarded by Netapp

4

Annual General Meeting 2022

Caring For The Community

Mid-Autumn Festival Elderly Care Program

Chairman's Statement

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Microware Group Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present to the shareholders of the Company (the "**Shareholders**") the annual report of the Group for the year ended 31 March 2023 (the "**Year**").

For the Year, the Group reported total revenue of approximately HK$1,166.8 million, representing an increase of approximately HK$17.8 million or 1.5% as compared to the year ended 31 March 2022 (the "**Previous Year**"). The profit and total comprehensive income of the Group for the Year was approximately HK$33.2 million, representing a year-on-year increase of approximately HK$1.2 million or 3.8% as compared to the Previous Year. With the government's Employment Support Scheme, the Group's overall gross profit was basically in line with expectations. An analysis of the financial results of the Group for the Year is included in the Management Discussion and Analysis section of this report.

In 2022, with the easing of the COVID-19 pandemic, countries around the world were gradually returning to normal in terms of daily life and economic activities. In Hong Kong, quarantine policy, border controls and other restrictive measures were lifted by early 2023, and the city finally re-connected with China and other countries. However, the global environment remained troubled by a host of concerning factors, including interest rate hikes and years-long tensions in the US-China relationship, which continued to impact trading, technology businesses and financial activities. The macro environment was disrupted further by the Russia-Ukraine war, which erupted in 2022. Given the above factors, a significant rebound has yet to be seen in Hong Kong's economic activities.

During the past few years, the global economy and businesses in many industries were severely hit by the pandemic, but the pandemic also raised awareness of the importance of digital transformation. The market demand for IT solutions grew as more enterprises stepped up their game in digital transformation driven by the growing trend of remote and hybrid work models. Many enterprises were seeking suitable solutions to enhance the flexibility, mobility, and efficiency of their work. This trend has benefited IT solution providers like Microware, as well as enterprises that embrace IT solutions to raise productivity and efficiency in challenging times. Digital transformation is not only about cost efficiency, but also about value creation in the long-term to survive and thrive in the competitive business environment. Following this irreversible trend of digital transformation, Microware will continue to formulate IT solutions in light of the needs of our clients.

The growing interest in Artificial Intelligence (AI) has been intensified by the launch of a popular chatbot last year, drawing massive attention to its possible applications. This is a plus factor for the IT solution industry as there are more discussions on how to create value through the advancement of technology. We will proactively explore the potential applications of AI technology in our business model and solution portfolios, particularly in terms of optimizing workflow and enhancing productivity for our clients, so as benefitting their development in the long run. With the enhanced awareness of and interest in AI technology, we expect to see a positive impact on the demand. As our core business pillars, Hybrid IT Infrastructure, Smart Workspace, Security, and Managed Services, will continue to be our main focus and serve the mounting demand and vision for digitalization to create values, yet we will not cease to explore practical opportunities to integrate new technologies into our solutions and monetize them appropriately when the opportunity is ripe.

In the coming year, the global environment will remain clouded by uncertainties. We will take the initiative to optimize our operations and efficiency, being mindful of the inflationary pressure, geopolitical tensions, supply chain challenges, and the rising salary costs caused by IT talent shortages. Microware will improve resource allocation to overcome external uncertainties amid market challenges and stay focused on the four core pillars of business solutions while exploring possibilities in our service portfolio to cater to the evolving needs of our clients. Regarding the talent challenge, an upward spiral in wages has continued unabated due to the fierce competition for top talents after waves of migration, but we will continue to provide staff training and maintain our talent pool through a diversity recruiting strategy, along with efforts to seek external human resources when necessary to improve efficiency. We have also completed an internal restructuring to integrate our service teams and streamline our work process.

Despite the challenges, we see great opportunities ahead. Manpower shortages, and data management and cybersecurity challenges in different industries will benefit business growth momentum. The massive digitalization throughout the past few years has created greater long-term demand for cybersecurity, cloud security for remote operation, infrastructure upgrade, and IT managed services. We will focus on industries in which we have a competitive edge and deeply cultivate these industries by providing different solutions to meet different customers' needs. As a system integrator with nearly four decades of expertise, Microware has gained a strong foothold in the IT infrastructure industry. With a stable and highly experienced management team, we pride ourselves on quality services, excellent solutions and long-term relationships with our business partners and clients. We maintain and monitor a stable business partner ecosystem and supply chain circle for sustainable business opportunities.

On behalf of the Board, I would like to take this opportunity to thank our shareholders, business partners and customers for their unwavering trust and support amid all the challenges. I would also like to express my sincere appreciation to the management team and the entire staff for their commitment and contribution to the growth and prosperity of the Group. We will continue to capitalize on market opportunities and stay resilient amid challenges to deliver strong results for our stakeholders in the years to come.

Chu Ming Ho
Chairman of the Board, Executive Director and Chief Executive Officer
Hong Kong, 19 June 2023

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 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.

Management Discussion and Analysis

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 22 to the consolidated statements of the Group for the Year included in this report (the "**Financial Statements**").

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 28 to the Financial Statements.

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 report, 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 Shareholders 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.

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.

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.

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 report.

Profile of Directors and Senior Management

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Chu Ming Ho *(Chairman and Chief Executive Officer)*

Mr. Chu, aged 53, was appointed as a Director on 20 January 2016 and was re-designated as an executive Director on 25 May 2016. He has been the chairman and chief executive officer of the Group since 25 May 2016 and a director of all of the subsidiaries of the Company. From January 2006 to the present, Mr. Chu has been the managing director of Microware Limited ("**Microware Ltd.**"), an indirect wholly-owned subsidiary of the Company, and he has been primarily responsible for the overall management, strategic planning and leading the management team. Mr. Chu received a bachelor's degree in business (economics and finance) from Royal Melbourne Institute of Technology University in Australia in September 2004.

Mr. Chu is a director of Microware International Holdings Limited ("**Microware International**"), a company beneficially and wholly owned by Mr. Yang Peter Shun Tsing and having an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"). For details, please refer to the paragraphs under the section headed "Substantial Shareholders' Interest and Short Positions in Shares" on page 36 of this report.

Yang Peter Shun Tsing

Mr. Yang, aged 72, was appointed as a Director on 20 January 2016 and was re-designated as an executive Director on 25 May 2016. He has over 30 years of experience in the IT industry. From 1 March 1989 to the present, Mr. Yang has been the president of Microware Ltd. and has been primarily responsible for the overall management and strategic planning of the businesses of the Group. He is a director of all subsidiaries of the Company. From March 1989 to February 2008 and from February 2008 to July 2012, he was the president and chairman of Microware Ltd., respectively, where he was responsible for the overall management and strategic planning of its businesses. Mr. Yang received a degree of Bachelor of Science with a specialisation in physics from the University of Alberta in Canada in May 1971. From 1974 to 1984, Mr. Yang was a chartered accountant of The Institute of Chartered Accountants and Canadian Institute of Chartered Accountants.

Mr. Yang is a director of Microware International, a company beneficially and wholly owned by him and having an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. For details, please refer to the paragraphs under the section headed "Substantial Shareholders' Interest and Short Positions in Shares" on page 36 of this report.

Cheng Wing Fai Ray

Mr. Cheng, aged 53, was appointed as an executive Director on 1 March 2021. From April 2018 to present, Mr Cheng has been the director of the system integration group of Microware Ltd. is primarily responsible for sales management of the Group. He has over 20 years of sales experience. From July 2002 to March 2018, he was senior sales manager of the Group and was responsible for a sales team for projects of the Government of Hong Kong.

Mr. Cheng received a bachelor of engineering degree from the City Polytechnic of Hong Kong (now known as City University of Hong Kong) in November 1993 and a master's degree in quantitative analysis for business from the City University of Hong Kong in November 1998.

Au Man Wah Randy

Mr. Au, aged 59, was appointed as executive Director with effect from 1 July 2022. Mr. Au joined the Group on 1 June 2011 as the director of technical services and outsourcing of Microware Ltd., where he was primarily responsible for maintenance and service sales of the Group. He has over 21 years of sales and marketing experience. Mr. Au received a bachelor's degree in business administration from Fu Jen Catholic University in Taiwan in June 1988. He received a master's degree in information systems from the Hong Kong Polytechnic University in November 2010 through distance learning.

Mr. Au is interested in 90,000 shares of the Company as recorded in the register required to be kept under section 352 of the SFO.

NON-EXECUTIVE DIRECTOR

Wan Yiu Hon

Mr. Wan, aged 66, was appointed as a non-executive Director on 25 May 2016 and is primarily responsible for supervising the business of the Group. Mr. Wan has been a director of Microware Ltd. since 1 August 2007 and is responsible for supervising the business of Microware Ltd.. Mr. Wan graduated from St. Louis School in Hong Kong in 1975. He has over 26 years of sales and sales management experience in the IT industry. From June 2003 to September 2004, Mr. Wan was the director of the systems integration group of Microware Ltd., where he was responsible for supervising the sales team.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheng Tak Chung

Mr. Cheng, aged 66, was appointed as an independent non-executive Director on 14 February 2017. On 1 January 2023, he was appointed as independent non-executive director of SiS Mobile Holdings Limited, the securities of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock Code: 1362). During the period between April 1983 and September 2008, Mr. Cheng has served various roles in IBM China/Hong Kong Limited, a multinational technology and consulting corporation, and he held the position of GCG channel director in general management office before he left such company. From September 2008 to September 2011, Mr. Cheng worked as the vice president and general manager of Avnet Partner Solutions, greater China region, a distributor of IT services. Mr. Cheng received a bachelor's degree in science from the University of Wisconsin-Stevens Point in the United States in August 1980 and a master's degree in business administration from Northern Michigan University in the United States in August 1982.

Li Wai Man

Ms. Li, aged 56, was appointed as an independent non-executive Director on 14 February 2017. From 7 May 2001 to January 2007, Ms. Li served as the accounts and operation manager of Microware Ltd., where she was responsible for company secretarial services, financial management and office administration of the Group. She has over 20 years of accounting experience. Ms. Li received a master's degree in business administration and a master's degree in corporate governance from The Open University of Hong Kong through distance learning in June 2005 and June 2011, respectively. Ms. Li was admitted as a certified public accountant in June 1996. She has been a fellow of the Association of Chartered Certified Accountants since September 2001 and a fellow of the Hong Kong Institute of Certified Public Accountants since October 2013.

Li Richard King Hang

Mr. Li, aged 79, was appointed as an independent non-executive Director on 14 February 2017. He served as the director of IT services in the Hong Kong Polytechnic University for 10 years and retired from the IT services office of the university in October 2005. Mr. Li obtained a Bachelor of Science degree in physics and a Master of Science degree from Indiana University in the United States in June 1966 and February 1968, respectively.

SENIOR MANAGEMENT

Chan Wai Hing Gloria

Ms. Chan, aged 54, is the chief financial officer, authorised representative and a company secretary of the Group since 22 January 2007 and is primarily responsible for the management of financial, accounting and company secretarial matters of the Group. She has over 20 years of accounting experience. Ms. Chan received a master's degree in professional accounting from The Hong Kong Polytechnic University in November 2003. Ms. Chan was admitted as a certified public accountant in July 1999. She has been an associate of the Hong Kong Society of Accountants since July 1999 and a fellow of the Hong Kong Institute of Certified Public Accountants since May 2007.

Lau Yuen Ling Crystal

Ms. Lau, aged 52, is the director of product and marketing of Microware Ltd. since June 2018 and is primarily responsible for the management of vendors relationship, product and solutions, go-to-market strategy, marketing and inventory control of the Group. Ms. Lau has over 20 years of experience in product marketing. She joined the Group in 27 March 2000 as product marketing officer and was responsible for vendor relationship and product. She was promoted to business manager in October 2013 and served as the senior manager of product and marketing from June 2017 to May 2018. Ms. Lau received a master's degree in business administration from University of Leicester through distance learning in July 2004.

Corporate Governance Report

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 (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**").

Save for Code Provision C.2.1 of the CG Code as disclosed below, the Company has applied the Principles and complied with all the Code Provisions for the Year.

DIRECTORS' SECURITIES TRANSACTIONS

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

Specific enquiry had been made to all Directors and all 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.

