

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

HIGHLIGHTS

- Total revenue of the Group amounted to approximately HK\$479.0 million for the Period, representing a decrease of approximately HK\$70.6 million or 12.8% as compared to approximately HK\$549.6 million for the Previous Period.
- Profit and total comprehensive income of the Group for the Period was approximately HK\$15.3 million, representing a decrease of approximately HK\$4.1 million or 21.1% as compared to approximately HK\$19.4 million after excluding the listing expenses of approximately HK\$9.2 million for the Previous Period.
- Basic earnings per Share for the Period was HK\$0.05, as compared to HK\$0.04 for the Previous Period.
- The Board does not recommend the payment of an interim dividend for the Period.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Microware Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2017 (the “**Period**”), together with the comparative figures for the corresponding period in 2016 (the “**Previous Period**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

		Six months ended	
		30 September	
		2017	2016
	NOTES	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	478,996	549,587
Cost of sales		(419,979)	(484,787)
Gross profit		59,017	64,800
Other income		478	323
Other gains and losses, net		295	1,427
Other expenses		(930)	(1,650)
Distribution and selling expenses		(27,249)	(30,354)
Administrative expenses		(13,018)	(11,699)
Listing expenses		—	(9,200)
Profit before taxation		18,593	13,647
Taxation	4	(3,273)	(3,439)
Profit and total comprehensive income for the period	5	<u>15,320</u>	<u>10,208</u>
Earnings per share	7		
Basic (HK\$)		<u>0.05</u>	<u>0.04</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

		At 30 September 2017 <i>HK\$'000</i> (unaudited)	At 31 March 2017 <i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		997	1,055
Deferred tax asset		388	388
Prepayments and deposits	8	2,262	2,283
		3,647	3,726
CURRENT ASSETS			
Inventories		30,653	24,258
Trade and other receivables, prepayment and deposits	8	164,610	124,380
Bank balances and cash		187,194	271,824
		382,457	420,462
CURRENT LIABILITIES			
Trade and other payables and accruals	9	178,066	214,914
Tax liabilities		4,766	3,211
		182,832	218,125
NET CURRENT ASSETS		199,625	202,337
TOTAL ASSETS LESS CURRENT LIABILITIES		203,272	206,063
NON-CURRENT LIABILITIES			
Derivative financial instruments		333	442
Deferred revenue	9	3,247	3,249
		3,580	3,691
NET ASSETS		199,692	202,372
CAPITAL AND RESERVES			
Share capital	10	3,000	3,000
Reserves		196,692	199,372
Equity attributable to owners of the Company		199,692	202,372

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

1. GENERAL AND BASIS OF PREPARATION

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 April 2017.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes on application of amendments to HKAS 7, will be provided in the consolidated financial statements for the year ending 31 March 2018.

3. SEGMENT INFORMATION

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 as below:

	IT infrastructure solution services business <i>HK\$'000</i>	IT managed services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended			
30 September 2017 (unaudited)			
Segment revenue	423,061	55,935	478,996
Segment results	21,395	10,991	32,386
Other income			478
Other gains and losses, net			295
Other expenses			(930)
Certain distribution and selling expenses			(618)
Administrative expenses			(13,018)
Profit before taxation			18,593

	IT infrastructure solution services business HK\$'000	IT managed services business HK\$'000	Total HK\$'000
For the six months ended			
30 September 2016 (unaudited)			
Segment revenue	498,514	51,073	549,587
Segment results	27,999	6,880	34,879
Other income			323
Other gains and losses, net			1,427
Other expenses			(1,650)
Certain distribution and selling expenses			(433)
Administrative expenses			(11,699)
Listing expenses			(9,200)
Profit before taxation			13,647

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.

4. TAXATION

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	3,273	3,439

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

5. PROFIT FOR THE PERIOD

	Six months ended	
	30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	381,033	440,352
Depreciation of property, plant and equipment	385	479
Minimum operating lease payments in respect of office premises and warehouses	3,290	3,010
Allowance for (reversal of) inventories (included in cost of sales)	1,043	(1,699)
	<u>1,043</u>	<u>(1,699)</u>

6. DIVIDEND

Final dividend for the year ended 31 March 2017 of HK\$0.06 per share of the Company was declared and paid during the six months ended 30 September 2017. Other than that, no dividend was paid, declared and proposed during the six months ended 30 September 2016 and 2017. The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2017.

7. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the period for the purpose of basic earnings per share	15,320	10,208
	=====	=====
	Six months ended	
	30 September	
	2017	2016
	'000	'000
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	300,000	240,000
	=====	=====

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 the six months ended 30 September 2016 and the capitalisation issue effective on 1 April 2016 as set out in note 10 on page 11 of this announcement.

