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Microware Group Limited

美高域集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1985)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

HIGHLIGHTS

- Total revenue of the Group amounted to approximately HK\$1,124.4 million for the Year, representing an increase of approximately HK\$48.9 million or 4.5% as compared to approximately HK\$1,075.5 million for the Previous Year.
- Profit and total comprehensive income of the Group for the Year was approximately HK\$20.0 million, representing a decrease of approximately HK\$11.2 million or 36.0% as compared to approximately HK\$31.2 million for the Previous Year. Excluding the non-recurring listing expenses of approximately HK\$18.9 million and approximately HK\$2.4 million being charged to the profit and loss of the Group for the Year and the Previous Year, respectively, profit and total comprehensive income of the Group for the Year would be approximately HK\$38.8 million, representing an increase of approximately HK\$5.3 million or 15.7% as compared to approximately HK\$33.6 million for the Previous Year.
- Basic earnings per Share for the Year was HK\$0.08, as compared to HK\$0.13 for the Previous Year.
- The Board recommended the payment of a final dividend of HK\$0.06 per Share for the Year, subject to the approval by the Shareholders at the AGM.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Microware Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2017 (the “**Year**”), together with the comparative figures for the year ended 31 March 2016 (the “**Previous Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March	
		2017	2016
	Notes	HK\$'000	HK\$'000
Revenue	4	1,124,374	1,075,491
Cost of sales		(996,536)	(949,995)
Gross profit		127,838	125,496
Other income		1,088	2,023
Other gains and losses, net		2,072	738
Other expenses		(1,358)	(2,322)
Distribution and selling expenses		(59,602)	(62,565)
Administrative expenses		(23,061)	(22,735)
Listing expenses		(18,889)	(2,377)
Profit before taxation		28,088	38,258
Taxation	5	(8,128)	(7,055)
Profit and total comprehensive income for the year	6	19,960	31,203
Profit and total comprehensive income for the year attributable to:			
— owners of the Company		19,960	24,861
— non-controlling interests		—	6,342
		19,960	31,203
Earnings per share	8		
Basic (HK\$)		0.08	0.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2017	2016
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,055	1,649
Deferred tax asset		388	388
Prepayments and deposits	9	2,283	2,732
		<u>3,726</u>	<u>4,769</u>
CURRENT ASSETS			
Inventories		24,258	54,411
Trade and other receivables, prepayment and deposits	9	124,380	178,184
Bank balances and cash		271,824	108,037
		<u>420,462</u>	<u>340,632</u>
CURRENT LIABILITIES			
Trade and other payables and accruals	10	214,914	233,330
Derivative financial instruments		—	170
Tax liabilities		3,211	2,482
		<u>218,125</u>	<u>235,982</u>
NET CURRENT ASSETS		<u>202,337</u>	<u>104,650</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>206,063</u>	<u>109,419</u>
NON-CURRENT LIABILITIES			
Derivative financial instruments		442	760
Deferred revenue	10	3,249	4,544
		<u>3,691</u>	<u>5,304</u>
NET ASSETS		<u>202,372</u>	<u>104,115</u>
CAPITAL AND RESERVES			
Share capital	11	3,000	—
Reserves		199,372	104,115
		<u>202,372</u>	<u>104,115</u>
Equity attributable to owners of the Company		<u>202,372</u>	<u>104,115</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. GENERAL

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 address 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.

The Company is an investment holding company. The Group is principally engaged in the provision of information technology ("**IT**") infrastructure solutions 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. GROUP REORGANISATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparation of the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**"), the companies comprising the Group underwent the reorganisation (the "**Group Reorganisation**") as described below.

- (i) The Company was incorporated in the Cayman Islands on 20 January 2016 to act as the holding company of the Group. The initial authorised share capital of the Company was HK\$390,000 divided into 39,000,000 shares with a par value of HK\$0.01 each. Upon incorporation, one share, representing the entire issued share capital of the Company, was held by Microware International.
- (ii) Microware Hong Kong Limited ("**Microware BVI**") was incorporated in the BVI on 3 February 2016 and the initial authorised share capital of Microware BVI was 10,000 shares with a par value of HK\$1 each. Upon incorporation, one share, representing the entire issued share capital of Microware BVI, was allotted and issued to the Company.