THE BOARD

Board Composition

The Board, which currently comprises eight Directors, is responsible for governing the Company. The Board is responsible for performing the corporate governance functions of the Company in accordance with the CG Code, including determining the Company's corporate governance policies, and reviewing and monitoring the corporate governance practices of the Company. The Board is responsible for determining the overall corporate strategies and development of the Company to meet its business objectives. All substantial business decisions, as the Board considers appropriate, have to be escalated to the Board level with written resolutions. The Board should make decisions objectively in the best interests of the Company. The Board currently comprises four executive Directors, one non-executive Director and three independent non-executive Directors:

Executive Directors
Mr. Chu Ming Ho *(Chairman and Chief Executive Officer of the Group)*
Mr. Yang Peter Shun Tsing
Mr. Cheng Wing Fai
Mr. Au Man Wah

Non-Executive Director
Mr. Wan Yiu Hon

Independent Non-Executive Directors
Mr. Cheng Tak Chung
Ms. Li Wai Man
Mr. Li Richard King Hang

All the Directors have given sufficient time and attention to the affairs of the Company. Each Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Details of the backgrounds and qualifications of the chairman of the Board and the other Directors are set out in the section headed "Profile of Directors and Senior Management" in this report.

Responsibilities of the Board and the management

The principal responsibility of the Board is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board is collectively responsible for the long-term success of the Company and delivery of sustainable value to the Shareholders. It sets strategies for the Company and approves capital and operating plans presented by management for the achievement of strategic objectives it has set. Implementation of the strategies set by the Board is delegated to the management which is led by the chief executive officer of the Group (the "**Chief Executive Officer**"). The management is responsible for the day-to-day management and operation of the Group and to provide the Board with updates in a timely manner, giving an assessment of the Company's performance and position to enable the Board to discharge its duties.

Regarding the Company's corporate governance, the Board as a whole is responsible for performing the following corporate governance duties including:

i. to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

ii. to develop and review the Company's policies and practices on corporate governance;

iii. to review and monitor the training and continuous professional development of Directors and management;

iv. to review the Company's compliance with the CG Code and disclosure in its corporate governance report; and

v. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors.

The Board has delegated such duties to the audit committee established by the Board (the "**Audit Committee**").

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Directors acknowledge their responsibility for preparing the Financial Statements.

Directors' and Officers' Insurance

The Company has arranged for appropriate insurance coverage in respect of legal actions against the Directors.

Board meetings and Board practices

The Board is scheduled to meet at least four times a year to determine overall strategic direction and objectives and approve interim and annual results and other significant matters. Apart from regular board meetings, the Board will meet on other occasions when a board level decision on a particular matter is required. Each of the members of the Board has full access to relevant information at the meetings.

Four Board meetings and one general meeting were held during the Year. Details of the attendance of the Board meetings and the general meeting are as follows:

	Attendance/Number of meetings eligible to attend during the Year	
	Board Meeting	The 2022 Annual General Meeting
Mr. Chu Ming Ho	4/4	1/1
Mr. Yang Peter Shun Tsing	4/4	1/1
Mr. Cheng Wing Fai	4/4	1/1
Mr. Au Man Wah (appointed on 1 July 2022)	3/3	1/1
Mr. Wan Yiu Hon	4/4	1/1
Mr. Cheng Tak Chung	3/4	1/1
Ms. Li Wai Man	4/4	1/1
Mr. Li Richard King Hang	4/4	1/1

Appointment and re-election of directors

Under Code Provision B.2.2 of the CG Code, the non-executive Directors should be appointed for a specific term and subject to re-election. All Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

All the Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association (the "**Articles**").

Continuing professional development

According to Code Provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. As part of continuous professional development of the Directors, the Company provides in-house training and engages professional firms to provide training to Directors to develop and refresh their knowledge and skills and continuously update Directors on the latest developments regarding the Group's business, the Listing Rules and other applicable legal and regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Every newly appointed Director has received comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The participation by individual Directors in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company by way of attending training sessions organised by professional firms and reading relevant materials during the Year is recorded in the table below:

Name of Directors	Training on corporate governance, regulatory development and other relevant topics
Mr. Chu Ming Ho	✓
Mr. Yang Peter Shun Tsing	✓
Mr. Cheng Wing Fai	✓
Mr. Au Man Wah (appointed on 1 July 2022)	✓
Mr. Wan Yiu Hon	✓
Mr. Cheng Tak Chung	✓
Ms. Li Wai Man	✓
Mr. Li Richard King Hang	✓

Independent non-executive Directors and Non-executive Director

The Company appointed three independent non-executive Directors and one non-executive Director who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the Shareholders.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

Each of the non-executive Directors (including the independent non-executive Directors) has been appointed for a term of three years commencing from 8 March 2023 and are subject to retirement by rotation in accordance with the Articles.

Mechanism to Ensure Board Independence

The Company has in place mechanisms to ensure independent views and input are available to the Board. The Board shall at all times comprise at least three independent non-executive Directors that represent at least one-third of the Board, such that there is always a strong element of independence on the Board which can effectively exercise independent judgement. Each independent non-executive Director is required to provide an annual confirmation of his/her independence to the Company and the Nomination Committee of the Company is responsible to assess the independence and time commitment of each independent non-executive Director at least annually.

All the Directors, including the independent non-executive Directors, are given equal opportunity and channels to communicate and express their views to the Board and have separate and independent access to the management of the Group in order to make informed decisions. To facilitate proper discharge of their duties, all the Directors are entitled to seek advice from the company secretary of the Company or, upon reasonable request, seek independent professional advice at the Company's expense. The chairman of the Board will hold meetings with the independent non-executive Directors without the involvement of other Directors at least annually to discuss any issues and concerns.

Any Director or his/her associate who has a conflict of interest in a matter to be considered by the Board will be dealt with by a physical Board meeting rather than by written resolutions. Such Director will be required to declare his/her interests before the meeting and abstain from voting and not counted towards the quorum on the relevant resolutions. Independent non-executive Directors who, and whose associates, have no interest in the matter should attend the Board meeting.

The Board has reviewed and considered that the mechanisms are effective in ensuring that independent views and input are provided to the Board during the year ended 31 March 2023.

Chairman and Chief Executive Officer

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

Code Provision 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.

BOARD COMMITTEES

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and promoting the success of the Company. The Board is delegated with the authority and responsibility for the management of the Group. In addition, the Board has also established various Board committees, including the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and the Audit Committee, and has delegated various responsibilities to them. The executive Directors and senior management of the Company, as delegated by the Board, are responsible for implementing the determined strategies and policies and the day-to-day management of the Group's business.

Remuneration Committee

The Remuneration Committee was established on 15 February 2017. The chairman of the committee is Mr. Li Richard King Hang, an independent non-executive Director, and other members include Mr. Chu Ming Ho, the chairman of the Board, executive Director and Chief Executive Officer, and Mr. Cheng Tak Chung, an independent non-executive Director.

The primary objectives and duties of the Remuneration Committee were set out in its terms of reference adopted in compliance with the requirements under the CG Code, which include making recommendations to the Board on the remuneration policy, remuneration packages and employee benefits arrangements of the Directors and the senior management.

During the Year, one Remuneration Committee meeting was held to review and make recommendations to the Board on the remuneration policy and the remuneration packages of executive Directors and senior management for 2022 as well as other related matters. Details of the attendance of the Remuneration Committee meeting are as follows:

Name of Directors	**Attendance of the Remuneration Committee meeting**
Mr. Li Richard King Hang *(Chairman)*	2/2
Mr. Cheng Tak Chung	1/2
Mr. Chu Ming Ho	2/2

During the Year, the Remuneration Committee has considered and reviewed the terms of employment contracts of the executive Directors and appointment letters of the non-executive Director and the independent non-executive Directors and has assessed the performance of the Directors. The Remuneration Committee considers that the terms of service agreements of the executive Directors, the appointment letters of the non-executive Director and the independent non-executive Directors are fair and reasonable.

Details of the Directors' remuneration and five highest paid individuals for the Year to be disclosed pursuant to the CG Code are provided in note 9 to the Financial Statements.

During the Year, the remuneration of the senior management is listed below by band:

	Number of individuals
HK$1,000,001 to HK$1,500,000	2

Nomination Committee

The Nomination Committee was established on 15 February 2017. The chairman of the committee is Mr. Chu Ming Ho, the chairman of the Board, executive Director and the Chief Executive Officer and other members include Mr. Cheng Tak Chung and Mr. Li Richard King Hang, both being independent non-executive Directors.

The roles and functions of the Nomination Committee include making recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee identifies individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. The Nomination Committee also reviews the structure, size and composition of the Board and assesses the independence of the independent non-executive Directors.

The Company has adopted a nomination policy (the "**Nomination Policy**") which sets out the nomination procedures and criteria for the Nomination Committee to select and recommend candidates to the Board for consideration of appointment as Directors or for recommendations to Shareholders for election as Directors at general meetings.

Pursuant to the Nomination Policy, prior to a meeting of the Nomination Committee called for considering candidates for directorship, the Nomination Committee will invite nominations of candidates from the Board members or put forward candidates. The Nomination Committee will consider the nominated candidates at such committee meeting according to the following criteria: reputation for integrity; accomplishment and experience; compliance with legal and regulatory requirements; commitment in respect of available time and relevant interest; and board diversity. A selected candidate will then be recommended by the Nomination Committee to the Board for consideration and approval.

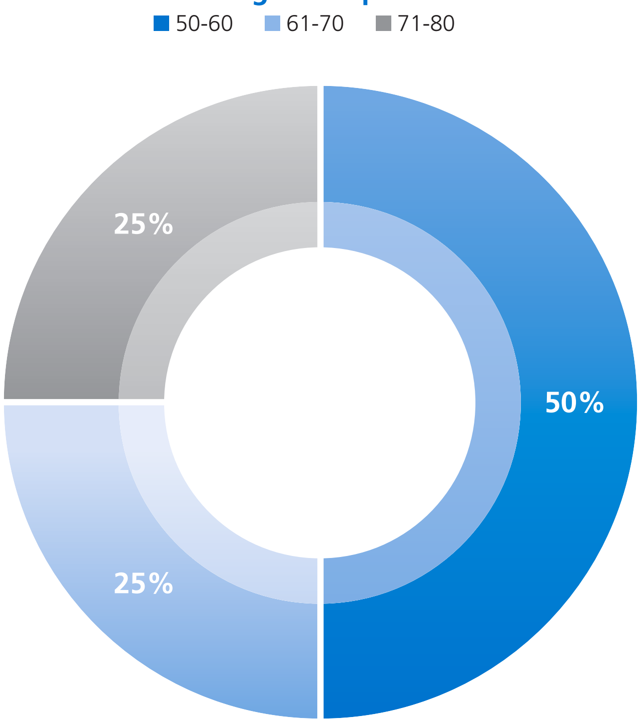
A Shareholder may propose a person for election as a Director in a general meeting pursuant to procedures set out in the Articles.

In addition, the Board has adopted a board diversity policy (the "**Board Diversity Policy**"). The Company seeks to achieve board diversity through the consideration of a number of factors in the Board members' selection process, including but not limited to gender, age, cultural and educational background, race, professional experience and industry experience. These factors will be considered in determining the optimum composition of the Board and all Board appointments will be based on merit, having due regard to the Group's business needs from time to time.

As at 31 March 2023, Board diversification in terms of gender and age group is set out below:

Gender

Age Group



The Board has reviewed, through the Nomination Committee, the structure, size, composition and diversity of the Board as well as the nomination and appointment procedure of directors during the year. The Board considers that the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. It paid particular attention to the cultural and educational background, professional and technical experience, and skills of the members of the Board and also reviewed the composition of executive Directors, non-executive Directors and independent non-executive Directors, so as to ensure appropriate diversity and independence within the Board. The Board will continue to review its composition from time to time taking into consideration specific needs for the Group's business.

There was one female Director and two female employees in the senior management during the year ended 31 March 2023. The Board aims to maintain at least the current level of female representation and will strive to achieve a balanced gender diversity based on stakeholders' expectations and best practices with the ultimate goal of increasing the proportion of female members over time as and when suitable candidates are identified. The Company will also ensure that there is gender diversity when recruiting staff at mid to senior level of the Group so that it will have a pipeline of female senior management and potential successors to the Board in the future. The Board will regularly review its policies and procedures for board diversity, taking into account relevant data and feedback from stakeholders, and will take appropriate action as needed to ensure that it is achieving its gender diversity goals.