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

8. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

	At 30 September 2017 <i>HK\$'000</i> (unaudited)	At 31 March 2017 <i>HK\$'000</i> (audited)
Trade receivables	148,268	107,292
Less: Allowance for bad and doubtful debts	(245)	(245)
	<u>148,023</u>	<u>107,047</u>
Rental deposits	345	344
Prepayment for costs of maintenance services	14,901	16,120
Others	3,603	3,152
	<u>166,872</u>	<u>126,663</u>
Total trade and other receivables, deposits and prepayments	<u>166,872</u>	<u>126,663</u>
Analysed as:		
Current	164,610	124,380
Non-current	2,262	2,283
	<u>166,872</u>	<u>126,663</u>

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 ratings to customers are reviewed on a regular basis. The Group allows a credit period of 30 to 60 days to its customers.

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 is approximated to the respective revenue recognition dates:

	At 30 September 2017 <i>HK\$'000</i> (unaudited)	At 31 March 2017 <i>HK\$'000</i> (audited)
0 to 30 days	83,702	63,401
31 to 60 days	31,081	13,515
61 to 90 days	16,069	9,581
91 to 120 days	10,333	7,558
121 to 180 days	4,968	9,608
Over 180 days	1,870	3,384
	<u>148,023</u>	<u>107,047</u>

9. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	At 30 September 2017 <i>HK\$'000</i> (unaudited)	At 31 March 2017 <i>HK\$'000</i> (audited)
Trade payables	104,716	122,746
Accrued staff costs	16,954	12,862
Receipt in advance	6,302	13,176
Deferred revenue	41,441	45,817
Others	11,900	23,562
	<u>181,313</u>	<u>218,163</u>
Analysed as:		
Current	178,066	214,914
Non-current	3,247	3,249
	<u>181,313</u>	<u>218,163</u>

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

	At 30 September 2017 <i>HK\$'000</i> (unaudited)	At 31 March 2017 <i>HK\$'000</i> (audited)
0 to 30 days	45,908	69,469
31 to 60 days	39,697	22,988
61 to 90 days	18,455	21,658
Over 90 days	656	8,631
	<u>104,716</u>	<u>122,746</u>

10. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2016 and 30 September 2016	39,000,000	390
Increase in authorised share capital (<i>note i</i>)	4,961,000,000	49,610
	<u>5,000,000,000</u>	<u>50,000</u>
At 1 April 2017 and 30 September 2017	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 1 April 2016 and 30 September 2016	120,000	—
Issue of shares (<i>note ii</i>)	60,000,000	600
Capitalisation issue (<i>note iii</i>)	239,880,000	2,400
	<u>300,000,000</u>	<u>3,000</u>
At 1 April 2017 and 30 September 2017	<u>300,000,000</u>	<u>3,000</u>

Notes:

- (i) 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.
- (ii) 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.
- (iii) On 8 March 2017, 239,880,000 shares of the Company were issued to the then shareholders of the Company as of 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.

11. CONTINGENT LIABILITIES

As at 30 September 2017, the performance guarantees of the Group of approximately HK\$15,017,000 (31 March 2017: HK\$17,100,000) 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 contract works.

As at 31 March 2017 and 30 September 2017, the Directors did not consider that it is probable that a claim would be made against the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company 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 Company was successfully listed (the “**Listing**”) 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.

For the Period, total revenue of the Group decreased by approximately HK\$70.6 million or 12.8% as compared to that for the Previous Period. Such decrease was mainly due to the decrease in revenue generated from the IT infrastructure solutions services business of the Group contributed by the transportation sector and the postponement of certain recurring projects of the Group’s customer in the banking and finance sector which were expected to commence in the Period to the six months ending 31 March 2018. IT managed services business of the Group remained stable during the Period. The Group has continued to enhance its maintenance and support services, including broadening coverage aspects and improving various support services to enterprises.

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

Total revenue of the Group amounted to approximately HK\$479.0 million for the Period, representing a decrease of approximately HK\$70.6 million or 12.8% as compared to approximately HK\$549.6 million for the Previous Period. The decrease in total revenue was mainly due to the decrease in revenue of the business segment of IT infrastructure solution services which was approximately HK\$423.1 million for the Period, representing a decrease of approximately HK\$75.5 million or 15.1% as compared to approximately HK\$498.5 million for the Previous Period. The revenue of the business segment of IT managed services was approximately HK\$55.9 million, representing an increase of approximately HK\$4.9 million or 9.5% as compared to approximately HK\$51.1 million for the Previous Period. For the Period, the business segments of IT infrastructure solutions services and IT managed services contributed approximately 88.3% and 11.7% to the total revenue of the Group, respectively.

Cost of sales

The cost of sales of the Group for the Period was approximately HK\$420.0 million, representing a decrease of approximately HK\$64.8 million or 13.4% from approximately HK\$484.8 million for the Previous Period. Such decrease was mainly attributable to the decrease in revenue contributed by the business segment of IT infrastructure solution services.

Gross profit

Gross profit of the Group for the Period was approximately HK\$59.0 million, representing a decrease of approximately HK\$5.8 million or 8.9% from approximately HK\$64.8 million for the Previous Period. Such decrease was mainly due to the decrease in gross profit generated from the IT infrastructure solutions services of the Group.

