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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 2018

HIGHLIGHTS

- Total revenue of the Group amounted to approximately HK\$1,096.2 million for the Year, representing a decrease of approximately HK\$28.2 million or 2.5% as compared to approximately HK\$1,124.4 million for the Previous Year.
- Profit and total comprehensive income of the Group for the Year was approximately HK\$30.1 million, representing an increase of approximately HK\$10.1 million or 50.7% as compared to approximately HK\$20.0 million for the Previous Year. Excluding the non-recurring listing expenses of approximately HK\$18.9 million recognised during the Previous Year, the profit and total comprehensive income of the Group for the Previous Year would be approximately HK\$38.8 million. Accordingly, the profit and total comprehensive income of the Group for the Year of HK\$30.1 million would represent a decrease of approximately HK\$8.8 million or 22.6% as compared to approximately HK\$38.8 million for the Previous Year.
- Basic earnings per Share for the Year was HK\$0.10, as compared to HK\$0.08 for the Previous Year.
- The Board recommended the payment of a final dividend of HK\$0.07 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 2018 (the “**Year**”), together with the comparative figures for the year ended 31 March 2017 (the “**Previous Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	3	1,096,205	1,124,374
Cost of sales		(976,975)	(996,536)
Gross profit		119,230	127,838
Other income		1,330	1,088
Other gains and losses, net		416	2,072
Other expenses		(1,906)	(1,358)
Distribution and selling expenses		(56,657)	(59,602)
Administrative expenses		(26,525)	(23,061)
Listing expenses		—	(18,889)
Profit before taxation		35,888	28,088
Taxation	4	(5,806)	(8,128)
Profit and total comprehensive income for the year	5	30,082	19,960
Earnings per share	7		
Basic (HK\$)		0.10	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,071	1,055
Deferred tax asset		388	388
Deposit paid for acquisition of property, plant and equipment		842	—
Prepayments and deposits	8	998	2,283
Derivative financial instruments		182	—
		3,481	3,726
CURRENT ASSETS			
Inventories		25,244	24,258
Trade and other receivables, prepayments and deposits	8	167,838	124,380
Pledged bank deposit		2,270	—
Bank balances and cash		246,552	271,824
		441,904	420,462
CURRENT LIABILITIES			
Trade and other payables and accruals	9	226,880	214,914
Tax liabilities		118	3,211
		226,998	218,125
NET CURRENT ASSETS		214,906	202,337
TOTAL ASSETS LESS CURRENT LIABILITIES		218,387	206,063
NON-CURRENT LIABILITIES			
Derivative financial instruments		—	442
Deferred revenue	9	3,933	3,249
		3,933	3,691
NET ASSETS		214,454	202,372
CAPITAL AND RESERVES			
Share capital	10	3,000	3,000
Reserves		211,454	199,372
TOTAL EQUITY		214,454	202,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

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 and wholly owned by Mr. Yang Peter Shun Tsing, 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs 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
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
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 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ²

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 2021

3. 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 as below:

	IT infrastructure solution services business HK\$’000	IT managed services business HK\$’000	Total HK\$’000
For the year ended 31 March 2018			
Segment revenue	986,040	110,165	1,096,205
Segment results	44,603	19,138	63,741
Other income			1,330
Other gains and losses, net			416
Other expenses			(1,906)
Certain distribution and selling expenses			(1,168)
Administrative expenses			(26,525)
Profit before taxation			35,888

	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 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

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.

4. TAXATION

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	5,806	8,128

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

5. PROFIT FOR THE YEAR

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' remuneration	4,677	4,754
Other staff costs	91,921	95,000
Contributions to retirement benefits scheme (excluding directors)	3,258	3,390
	<u>99,856</u>	<u>103,144</u>
Auditor's remuneration	1,800	1,800
Cost of inventories recognised as an expense	893,715	905,854
Depreciation of property, plant and equipment	792	881
Minimum operating lease payments in respect of office premises and warehouses	6,675	6,336
Allowance (reversal of allowance) for inventories (included in cost of sales)	1,488	(2,044)
	<u><u>1,488</u></u>	<u><u>(2,044)</u></u>

6. DIVIDEND

During the Year, the Company declared and paid dividends of HK\$0.06 per share of the Company (2017: nil), amounting to HK\$18,000,000 in aggregate, in respect of the Previous Year to the shareholders of the Company (the "Shareholders").

A final dividend of HK\$0.07 per share in respect of the Year (2017: HK\$0.06 per share) has been proposed by the Directors, which is subject to approval by the Shareholders at the forthcoming annual general meeting (the "AGM") of the Company.

7. EARNINGS PER SHARE

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Earnings:		
Profit for the year for the purpose of basic earnings per share	<u>30,082</u>	<u>19,960</u>
	2018 <i>'000</i>	2017 <i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>300,000</u>	<u>243,945</u>

The weighted average number of ordinary shares for the Previous Year for the purpose of calculating basic earnings per share has been determined on the assumption that the capitalisation issue as described in note 10 of this announcement had been effective on 1 April 2016.