As at 31 March 2023, diversity of the workforce in terms of gender is as follows: 69.5% are male employees and 30.5% are female employees.

During the year, after the annual review of the implementation and effectiveness of the Board Diversity Policy, the Board is satisfied that the Board Diversity Policy has been properly implemented and is effective.

During the Year, one Nomination Committee meeting was held to recommend the appointment of Mr. Au Man Wah as the executive Director, review the structure, size and diversity of the Board, and the independence of the independent non-executive Directors. Details of the attendance of the Nomination Committee meeting are as follows:

Name of Directors	**Attendance of the Nomination Committee meeting**
Mr. Chu Ming Ho *(Chairman)*	1/1
Mr. Cheng Tak Chung	0/1
Mr. Li Richard King Hang	1/1

Audit Committee

The Audit Committee was established on 15 February 2017. The chairlady of the committee is Ms. Li Wai Man, an independent non-executive Director with the appropriate professional qualifications and other members include Mr. Cheng Tak Chung and Mr. Li Richard King Hang, both being independent non-executive Directors.

The main responsibilities of the Audit Committee are to review the Group's financial information and the auditors' reports and monitor the integrity of the financial statements of the Group as well as overseeing the financial reporting process, risk management and internal control system of the Group and assisting the Board to fulfil its responsibility over the audit. Other responsibilities include making recommendations to the Board on the appointment, reappointment and removal of external auditor, approval of the remuneration and terms of the engagement of the external auditor, and any other matters arising from the above. The Audit Committee is also responsible for performing the Company's corporate governance functions and serves as a channel of communication between the Board and the external auditor.

During the Year, three Audit Committee meetings were held. Details of the attendance of the Audit Committee meetings are as follows:

Name of Directors	Attendance of the Audit Committee meeting
Ms. Li Wai Man *(Chairlady)*	3/3
Mr. Cheng Tak Chung	2/3
Mr. Li Richard King Hang	3/3

During the Year, the Audit Committee has reviewed the audit plan and approach of the external auditor, monitored the progress and results of the audit regularly and performed the Company's corporate governance functions as delegated by the Board. The Group's unaudited interim results for the six months ended 30 September 2022 and the audited annual results for the Previous Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been duly made.

RISK MANAGEMENT AND INTERNAL CONTROLS

The outbreak of Covid-19 may impede the operations of the Company, especially the frontline sales. It may also lead to the postponement of the IT solution projects resulting in customers' late payment. The Board has reviewed the risk and has adopted certain policies to reduce such risk and impact to the Group, such as, implementing flexible working arrangements for employees to work from home while maintaining the operations. The Company has also designated a team to monitor the payment schedule of customers and its cash flow.

The Board acknowledges its responsibility for the management of the Company and is collectively responsible for ensuring sound and effective risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed for managing risk rather than eliminating the risk of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, having reviewed the effectiveness of the risk management and internal control systems of the Company through the Audit Committee, considers that the Company's risk management and internal control systems are adequate and effective and no significant control failings or weaknesses were identified for the Year. The level of resources, staff qualifications and experience, training programmes and budget of the Company's internal audit and accounting and financial reporting functions were also assessed and considered adequate for the Year. The Company will continue to improve its system of internal control. The Board shall conduct such review through the Audit Committee at least once annually.

Risk Management and Internal Control Systems

The Company's risk management and internal control systems are designed to manage and mitigate risks, rather than eliminating risks, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Company employed a top-down and bottom-up approach for identification, assessment and mitigation of risk at all business unit levels and across functional areas. Through the Audit Committee, the Board conducts annual review of the effectiveness of the Company's risk management and internal control systems, covering the material controls, including financial, operational and compliance controls. The Chief Executive Officer and chief financial officer of the Group (the "**Chief Financial Officer**") are primarily responsible for applying, supporting the risk management and internal control processes. The operating units and support functions are facilitated and coordinated by the Chief Executive Officer and the Chief Financial Officer, and ensure that risk management processes and mitigation plans follow good practices and guidelines established by the Company in their day-today operations. Risk events and incidents are reported by the operating units and support functions to the management in a timely manner.

Internal Audit

The Group has an internal audit function. The primary role of the internal audit function is to help the Board and the senior management of the Group to protect the assets, reputation and sustainability of the Group. The internal audit function provides independent and objective assurance as to whether the design and operational effectiveness of the Group's framework of risk management, control and governance process, as designed and represented by the Company's management, is adequate. The internal audit function of the Group is independent of the risk management and internal control systems of the Group.

Results of audit work together with an assessment of the overall risk management and control framework of relating to inventory management, fixed assets management, insurance management and tax management are reported to the Audit Committee as appropriate. In every year, the Group reports the implementation status of the mitigation controls to the Audit Committee to ensure proper monitoring. The internal audit function also reviews the Company's management's action plans in relation to audit findings and verifies the adequacy and effectiveness of the mitigating controls before formally closing the issue.

Main Features of Risk Management and Internal Control Systems

The key elements of the Company's risk management and internal control systems include the establishment of strategic risk register to monitor, evaluate and assess the identified risks. The Company updates the risk responses for each key risk identified to ensure the effectiveness of the mitigation procedures on an ongoing basis. A risk matrix approach is adopted to determine the significance of the risk after evaluation of the risk according to the impact, frequency and probability of the risk event identified. The significance of the risks reflects the level of management's attention and risk responses.

Risk management process is integrated with the internal control system, so that the Company's ability to handle risks that hinder the achievement of financial, operational and compliance goals is strengthened and the allocation of resources on control measures against specific or high risks areas is more adequate.

Process used to identify, evaluate and manage significant risks

The Company develops a preliminary inventory of events that could influence the achievement of the Company's business objectives. The Company identifies outside and inside events by reviewing its external and internal environment and stakeholders, which have an influence or potential influence on the Company's ability to achieve its strategies and business objectives. The risk identification process takes place at least once a year. Furthermore, any risk events and incidents identified by the operating units and support functions will be reported to the management in a timely manner.

The risks identified are evaluated with a risk matrix which prioritises risks according to the frequency and probability of their occurrence and the significance of their impact on the achievement of the Company's business objectives. Following the review of the risk matrix, the Company selects and deploys the corresponding risk responses and investigates the mitigation procedures to be executed to ensure the identified significant risks were managed to an acceptable level.

Process used to review the effectiveness of the Risk Management and Internal Control Systems

During the Year, the Group has performed a review on the risk management and internal control systems and prepared a report to enable the Board and management to evaluate and provide reasonable assurance on the effectiveness and efficiency of operations, providing reliable financial reporting, complying with applicable laws and regulations and, where appropriate, carry out the recommended procedures (if any). The Audit Committee has reviewed the report and the review covered all material controls, including operational, financial and compliance control, and risk management functions. The scope and the quality of ongoing monitoring of risks and internal control systems have been assessed. The Board considered that during the Year, the risk management and internal control systems of the Group were effective, and no significant deficiency was identified during the course of review.

Inside Information Policy

The Company has established a disclosure policy for the handling and dissemination of inside information. Such policy is set out inside the staff manual and all staff is required to comply with such policy. Employees of the Company must be made aware of the disclosure policy and the importance of bringing any potential inside information promptly to the attention of their immediate supervisors. They are also prohibited from disclosing any confidential information to anyone outside the Company without having obtained the necessary approval. In addition, each level of personnel of the Group is granted a specific level of access to price sensitive and inside information. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited. The Directors, senior management and employees are kept up-to-date on the latest regulatory updates.

AUDITOR'S REMUNERATION

The statement of the Company's auditors about their reporting responsibilities for the Financial Statements is set out in the "**Independent Auditor's Report**" on pages 43 to 47 of this report.

For the Year, the remuneration payable or paid to the Company's auditors, Deloitte Touche Tohmatsu, is as follows:

	Year ended 31 March 2023 (HK$'000)
Statutory audit services	1,540
ORSO audit and Review document	25

There was no change in the external auditors of the Company for the three preceding years prior to the date of this report.

COMPANY SECRETARY

Ms. Chan Wai Hing Gloria, the company secretary of the Company (the "**Company Secretary**"), has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules during the Year.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting are as follows:

- Pursuant to the memorandum and articles of association of the Company (the "**Memorandum and Articles**"), any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting ("**EGM**") to be called by the Board for the transaction of any business specified in such requisition.

- Eligible Shareholder(s) who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong, at 1/F, Century Centre, 44-46 Hung To Road, Kwun Tong, Kowloon, Hong Kong, for the attention of the Company Secretary.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the EGM. The Requisition must be signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within two months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition.

- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting enquiries by Shareholders to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at 1/F, Century Centre, 44-46 Hung To Road, Kwun Tong, Kowloon, Hong Kong by post or email to Ms. Chan Wai Hing Gloria at gloriachan@microware.com.hk, for the attention of the Company Secretary.

Procedures for Shareholders to put forward proposals at Shareholders' meeting

There is no provision allowing Shareholders to propose resolutions at the general meetings of the Company under the Memorandum and Articles. Shareholders who wish to propose resolutions may, however, convene an EGM to do so by following the procedures as set out in the section headed "Procedures for Shareholders to convene an extraordinary general meeting" in this report.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its Shareholders. Information of the Company is disseminated to the Shareholders in the following manner:

- Delivery of annual and interim results and reports to all Shareholders;

- Publication of announcements regarding the annual and interim results on the websites of the Stock Exchange and the Company, and issue of other announcements and Shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and

- The general meetings of the Company are valuable forums for direct communications between the Board and Shareholders and it is also an effective communication channel between the Board and Shareholders, where Shareholders can raise questions directly to the Board in respect of the performance and future development of the Group.

The shareholders' communication policy encourages all forms of communication and welcomes feedback, questions, or concerns from Shareholders and aims to ensures that Shareholders are provided with timely access to the Company's information. At other times, Shareholders and investors can put forward their enquires in writing to the Company as set out above under the paragraph headed "*Putting enquiries by Shareholders to the Board*". The Company regularly reviews its shareholders' communication policy and evaluates its implementation and effectiveness. In light of the above, the Company considered that its shareholders' communication policy is effective.

CONSTITUTIONAL DOCUMENTS OF THE COMPANY

During the Year, the Board made certain amendments to the Memorandum and Articles for the purpose of, among others, (i) bringing the Memorandum and Articles in line with the amendments made to the Listing Rules and the applicable law and procedures of the Cayman Islands; (ii) allowing general meetings to be held as an electronic meeting or as a hybrid meeting; and (iii) making other consequential and housekeeping amendments to the Memorandum and Articles.

A copy of the latest version of the Memorandum and Articles are available on the websites of the Company and the Stock Exchange.

DIVIDEND POLICY

Under the dividend policy adopted by the Company, dividends may be recommended, declared and paid to the Shareholders from time to time. In summary, the declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, the following factors: financial results, Shareholders' interests, general business conditions and strategies, capital requirements, taxation considerations, contractual, statutory and regulatory restrictions (if any) and any other factors that the Board may deem relevant.

DIRECTORS’ REPORT

The Board is pleased to present to the Shareholders their report for the Year and the Financial Statements.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its major subsidiaries are set out in note 30 to the Financial Statements.

BUSINESS REVIEW

Discussion and analysis on the business of the Group for the Year are set out in the section headed “Management Discussion and Analysis” on pages 8 to 12 of this report.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the Group’s financial position as at 31 March 2023 are set out in the Financial Statements on page 49 of this report.

Under the dividend policy adopted by the Company, dividends may be recommended, declared and paid to the Shareholders from time to time. In summary, the declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, the following factors: financial results, Shareholders’ interests, general business conditions and strategies, capital requirements, taxation considerations, contractual, statutory and regulatory restrictions (if any) and any other factors that the Board may deem relevant.

The Board recommends the payment of the 2023 Final Dividend of HK$0.025 per Share for the Year to the Shareholders (Previous Year: HK$0.06 per Share). Subject to the approval by the Shareholders at the forthcoming 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.

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

The Board declared the 2023 Special Dividend of HK$0.08 per Share for the Year to the Shareholders (Previous Year: HK$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.

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, Admiralty, 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.

FINANCIAL SUMMARY

A summary of the published results and of the assets, equity and liabilities of the Group for the last five financial years is set out on page 110 of this report.