- (iii) On 19 January 2016, Microware Limited (“**Microware Ltd.**”) transferred its 10,000 shares in Microware USA Limited (“**Microware USA**”), representing the entire issued share capital of Microware USA, to Mr. Yang at a consideration of HK\$1. Upon completion of such transfer, Microware USA ceased to be a subsidiary of Microware Ltd..
- (iv) Microware (Macau) Limited was deregistered on 31 December 2015.
- (v) On 31 March 2016, Microware BVI acquired the entire issued share capital of each of Microware Computer Systems Limited (“**Microware Computer Systems**”), ProAct IT Services Limited (“**ProAct IT**”), Cumulus Managed Services Limited (“**Cumulus**”) and Microware Ltd., by the Company’s issuance of two shares, one share, one share and 119,995 shares of the Company, respectively. Upon completion of such acquisition, each of Microware Computer Systems, ProAct IT, Cumulus and Microware Ltd. became a direct wholly-owned subsidiary of Microware BVI.

Pursuant to the Group Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 31 March 2016. The Company and its subsidiaries have been under the common control of Mr. Yang throughout the year or since their respective dates of incorporation, where there is a shorter period.

Accordingly, the consolidated financial statements have been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Previous Year include the results, changes in equity and cash flows of the companies now comprising the Group as if the group structure upon completion of the Group Reorganisation has been in existence throughout the Previous Year, or since their respective dates of incorporation, where there is a shorter period.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the consolidated financial statements for the Year, the Group has adopted all the HKFRSs issued by the HKICPA that are effective for the Group’s financial year beginning on 1 April 2016.

New and amendments to HKFRSs and interpretation in issue but not yet effective

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

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Apply HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKAS 7	Disclosure initiative ⁴
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle ⁵
Amendments to HKAS 40	Transfers of investment property ¹
HK (IFRIC)-INT 22	Foreign currency transactions and advance consideration ¹

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2017.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

4. REVENUE AND SEGMENT INFORMATION

Revenue

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

The Group determines its operating segments based on the reports reviewed by the executive Directors 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 design of solutions and/or procurement of hardware and software by the Group; and
- (2) IT managed services business refers to the provision of maintenance and/or support services to IT systems of the customers by the Group.

Segment revenue and results

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

	IT infrastructure solution services business HK\$’000	IT managed services business HK\$’000	Total HK\$’000
For the year ended 31 March 2017			
Segment revenue	1,014,696	109,678	1,124,374
Segment results	56,351	12,790	69,141
Other income			1,088
Other gains and losses, net			2,072
Other expenses			(1,358)
Certain distribution and selling expenses			(905)
Administrative expenses			(23,061)
Listing expenses			(18,889)
Profit before taxation			28,088

	IT infrastructure solution services business <i>HK\$'000</i>	IT managed services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2016			
Segment revenue	963,359	112,132	1,075,491
Segment results	54,371	9,502	63,873
Other income			2,023
Other gains and losses, net			738
Other expenses			(2,322)
Certain distribution and selling expenses			(942)
Administrative expenses			(22,735)
Listing expenses			(2,377)
Profit before taxation			38,258

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

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

5. TAXATION

	Year ended 31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	8,128	7,055

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the year.

6. PROFIT FOR THE YEAR

	Year ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' remuneration	4,754	3,460
Other staff costs	95,000	97,625
Share-based payments to employees (excluding Directors)	—	1,371
Contributions to retirement benefits schemes (excluding Directors)	3,390	3,372
	<u>103,144</u>	<u>105,828</u>
Auditor's remuneration	1,800	451
Cost of inventories recognised as an expense	905,854	856,571
Depreciation of property, plant and equipment	881	1,263
Minimum operating lease payments in respect of office premises and warehouses	6,336	6,774
(Reversal of) allowance for inventories (included in cost of sales)	(2,044)	6,316
	<u><u>103,144</u></u>	<u><u>105,828</u></u>

7. DIVIDEND

During the Previous Year, Microware Ltd. declared and paid dividends of HK\$84,000,000 to its then shareholders.