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

8. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	150,780	107,292
Less: Allowance for bad and doubtful debts	<u>(277)</u>	<u>(245)</u>
	150,503	107,047
Rental deposits	389	344
Prepayments for costs of maintenance services	12,947	16,120
Others	<u>4,997</u>	<u>3,152</u>
Total trade and other receivables, deposits and prepayments	<u>168,836</u>	<u>126,663</u>
Analysed as:		
Current	167,838	124,380
Non-current	<u>998</u>	<u>2,283</u>
	<u>168,836</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 rating to customers are reviewed on a regular basis. The Group allows 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:

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	72,584	63,401
31 to 60 days	25,451	13,515
61 to 90 days	15,492	9,581
91 to 120 days	26,497	7,558
121 to 180 days	3,081	9,608
Over 180 days	7,398	3,384
	<hr/> 150,503 <hr/>	<hr/> 107,047 <hr/>

9. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	136,158	122,746
Accrued staff costs	12,459	12,862
Receipt in advance	19,767	13,176
Deferred revenue	46,476	45,817
Others	15,953	23,562
	<hr/> 230,813 <hr/>	<hr/> 218,163 <hr/>
Analysed as:		
Current	226,880	214,914
Non-current	3,933	3,249
	<hr/> 230,813 <hr/>	<hr/> 218,163 <hr/>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 to 30 days	87,384	69,469
31 to 60 days	33,119	22,988
61 to 90 days	13,256	21,658
Over 90 days	2,399	8,631
	<u>136,158</u>	<u>122,746</u>

10. SHARE CAPITAL

The share capital as at 31 March 2017 and 2018 represented the share capital of the Company with the details as follows:

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 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 31 March 2017 and 2018		
Issued and fully paid:		
At 1 April 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 31 March 2017 and 2018		

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 have been listed on The Stock Exchange of Hong Kong Limited (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 were issued to the then Shareholders 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 rank pari passu in all respects with each other.

11. CONTINGENT LIABILITIES

As at 31 March 2018, the performance guarantees of the Group of approximately HK\$17,205,000 (2017: HK\$17,100,000) 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 2018 and 2017, 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 (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.

The Group is a well-established IT infrastructure solutions provider based in Hong Kong. As at 31 March 2018, 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, the Group has received a numerous of remarkable awards of top performance and enterprise solutions from the vendors as set out below:

Presented by	Awards
Adobe Systems Incorporated	Adobe 2017 Top Renewal Reseller of the Year
Fortinet Inc.	Fortinet Top Silver Partner 2017
Red Hat Inc.	Red Hat Best Performing Partner 2017 – Platform
Hewlett Packard HK SAR Limited	Hewlett Packard Enterprise – Top Performing Reseller on Hybrid IT
Hewlett Packard HK SAR Limited	Hewlett Packard Enterprise – Top Performing on Value Portfolio
Hewlett Packard HK SAR Limited	Hewlett Packard Enterprise – Top Performing PointNext Partner
APAC CIO Outlook	Top 10 Virtualisation Solution Providers 2017
Kaspersky Lab	Outstanding Partner 2017
HP Inc Hong Kong Limited	FY2017 Outstanding Performance HP Inc Reseller – Partner-led Business
Lenovo (Hong Kong) Limited	Lenovo FY1718 Q2 The Best Channel Partner
VMware Hong Kong Limited	SDDC Partner of the Year

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\$1,096.2 million for the Year, representing a decrease of approximately HK\$28.2 million or 2.5% as compared to approximately HK\$1,124.4 million for the Previous Year. The decrease in total revenue was mainly due to the decrease in revenue of the business segment of IT infrastructure solution services contributed by transportation sector and the banking and finance sector which was approximately HK\$986.0 million for the Year, representing a decrease of approximately HK\$28.7 million or 2.8% as compared to approximately HK\$1,014.7 million for the Previous Year. The revenue of the business segments of IT managed services was approximately HK\$110.2 million, representing an increase of approximately HK\$0.5 million or 0.4% as compared to approximately HK\$109.7 million for the Previous Year. For the Year, the business segments of IT infrastructure solutions services and IT managed services contributed approximately 90.0% and 10.0% to the total revenue of the Group, respectively.

Cost of sales

The cost of sales of the Group for the Year was approximately HK\$977.0 million, representing a decrease of approximately HK\$19.6 million or 2.0% from approximately HK\$996.5 million for the Previous Year. Such decrease was mainly attributable to the business segment of IT infrastructure solution services.

Gross profit and gross profit margin

Gross profit of the Group for the Year was approximately HK\$119.2 million, representing a decrease of approximately HK\$8.6 million or 6.7% from approximately HK\$127.8 million for the Previous Year. 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 Year was approximately HK\$83.2 million, representing a decrease of approximately HK\$18.4 million or 18.1% as compared to approximately HK\$101.6 million for the Previous Year. Such decrease was due to the non-recurring listing expenses of approximately HK\$18.9 million recognised for the Previous Year.