ENVIRONMENTAL POLICIES

The Directors believe that the IT infrastructure solutions industry in which the Group operates its business is not a major source of environmental pollution and the impact of its operations on the environment is minimal. The Group has taken measures to facilitate the environmental-friendliness of its workplace by encouraging, among other things, a recycle culture within the Group.

The Group has also dedicated its effort to review and monitor the Group's environmental, social and governance ("**ESG**") policies and practices to ensure compliance with the relevant legal and regulatory requirements as described in Appendix 27 to the Listing Rules. The Group is committed to engaging its key stakeholders and operating its business in a fair, responsible and transparent manner. Details of the Group's ESG performance for the Year can be found in the Company's Environmental, Social and Governance Report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Year, the Group complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group, including those in respect of its provision of IT infrastructure solutions services and IT managed services in Hong Kong, employment and labour practices and environmental protection. The Company also complied with the requirements under the Listing Rules, the SFO and the laws of the Cayman Islands during the Year. The Group conducts on-going review of the newly enacted laws and regulations affecting the operations of the Group, if any, and provides relevant trainings and guidance to the staff. During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

Pandemic Risk

During the Year, the business operations of the Group were affected to some extent due to Covid-19, such as, the projects were delayed by customers due to the uncertainties of Covid-19 and has brought additional uncertainties to the Group's operations. On the other hand, the shortage of materials of hardware caused the delay the delivery schedule and other uncertainties impact.

After several measures were implemented by the Hong Kong government to bring Covid-19 under control in the 1st half year of 2022, the projects of the Group may steady resume. However, it remains uncertain that the Covid-19 will be completely brought under control in both Hong Kong and the world. The Group will keep close monitoring the pandemic status and further assess the financial impact which in line with the prudence financial policy.

The Directors are aware that the Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The key risks and uncertainties identified by the Group are set out as follows:

— the Group is dependent upon recruiting and retaining eligible employees. Any shortfall in its workforce or increase in direct staff costs may materially impede its business operations and adversely affect its financial results;

— the Group may encounter cost overruns or delays in its IT infrastructure solutions service contracts, which may materially and adversely affect its business, financial position and results of operation; and

— the preferences of the Group's clients are highly subjective in nature and can substantially deviate from one another, and consequently failure to accommodate the client's individual preferences may result in client dissatisfaction, thereby potentially damaging the Group's business reputation and hindering its opportunity to secure future contracts or orders.

For other risks and uncertainties faced by the Group, please refer to the section headed "Risks Factors" in the prospectus of the Company dated 24 February 2017 (the "**Prospectus**").

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
	56.0	5.7	56.0

SHARE CAPITAL

Movements in the share capital of the Company during the Year are set out in note 22 to the Financial Statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distributions to Shareholders as at 31 March 2023 comprised the share premium plus accumulated loss with an aggregate amount of approximately HK$75,949,000 (2022: HK$75,270,000).

RESERVES

Movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 50 of this report and the details of reserves attributable to equity shareholders of the Company are set out in note 29 to the Financial Statements.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest customers accounted for approximately 20.25% of the total revenue of the Group for the Year, while the largest customer accounted for approximately 9.53% of the total revenue of the Group for the Year.

The Group's five largest suppliers accounted for approximately 62.27% of the Group's total purchases during the Year, while the largest supplier accounted for approximately 19.44% of the total purchases of the Group for the Year.

At all time during the Year, none of the Directors or any of their close associates or any Shareholders who, to the best knowledge of the Directors, own more than 5% of the number of issued Shares had an interest in any of the five largest suppliers or five largest customers of the Group.

DIRECTORS

The current Board comprises the following Directors:

Executive Directors

Mr. Chu Ming Ho *(Chairman and Chief Executive Officer)*
Mr. Yang Peter Shun Tsing
Mr. Cheng Wing Fai
Mr. Au Man Wah (appointed on 1 July 2022)

Non-executive Director

Mr. Wan Yiu Hon

Independent non-executive Directors

Mr. Cheng Tak Chung
Ms. Li Wai Man
Mr. Li Richard King Hang

In accordance with article 84 of the Articles, Mr. Chu Ming Ho as executive Director, Mr. Wan Yiu Hon as non-executive Director and Mr. Li Richard King Hang as independent non-executive Director, will retire by rotation and, being eligible, offer themselves for re- election as Directors at the AGM.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 13 to 15 of this report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other. The service agreements of the executive Directors commenced from 8 March 2023.

Each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from 8 March 2023, which may be terminated by not less than three months' notice in writing served by either party on the other.

All Directors are subject to retirement by rotation and re-election in accordance with the Articles.

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS

Details of the connected transactions, and related party transactions of the Group during the Year are respectively set out on pages 38 to 39 and of this report.

Save as disclosed above, no other transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with Director had a material interest, whether directly or indirectly, subsisted at any time during the Year or as at the end of the Year.

CONTROLLING SHAREHOLDERS' INTEREST

Save as disclosed in this report, no contracts of significance between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries or any contracts of any significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries subsisted at any time during the Year or as at the end of the Year.

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

As at 31 March 2023, the interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in the Company

Name of Director	Nature of Interest	Number of Shares [1]	Approximate percentage of shareholding
Mr. Yang Peter Shun Tsing	Interest of a controlled corporation [2]	164,804,000 (L)	54.9%
	Beneficial owner	40,076,000 (L)	13.4%
Mr. Chu Ming Ho	Beneficial owner	11,500,000 (L)	3.8%
Mr. AU Man Wah	Beneficial owner	90,000 (L)	0.0%

Notes:

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

(2) These 164,804,000 Shares are held by Microware International, which is beneficially and wholly owned by Mr. Yang Peter Shun Tsing. By virtue of the SFO, Mr. Yang is deemed to be interested in the Shares held by Microware International.

(ii) Interest in associated corporations of the Company

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

Save as disclosed above, none of the Directors or chief executive of the Company had registered any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations as at 31 March 2023, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES

As at 31 March 2023, the interests or short positions in the Shares or underlying Shares held by the persons (not being a Director or chief executive of the Company) which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Director	Nature of Interest	Number of Shares (1)	Approximate percentage of shareholding
Microware International	Beneficial owner	164,804,000 (L)	54.9%

Note:

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

Save as disclosed above, as at 31 March 2023, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme, a summary of the principal terms of which is set out as follows:

1. Purpose of the Share Option Scheme

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants (as defined below) an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants (as defined below) to optimise their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants (as defined below) whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Share Option Scheme

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "**Eligible Participants**") to subscribe for such number of new Shares as the Board may determine:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

3. Total number of Shares available for issue under the Share Option Scheme and percentage of issued Shares

As at the date of this report, no share option has been granted under the Share Option Scheme.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 30,000,000 Shares, representing 10% of the total number of Shares in issue as at the date of this report.

4. Maximum entitlement of each participant under the Share Option Scheme

The total number of Shares issued, and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a connected person) abstaining from voting.

5. The period within which the options must be exercised under the Share Option Scheme

An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, but shall not be more than 10 years from the date upon which the option is deemed to be granted and accepted.

6. The minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

7. The basis of determining the exercise price

The exercise price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

8. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

The grantee shall pay HK$1.00 to the Company by way of consideration for the grant on or before the relevant acceptance date of the option.

9. The remaining life of the Share Option Scheme

The Share Option Scheme, unless otherwise terminated or amended, will remain in force for a period of 10 years from the Adoption Date, i.e. 15 February 2017. As at the date of this report, the remaining life of the Share Option Scheme is approximately 4 years and 8 months.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS

During the Year, the Group had entered into the following connected transactions:

(1) On 23 March 2022, Microware Ltd., an indirect wholly-owned subsidiary of the Company, as tenant, entered into the residential tenancy agreement (the "**Residential Tenancy Agreement**") with Mr. Yang Peter Shun Tsing ("**Mr. Yang**") and Mrs. Yang Wong Rebecca Mi Kam ("**Mrs. Yang**") as landlords, pursuant to which Mr. Yang and Mrs. Yang agreed to lease to Microware Ltd. a property situated at Flat B, 8/F, Tower 3, One Mayfair, 1 Broadcast Drive, Kowloon Tong, Kowloon, Hong Kong (the "**Residential Premises**"), with a total gross floor area of approximately 2,177 square feet ("**sq. ft.**") and a car parking space at the same building (the "**Car Parking Space**") for a term commenced from 1 April 2022 and ended on 31 March 2023 at a monthly rental (exclusive of utilities, telephone charges and other similar charges) of HK$80,000. The Residential Premises are used as residence for, and the Car Parking Space is used by, Mr. Chu Ming Ho, an executive Director, chairman and chief executive officer of the Group, provided by the Group as part of his director's emoluments. The value of right-of-use assets recognised under the Residential Tenancy Agreement for the year ended 31 March 2023 was HK$960,000.

On 20 March 2023, Microware Ltd. renewed the Residential Tenancy Agreement (the "**Renewed Residential Tenancy Agreement**") with Mr. Yang and Mrs. Yang for a term of one year commencing on 1 April 2023 and expiring on 31 March 2024 at a monthly rental (exclusive of utilities, telephone charges and other similar charges) of HK$72,000. The value of right-of-use assets recognised under the Renewed Residential Tenancy Agreement for the financial year ending 31 March 2024 is HK$846,000; and

(2) On 23 March 2022, Microware Ltd. as tenant entered into the office tenancy agreement (the "**Office Tenancy Agreement**") with Microware Properties Limited ("**Microware Properties**"), a wholly-owned subsidiary of Microware International which is in turn wholly owned by Mr. Yang, as landlord, pursuant to which Microware Properties agreed to lease to Microware Ltd. a property situated at 1st Floor, Century Centre, 44 and 46 Hung To Road, Kwun Tong, Kowloon, Hong Kong (the "**Office Premises**") with a total gross floor area of approximately 48,960 sq.ft. for a term of three years commenced from 1 April 2022 and ended on 31 March 2023 at a monthly rental of HK$535,590 (exclusive of management fees, rates and government rent). The Office Premises are used as the Group's head office. The annual value of right-of-use assets recognised under the Office Tenancy Agreement for the year ended 31 March 2023 was HK$6,427,080.

On 20 March 2023, Microware Ltd. renewed the Office Tenancy Agreement (the "**Renewed Office Tenancy Agreement**") with Microware Properties for a term of one year commencing on 1 April 2023 and expiring on 31 March 2024 at a monthly rental (exclusive of management fees, rates and government rent) of HK$535,590. The value of right-of-use assets recognised under the Renewed Office Tenancy Agreement for the financial year ending 31 March 2024 is HK$6,427,080.

During the Year, the aggregate rent paid by Microware Ltd. to Mr. Yang pursuant to the Residential Tenancy Agreement amounted to HK$960,000 and the aggregate rent paid by Microware Ltd. to Microware Properties pursuant to the Office Tenancy Agreement amounted to HK$6,427,080.

Mr. Yang is an executive Director and a substantial shareholder of the Company. Mrs. Yang is the spouse of Mr. Yang and thus an associate of Mr. Yang. Microware Properties is a wholly-owned subsidiary of Microware International, which is in turn wholly owned by Mr. Yang. Accordingly, each of Mr. Yang, Mrs. Yang and Microware Properties is a connected person of the Company for the purpose of the Listing Rules. As such, the entering into of the aforementioned agreements and the transactions conducted thereunder are connected transactions of the Group under the Listing Rules.

All related party transactions for the year ended 31 March 2023 set out in note 26 to the Financial Statements constitute connected transactions of the Company and the Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules in respect of these transactions.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The emoluments of the Directors are reviewed and approved by the Remuneration Committee, having regard to factors including salaries paid by comparable companies, time commitment, job duties and responsibilities in respect of the relevant positions. The Company has adopted the Share Option Scheme, details of which are set out in the paragraphs under the section headed "Share Option Scheme" in this report.

There were no arrangements under which a director has waived or has agreed to waive any emoluments.

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.

CHARITABLE DONATIONS

During the Year, the Group made charitable donations amounting to HK$2.2 million.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme, details of which are set out in the paragraphs under the section headed "Share Option Scheme" in this report., no equity-linked agreements were entered into by the Group or existed during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

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.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors a confirmation of independence, and the Company considers that each of them is independent and has met the guidelines set out in Rule 3.13 of the Listing Rules.

INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN A COMPETING BUSINESS

As at 31 March 2023, the Directors were not aware of any business in which the Directors or the controlling Shareholders are interested that had competed or might compete with the business of the Group.

DEED OF NON-COMPETITION

Each of Microware International and Mr. Yang (the "**Covenantors**"), being the controlling Shareholders, has undertaken to the Company in the deed of non-competition (the "**Deed of Non-competition**") entered into by them in favour of the Company on 15 February 2017 that he/it will not, and will procure his/its close associates (as defined in the Listing Rules and other than members of the Group) not to directly or indirectly participate, acquire or hold any right or interest in or otherwise be involved in or undertake any business that directly or indirectly competes, or may compete, with the existing business activity or any business activities that the Group may undertake in the future, or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by the Group from time to time except where the Covenantors hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of the Group and they do not control 10% or more of the board of directors of such company. Details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed "Relationship with Our Controlling Shareholders".

The Company has received an annual written confirmation from the Covenantors in respect of their compliance with the Deed of Non-competition. The independent non-executive Directors have reviewed and were satisfied that each of the Covenantors has complied with the Deed of Non-competition during the Year.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company maintained the prescribed public float under the Listing Rules.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group believes that its employees are valuable assets for the Group's continuous development. Thus, it offers competitive salary 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. 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 Company has also adopted the Share Option Scheme to recognise and motivate contributions of its employees. Further details regarding the Share Option Scheme are set out in the paragraphs headed "Share Option Scheme" on pages 36 to 38 of this report.

The Group provides high quality IT infrastructure solutions to its customers from both private sector and public sector to fulfil their immediate and long-term needs. The Group also communicates with its customers regularly to maintain close relationship with them.

The Group strives to maintain fair and cooperative relationships with its suppliers.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles, every Director, auditor, secretary or other officers of the Company shall be entitled to be indemnified by the Company out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may sustain or incur by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

The Company has taken appropriate insurance coverage in respect of Directors' and officers' liability throughout the Year.

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

MANAGEMENT CONTRACT

No contract concerning the management or administration of the whole or any substantial part of the business of the Company was entered into or existed during the Year.

IMPORTANT EVENT AFTER THE END OF THE YEAR

There is no important event affecting the Group which has occurred since the end of the Year up to the date of this report.

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.

AUDITORS

There has been no change in auditors in the preceding three years. A resolution will be proposed at the AGM to re-appoint Deloitte Touche Tohmatsu as the external auditors of the Company until the conclusion of the next annual general meeting of the Company and to authorise the Board to fix their remuneration.

On behalf of the Board

Chu Ming Ho
Chairman

Deloitte. 德勤

TO THE SHAREHOLDERS OF MICROWARE GROUP LIMITED
美高域集團有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Microware Group Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 48 to 109, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of Inventories	
We identified valuation of inventories as a key audit matter due to the use of judgment and estimates by management in identifying obsolete and slow-moving inventories and estimating the allowance for inventories. Obsolete and slow-moving inventories were identified by management based on ageing analysis and conditions and marketability of inventories. Allowance was applied to inventories based on assessment of net realisable value by management by considering the latest selling prices, current market conditions and estimated costs necessary to make the sale. Cost necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which must incur to make the sale. As set out in note 15 to the consolidated financial statements, the Group had inventories of HK$58,220,000 (net of allowance of inventories of HK$648,000) as at 31 March 2023.	Our procedures in relation to the valuation of inventories included: • Obtaining an understanding of how allowance for inventories is estimated by the management; • Obtaining an understanding of the key controls of the Group in relation to identification of obsolete and slow-moving inventories and preparation of ageing analysis of inventories; • Testing the ageing analysis of the inventories, on a sample basis, to the source documents (goods receipts notes); • Assessing the reasonableness of the net realisable value of inventories estimated by the management for those obsolete and slow-moving inventories with reference to the recent selling prices less cost necessary to make the sale, movements, physical conditions, ageing analysis and subsequent sales of inventories; and • Testing the subsequent sales, on a sample basis, to source documents (sales invoices and sales orders).

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Yeung Pik Fung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 June 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year ended 31 March 2023

	NOTES	2023 HK$'000	2022 HK$'000
Revenue	5	**1,166,848**	1,148,967
Cost of sales		**(1,045,282)**	(1,016,349)
Gross profit		**121,566**	132,618
Other income	6	**8,968**	479
Other gains and losses, net	6	**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		**(620)**	(554)
Profit before taxation		**38,735**	38,325
Taxation	7	**(5,559)**	(6,349)
Profit and total comprehensive income for the year	8	**33,176**	31,976
Profit (loss) and total comprehensive income (expense) for the year attributable to			
— owners of the Company		**33,179**	31,970
— non-controlling interest		**(3)**	6
		33,176	31,976
Earnings per share	11		
Basic (HK$)		**0.11**	0.11

Consolidated Statement of Financial Position

As at 31 March 2023

	NOTES	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**16,955**	18,721
Deposit paid for acquisition of property, plant and equipment		**—**	169
Prepayments and deposits	16	**1,944**	1,797
Derivative financial instrument	14	**177**	6
		19,076	20,693
CURRENT ASSETS			
Inventories	15	**58,220**	55,199
Trade and other receivables, prepayments and deposits	16	**146,202**	197,721
Pledged bank deposits	17	**39,900**	32,348
Time deposits	17	**5,161**	5,104
Cash and cash equivalents	17	**248,272**	232,155
		497,755	522,527
CURRENT LIABILITIES			
Trade and other payables and accruals	18	**203,350**	212,118
Amount due to a non-controlling interest of a subsidiary	23	**—**	1,099
Contract liabilities	19	**82,575**	92,260
Tax liabilities		**984**	469
Lease liabilities	20	**10,970**	10,087
Bank borrowings	21	**—**	9,000
		297,879	325,033
NET CURRENT ASSETS		**199,876**	197,494
TOTAL ASSETS LESS CURRENT LIABILITIES		**218,952**	218,187
NON-CURRENT LIABILITIES			
Contract liabilities	19	**4,634**	3,352
Lease liabilities	20	**1,639**	3,797
Deferred tax liabilities	13	**208**	242
		6,481	7,391
NET ASSETS		**212,471**	210,796
CAPITAL AND RESERVES			
Share capital	22	**3,000**	3,000
Reserves		**209,471**	208,758
Equity attributable to owners of the Company		**212,471**	211,758
Non-controlling interest		**—**	(962)
		212,471	210,796

The consolidated financial statements on pages 48 to 109 were approved and authorised for issue by the Board of Directors on 19 June 2023 and are signed on its behalf by:

Chu Ming Ho
DIRECTOR

Yang Peter Shun Tsing
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year ended 31 March 2023

	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000 (note)	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
At 1 April 2021	3,000	75,297	70,832	72,659	221,788	(968)	220,820
Profit and total comprehensive income for the year	—	—	—	31,970	31,970	6	31,976
Dividends paid (note 10)	—	—	—	(42,000)	(42,000)	—	(42,000)
At 31 March 2022	**3,000**	**75,297**	**70,832**	**62,629**	**211,758**	**(962)**	**210,796**
Profit (loss) and total comprehensive income (expense) for the year	**—**	**—**	**—**	**33,179**	**33,179**	**(3)**	**33,176**
Dividends paid (note 10)	**—**	**—**	**—**	**(31,500)**	**(31,500)**	**—**	**(31,500)**
Acquisition of additional interest of an existing subsidiary	**—**	**—**	**(966)**	**—**	**(966)**	**965**	**(1)**
At 31 March 2023	**3,000**	**75,297**	**69,866**	**64,308**	**212,471**	**—**	**212,471**

Notes: The amount recorded in other reserves were resulted from the following transactions:

(a) the balance of HK$67,172,000 credited in other reserves represents the merger reserve arising from the completion of the group reorganisation on 31 March 2016;

(b) the balance of HK$13,474,000 credited in other reserves represents the shareholder's contribution arising from share-based payment arrangements attributable to owners of the Company;

(c) the balance of HK$10,780,000 debited in other reserves represents the changes in ownership of interests of subsidiaries held by non-controlling interests.

Consolidated Statement of Cash Flows

For the Year ended 31 March 2023

	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**38,735**	38,325
Adjustments for:		
Interest income	**(1,532)**	(176)
Allowance for inventories	**212**	416
Fair value changes of derivative financial instruments	**(1,038)**	(977)
Depreciation	**13,895**	11,697
Gain on disposal/written-off of property plant and equipment	**—**	(38)
Write back of other payable	**(1,099)**	—
Impairment loss on trade receivables under ECL model	**—**	9
Interest expense	**620**	554
Loss on lease modification upon leases expired	**—**	78
Operating cash flows before movements in working capital	**49,793**	49,888
Increase in inventories	**(3,233)**	(1,808)
Decrease (increase) in trade and other receivables, prepayments and deposits	**51,372**	(44,185)
(Decrease) increase in trade and other payables and accruals	**(8,768)**	18,914
(Decrease) increase in contract liabilities	**(8,403)**	29,883
Cash generated from operations	**80,761**	52,692
Income tax paid	**(5,078)**	(6,805)
NET CASH FROM OPERATING ACTIVITIES	**75,683**	45,887
INVESTING ACTIVITIES		
Cash outflow from derivative financial instruments	**(112,708)**	(208,072)
Placement of pledged bank deposits	**(109,104)**	(82,508)
Placement of time deposits with original maturity over three months but less than one year	**(15,393)**	(15,309)
Purchase of property, plant and equipment	**(2,292)**	(2,105)
Cash inflow from derivative financial instruments	**113,575**	208,857
Withdrawal of pledged bank deposits	**101,552**	77,799
Withdrawal of time deposits with original maturity over three months but less than one year	**15,336**	15,305
Bank interest received	**1,532**	176
Deposit paid for acquisition of property, plant and equipment	**—**	(94)
Proceeds on written-off of property, plant and equipment	**—**	38
NET CASH USED IN INVESTING ACTIVITIES	**(7,502)**	(5,913)
FINANCING ACTIVITIES		
Dividends paid	**(31,500)**	(42,000)
Repayment of lease liabilities	**(10,943)**	(9,098)
Repayments of borrowings	**(9,000)**	—
Interest paid on lease liabilities	**(617)**	(463)
Interest paid	**(3)**	(91)
Payment of acquisition of additional interest of an existing subsidiary	**(1)**	—
New bank borrowings raised	**—**	9,000
NET CASH USED IN FINANCING ACTIVITIES	**(52,064)**	(42,652)

Consolidated Statement of Cash Flows

For the Year ended 31 March 2023

	NOTE	**2023** **HK$'000**	2022 HK$'000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**16,117**	(2,678)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**232,155**	234,833
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	17	**248,272**	232,155

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 principal activities of its subsidiaries are set out in note 30. 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 ("**HKICPA**") 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.

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

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.

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

New and amendments to HKFRSs in issue but not yet effective *(continued)*

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")* (continued)

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.

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

New and amendments to HKFRSs in issue but not yet effective *(continued)*

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies (continued)*

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.

As disclosed in note 3 to the consolidated financial statements, 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 "Financial instruments" ("**HKFRS 9**"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Revenue from contracts with customers *(continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

Property, plant and equipment

Property, plant and equipment held for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leases

Definition of a lease

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

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

The Group as a lessee

Short-term leases

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee *(continued)*

Right-of-use assets

The cost of right-of-use assets includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

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

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

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee *(continued)*

Lease modifications

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to other reserves.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("**MPF Scheme**") are recognised as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in term of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred as the Group does not have any qualifying assets.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable such grants are presented under "other income".

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Taxation *(continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Impairment on property, plant and equipment

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("**FVTOCI**") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses, net" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected creidt loss ("**ECL**") model on financial assets (including trade and other receivables and deposits, pledged bank deposits, time deposits and bank balance) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk *(continued)*

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(iii) Credit-impaired financial assets *(continued)*

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL *(continued)*

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables and accruals, amount due to a non-controlling interest of a subsidiary and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Allowance for inventories

Obsolete and slow-moving inventories were identified by management based on ageing analysis and conditions and marketability of inventories. Allowance was applied to inventories based on assessment of net realisable value by management by considering the latest selling prices, current market conditions and estimated costs necessary to make the sale. Cost necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which must incur to make the sale. Allowance will be provided if the net realisable value is estimated to be below the cost.