A final dividend of HK\$0.06 per share of the Company in respect of the Year has been proposed by the Directors, which is subject to approval by the shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting of the Company (the "AGM").

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Year ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
Earnings:		
Earnings for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>19,960</u>	<u>24,861</u>
	2017	2016
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>243,945</u>	<u>194,804</u>

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Company had been the holding company of the subsidiaries with shares issued and outstanding consistent with the basis of consolidation throughout both years and the capitalisation issue as described in note 11 had been effective on 1 April 2015.

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

9. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

	As at 31 March	
	2017	2016
	HK\$'000	HK\$'000
Trade receivables	107,292	151,915
Less: Allowance for bad and doubtful debts	<u>(245)</u>	<u>(495)</u>
	107,047	151,420
Rental deposits	344	331
Prepayment for costs of maintenance services	16,120	17,148
Deposits paid to supplier	—	7,800
Others	<u>3,152</u>	<u>4,217</u>
Total trade and other receivables, deposits and prepayments	<u>126,663</u>	<u>180,916</u>
Analysed as:		
Current	124,380	178,184
Non-current	<u>2,283</u>	<u>2,732</u>
	<u>126,663</u>	<u>180,916</u>

The following is an ageing analysis of trade receivables from third parties net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	As at 31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	63,401	87,645
31 to 60 days	13,515	25,238
61 to 90 days	9,581	11,365
91 to 120 days	7,558	19,781
121 to 180 days	9,608	6,197
Over 180 days	3,384	1,194
	<hr/> 107,047 <hr/>	<hr/> 151,420 <hr/>

10. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	As at 31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	122,746	142,913
Accrued staff costs	12,862	14,090
Receipt in advance	13,176	14,630
Deferred revenue	45,817	46,392
Others	23,562	19,849
	<hr/> 218,163 <hr/>	<hr/> 237,874 <hr/>
Analysed as:		
Current	214,914	233,330
Non-current	3,249	4,544
	<hr/> 218,163 <hr/>	<hr/> 237,874 <hr/>

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

	As at 31 March	
	2017	2016
	HK\$'000	HK\$'000
0 to 30 days	69,469	82,571
31 to 60 days	22,988	35,550
61 to 90 days	21,658	14,700
Over 90 days	8,631	10,092
	<u>122,746</u>	<u>142,913</u>

11. SHARE CAPITAL

The issued share capital as at 1 April 2015 represented the combined share capital of Microware Ltd., Microware Computer Systems and ProAct IT. The share capital as at 31 March 2016 and 2017 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 20 January 2016 (date of incorporation) and 31 March 2016 (<i>note i</i>)	39,000,000	390
Increase in authorised share capital (<i>note iii</i>)	4,961,000,000	49,610
At 31 March 2017	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 20 January 2016 (date of incorporation) (<i>note i</i>)	1	—
Increase in issued share capital (<i>note ii</i>)	119,999	—
At 31 March 2016	120,000	—
Issue of shares (<i>note iv</i>)	60,000,000	600
Capitalisation issue (<i>note v</i>)	239,880,000	2,400
At 31 March 2017	<u>300,000,000</u>	<u>3,000</u>

Notes:

- (i) On 20 January 2016, the Company was incorporated in the Cayman Islands with limited liability. The initial authorised share capital of the Company was HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each. Upon its incorporation, one share was allotted and issued to the initial subscriber and such share was transferred to Microware International on the same day.
- (ii) On 31 March 2016, to effect the Group Reorganisation, 119,999 shares of the Company were allotted and issued.
- (iii) On 15 February 2017, the authorised share capital of the Company was increased from \$390,000 divided into 39,000,000 shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 shares of HK\$0.01 each by creation of an additional 4,961,000,000 shares of HK\$0.01 each which rank pari passu in all respects with existing shares.
- (iv) The shares of the Company have been listed on the Stock Exchange by way of global offering on 8 March 2017. 60,000,000 shares of HK\$0.01 each of the Company were issued at an offer price of HK\$1.46 per share.
- (v) On 8 March 2017, 239,880,000 shares of the Company were issued to the then Shareholders as at the date of passing of the relevant resolution on a pro-rata basis through capitalisation of HK\$2,398,800 standing to the credit of share premium account of the Company. All issued shares of the Company rank pari passu in all respects with each other.