Profit for the Year

The profit and total comprehensive income of the Group for the Year was approximately HK\$30.1 million, representing an increase of approximately HK\$10.1 million or 50.7% as compared to approximately HK\$20.0 million for the Previous Year. Excluding the non-recurring listing expenses of approximately HK\$18.9 million recognised during the Previous Year, the profit and total comprehensive income of the Group for the Previous Year would be approximately HK\$38.8 million. Accordingly, the profit and total comprehensive income of the Group for the Year of HK\$30.1 million would represent a decrease of approximately HK\$8.8 million or 22.6% as compared to approximately HK\$38.8 million for the Previous Year.

Such decrease was due to the decrease of gross profit generated from IT infrastructure solutions services of the Group.

Liquidity and financial resources

Capital Structure

The Group did not have any borrowings as at 31 March 2018 (31 March 2017: Nil). The details of the share capital of the Company during the Year and the Previous Year are set out in note 10 on page 12 of this announcement.

Cash position

The Group recorded net current assets of approximately HK\$214.9 million as at 31 March 2018, while the net current assets of the Group as at 31 March 2017 was approximately HK\$202.3 million. As at 31 March 2018, the Group had cash and cash equivalents of approximately HK\$225.9 million (31 March 2017: HK\$ 258.8 million).

Capital expenditure

During the Year, the Group's total capital expenditure amounted to approximately HK\$0.8 million (the Previous Year: HK\$0.3 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 2018 and 31 March 2017 since the Group did not have any interest-bearing liabilities as at 31 March 2018 and 31 March 2017.

Contingent liabilities

The Group's contingent liabilities as at 31 March 2018 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 31 March 2018.

Pledge of assets

As at 31 March 2018, certain of the Group's bank deposits totaling HK\$2.3 million (31 March 2017: nil) were pledged as securities for securing banking facilities granted to the Group.

Foreign exchange risk

The Group's transactions are mainly denominated and settled in 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 2018, the Group had a total of 277 employees (31 March 2017: 276 employees). For the Year, the total staff costs including Directors' emoluments was approximately HK\$99.9 million (Previous Year: HK\$103.1 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 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\$0.07 per share of the Company (the “**Share(s)**”) for the Year (the “**2018 Final Dividend**”) to the Shareholders. Subject to the approval by the Shareholders at the forthcoming AGM to be held Monday, 20 August 2018, the 2018 Final Dividend will be paid on or about Friday, 7 September 2018 to Shareholders whose names appear on the register of members of the Company on Friday, 24 August 2018. (Previous Year: HK\$0.06 per Share).

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, 15 August 2018 to Monday, 20 August 2018, 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, 14 August 2018.

For the purposes of determining the Shareholders’ entitlement to the 2018 Final Dividend, if approved by the Shareholders at the AGM, the register of members of the Company will be closed on Friday, 24 August 2018, on which day no transfer of Shares will be registered. In order to be eligible for the proposed 2018 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, 23 August 2018.

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 2018.

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 2018, the Group had utilised approximately HK\$6.8 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 (the “**Prospectus**”), details of which are set out as follows:

Use	Approximate amount of Net Proceeds (HK\$ 'million)	Approximate percentage of Net Proceeds as stated in the Prospectus	Approximate amount utilised as at 31 March 2018 (HK\$ 'million)
Upgrading of the IT management systems of the Group	19.6	35%	1.3 <i>(Note 1)</i>
Enhancing of the Group’s capability to undertake large-scale contracts	14.0	25%	2.4
Recruitment and training of employees	11.2	20%	2.4 <i>(Note 2)</i>
Strengthening the marketing efforts of the Group	5.6	10%	0.7
Additional working capital and other general corporate purposes	5.6	10%	0.0
	56.0	100%	6.8

Notes:

1. The utilisation of proceeds for upgrading of the IT management systems of the Group has fallen behind the schedule as disclosed in the Prospectus due to the complication of the Group's systems. The Group has appointed a consultant firm for this matter, who is in the process of evaluating the Group's existing systems and preparing a proposal.
2. The utilisation of proceeds for recruitment and training of employees has fallen behind the schedule as disclosed in the Prospectus due to the insufficient supply of labour in the market. The Group is in the process of identifying suitable candidates for the relevant positions.

As at 31 March 2018, the unutilised Net Proceeds 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 ending 31 March 2019 remains challenging due to the continuous weakened demand of the market for IT products in Hong Kong. However, the transformation into digital business 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 LISTED SECURITIES OF THE COMPANY

The Company or its subsidiaries did not purchase, sell or redeem 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 Year.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 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.microware1985.com. The annual report of the Company for the Year containing all the relevant information required by the Listing Rules will be despatched to the Shareholders and also published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Microware Group Limited
Chu Ming Ho

Chairman, executive Director and chief executive officer

Hong Kong, 26 June 2018

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.