



Microware Group Limited
美高域集團有限公司

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



SECURITY

MANAGED SERVICES

SMART WORKSPACE

HYBRID IT INFRASTRUCTURE

2023
INTERIM REPORT

BOARD OF DIRECTORS

Executive Directors

WANG Guangbo
(*Chairman and Executive Director of the Group*)
(appointed as Executive Director on 6 July 2023 and
Chairman on 11 September 2023)
CHU Ming Ho (*Chief Executive Officer of the Group*)
YANG Peter Shun Tsing
CHENG Wing Fai
AU Man Wah
HUANG Tianlei (appointed on 26 September 2023)

Non-Executive Director

WAN Yiu Hon (resigned on 26 September 2023)

Independent Non-Executive Directors

LI Wai Man
CHENG Tak Chung
LI Richard King Hang
Lu Junbo (appointed on 6 July 2023)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

WANG Guangbo (*Chairman*)
(appointed on 11 September 2023)
CHU Ming Ho
CHENG Tak Chung
LI Richard King Hang
Lu Junbo (appointed on 6 July 2023)

COMPANY SECRETARY

CHAN Wai Hing Gloria (HKICPA)

AUTHORISED REPRESENTATIVES

Chu Ming Ho
(*Chief Executive Officer and Executive Director of the Group*)
CHAN Wai Hing Gloria

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

LEGAL ADVISERS

As to Hong Kong Law

Sidley Austin
Solicitors, Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1/F, Century Centre
44-46 Hung To Road
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKS

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

COMPANY'S WEBSITE

www.microware1985.com

STOCK CODE

1985

Management Discussion and Analysis

BUSINESS REVIEW

Microware Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is principally engaged in the provision of IT infrastructure solution 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; (iv) management and maintenance of the IT infrastructure solutions.

The Group is a well-established IT infrastructure solutions provider based in Hong Kong. During the six months ended 30 September 2023 (the “**Period**”), the total revenue of the Group was approximately HK\$498.6 million, representing a decrease of approximately HK\$70.4 million or 12.4% from approximately HK\$569.0 million as compared to that for the six months ended 30 September 2022 (the “**Previous Period**”). Such decrease was due to the decrease in revenue generated from the IT infrastructure solution services of the Group. Gross profit of the Group for the Period was approximately HK\$56.9 million, representing a decrease of approximately HK\$1.8 million or 3.0% from approximately HK\$58.7 million for the Previous Period. Such decrease was mainly due to the decrease in revenue from sales of IT infrastructure solution services.

For the Period, the Group did not receive subsidies from the Employment Support Scheme implemented by the Hong Kong Government as a result of the outbreak of the coronavirus disease (COVID-19) as compared to HK\$5.9 million for the Previous Period. Excluding such subsidies, the financial performance of the Group remained stable. However, the board (the “**Board**”) of directors (the “**Directors**”) of the Company considers that the economy of Hong Kong for the second half of this year is still challenging given the high operating costs and the ongoing tensions between the United States and China. The Group will continue to monitor the development of the aforementioned and react actively to its impact (if any) on the financial position and operating results of the Group.

FINANCIAL REVIEW

Revenue

Total revenue of the Group amounted to approximately HK\$498.6 million for the Period, representing a decrease of approximately HK\$70.4 million or 12.4% as compared to approximately HK\$569.0 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\$425.5 million for the Period, representing a decrease of approximately HK\$79.2 million or 15.7% as compared to approximately HK\$504.7 million for the Previous Period. However, the revenue of the business segment of IT managed services which was approximately HK\$73.1 million, representing an increase of approximately HK\$8.8 million or 13.6% as compared to approximately HK\$64.3 million for the Previous Period. For the Period, the business segments of IT infrastructure solution services and IT managed services contributed approximately 85.3% and 14.7% to the total revenue of the Group, respectively.