Operating expenses

Total operating expenses of the Group for the Period was approximately HK\$40.3 million, representing a decrease of approximately HK\$11.0 million or 21.4% as compared to approximately HK\$51.3 million for the Previous Period. Such decrease was due to the non-recurring listing expenses of approximately HK\$9.2 million recognised for the Previous Period.

Profit for the Period

The profit of the Group for the Period was approximately HK\$15.3 million, representing an increase of approximately HK\$5.1 million or 50.1% as compared to approximately HK\$10.2 million for the Previous Period. Excluding the non-recurring listing expenses of approximately HK\$9.2 million recognised during the Previous Period, the profit of the Group for the Period would represent a decrease of approximately HK\$4.1 million or 21.1% as compared to that for the Previous Period.

Such decrease was due to the decrease of approximately HK\$5.8 million in the gross profit of the Group generated from the IT infrastructure solutions business segment and the administrative fee of approximately HK\$1.5 million incurred during the Period to maintain the listing status of the Company.

Liquidity and financial resources

Capital Structure

The Group did not have any borrowings as at 30 September 2017 (31 March 2017: Nil). The details of the share capital of the Company during the Period and the Previous Period are set out in note 10 on page 11 of this announcement.

Cash position

The Group recorded net current assets of approximately HK\$199.6 million as at 30 September 2017 (31 March 2017: approximately HK\$202.3 million). As at 30 September 2017, the Group had cash and cash equivalents of approximately HK\$164.0 million (31 March 2017: approximately HK\$258.8 million).

Capital expenditure

During the Period, the Group's total capital expenditure amounted to approximately HK\$0.3 million (Previous Period: approximately HK\$0.2 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 2017 and 30 September 2017, respectively, since the Group did not have any interest-bearing liabilities as at 31 March 2017 and 30 September 2017, respectively.

Contingent liabilities

The Group's contingent liabilities as at 30 September 2017 are set out in note 11 on page 12 of this announcement. Save as disclosed in this announcement, the Group did not have other contingent liabilities as at 30 September 2017.

Foreign exchange risk

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

HUMAN RESOURCES

As at 30 September 2017, the Group had a total of 268 employees (30 September 2016: 290 employees). For the Period, the total staff costs including Directors' emoluments was approximately HK\$47.8 million (Previous Period: HK\$53.0 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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (Previous Period: Nil).

SIGNIFICANT INVESTMENTS HELD

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

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

The Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Period and no future plan for material investments or capital assets as at 30 September 2017.

CHARGE ON ASSETS

As at 30 September 2017, the Group had no charge on assets.

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 30 September 2017, the Group had utilised approximately HK\$1.8 million of the Net Proceeds in accordance with the proposed applications as set out in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 24 February 2017, details of which are set out as follows:

Use	Approximate amount of Net Proceeds (HK\$'million)	Approximate percentage of Net Proceeds	Approximate amount utilised as at 30 September 2017 (HK\$'million)
Upgrading of the IT management systems of the Group	19.6	35%	0.2
Enhancing of the Group's capability to undertake large-scale contracts	14.0	25%	0.1
Recruitment and training of employees	11.2	20%	1.0
Strengthening the marketing efforts of the Group	5.6	10%	0.5
Additional working capital and other general corporate purposes	5.6	10%	0.0
	<u>56.0</u>	<u>100%</u>	<u>1.8</u>

As at 30 September 2017, the unutilised Net Proceed, have been deposited into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

FUTURE OUTLOOK

The outlook for the year remains challenging due to the continuous weakened demand of the market for IT products in Hong Kong. However, the transformation into digital businesses and cybersecurity challenges will be the opportunities for the growth of the Group's business. 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.

The Group will continue to make use of a widened financing platform upon the successful Listing, which will provide favourable conditions for its future business development. Moreover, the Group plans to enlarge its frontline sales professionals and delivery manpower to reach out to more enterprises and provide a variety of solutions. The Group will make full use of the Net Proceeds to enhance its own competitive advantages and thus consolidating its leading position in the IT industry.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving good corporate governance practices by emphasising its accountability, transparency, independence, responsibility and fairness. The Company's corporate governance practices are based on the principles (the "**Principles**") and code provisions (the "**Code Provisions**") in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

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

The chairman of the Board is responsible for overseeing the strategic planning and leadership of the Group and 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 of the Group (the "**Chief Executive Officer**") is responsible for the strategic development and maintaining the Company's relationship with outside companies of the Group. Senior management is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

Code Provision A.2.1 of the CG Code provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present separate 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 Ming Ho taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from Code Provision A.2.1 of the CG Code is appropriate in such 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 COPE

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 Period.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the Period have been reviewed by the audit committee of the Board.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim 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 interim report of the Company for the Period containing all the relevant information required by the Listing Rules will be despatched to the shareholders of the Company 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, 28 November 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.