12. CONTINGENT LIABILITIES

As at 31 March 2017, the performance guarantees of the Group of approximately HK\$17,100,000 (2016: HK\$18,385,000) were given by banks 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 contracts.

As at 31 March 2017 and 2016, the Directors did not consider that it is probable that a claim will be made against the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

On 8 March 2017 (the “**Listing Date**”), the Company was successfully listed on the Main Board of the Stock Exchange. Through the Listing, the Group would like to significantly enhance the corporate governance and transparency in order to (i) continue its current business strategy of undertaking large-scale contracts; (ii) maintain and improve its quality of services to clients; (iii) improve its efficiency and achieve cost control; and (iv) strengthen its market position.

The Group is a well-established IT infrastructure solutions provider based in Hong Kong. As at 31 March 2017, compared to the Previous Year, the Group has increased the number of both technical and sales staff who have passed the qualification test to ensure that the Group keeps abreast of the advanced technology development with its vendors. In addition, Microware Ltd., an indirect wholly-owned subsidiary of the Company, was recognised as the 10 Years Plus Caring Company by The Hong Kong Council of Social Services in recognition of its long-term contribution to community and commitment to social responsibility in 2017. Moreover, the Group achieved the First Platinum Reseller status in the Veeam (“**Veeam**”) ProPartner Programme in 2017. The Group is grateful for the significant recognition of its technical knowhow, sales commitment and excellent service by Veeam. Furthermore, the Group has received a numerous of remarkable awards of top performance and enterprise solutions from the vendors as set out below:

Year	Name of Vendor	Awards
2017	Lenovo (Hong Kong) Limited	FY1617 Q3 Best PCs T1 Dealer
2016	Citrix Systems Hong Kong Limited	The Top Performer (Virtualization) 2016
	Hewlett Packard HK SAR Limited	FY2016 Top Performing Hewlett Packard Enterprise – Servers
	Hewlett Packard HK SAR Limited	FY2016 Top Performing Hewlett Packard Enterprise – Technology Services Best Reseller
	HP Inc Hong Kong Limited	FY2016 Outstanding Performance HP Inc Reseller – Partner-led Business

During the Year, in respect of the IT infrastructure solutions services, the impressive result was caused by increasing demand and excellent performance in providing solutions to the enterprises. For the IT managed services, the Group has been enhancing the coverage aspects and various support services to enterprises. At the same time, the Group will maintain the quality and flexibility of its services to widen its businesses. Given the highly competitive and fragmented landscape in the IT infrastructure solution industry in Hong Kong, the Group has continued to focus on the large-scale projects for IT infrastructure solutions and managed services in Hong Kong to strengthen its market position.

Nowadays, the Group endeavoured to keep abreast of its major vendors' latest technology to arouse customers' interests and address to their specific business needs. Combined with different platforms, software and services, the capability and comprehensiveness of the solutions offered by the Group were enhanced. The Group has performed well in providing a cycle management to its customers from providing consultation services, proposals, hardware and software solutions, to on-going support and maintenance.

FINANCIAL REVIEW

Revenue

Total revenue of the Group amounted to approximately HK\$1,124.4 million for the Year, representing an increase of approximately HK\$48.9 million or 4.5% as compared to approximately HK\$1,075.5 million for the Previous Year. The increase in total revenue was due to the increase in revenue of the business segment of IT infrastructure solution services which was approximately HK\$1,014.7 million for the Year, representing an increase of approximately HK\$51.3 million or 5.3% as compared to approximately HK\$963.4 million for the Previous Year. The revenue of the business segment of IT managed services was approximately HK\$109.7 million, representing a decrease of approximately HK\$2.5 million or 2.2% as compared to approximately HK\$112.1 million for the Previous Year. The business segments of IT infrastructure solutions services and IT managed services contributed approximately 90.2% and 9.8% to the total revenue of the Group for the Year, respectively.