Cost of sales

The cost of sales of the Group for the Period was approximately HK\$441.6 million, representing a decrease of approximately HK\$68.6 million or 13.5% from approximately HK\$510.3 million for the Previous Period. Such decrease was mainly due to the decrease in cost of IT infrastructure solution services for the Period which was approximately HK\$384.3 million, representing a decrease of approximately HK\$75.0 million or 16.3% from approximately HK\$459.3 million for the Previous Period. The cost of IT managed services was approximately HK\$57.4 million for the Period, representing an increase of approximately HK\$6.4 million or 12.5% as compared to approximately HK\$51.0 million for the Previous Period.

Gross profit

Gross profit of the Group for the Period was approximately HK\$56.9 million, representing a decrease of approximately HK\$1.8 million or 3.0% from approximately HK\$58.7 million for the Previous Period. Such decrease was mainly due to the decrease in revenue of IT infrastructure solution services.

Operating expenses

Total operating expenses of the Group for the Period was approximately HK\$44.3 million, representing a decrease of approximately HK\$0.8 million or 1.8% as compared to approximately HK\$45.2 million for the Previous Period. Such decrease was due to the decrease in selling and distribution expenses and the administrative expenses for the Period.

Profit for the Period

As a result of the foregoing, the profit and total comprehensive income of the Group for the Period was approximately HK\$11.5 million, representing a decrease of approximately HK\$4.8 million or 29.4% from approximately HK\$16.3 million for the Previous Period. Such decrease was primarily due to the absence of government subsidies from the Employment Support Scheme under Anti- Epidemic Fund during the Period while such government subsidies amounted to HK\$5.9 million were received during the Previous Period under Other Income.

Liquidity and financial resources

Capital structure

The Group did not have any borrowings as at 30 September 2023 (31 March 2023: 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 12 of this report.

Cash position

The Group recorded net current assets of approximately HK\$186.2 million as at 30 September 2023 (31 March 2023: approximately HK\$199.9 million). As at 30 September 2023, the Group had cash and cash equivalents of approximately HK\$120.2 million (31 March 2023: approximately HK\$248.3 million). Most of the cash and cash equivalents of the Group were denominated in HK\$ and US\$.

Capital expenditure

During the Period, the Group did not have material capital expenditure (Previous Period: approximately HK\$1.7 million).

Gearing ratio

The gearing ratio was not applicable to the Group since it did not have any interest-bearing liabilities as at 30 September 2023 (31 March 2023: nil).

Performance guarantees

The Group's performance guarantees as at 30 September 2023 are set out in note 11 of page 13 of this report.

Contingent liabilities

As at 30 September 2023, the Group had no material contingent liabilities (as at 31 March 2023: Nil).

Pledge of assets

As at 30 September 2023, certain of the Group's bank deposits totaling HK\$34.2 million (31 March 2023: HK\$39.9 million) were pledged for securing banking facilities granted to the Group.

Foreign exchange risk

The Group's transactions are mainly denominated and settled in HK\$ and the US\$. Foreign exchange exposure of the Group to US\$ will continue to be minimal as long as the policy of The 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 2023, the Group had a total of 246 employees (30 September 2022: 252 employees). For the Period, the total staff costs including Directors' emoluments amounted to approximately HK\$53.6 million (Previous Period: HK\$53.5 million). The remuneration policy of the Group is to offer 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 reviews according to its remuneration policy 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 be required to 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. Since the Adoption Date to the date of this report, no share options have been granted under the Share Option Scheme.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK\$6.0 million of HK\$0.02 per share (the "**Interim Dividend**") for the Period (six months ended 30 September 2022: HK\$0.045 per share) on Monday, 27 November 2023, which will be payable to the shareholders of the Company in cash on or before Friday, 29 December 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the shareholders' entitlement to the Interim Dividend for the Period, the register of members of the Company will be closed on Friday, 15 December 2023, on which day no transfer of shares of the Company (the "**Shares**") will be registered. In order to be eligible for the proposed Interim Dividend for the Period, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for registration no later than 4:30 p.m. on Thursday, 14 December 2023.

SIGNIFICANT INVESTMENTS HELD

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE 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 plans for material investments or capital assets as at 30 September 2023.