Allowance for inventories of HK$212,000 (2022: Allowance for inventories of HK$416,000) is charged for the year ended 31 March 2023. The carrying amount of inventories is HK$58,220,000 (2022: HK$55,199,000) as at 31 March 2023. The carrying amount of allowance of inventories is HK$648,000 (2022: HK$436,000) as at 31 March 2023.

Estimated impairment of trade receivables

The management of the Group estimates the amount of lifetime ECL of trade receivables based on the grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and adjusted for forward-looking information. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit-impaired are assessed for ECL individually, if any.

As at 31 March 2023, the carrying amount of trade receivables is HK$117,619,000 (2022: HK$172,410,000). No impairment loss was recognised during the year ended 31 March 2023 as the management of the Group considered the ECL of trade receivables was insignificant as at 31 March 2023. Impairment loss of HK$9,000 was recognised during the year ended 31 March 2022.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 32 and 16 respectively.

5. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue and reconciliation to segment revenue

For the year ended 31 March 2023

Segments	Segment of IT infrastructure solution services business HK$'000	Segment of IT managed services business HK$'000	Total HK$'000
Types of goods or service			
Procurement of hardware and software	**1,017,868**	**—**	**1,017,868**
Provision of design of solutions	**14,057**	**9,739**	**23,796**
Provision of maintenance and/or support services to IT systems of the customers	**2,008**	**123,176**	**125,184**
Total	**1,033,933**	**132,915**	**1,166,848**
Timing of revenue recognition			
A point in time	**1,017,868**	**—**	**1,017,868**
Over time	**16,065**	**132,915**	**148,980**
Total	**1,033,933**	**132,915**	**1,166,848**

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Revenue *(continued)*

(i) Disaggregation of revenue and reconciliation to segment revenue *(continued)*

Revenue from major customer types

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

	Segment of IT infrastructure solution services business HK$'000	Segment of IT managed services business HK$'000	Total HK$'000
Public sector			
Hong Kong Government	**352,582**	**33,945**	**386,527**
Public bodies	**142,791**	**3,069**	**145,860**
Educational institutions and non-profit organisations	**101,275**	**8,820**	**110,095**
Sub-total	**596,648**	**45,834**	**642,482**
Private sector			
Banking and finance	**168,314**	**49,718**	**218,032**
IT	**29,622**	**6,590**	**36,212**
Telecommunications and media	**26,674**	**3,174**	**29,848**
Transportation	**38,568**	**4,069**	**42,637**
Others	**174,107**	**23,530**	**197,637**
Sub-total	**437,285**	**87,081**	**524,366**
	1,033,933	**132,915**	**1,166,848**

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Revenue *(continued)*

(i) Disaggregation of revenue and reconciliation to segment revenue *(continued)*

For the year ended 31 March 2022

Segments	Segment of IT infrastructure solution services business HK$'000	Segment of IT managed services business HK$'000	Total HK$'000
Types of goods or service			
Procurement of hardware and software	1,006,837	—	1,006,837
Provision of design of solutions	18,566	11,725	30,291
Provision of maintenance and/or support services to IT systems of the customers	775	111,064	111,839
Total	1,026,178	122,789	1,148,967
Timing of revenue recognition			
A point in time	1,006,837	—	1,006,837
Over time	19,341	122,789	142,130
Total	1,026,178	122,789	1,148,967

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Revenue *(continued)*

(i) Disaggregation of revenue and reconciliation to segment revenue *(continued)*

Revenue from major customer types

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

	Segment of IT infrastructure solution services business HK$'000	Segment of IT managed services business HK$'000	Total HK$'000
Public sector			
Hong Kong Government	262,530	32,635	295,165
Public bodies	176,479	3,883	180,362
Educational institutions and non-profit organisations	126,323	10,269	136,592
Sub-total	565,332	46,787	612,119
Private sector			
Banking and finance	174,809	41,829	216,638
IT	26,838	4,091	30,929
Telecommunications and media	36,822	3,247	40,069
Transportation	56,171	4,516	60,687
Others	166,206	22,319	188,525
Sub-total	460,846	76,002	536,848
	1,026,178	122,789	1,148,967

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Revenue *(continued)*

(ii) Performance obligations for contracts with customers

The Group recognises revenue under HKFRS 15 mainly from the (i) procurement of hardware and software; (ii) provision of design of solutions; and (iii) provision of maintenance and/or support services to IT systems of the customers.

For revenue from procurement of hardware and software, revenue is recognised when the customer obtains the control of the related products, being when the products are handed over to the customers and the titles of products are passed to the customers.

For stand-alone procurement of hardware and software, control transfers at the point in time when the customer takes undisputed delivery of the goods.

When the hardware and software are sold together with design of solutions, the Group determines the prices for each of the procurement of hardware and software and design of solutions on a stand-alone selling price basis at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer.

For revenue from provision of design of solutions, revenue is recognised over time using the input method when the assets of the customers are enhanced, being the time when the Group carries out implementation work of the solutions provided.

For revenue from provision of maintenance and/or support services to IT systems of the customers, revenue is recognised over time using the output method when the customers simultaneously receives and consumes the benefits provided by the Group's performance, being the time when the Group carries out the maintenance and support services.

Details of contract liabilities are set out in the note 19.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Revenue *(continued)*

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2023 and the expected timing of recognising revenue are as follows:

	Provision of maintenance and/or support services to IT systems of the customers HK$'000	**Procurement of hardware and software HK$'000**
Within one year	**93,467**	**229,633**
More than one year but not more than two years	**4,130**	**646**
More than two years but not more than five years	**2,251**	**116**
More than five years	**117**	**—**
	99,965	**230,395**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2022 and the expected timing of recognising revenue are as follows:

	Provision of maintenance and/or support services to IT systems of the customers HK$'000	Procurement of hardware and software HK$'000
Within one year	63,590	134,699
More than one year but not more than two years	4,541	14,432
More than two years but not more than five years	1,277	1,102
More than five years	3	—
	69,411	150,233

All provision of design of solutions services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment information

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

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

(1) IT infrastructure solution services business refers to the procurement of hardware and software by the Group and such procurement together with provision of design of solutions; and

(2) IT managed services business refers to the provision of design of solutions, provision of maintenance and/or support services to IT systems of the customers.

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 HK$'000	Segment of IT managed services business HK$'000	Total HK$'000
Segment revenue	**1,033,933**	**132,915**	**1,166,848**
Segment results	**49,806**	**12,811**	**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			**(620)**
Profit before taxation			**38,735**

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment information *(continued)*

	Segment of IT infrastructure solution services business HK$'000	Segment of IT managed services business HK$'000	Total HK$'000
For the year ended 31 March 2022			
Segment revenue	1,026,178	122,789	1,148,967
Segment results	53,918	17,242	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			(554)
Profit before taxation			38,325

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. 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.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment information

	Segment of IT infrastructure solution services business HK$'000	Segment of IT managed services business HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment results:				
For the year ended 31 March 2023				
Depreciation	**6,704**	**2,153**	**5,038**	**13,895**
Allowance for inventories	**212**	**—**	**—**	**212**
For the year ended 31 March 2022				
Depreciation	4,912	1,920	4,865	11,697
Allowance for inventories	416	—	—	416

Geographical information

As all the Group's revenue is derived from its operation in Hong Kong and all its non-current assets (excluding financial assets) are located in Hong Kong, no geographical information is presented.

Information about major customers

No individual customer was accounted for over 10% of the Group's total revenue during both years.

6. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

	2023 **HK$'000**	2022 HK$'000
Other income		
Interest income	**1,532**	176
Write back of other payable	**1,099**	—
Government grants (note a)	**5,940**	—
Others	**397**	303
	8,968	479
Other gains and losses, net		
Fair value changes of derivative financial instruments	**1,038**	977
Net foreign exchange gain (loss)	**292**	(380)
Gain on disposal/written-off of property, plant and equipment	**—**	38
Impairment loss on trade receivables under ECL model	**—**	(9)
	1,330	626

note:

(a) For the year ended 31 March 2023, the Group has received government grants from the Employment Support Scheme amounted to HK$5,940,000 (2022: nil).

7. TAXATION

	2023 **HK$'000**	2022 HK$'000
Hong Kong Profits Tax:		
Current tax	**5,593**	6,136
Deferred tax (note 13)	**(34)**	213
	5,559	6,349

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.

7. TAXATION *(continued)*

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 **HK$'000**	2022 HK$'000
Profit before taxation	**38,735**	38,325
Taxation at Hong Kong Profits Tax rate of 16.5%	**6,391**	6,324
Tax effect of income not taxable for tax purposes	**(1,032)**	(80)
Tax effect of expenses not deductible for tax purposes	**338**	320
Utilisation of tax losses previously not recognised	**—**	(11)
Tax effect of tax losses not recognised	**9**	4
Tax effect of two-tiered tax rates	**(165)**	(165)
Others	**18**	(43)
Taxation for the year	**5,559**	6,349

8. PROFIT FOR THE YEAR

	2023 **HK$'000**	2022 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs:		
Directors' remuneration (note 9)	**8,741**	7,611
Other staff costs	**96,507**	100,036
Retirement benefits scheme contributions (excluding directors)	**3,415**	3,467
	108,663	111,114
Auditor's remuneration	**1,540**	1,750
Cost of inventories recognised as an expense (note a)	**936,176**	917,236
Depreciation of property, plant and equipment	**13,895**	11,697

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).

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

The emoluments paid or payable to the directors and chief executive of Company by the Group during the year were as follows:

	Directors' fee HK$'000	Salaries, allowance and other benefits HK$'000	Bonus HK$'000 (note i)	Retirement benefits scheme contribution HK$'000	Total HK$'000
For the year ended 31 March 2023					
Executive directors					
Mr. Yang	**—**	**600**	**—**	**—**	**600**
Mr. Cheung Wing Fai	**94**	**1,648**	**779**	**30**	**2,551**
Mr. Chu Ming Ho ("**Mr. Chu**") (note ii)	**—**	**2,918**	**942**	**70**	**3,930**
Mr. Au Man Wah (appointed on 1 July 2022)	**70**	**727**	**308**	**27**	**1,132**
Non-executive director					
Mr. Wan Yiu Hon	**132**	**—**	**—**	**—**	**132**
Independent non-executive directors					
Mr. Cheng Tak Chung	**132**	**—**	**—**	**—**	**132**
Ms. Li Wai Man	**132**	**—**	**—**	**—**	**132**
Mr. Li Richard King Hung	**132**	**—**	**—**	**—**	**132**
	692	**5,893**	**2,029**	**127**	**8,741**

	Directors' fee HK$'000	Salaries, allowance and other benefits HK$'000	Bonus HK$'000 (note i)	Retirement benefits scheme contribution HK$'000	Total HK$'000
For the year ended 31 March 2022					
Executive directors					
Mr. Yang	—	600	—	—	600
Mr. Cheung Wing Fai	94	1,652	858	23	2,627
Mr. Chu Ming Ho ("**Mr. Chu**") (note ii)	—	3,121	666	69	3,856
Non-executive director					
Mr. Wan Yiu Hon	132	—	—	—	132
Independent non-executive directors					
Mr. Cheng Tak Chung	132	—	—	—	132
Ms. Li Wai Man	132	—	—	—	132
Mr. Li Richard King Hung	132	—	—	—	132
	622	5,373	1,524	92	7,611

Notes:

(i) Bonus was determined by reference to their duties and responsibilities of the relevant individual within the Group and the Group's performance.

(ii) Mr. Chu acts as the chairman and chief executive officer of the Group. Included in salaries, allowance and other benefits was rental expense of director's quarter occupied by Mr. Chu paid by the Group to the landlord, Mr. Yang, of HK$960,000 (2022: HK$962,000) for the year ended 31 March 2023 with details of lease liabilities and interest expenses recognised as set out in note 26.

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(continued)*

Directors' and chief executive's emoluments *(continued)*

The executive directors' emoluments stated above were for their services in connection with the management of the affairs of the Company and its subsidiaries undertaking. The non-executive director's emoluments shown above were for his services as the director of the Company and its subsidiaries. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

During both years, no remuneration was paid by the Company to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. The directors of the Company have not waived any remuneration during the year.