Cost of sales

The cost of sales of the Group for the Year was approximately HK\$996.5 million, representing an increase of approximately HK\$46.5 million or 4.9% from approximately HK\$950.0 million for the Previous Year. Such increase was mainly attributable to the business segment of IT infrastructure solution services.

Gross profit

Gross profit of the Group for the Year was approximately HK\$127.8 million, representing an increase of approximately HK\$2.3 million or 1.9% from approximately HK\$125.5 million for the Previous Year. Such increase was mainly due to contribution from certain projects.

Operating expenses

Total operating expenses of the Group for the Year was approximately HK\$101.6 million, representing an increase of approximately HK\$13.9 million or 15.8% as compared to approximately HK\$87.7 million for the Previous Year. Such increase was due to the non-recurring listing expenses of approximately HK\$18.9 million.

Profit for the Year

The profit and total comprehensive income of the Group for the Year was approximately HK\$20.0 million, representing a decrease of approximately HK\$11.2 million or 36.0% as compared to approximately HK\$31.2 million for the Previous Year, which was mainly attributable to the non-recurring listing expenses of approximately HK\$18.9 million. Excluding the non-recurring listing expenses of approximately HK\$18.9 million and approximately HK\$2.4 million being charged to the profit and loss of the Group for the Year and the Previous Year, respectively, profit and total comprehensive income of the Group for the Year would be approximately HK\$38.8 million, representing an increase of approximately HK\$5.3 million or 15.7% as compared to approximately HK\$33.6 million for the Previous Year.

The profit attributable to owners of the Group for the Year was approximately HK\$20.0 million, representing a decrease of approximately HK\$4.9 million or 19.7% from approximately HK\$24.9 million for the Previous Year.

Liquidity and financial resources and capital structure

Capital structure

The Group did not have any borrowings as at 31 March 2017 (31 March 2016: Nil). The details of the share capital of the Company during the Year and the Previous Year are set out in note 11 on page 12 of this announcement.

Cash position

The Group recorded net current assets of approximately HK\$202.3 million as at 31 March 2017, while the net current assets of the Group as at 31 March 2016 was approximately HK\$104.7 million. As at 31 March 2017, the Group had cash and cash equivalents of approximately HK\$258.8 million (31 March 2016: HK\$ 108.0 million).

Capital expenditure

During the Year, the Group's total capital expenditure amounted to approximately HK\$0.3 million (the Previous Year: HK\$1.4 million), which was mainly incurred for acquisition of office equipment.

Gearing ratio

The net gearing ratio of the Group (net borrowings, including interest-bearing bank loans and other borrowings less cash and cash equivalents and restricted cash, divided by the total equity) was not applicable as at 31 March 2016 and 2017 since the Group did not have any interest-bearing liabilities as at 31 March 2016 and 2017.

Contingent liabilities

The Group's contingent liabilities as at 31 March 2017 are set out in note 12 on page 13 of this announcement. Save as disclosed in this announcement, the Group did not have other contingent liabilities as at 31 March 2017.

Foreign exchange risk

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

HUMAN RESOURCES

As at 31 March 2017, the Group had a total of 276 employees (31 March 2016: 293 employees). For the Year, the total staff costs including Directors' emoluments were approximately HK\$103.1 (the Previous Year: HK\$105.8 million). The Group offers a competitive remuneration package to its employees, including mandatory provident funds in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and medical insurance coverage to employees who are retained after the probation period. The Group will review the performance of its employees and make reference to such performance reviews in its salary and/or promotional review in order to attract and retain talented employees.

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

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

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK\$0.06 per share of the Company (the “**Share(s)**”) for the Year (the “**2017 Final Dividend**”) to the Shareholders of the Company. Subject to the approval by the Shareholders at the AGM to be held on Monday, 21 August 2017, the 2017 Final Dividend will be paid on or about Friday, 8 September 2017 to Shareholders whose names appear on the register of members of the Company on Friday, 25 August 2017.

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 Wednesday, 16 August 2017 to Monday, 21 August 2017, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 15 August 2017.

For the purposes of determining the Shareholders’ entitlement to the 2017 Final Dividend, if approved by the Shareholders at the AGM, the register of members of the Company will be closed on Friday, 25 August 2017, on which day no transfer of Shares will be registered. In order to be eligible for the 2017 Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 24 August 2017.