IMPORTANT EVENTS AFTER THE PERIOD

The Group did not have any other material subsequent events after the Period.

FUTURE OUTLOOK

The Group recorded a decrease in the profit and total comprehensive income for the Period due to the absence of government subsidies from the Employment Support Scheme implemented by the Hong Kong Government during the Period. During the Period, most countries reopened the international borders and the supply chains are recovering, the results of rebound is expecting in the second half of the year. However, the inflation of Hong Kong was getting worse and pointing towards a more difficult economy in Hong Kong. Labour cost was increasing due to the IT talents remained shortage. The Group's performance is affected by these factors and will remain continuously for coming months. The ongoing tensions between the United States and China is unpredictable, and the influence of the economic environment is equivocal.

Despite the challenges, the Group may catch the great opportunities ahead. Manpower shortage, and data management and cybersecurity challenges in different industries will benefit business growth momentum. The massive digitization throughout the past few years has created greater long-term demand for cybersecurity, cloud security for remote operation, and other IT solutions upgrade. The Group will focus on industries in which it has a competitive edge and deeply cultivate these industries by providing specific solutions to meet customers' requirements.

With its stable and highly experienced management team, the Group maintained long-term core partnership with key vendors and work with various business partners to expand its business offerings. Moreover, the Group will continue to diversify and broaden its expertise, and it will widen up the skills and solution services for different businesses sectors. The Group will look for new market opportunities, optimise operational efficiencies and leverage its industry leadership to achieve long-term sustainable growth.

Other Information

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

The Company has adopted the CG Code as its own code on corporate governance. Save for the Code Provision C.2.1 of the CG Code as disclosed below, to the best knowledge of the Directors, the Company had complied with all other applicable code provisions set out in the CG Code during the Period.

The chairman of the Board (the "**Chairman**") is responsible for overseeing the strategic planning and leadership of the Group and for ensuring that the entire Board members are properly briefed on issues at 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 companies outside of the Group. Senior management is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

Paragraph C.2.1 of the CG Code provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chu Ming Ho ("**Mr. Chu**") was the Chairman and the Chief Executive Officer until his retirement as the Chairman on 11 September 2023. As Mr. Chu had been assuming the day-to-day responsibilities in operating and managing the Company since April 2000, the Board believed that it was in the best interest of the Company to have Mr. Chu taking up both roles for effective management and business development. Since 11 September 2023, Mr. Wang Guangbo, the executive Director, has been appointed as the Chairman while Mr. Chu has remained as the Chief Executive Officer. Therefore, at present, the roles of the Chairman and Chief Executive Officer are separate.

COMPLIANCE WITH THE MODEL CODE

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

Specific enquiry had been made to all Directors and all of 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. No incident of non-compliance was noted by the Company during the Period. The Company has also established written guidelines on no less exacting terms than the Model Code for relevant employees who are likely to be in possession of unpublished inside information of the Group. No incident of non-compliance of the written guidelines by the employees was noted by the Company during the Period.

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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on the Adoption Date, which, unless otherwise terminated or amended, will remain in force for a period of 10 years from the Adoption Date.

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

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

As at 30 September 2023, the interests or short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(1) Interest in the Company

Name of Director	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Mr. Yang Peter Shun Tsing ("Mr. Yang")	Interest of a controlled corporation ⁽²⁾	38,304,000 (L)	12.8%
	Beneficial owner	10,076,000 (L)	3.4%
Mr. Wang Guangbo ("Mr. Wang")	Interest of a controlled corporation ⁽³⁾	42,500,000 (L)	14.2%

Notes:

- (1) The Letter "L" denotes the person's long position in the Shares. As at 30 September 2023, the Company had 300,000,000 Shares in issue.
- (2) These 38,304,000 Shares are held by Microware International Holdings Limited ("Microware International"), which is beneficially and wholly owned by Mr. Yang. By virtue of the SFO, Mr. Yang is deemed to be interested in the Shares held by Microware International.
- (3) These 42,500,000 Shares are held by Weiye Holdings Group Limited ("Weiye Holdings") which is beneficially and wholly owned by Mr. Wang. By virtue of the SFO, Mr. Wang is deemed to be interested in the Shares held by Weiye Holdings.

