



Microware Group Limited  
美高域集團有限公司

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

INTERIM REPORT 2017



# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

CHU Ming Ho  
*(Chairman and Chief Executive Officer of the Group)*  
YANG Peter Shun Tsing

### Non-Executive Director

Wan Yiu Hon

### Independent Non-Executive Directors

LI Wai Man  
CHENG Tak Chung  
LI Richard King Hang

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

CHAN Wai Hing Gloria (HKICPA)

## AUTHORISED REPRESENTATIVES

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

## AUDITOR

Deloitte Touche Tohmatsu

## LEGAL ADVISERS

### As to Hong Kong Law

Sidley Austin  
Solicitors, Hong Kong

## REGISTERED OFFICE

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

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
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.microware.com.hk](http://www.microware.com.hk)

## 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 information technology (“**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 of Hong Kong Limited (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 six months ended 30 September 2017 (the “**Period**”), total revenue of the Group decreased by approximately HK\$70.6 million or 12.8% as compared to that for the corresponding period of 2016 (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 (the “**Board**”) of directors (the “**Directors**”) of the Company 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.

## Management Discussion and Analysis

### 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 12 to the unaudited condensed consolidated financial statements of the Group for the Period included in this report (the “**Financial Statements**”).

#### 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.

## Management Discussion and Analysis

### Contingent liabilities

The Group's contingent liabilities as at 30 September 2017 are set out in note 17 to the Financial Statements. Save as disclosed in this report, 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 Hong Kong Dollars ("HK\$") and the United States Dollars ("US\$"). Foreign exchange exposure of the Group to US\$ will continue to be minimal as long as the policy of The Government of the Hong Kong Special Administrative Region to link HK\$ to US\$ remains in effect. During the 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 report, 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
	56.0	100%	1.8

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

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## Management Discussion and Analysis

### **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.

# 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 (the "**Principles**") and code provisions (the "**Code Provisions**") in 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**").

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 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 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.

## 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 (the "**Articles**") 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.



## Other Information

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

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

As at 30 September 2017, the interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

#### (1) Interest in the Company

Name of Director	Nature of interest	Number of shares <sup>(1)</sup>	Approximate percentage of shareholding
Mr. Yang Peter Shun Tsing	Interest of a controlled Corporation <sup>(2)</sup>	164,804,000(L)	54.9%
	Beneficial owner	30,000,000(L)	10.0%
Mr. Chu Ming Ho	Beneficial owner	9,600,000(L)	3.2%

Notes:

- (1) The Letter "L" denotes the person's long position in the Shares.
- (2) These 164,804,000 Shares are held by Microware International Holdings Limited ("Microware International"), which is beneficially and wholly owned by Mr. Yang Peter Shun Tsing. By virtue of the SFO, Mr. Yang is deemed to be interested in the Shares held by Microware International.

#### (2) Interest in associated corporation of the Company

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

Save as disclosed above, none of the Directors or chief executive of the Company had registered any interest or short positions in any shares, underlying shares and debentures of the Company or any associated corporation as at 30 September 2017, 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 2017, the interests or short positions in the shares or underlying shares of the Company held by the persons (not being a Director or chief executive of the Company) which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

<b>Name of shareholder</b>	<b>Nature of interest</b>	<b>Number of shares<sup>(1)</sup></b>	<b>Approximate percentage of shareholding</b>
Microware International	Beneficial owner	164,804,000(L)	54.9%

*Note:*

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

Save as disclosed above, as at 30 September 2017, 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 of the Company that was required to be recorded pursuant to section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

## REVIEW OF INTERIM RESULTS

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

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2017

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

# Condensed Consolidated Statement of Financial Position

As at 30 September 2017

	NOTES	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	997	1,055
Deferred tax asset		388	388
Prepayments and deposits	9	2,262	2,283
		<b>3,647</b>	3,726
<b>CURRENT ASSETS</b>			
Inventories		30,653	24,258
Trade and other receivables, prepayment and deposits	9	164,610	124,380
Bank balances and cash		187,194	271,824
		<b>382,457</b>	420,462
<b>CURRENT LIABILITIES</b>			
Trade and other payables and accruals	10	178,066	214,914
Tax liabilities		4,766	3,211
		<b>182,832</b>	218,125
<b>NET CURRENT ASSETS</b>		<b>199,625</b>	202,337
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>203,272</b>	206,063
<b>NON-CURRENT LIABILITIES</b>			
Derivative financial instruments	11	333	442
Deferred revenue	10	3,247	3,249
		<b>3,580</b>	3,691
<b>NET ASSETS</b>		<b>199,692</b>	202,372
<b>CAPITAL AND RESERVES</b>			
Share capital	12	3,000	3,000
Reserves		196,692	199,372
<b>Equity attributable to owners of the Company</b>		<b>199,692</b>	202,372