Employees' emoluments

The five highest paid individuals of the Group include three (2022: two) directors of the Company for the year ended 31 March 2023, whose emoluments are included in the disclosures above. The emoluments of the remaining two (2022: three) individuals for the year ended 31 March 2023, are as follows:

	2023 HK$'000	2022 HK$'000
Salaries and other benefits	**1,764**	2,632
Bonuses	**486**	929
Retirement benefits scheme contributions	**58**	91
	2,308	3,652

The number of highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2023 No. of employees	2022 No. of employees
HK$1,000,001 to HK$1,500,000	**2**	3

During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. DIVIDENDS

	2023 HK$'000	2022 HK$'000
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
	31,500	42,000

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.

11. EARNINGS PER SHARE

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

	2023 HK$'000	2022 HK$'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**33,179**	31,970

	2023 '000	2022 '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.

12. PROPERTY, PLANT AND EQUIPMENT

	Leased properties HK$'000	Leased equipment HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 April 2021	8,344	—	5,791	14,201	296	28,632
Additions	—	7,544	—	3,642	—	11,186
Disposal/written-off	—	—	—	(603)	—	(603)
Modification of lease term	8,169	—	—	—	—	8,169
Eliminated upon leases expired	(8,344)	—	—	—	—	(8,344)
At 31 March 2022	**8,169**	**7,544**	**5,791**	**17,240**	**296**	**39,040**
Additions	**—**	**2,569**	**—**	**2,461**	**—**	**5,030**
Disposal	**—**	**—**	**—**	**(553)**	**—**	**(553)**
Modification of lease term	**7,099**	**—**	**—**	**—**	**—**	**7,099**
Eliminated upon leases expired	**(7,150)**	**—**	**—**	**—**	**—**	**(7,150)**
At 31 March 2023	**8,118**	**10,113**	**5,791**	**19,148**	**296**	**43,466**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April 2021	1,095	—	4,870	11,230	296	17,491
Provided for the year	7,642	1,467	247	2,341	—	11,697
Eliminated on disposal/written-off	—	—	—	(603)	—	(603)
Eliminated upon leases expired	(8,266)	—	—	—	—	(8,266)
At 31 March 2022	**471**	**1,467**	**5,117**	**12,968**	**296**	**20,319**
Provided for the year	**7,620**	**3,404**	**247**	**2,624**	**—**	**13,895**
Eliminated on disposal	**—**	**—**	**—**	**(553)**	**—**	**(553)**
Eliminated upon leases expired	**(7,150)**	**—**	**—**	**—**	**—**	**(7,150)**
At 31 March 2023	**941**	**4,871**	**5,364**	**15,039**	**296**	**26,511**
CARRYING VALUE						
At 31 March 2023	**7,177**	**5,242**	**427**	**4,109**	**—**	**16,955**
At 31 March 2022	7,698	6,077	674	4,272	—	18,721

Depreciation is charged so as to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leased properties	Over the shorter of its estimated useful life and the lease term
Leased equipment	Over the shorter of its estimated useful life and the lease term
Leasehold improvements	Over the shorter of lease term or 20%
Furniture, fixtures and office equipment	20% - $33\frac{1}{3}$%
Motor vehicles	$33\frac{1}{3}$%

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Right-of-use assets (included in the leased properties and leased equipment)

	Leased properties HK$'000	Leased equipment HK$'000	Total HK$'000
As at 31 March 2023			
Carrying amount	**7,177**	**5,242**	**12,419**
As at 31 March 2022			
Carrying amount	7,698	6,077	13,775
For the year ended 31 March 2023			
Depreciation charge	**7,620**	**3,404**	**11,024**
For the year ended 31 March 2022			
Depreciation charge	7,642	1,467	9,109

	2023 HK$'000	2022 HK$'000
Expense relating to short-term leases	**197**	106
Total cash outflow for leases	**11,757**	9,667
Additions of right-of-use assets	**9,668**	15,713

For both years, the Group leases office premises from a related company for its operations and a director's quarter from Mr. Yang as disclosed in note 26. In addition to that, the Group leased equipment and a warehouse from independent third parties. Lease contracts are entered into for fixed term of one to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for a warehouse. As at 31 March 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short term lease expense for year ended 31 March 2023 disclosed above.

Restrictions or covenants on leases

In addition, lease liabilities of HK$12,609,000 are recognised with related right-of-use assets of HK$12,419,000 as at 31 March 2023 (2022: lease liabilities of HK$13,884,000 and related right-of-use assets of HK13,775,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

13. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities arising from accelerated accounting depreciation recognised by the Group and movement thereon during the year.

	HK$'000
At 1 April 2021	(29)
Charge to profit or loss	(213)
At 31 March 2022	(242)
Credit to profit or loss	34
At 31 March 2023	**(208)**

As at 31 March 2023, the Group had estimated unused tax losses of HK$11,564,000 (2022: HK$11,509,000) to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

14. DERIVATIVE FINANCIAL INSTRUMENT

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

The Group is required to transact with the bank monthly during contract period for designated notional amount under the respective contract. If the spot rate for conversion of US$ for HK$ as prevailing in the international foreign exchange market ("**spot rate**") on fixing date is higher than or at the strike price, the Group will buy notional amount 1 at the strike price from the banks. If the spot rate on fixing date is lower than the strike price, the Group will buy notional amount 2 at the strike price from the banks.

	Notional amount 1	Notional amount 2	Contract date	Strike price	Beginning fixing date	Target value	Ending fixing date (note)
As at 31 March 2022:							
Contract A	US$600,000	US$1,200,000	4 November 2021	7.749	8 December 2021	HK$180,000	3 November 2023
As at 31 March 2023:							
Contract B	US$500,000	US$1,000,000	6 October 2022	7.788	3 November 2022	HK$125,000	2 October 2024
Contract C	US$500,000	US$1,000,000	15 November 2022	7.749	15 March 2023	HK$100,000	12 November 2024

Notes:

(i) The contracts mature at the earlier of (1) target redemption event when target value is hit; or (2) ending fixing date.

(ii) The contracts are secured with pledged bank deposits amounted to HK$9,517,000 (2022: HK$5,712,000).

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

15. INVENTORIES

	2023 HK$'000	2022 HK$'000
Finished goods	**58,220**	55,199

16. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

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

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.

16. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(continued)*

The following is an ageing analysis of trade receivables from third parties net of allowance for impairment losses presented based on the invoice date at the end of the reporting period:

	2023 **HK$'000**	2022 HK$'000
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
	117,619	172,410

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.

Detail of impairment assessment of trade and other receivables and deposits are set out in note 32.

17. PLEDGED BANK DEPOSITS/TIME DEPOSITS/CASH AND CASH EQUIVALENTS

	2023 **HK$'000**	2022 HK$'000
Cash on hand	**26**	22
Bank balances three months or less	**248,246**	232,133
Cash and cash equivalents	**248,272**	232,155
Time deposits	**5,161**	5,104
Pledged bank deposits	**39,900**	32,348

Cash and cash equivalents include short-term bank deposits held by the Group for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.26% to 4.00% (2022: 0.04% to 2.15%) per annum.

Time deposits include bank deposit with original maturity over three months but less than one year, which carry fixed interest at 4.00% (2022: 0.26%) per annum.

Pledged bank deposits carry fixed interest rate of 0.05% to 4.00% (2022: 0.06% to 0.26%) per annum and mainly represent deposits pledged to secure derivative financial instruments of HK$9,517,000 (2022: HK$5,712,000) as disclosed in note 14 and performance guarantees of HK$29,591,000 (2022: HK$26,136,000) as disclosed in note 28 as at 31 March 2023 which will be released upon the maturity of the derivative financial instruments and completion of the contract works, respectively.

Detail of impairment assessment of pledge bank deposits, time deposits and bank balances are set out in note 32.

18. TRADE AND OTHER PAYABLES AND ACCRUALS

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

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

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

	2023 HK$'000	2022 HK$'000
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	**2,722**	2,960
	165,958	152,066

19. CONTRACT LIABILITIES

	2023 HK$'000	2022 HK$'000
Current	**82,575**	92,260
Non-current	**4,634**	3,352
	87,209	95,612

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:

19. CONTRACT LIABILITIES *(continued)*

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.

20. LEASE LIABILITIES

	2023 **HK$'000**	2022 HK$'000
Lease liabilities payable:		
Within one year	**10,970**	10,087
Within a period of more than one year but not more than two years	**1,639**	2,675
Within a period of more than two years but not more than five years	**—**	1,122
	12,609	13,884
Less: Amount due for settlement within 12 months shown under current liabilities	**(10,970)**	(10,087)
Amount due for settlement after 12 months shown under non-current liabilities	**1,639**	3,797

21. BANK BORROWINGS

	2023 **HK$'000**	2022 HK$'000
Borrowings included bank loans:		
Revolving loans	**—**	9,000
The bank loans are repayable as follows:		
Within one year	**—**	9,000

21. BORROWINGS *(continued)*

As at 31 March 2022, the Group's bank loans carried annual interests at the range of HIBOR plus 1.3% to HIBOR plus 2% (2023: nil).

	2023	2022
Effective interest rates		
Variable-rate borrowings	**N/A**	1.43% to 2.15%

22. 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	**5,000,000,000**	**50,000**
Issued and fully paid:		
At 1 April 2021, 31 March 2022 and 2023	**300,000,000**	**3,000**

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

23. AMOUNT DUE TO A NON-CONTROLLING INTEREST OF A SUBSIDIARY

Amount due to a non-controlling interest of a subsidiary was interest-free, unsecured and repayable on demand. During the year ended 31 March 2023, the Company purchased the non-controlling interest from the non-controlling shareholder. After the completion of the transaction, the then non-controlling shareholder agreed to waive the Group's liability on the amount; and a write back of other payable amounting to HK$1,099,000 is recognised in other income.

24. RETIREMENT BENEFITS SCHEME

Defined contribution scheme

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The retirement benefits scheme contributions arising from the MPF Scheme of HK$3,542,000 (2022: HK$3,559,000) charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the MPF Scheme by the Group.

Defined benefit scheme

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay Long Service Payment ("**LSP**") to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years employment period.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof (collectively, the "**Eligible Offset Amount**"), for the purpose of offsetting LSP payable to an employee (the "**Offsetting Arrangement**").

The Employment & Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was gazetted on 17 June 2022, which will eventually abolish the Offsetting Arrangement (the "**Abolition**"). In April 2023, HKSAR Chief Executive announced that the Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). Under the amended Ordinance, the Eligible Offset Amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date.

The Group is still in the process of assessing the full impact of the application of the amended Ordinance and the Abolition.

25. CAPITAL COMMITMENT

At 31 March 2023, the Group has no capital commitment (2022: HK$605,000) in respect of the acquisition of property, plant and equipment contracted but not provided for the current year.

26. RELATED PARTY TRANSACTIONS

The Group had entered into the following related party transactions:

Name of related parties	Nature of transactions	**2023 HK$'000**	2022 HK$'000
Microware Properties limited	Interest expenses on lease liabilities	**207**	175
("**Microware Properties**")	Lease liabilities	**6,258**	6,220
Mr. Yang	Interest expenses on lease liabilities	**31**	26
	Lease liabilities	**841**	929

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

Mr. Yang is the controlling shareholder of Microware Properties.

On 23 March 2023, the Group has renewed tenancy agreements with Microware Properties and Mr. Yang for the use of office premises and a director's quarter respectively both of which the relevant lease terms have been extended to 31 March 2024. These constituted lease modifications and the Group has recognised an addition of right-of-use assets and lease liabilities at the same amount of HK$7,099,000 during the year ended 31 March 2023.

On 23 March 2022, the Group has renewed tenancy agreements with Microware Properties and Mr. Yang for the use of office premises and a director's quarter respectively both of which the relevant lease terms have been extended to 31 March 2023. These constituted lease modifications and the Group has recognised an addition of right-of-use assets and lease liabilities at the same amount of HK$7,149,000 during the year ended 31 March 2022.