(2) Interest in associated corporation of the Company

Name of Director	Name of associated corporation	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Yang	Microware International	Beneficial owner	50,000	100%

Save as disclosed above, none of the Directors or chief executive of the Company had any interest or short positions in any Shares, underlying Shares and debentures of the Company or any associated corporation as at 30 September 2023, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES

As at 30 September 2023, the interests or short positions in the Shares or underlying Shares held by the persons (not being a Director or chief executive of the Company) as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name	Nature of interest	Number of Shares	Approximate percentage of shareholding
Weiye Holdings	Beneficial owner	42,500,000	14.2%
Microware International	Beneficial owner	38,304,000	12.8%
Tang Huangju	Beneficial Owner	37,686,000	12.6%
Liu Yun	Beneficial Owner	20,716,000	6.9%
Han Shaoye	Beneficial Owner	19,754,000	6.6%

Note:

- (1) The letter "L" denotes the person's long position in the Shares. As at 30 September 2023, the Company had 300,000,000 Shares in issue.

Save as disclosed above, as at 30 September 2023, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to Section 336 of the SFO.

AUDIT COMMITTEE

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

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

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the Period and this interim report have been reviewed by the Audit Committee and the Audit Committee has no disagreement with the accounting treatment adopted by the Company and considered that such information have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

By Order of the Board
Microware Group Limited
Wang Guangbo
Chairman and executive Director

Hong Kong, 27 November 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2023

	NOTES	Six months ended 30 September	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	3	498,563	568,984
Cost of sales		(441,647)	(510,296)
Gross profit		56,916	58,688
Other income		2,227	6,258
Other gains and losses, net		725	1,025
Other expenses		(1,334)	(1,862)
Distribution and selling expenses		(29,396)	(29,694)
Administrative expenses		(14,936)	(15,462)
Finance costs		(266)	(374)
Profit before taxation		13,936	18,579
Taxation	5	(2,407)	(2,255)
Profit and total comprehensive income for the period	6	11,529	16,324
Profit and total comprehensive income for the year attributable to:			
— owners of the Company		11,529	16,325
— non-controlling interest		—	(1)
		11,529	16,324
Earnings per share	8		
Basic (HK\$)		0.04	0.05

Condensed Consolidated Statement of Financial Position

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As at 30 September 2023

	NOTES	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	9,676	16,955
Prepayments and deposits	10	1,289	1,944
Derivative financial instruments	12	98	177
		11,063	19,076
CURRENT ASSETS			
Inventories		68,031	58,220
Trade and other receivables, prepayments and deposits	10	180,438	146,202
Pledged bank deposits		34,197	39,900
Time deposits		—	5,161
Bank balances and cash		120,215	248,272
		402,881	497,755
CURRENT LIABILITIES			
Trade and other payables and accruals	11	150,706	203,350
Contract liabilities		56,972	82,575
Tax liabilities		1,855	984
Leases liabilities		7,152	10,970
		216,685	297,879
NET CURRENT ASSETS			
		186,196	199,876
TOTAL ASSETS LESS CURRENT LIABILITIES			
		197,259	218,952
NON-CURRENT LIABILITIES			
Contract liabilities		4,551	4,634
Lease liabilities		—	1,639
Deferred tax liabilities		208	208
		4,759	6,481
NET ASSETS			
		192,500	212,471
CAPITAL AND RESERVES			
Share capital	13	3,000	3,000
Reserves		189,500	209,471
Equity attributable to owners of the Company			
		192,500	212,471
Non-controlling interest		—	—
		192,500	212,471

The condensed consolidated financial statements on pages 10 to 24 were approved and authorised for issue by the Board of Directors on 27 November 2023 and are signed on its behalf by:

Wang Guangbo
DIRECTOR

Chu Ming Ho
DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2023

	Attributable to owners of the Company				Total	Non-controlling interest	Total equity
	Share capital	Share premium	Other reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2023 (audited)	3,000	75,297	69,866	64,308	212,471	—	212,471
Profit and total comprehensive income for the period	—	—	—	11,529	11,529	—	11,529
Dividends paid (note 7)	—	—	—	(31,500)	(31,500)	—	(31,500)
At 30 September 2023 (unaudited)	3,000	75,297	69,866	44,337	192,500	—	192,500
At 1 April 2022 (audited)	3,000	75,297	70,832	62,629	211,758	(962)	210,796
Profit and total comprehensive income for the period	—	—	—	16,325	16,325	(1)	16,324
Dividends paid (note 7)	—	—	—	(18,000)	(18,000)	—	(18,000)
At 30 September 2022 (unaudited)	3,000	75,297	70,832	60,954	210,083	(963)	209,120

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

- the balance of HK\$67,172,000 credited in other reserves represents the merger reserve arising from the completion of the group reorganisation on 31 March 2016;
- the balance of HK\$13,474,000 credited in other reserves represents the shareholder's contribution arising from share-based payment arrangements attributable to owners of the Company;
- the balance of HK\$10,780,000 debited in other reserves represents the changes in ownership of interests of subsidiaries held by non-controlling interests.

Condensed Consolidated Statement of Cash Flows

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For the six months ended 30 September 2023

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(103,888)	(82,143)
INVESTING ACTIVITIES		
Bank interest received	2,225	291
Purchase of property, plant and equipment	(35)	(1,719)
Placement of pledged bank deposits	(58,466)	(14,282)
Withdrawal of pledged bank deposits	64,169	16,581
Placement of time deposits	(10,525)	(5,109)
Withdrawal of time deposits	10,374	5,104
NET CASH FROM INVESTING ACTIVITIES	7,742	866
FINANCING ACTIVITIES		
Dividends paid	(31,500)	(18,000)
Repayment of lease liabilities	(5,457)	(5,250)
Interest paid on lease liabilities	(266)	(371)
Repayment of bank loans	—	(9,000)
Interest paid	—	(3)
NET CASH USED IN FINANCING ACTIVITIES	(37,223)	(32,624)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(133,369)	(113,901)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	248,272	232,155
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	114,903	118,254

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Microware Group Limited (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 solution 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.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2023.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

3. REVENUE FROM GOODS AND SERVICES

	Segment revenue		Total HK\$'000
	IT infrastructure solution services business HK\$'000	IT managed service business HK\$'000	
For the six months ended 30 September 2023 (unaudited)			
Disaggregation of revenue and reconciliation to segment revenue			
Procurement of hardware and software	417,207	—	417,207
Provision of design of solutions	7,233	7,504	14,737
Provision of maintenance and/or support services	1,035	65,584	66,619
Total	425,475	73,088	498,563
Timing of revenue recognition			
A point of time	417,207	—	417,207
Over time	8,268	73,088	81,356
Total	425,475	73,088	498,563

	Segment revenue		Total HK\$'000
	IT infrastructure solution services business HK\$'000	IT managed service business HK\$'000	
For the six months ended 30 September 2022 (unaudited)			
Disaggregation of revenue and reconciliation to segment revenue			
Procurement of hardware and software	497,168	—	497,168
Provision of design of solutions	6,363	1,627	7,990
Provision of maintenance and/or support services	1,120	62,706	63,826
Total	504,651	64,333	568,984
Timing of revenue recognition			
A point of time	497,168	—	497,168
Over time	7,483	64,333	71,816
Total	504,651	64,333	568,984