The condensed consolidated financial statements on pages 10 to 24 were approved and authorised for issue by the Board of Directors on 28 November 2017 and are signed on its behalf by:

**Chu Ming Ho**  
DIRECTOR

**Yang Peter Shun Tsing**  
DIRECTOR

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017

	Attributable to owners of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained profits HK\$'000	Total HK\$'000
At 1 April 2017 (audited)	<b>3,000</b>	<b>75,297</b>	<b>70,832</b>	<b>53,243</b>	<b>202,372</b>
Profit and total comprehensive income for the period	—	—	—	<b>15,320</b>	<b>15,320</b>
Dividends paid (note 6)	—	—	—	<b>(18,000)</b>	<b>(18,000)</b>
At 30 September 2017 (unaudited)	<b>3,000</b>	<b>75,297</b>	<b>70,832</b>	<b>50,563</b>	<b>199,692</b>
At 1 April 2016 (audited)	—	—	70,832	33,283	104,115
Profit and total comprehensive income for the period	—	—	—	10,208	10,208
At 30 September 2016 (unaudited)	—	—	70,832	43,491	114,323

Note: Other reserve represents the balance in relation to the shareholder's contribution arising from share-based payment arrangements attributable to owners of the Company.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	<b>(62,171)</b>	(20,083)
INVESTING ACTIVITIES		
Bank interest received	<b>442</b>	101
Purchase of property, plant and equipment	<b>(327)</b>	(165)
Placement of time deposits	<b>(20,171)</b>	—
Withdrawal of time deposits	<b>10,000</b>	—
NET CASH USED IN INVESTING ACTIVITIES	<b>(10,056)</b>	(64)
FINANCING ACTIVITIES		
Transaction costs directly attributable to issue of shares	<b>(4,574)</b>	(1,814)
Dividends paid	<b>(18,000)</b>	—
CASH USED IN FINANCING ACTIVITIES	<b>(22,574)</b>	(1,814)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(94,801)</b>	(21,961)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>258,824</b>	108,037
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	<b>164,023</b>	86,076

# 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 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 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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 3. SEGMENT INFORMATION *(continued)*

#### 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
<b>For the six months ended 30 September 2017 (unaudited)</b>			
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
<b>For the six months ended 30 September 2016 (unaudited)</b>			
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



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 3. SEGMENT INFORMATION *(continued)*

#### Segment revenue and results *(continued)*

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 of the Company for review.

#### Other segment information

	IT infrastructure solution services business HK\$'000	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 2017 (unaudited)

Depreciation	137	104	144	385
Allowance for inventories	1,043	—	—	1,043

#### For the six months ended

##### 30 September 2016 (unaudited)

Depreciation	65	160	254	479
Reversal of allowance for inventories	(1,699)	—	—	(1,699)

### 4. TAXATION

	Six months ended 30 September 2017 HK\$'000 (unaudited)	2016 HK\$'000 (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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 5. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (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)

### 6. DIVIDEND

Final dividend for the year ended 31 March 2017 of HK\$0.06 per share 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 of the Company 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 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Earnings:		
Earnings for the period for the purpose of basic earnings per share	15,320	10,208

	Six months ended 30 September	
	2017 '000 (unaudited)	2016 '000 (unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	300,000	240,000

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 7. EARNINGS PER SHARE *(continued)*

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 12.

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

### 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group spent HK\$327,000 (for the six months ended 30 September 2016: HK\$165,000) on the acquisition of property, plant and equipment. The Group also disposed of property, plant and equipment with a carrying amount of HK\$257 (for the six months ended 30 September 2016: HK\$46,000) resulting in a loss of HK\$257 (for the six months ended 30 September 2016: HK\$46,000).

### 9. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

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

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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 9. TRADE AND OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS *(continued)*

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 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (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
	<b>148,023</b>	107,047

### 10. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (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
	<b>181,313</b>	218,163
Analysed as:		
Current	178,066	214,914
Non-current	3,247	3,249
	<b>181,313</b>	218,163

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 10. TRADE AND OTHER PAYABLES AND ACCRUALS *(continued)*

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

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (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
	<b>104,716</b>	122,746

### 11. 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 the upper strike price, the Group will pay the bank for an amount equivalent to notional amount 1 multiplied by (1) the difference between upper strike price and lower strike price, or (2) the difference between Spot Rate and bonus points ranging from 0.00 to 0.055, depending on respective contract terms. If the Spot Rate on fixing date is lower than the upper strike price but higher than lower strike price, the Group will buy Notional Amount 1 from the banks at lower strike price. If the Spot Rate on fixing date is lower than lower strike price, the Group will buy notional amount 2 at lower strike price from the banks.