Compensation of key management personnel

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

	2023 HK$'000	2022 HK$'000
Short-term benefits	**12,798**	12,732
Post-employment benefits	**236**	219
	13,034	12,951

27. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS

The Group has entered into the International Swaps and Derivatives Association Master Netting Agreements ("**ISDA Agreements**") with certain banks. The following recognised financial assets and financial liabilities are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts:

At 31 March 2023

	Gross/net amounts presented on consolidated statement of financial position	Related amount not set off in consolidated statement of financial position		
		Financial instrument	Cash collateral received/ pledged	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000
Recognised financial assets:				
— Bank balances	**9,517**	—	—	**9,517**
Recognised financial assets:				
— Derivative financial instruments	**177**	—	—	**177**

At 31 March 2022

	Gross/net amounts presented on consolidated statement of financial position	Related amount not set off in consolidated statement of financial position		
		Financial instrument	Cash collateral received/ pledged	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000
Recognised financial assets:				
— Bank balances	5,712	—	—	5,712
Recognised financial assets:				
— Derivative financial instruments	6	—	—	6

28. 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.

29. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 **HK$'000**	2022 HK$'000
Non-current asset		
Investment in a subsidiary	**46,056**	46,056
Current assets		
Other receivables, prepayment and deposits	**484**	223
Amount due from a subsidiary	**556**	530
Cash and cash equivalents	**32,344**	31,952
	33,384	32,705
Current liability		
Other payables and accruals	**491**	491
Net current assets	**32,893**	32,214
Net assets	**78,949**	78,270
Capital and reserves		
Share capital (note 22)	**3,000**	3,000
Reserves (note i)	**75,949**	75,270
	78,949	78,270

29. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(continued)

Note i:

Reserves of the Company

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2021	**75,297**	**(596)**	**74,701**
Profit and total comprehensive income for the year	**—**	**42,569**	**42,569**
Dividends paid (note 10)	**—**	**(42,000)**	**(42,000)**
At 31 March 2022	**75,297**	**(27)**	**75,270**
Profit and total comprehensive income for the year	**—**	**32,179**	**32,179**
Dividends paid (note 10)	**—**	**(31,500)**	**(31,500)**
At 31 March 2023	**75,297**	**652**	**75,949**

30. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at the end of each reporting period are as follows:

Name of subsidiaries	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of ownership interest attributable to the Company 2023	2022	Principal activities
Microware Hong Kong Limited^	BVI	HK$1	**100%**	100%	Investment holding
Microware Limited	Hong Kong	US$6,000,000	**100%**	100%	Provision of IT infrastructure solutions services and provision of IT managed services
Cumulus Managed Services Limited	Hong Kong	HK$1	**100%**	100%	Provision of IT infrastructure solutions services
Microware Computer Systems Limited	Hong Kong	HK$10,000	**100%**	100%	Inactive
ProAct IT Services Limited	Hong Kong	HK$100,000	**100%**	100%	Provision of IT managed services
Cyber Range Training Centre Limited	Hong Kong	HK$10,000	**100%**	90%	Provision of IT managed services

^ Directly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the year.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior years.

The capital structure of the Group consists of net debt, which includes bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 **HK$'000**	2022 HK$'000
Financial assets		
Financial assets at amortised cost	**411,910**	442,705
Derivative financial instruments	**177**	6
Financial liabilities		
Amortised cost	**203,350**	222,216

32. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, deposits, trade and other payables and accruals, amount due to a non-controlling interest of a subsidiary, bank borrowings, lease liabilities, derivative financial instruments, pledged bank deposits, time deposits as well as cash and cash equivalents. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risks

Interest rate risk

The Group's fair value interest rate risk relates primarily to pledged bank deposits (note 17), time deposits (note 17) and lease liabilities (note 20). The Group's cash flow interest rate risk relates primarily to variable-rate bank balances (note 17) and bank borrowings (note 21).

The Group has not used any interest rate hedging policy to mitigate its exposure associated with interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The directors of the Company consider the Group's exposure to future cash flow interest rate risk is minimal taking into account the minimal fluctuation on market interest rate and carrying amounts as at 31 March 2023 and 2022. Accordingly, no sensitivity analysis on interest rate risk is presented.

Currency risk

The Group has foreign currency purchases, which exposes the Group to foreign currency risk. Certain bank balances, trade receivables and trade payables of the Group are denominated in foreign currencies. The carrying amounts of the Group's bank balances, trade receivables and trade payables denominated in foreign currencies at the end of each reporting period are as follows:

	Bank balances		**Trade receivables**		**Trade payables**	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
US$	**11,993**	35,952	**6,866**	13,139	**75,284**	60,055

The Group has entered into certain foreign exchange forward contract as set out in note 14 to mitigate foreign exchange exposure arising on the purchase to external parties. The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

No sensitivity analysis is provided on derivative financial instruments as the management of the Company considers that the effect of the foreign exchange rate fluctuations on the fair value of derivative financial instruments are considered as insignificant.

32. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risks *(continued)*

Sensitivity analysis

The change in exchange rate of HK$ against US$ has not been considered in the sensitivity analysis as HK$ is pegged to US$. In the opinion of the directors of the Company, the Group does not expect any significant movements between the exchange rate of US$ against HK$.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 March 2023, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of performance guarantees provided by the Group is disclosed in note 28. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group assess the potential customer's credit quality customer at new customer acceptance. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables based on the grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by sectors is mainly in Hong Kong Government, Commercials, Bank and finance and Educational institution and non-profit organisations which accounted for 38%, 16%, 13% and 11%, respectively of the total trade receivables as at 31 March 2023 (2022: Hong Kong Government, Bank and finance, Commercials and Public bodies which accounted for 23%, 19%, 17% and 16%). The Group has concentration of credit risk as 16% (2022: 17%) of the total trade receivables was due from the Group's five largest customers respectively. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

For trade receivables of HK117,628,000 (2022: HK$172,419,000) (note 16), the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group assessed the ECL on trade receivables using the grouping with reference to past default experience for recurring customers and current past due exposure for new customers.

The estimated loss rates on trade receivables are estimated based on historical observed default rates over the expected life of the debtors and study of other corporates' default and recovery data from international credit-rating agencies including Moody's, and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Based on the assessment of the management, the ECL on trade receivables is insignificant.

32. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Other receivables and deposits

For other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits. The Group performs impairment assessment under 12m ECL model.

For the purpose of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due HK$'000	Not past due/ no fixed repayment terms HK$'000	Total HK$'000
Financial assets at amortised cost			
Other receivables and deposits (note 16)			
As at 31 March 2023	—	958	958
As at 31 March 2022	—	688	688

Based on the assessment of the management, the ECL on other receivables and deposits is insignificant.

Pledged bank deposits, time deposits and bank balances

The Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies and therefore the directors of the Company consider the risk of default is low. The Group uses 12m ECL to perform the assessment under ECL on balances individually based on the average loss rate by reference to credit ratings assigned by international credit-rating agencies including Moody's, ranging from Aa3 to A3. As at 31 March 2023, the directors of the Company consider the credit risk is limited and thus the ECL on pledged bank deposits, time deposits and bank balances of HK$39,900,000 (2022: HK$32,348,000), HK$5,161,000 (2022: 5,104,000) and HK$248,246,000 (2022: HK$232,133,000) respectively (note 17) is insignificant.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

32. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12-month ECL — not credit-impaired
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12-month ECL — not credit-impaired
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's trade receivables, other receivables and deposits, pledged bank deposits, time deposits and bank balances which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2023 Gross carrying amount HK$	2022 Gross carrying amount HK$
Trade receivables	16	N/A	Low risk	Lifetime ECL (Not credit-impaired)	**117,628**	172,419
Other receivables and deposits	16	N/A	Low risk	12-month ECL	**958**	688
Pledged bank deposits	17	Aa3 to A1	N/A	12-month ECL	**39,900**	32,348
Time deposits	17	Aa3	N/A	12-month ECL	**5,161**	5,104
Bank balances	17	Aa3 to A3	N/A	12-month ECL	**248,246**	231,133

32. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 April 2021	—
Impairment loss recognised	(9)
As at 31 March 2022 and 31 March 2023	(9)

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at 31 March 2023, the Group had available unutilised bank facilities of approximately HK$1,092,203,000 (2022: HK$865,749,000).

The contractual maturity of the Group for its non-derivative financial liabilities with undiscounted cash flow of HK$204,449,000 (2022: HK$222,216,000), based on the earliest date on which the Group can be required to pay, are repayable on demand or within 3 months.

32. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The following table details the Group's remaining contractual maturity for lease liabilities. The table has been drawn up based on the undiscounted cash flows of lease liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity tables

	Weighted average effective interest rate per annum %	On demand HK$'000	Less than 3 months HK$'000	3 months to 1 year HK$'000	1 - 2 years HK$'000	2 - 5 years HK$'000	Over 5 years HK$'000	Total un-discounted cash flows HK$'000	Total carrying amounts HK$'000
As at 31 March 2023									
Lease liabilities	**5.91**	**—**	**2,903**	**8,459**	**1,661**	**—**	**—**	**13,023**	**12,609**
As at 31 March 2022									
Lease liabilities	5.91	—	2,654	7,961	2,811	1,137	—	14,563	13,884

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual cash inflows and outflows on derivative instruments by using the forward rate published by independent researchers as at 31 March 2023 and 2022. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as the management of the Company considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

32. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Liquidity tables *(continued)*

	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount of derivative forward contract assets HK$'000
As at 31 March 2023				
Derivative — gross settlement				
— Inflow	**7,851**	**—**	**7,851**	**—**
— Outflow	**(7,769)**	**—**	**(7,769)**	**—**
	82	**—**	**82**	**177**
As at 31 March 2022				
Derivative — gross settlement				
— Inflow	4,699	—	4,699	—
— Outflow	(4,666)	—	(4,666)	—
	33	—	33	6

Fair value measurements of financial instruments

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

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

Financial assets	Fair value as at 31 March 2023	Fair value as at 31 March 2022	Fair value hierarchy	Valuation technique	Key input
Derivative financial instruments	**Assets HK$177,000**	Assets HK$6,000	Level 2	Discounted cash flow	Forward exchange rate and contracted exchange rate

32. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurements of financial instruments *(continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis *(continued)*

There were no transfers between Level 1 and 2 during the year.

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

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

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK$'000 (note 20)	Dividends payable HK$'000	Bank borrowings HK$'000	Interest payable HK$'000	Total HK$'000
As at 1 April 2021	7,269	—	—	—	7,269
Financing cash flow	(9,561)	(42,000)	9,000	(91)	(42,652)
Finance cost	463	—	—	91	554
Other non-cash changes:					
Dividends declared (note 10)	—	42,000	—	—	42,000
New leases entered and leases modified (note 12)	15,713	—	—	—	15,713
As at 31 March 2022	**13,884**	**—**	**9,000**	**—**	**22,884**
Financing cash flow	**(11,560)**	**(31,500)**	**(9,000)**	**(3)**	**(52,063)**
Finance cost	**617**	**—**	**—**	**3**	**620**
Other non-cash changes:					
Dividends declared (note 10)	**—**	**31,500**	**—**	**—**	**31,500**
New leases entered and leases modified (note 12)	**9,668**	**—**	**—**	**—**	**9,668**
As at 31 March 2023	**12,609**	**—**	**—**	**—**	**12,609**

Financial Summary

RESULTS

	For the year ended 31 March				
	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023** **HK$'000**
Revenue	1,255,078	1,365,341	1,114,277	1,148,967	**1,166,848**
Profit before taxation	34,888	49,258	54,468	38,325	**38,735**
Taxation	(6,259)	(8,944)	(7,546)	(6,349)	**(5,559)**
Profit for the year	28,629	40,314	46,922	31,976	**33,176**
Attributable to:					
Owners of the Company	28,883	40,619	47,332	31,970	**33,179**
Non-controlling interests	(254)	(305)	(410)	6	**(3)**
	28,629	40,314	46,922	31,976	**33,176**
Earnings per share					
Basic (HK$)	0.10	0.14	0.16	0.11	**0.11**

ASSETS AND LIABILITIES

	At 31 March				
	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023** **HK$'000**
Total assets	514,153	551,938	489,474	543,220	**516,831**
Total liabilities	(304,069)	(318,040)	(268,654)	(332,424)	**(304,360)**
	210,084	233,898	220,820	210,796	**212,471**
Equity attributable to owners of the Company	210,337	234,456	221,788	211,758	**212,471**
Non-controlling interests	(253)	(558)	(968)	(962)	**–**
	210,084	233,898	220,820	210,796	**212,471**