3. REVENUE FROM GOODS AND SERVICES (continued)**Revenue from major customer types**

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

	Segment of IT infrastructure solution services business HK\$'000	Segment of IT managed services business HK\$'000	Total HK\$'000
For the six months ended 30 September 2023 (unaudited)			
Public sector			
Hong Kong Government	127,222	18,413	145,635
Public bodies	46,863	2,417	49,280
Educational institutions and, non-profits organisations	64,752	4,090	68,842
Sub-total	238,837	24,920	263,757
Private sector			
Banking and finance	75,040	28,429	103,469
IT	6,820	3,367	10,187
Telecommunications and media	6,066	1,621	7,687
Transportation	13,255	1,775	15,030
Others	85,457	12,976	98,433
Sub-total	186,638	48,168	234,806
Total	425,475	73,088	498,563
	Segment of IT infrastructure solution services business HK\$'000	Segment of IT managed services business HK\$'000	Total HK\$'000
For the six months ended 30 September 2022 (unaudited)			
Public sector			
Hong Kong Government	131,082	16,227	147,309
Public bodies	91,455	1,443	92,898
Educational institutions and, non-profits organisations	56,723	4,538	61,261
Sub-total	279,260	22,208	301,468
Private sector			
Banking and finance	84,767	22,940	107,707
IT	15,123	3,146	18,269
Telecommunications and media	8,828	1,740	10,568
Transportation	23,951	2,131	26,082
Others	92,722	12,168	104,890
Sub-total	225,391	42,125	267,516
Total	504,651	64,333	568,984

4. SEGMENT INFORMATION

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

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

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

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

	Segment of IT infrastructure solution services business HK\$'000	Segment of IT managed services business HK\$'000	Total HK\$'000
For the six months ended 30 September 2023 (unaudited)			
Segment revenue	425,475	73,088	498,563
Segment results	19,786	8,448	28,234
Other income			2,227
Other gains and losses, net			725
Other expenses			(1,334)
Certain distribution and selling expenses			(714)
Administrative expenses			(14,936)
Finance cost			(266)
Profit before taxation			13,936
For the six months ended 30 September 2022 (unaudited)			
Segment revenue	504,651	64,333	568,984
Segment results	23,110	6,506	29,616
Other income			6,258
Other gains and losses, net			1,025
Other expenses			(1,862)
Certain distribution and selling expenses			(622)
Administrative expenses			(15,462)
Finance cost			(374)
Profit before taxation			18,579

4. SEGMENT INFORMATION (continued)

Segment result represents the profit earned by each segment without allocation of other income, other gains and losses, net, other expenses, certain distribution and selling expenses, administrative expenses and finance cost.

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

Other segment information

	Segment of IT infrastructure solution services business HK\$'000	Segment of IT managed services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
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Amounts included in the measure of segment results:

For the six months ended 30 September 2023 (unaudited)				
Depreciation	2,132	253	4,380	6,765
Reversals of write-down of inventories	(2)	—	—	(2)

For the six months ended 30 September 2022 (unaudited)				
Depreciation	2,018	484	4,322	6,824
Write-down for inventories	218	—	—	218

5. TAXATION

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	2,407	2,255

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period ended 30 September 2023 and 2022.

6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	382,186	456,450
Depreciation of property, plant and equipment	6,766	6,824
(Reversals of write-down) write down of inventories, net (included in cost of sales)	(2)	218

7. DIVIDENDS

During the period, a final dividend of HK\$0.025 per share (2022: HK\$0.06 per share) and special dividend of HK\$0.08 (2022: nil) in respect of the year ended 31 March 2023 were declared and paid to owners of the Company. The aggregate amount of the final and special dividend declared and paid in the interim period amounted to HK\$31.5 million (2022: HK\$18 million).

Subsequent to the end of the period, the directors of the Company have declared that an interim dividend of HK\$0.02 per share amounting to HK\$6.0 million in aggregate (30 September 2022: an interim dividend of HK\$0.045 per share amounting to HK\$13.5 million) will be paid to ordinary shareholders of the Company.

8. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Earnings:		
Earnings for the period for the purpose of basic earnings per share	11,529	16,325
	'000	'000
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	300,000	300,000

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group spent HK\$35,000 (for the six months ended 30 September 2022: HK\$1,719,000) on the acquisition of property, plant and equipment.