	Notional amount 1	Notional amount 2	Contract date	Lower strike price	Upper strike price	Beginning fixing date	Ending fixing date (note)
Contract A	US\$300,000	US\$900,000	15 August 2014	7.7250	7.7650	4 December 2014	4 August 2016
Contract B	US\$300,000	US\$900,000	15 August 2014	7.7250	7.7650	18 December 2014	18 August 2016
Contract C	US\$300,000	US\$900,000	12 May 2015	7.7320	7.7400	3 August 2015	2 November 2016
Contract D	US\$300,000	US\$900,000	12 May 2015	7.7320	7.7400	17 August 2015	8 November 2016
Contract E	US\$300,000	US\$900,000	13 August 2015	7.7250	7.7600	15 September 2015	15 August 2017
Contract F	US\$300,000	US\$600,000	25 February 2016	7.7300	7.7300	8 September 2016	9 August 2017
Contract G	US\$300,000	US\$600,000	25 February 2016	7.7300	7.7300	22 September 2016	24 August 2017
Contract H	US\$300,000	US\$600,000	31 March 2017	7.7300	7.7800	15 September 2017	15 March 2019
Contract I	US\$300,000	US\$600,000	28 June 2017	7.7400	7.7400	11 September 2017	11 June 2019
Contract J	US\$300,000	US\$600,000	28 June 2017	7.7400	7.7400	26 September 2017	26 June 2019

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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 12. 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 (note i)	4,961,000,000	49,610
At 1 April 2017 and 30 September 2017	5,000,000,000	50,000
Issued and fully paid:		
At 1 April 2016 and 30 September 2016	120,000	—
Issue of shares (note ii)	60,000,000	600
Capitalisation issue (note iii)	239,880,000	2,400
At 1 April 2017 and 30 September 2017	300,000,000	3,000

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.

### 13. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Within one year	3,048	3,141
After one year but within five years	570	1,310
	<b>3,618</b>	4,451

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 13. OPERATING LEASE COMMITMENTS *(continued)*

The Group leases its office premises and a warehouse from a related company, a director's quarter from Mr. Yang Shun Tsing ("**Mr. Yang**"), the director and the controlling shareholder of the Company, and other warehouses from independent third parties under operating lease arrangements. Leases for office premises, director's quarter and warehouses are negotiated for fixed terms ranged from 1 to 3 years during both periods.

### 14. RELATED PARTY TRANSACTIONS

The Group had entered into the following related party transactions:

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Rental paid to Microware Properties Limited ("Microware Properties")	2,940	2,644
Rental paid to Mr. Yang	570	475

During the year ended 31 March 2017, 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.

Total operating lease commitment of the Group in respect of the rental of office with Microware Properties amounted to HK\$1,470,000 (31 March 2017: HK\$1,470,000) as at 30 September 2017 and rental of director's quarter with Mr. Yang amounted to HK\$1,710,000 (31 March 2017: HK\$2,280,000) as at 30 September 2017.

### Compensation of key management personnel

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

	Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short-term benefits	3,862	3,953
Post-employment benefits	92	91
	3,954	4,044

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial liabilities 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 liabilities 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 2017	31 March 2017			
Derivative financial instruments	Liabilities: HK\$333,000	Liabilities: HK\$442,000	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. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS

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

#### At 30 September 2017 (unaudited)

	Gross/net amounts presented on consolidated statement of financial position HK\$'000	Related amount not set off in consolidated statement of financial position		
		Financial instrument HK\$'000	Cash collateral received/pledged HK\$'000	Net amount HK\$'000
Recognised financial assets:				
— Bank balances	36,311	(333)	—	35,978
Recognised financial liabilities:				
— Derivative financial instruments	(333)	—	333	—



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

### 16. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS *(continued)*

At 31 March 2017 (audited)

	Gross/net amounts presented on consolidated statement of financial position HK\$'000	Related amount not set off in consolidated statement of financial position		
		Financial instrument HK\$'000	Cash collateral received/ pledged HK\$'000	Net amount HK\$'000
Recognised financial assets:				
— Bank balances	36,346	(442)	—	35,904
Recognised financial liabilities:				
— Derivative financial instruments	(442)	—	442	—

### 17. 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 of the Company did not consider that it is probable that a claim will be made against the Group.