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 plan for material investments or capital assets as at 31 March 2017.

USE OF PROCEEDS

The net proceeds (the “**Net Proceeds**”) from the initial public offering of the Company (the “**Initial Public Offering**”) in March 2017 amounted to approximately HK\$56.0 million (after deducting underwriting commissions and related expenses). Given the relatively short period between the Listing Date and 31 March 2017, the Group is still in the preliminary stages of implementing its business strategies as set out in the prospectus of the Company dated 24 February 2017 (the “**Prospectus**”) and had only utilised approximately HK\$0.3 million of the Net Proceeds as at 31 March 2017. The Group, however, is fully committed to implement its future plans and business strategies as set out in the Prospectus. It is expected that the Group will apply the Net Proceeds in accordance with the proposed applications under the section headed “Future Plans and Use of Proceeds” of the Prospectus. The following sets forth a summary of the allocation of the Net Proceeds and its utilisation as at 31 March 2017:

Use	Approximate amount of Net Proceeds (HK\$ 'million)	Approximate percentage of Net Proceeds as stated in the Prospectus	Approximate actual amount utilised as at 31 March 2017 (HK\$ 'million)
Upgrading of the IT management systems of the Group	19.6	35%	0.0
Enhancing of the Group’s capability to undertake large-scale contracts	14.0	25%	0.0
Recruitment and training of employees	11.2	20%	0.0
Strengthening the marketing efforts of the Group	5.6	10%	0.3
Additional working capital and other general corporate purposes	5.6	10%	0.0
	<u>56.0</u>	<u>100%</u>	<u>0.3</u>

As at 31 March 2017, the unutilised Net Proceeds have been deposited into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

CHARGE ON ASSETS

As at 31 March 2017, the Group had no charge on assets.

FUTURE OUTLOOK

Going forward, transformation into digital businesses and cybersecurity challenges will be the spotlight for enterprise decision-makers across the globe. Integration of business with technologies of the 3rd platform or the rise of the 4th platform allows users, apps and the Internet of things to create, automate and provide computing, storage and networking services anytime and anywhere by utilising hybrid cloud and emerging technologies of network function virtualisation. In addition, extensions of infrastructure introduced by new technologies such as cloud and mobile devices results in cybersecurity crisis of illicit access, data exfiltration, or hoax. These trends in enterprise technology evolution stimulate the demand for next-generation security, advance and persistent threat protection, flexible and scalable IT infrastructure and rapid deployment of applications. In response to the market changes, the Group will explore suitable and innovative solutions with managed services for integration into its core offerings in order to cater for the market needs. Sufficient and up-to-date trainings will also be provided to its employees to maintain the Group's competitiveness.

The Board believes that the most effective ways to convey the Group's solutions and services to its targeted customers are digital marketing and event recruitment. To capture the growing demands for business-driven IT, the Group plans to enlarge its frontline sales professionals and delivery manpower to reach out to more enterprises. Through providing a variety of solutions, the Group expects to penetrate to new groups of customers and increase its market share.

The Group will continue to make use of a widened financing platform following the successful Listing, which will provide favourable conditions for its future business development. The Group will make full use of the proceeds from the Listing to invest in various aspects such as operation, marketing and technical development, and continue to enhance its own competitive advantages and thus consolidating its leading position in the IT industry.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save for the Shares issued pursuant to the Initial Public Offering and the capitalisation issue which took place immediately before the Listing on the Listing Date, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

COMPLIANCE WITH THE MODEL CODE

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

Specific 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 period from the Listing Date to 31 March 2017.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2017 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

REVIEW OF THE ANNUAL RESULTS

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

By order of the Board
Microware Group Limited
Chu Ming Ho

Chairman, executive Director and chief executive officer

Hong Kong, 26 June 2017

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chu Ming Ho and Mr. Yang Peter Shun Tsing, one non-executive Director, namely Mr. Wan Yiu Hon and three independent non-executive Directors, namely Mr. Cheng Tak Chung, Ms. Li Wai Man and Mr. Li Richard King Hang.