10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Trade receivables	155,044	117,628
Less: Allowance for credit losses	(9)	(9)
	155,035	117,619
Rental and utilities deposits	166	320
Prepayments for costs of maintenance services	23,239	26,945
Others	3,287	3,262
	181,727	148,146
Total trade and other receivables, prepayments and deposits	181,727	148,146
Analysed as:		
Current	180,438	146,202
Non-current	1,289	1,944
	181,727	148,146

Before accepting any new customer, the Group performs a credit review to assess the potential customer's credit quality and defines credit limits by customer. Limits and credit rating to customers are reviewed on a regular basis. The Group allows credit period of 7 to 90 days to its customers.

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

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
0 to 30 days	76,457	72,841
31 to 60 days	44,130	23,488
61 to 90 days	16,933	6,906
91 to 120 days	5,908	4,388
121 to 180 days	8,352	6,515
Over 180 days	3,255	3,481
	155,035	117,619

11. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
Trade payables	105,949	165,958
Accrued staff costs	16,670	14,522
Accrued purchases	16,125	11,327
Others	11,962	11,543
	150,706	203,350

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

	At 30 September 2023 HK\$'000 (unaudited)	At 31 March 2023 HK\$'000 (audited)
0 to 30 days	44,331	90,102
31 to 60 days	40,830	59,693
61 to 90 days	18,673	13,441
Over 90 days	2,115	2,722
	105,949	165,958

12. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	Notional amount 1	Notional amount 2	Contract date	Strike price	Beginning fixing date	Target value	Ending fixing date (note)
As at 31 March 2023 (audited):							
Contract A	USD500,000	USD1,000,000	6 October 2022	7.788	3 November 2022	HK\$125,000	2 October 2024
Contract B	USD500,000	USD1,000,000	15 November 2022	7.749	15 March 2023	HK\$100,000	12 November 2024
As at 30 September 2023 (unaudited):							
Contract C	USD500,000	USD1,000,000	6 April 2023	7.770	15 May 2023	HK\$150,000	1 April 2025
Contract D	USD500,000	USD1,000,000	6 April 2023	7.749	20 July 2023	HK\$200,000	1 April 2025
Contract E	USD500,000	USD1,000,000	18 April 2023	7.770	24 May 2023	HK\$150,000	15 April 2025
Contract F	USD600,000	USD1,200,000	21 April 2023	7.750	21 July 2023	HK\$150,000	23 June 2025

Note: The contract maturity date is approximate to the ending fixing date.

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

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2022, 30 September 2022, 1 April 2023 and 30 September 2023	5,000,000,000	50,000
Issued and fully paid:		
At 1 April 2022, 30 September 2022, 1 April 2023 and 30 September 2023	300,000,000	3,000

All issued shares of the Company rank pari passu in all respects with each other.

14. RELATED PARTY TRANSACTIONS

The Group had entered into the following related party transactions:

Name of related party	Nature of transactions	Six months ended 30 September	
		2023 HK\$'000	2022 HK\$'000
Microware Properties limited	Interest expenses on lease liabilities	123	150
	Lease liabilities	3,168	3,157
Mr. Yang	Interest expenses on lease liabilities	17	22
	Lease liabilities	426	472

The Group leases its office premises from a related company and a director's quarter from Mr. Yang Shun Tsing ("Mr. Yang"), the director and the controlling shareholder of the Company.

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

Mr. Yang is the controlling shareholder of Microware Properties.

Compensation of key management personnel

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

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Short-term benefits	5,059	5,233
Post-employment benefits	111	104
	5,170	5,337

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique	Key input
	30 September 2023 (unaudited)	31 March 2023 (audited)			
Derivative financial instruments	Assets: HK\$98,000	Assets: HK\$177,000	Level 2	Discounted cash flow	Forward exchange rate and contracted exchange rate

There were no transfers between Level 1 and 2 during both periods.

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

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

16. PERFORMANCE GUARANTEES

As at 30 September 2023, the performance guarantees of the Group of approximately HK\$20,240,000 (31 March 2023: HK\$29,591,000) 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 30 September 2023 and 31 March 2023, the directors of the Company did not consider that it is probable that a claim will be made against the Group.