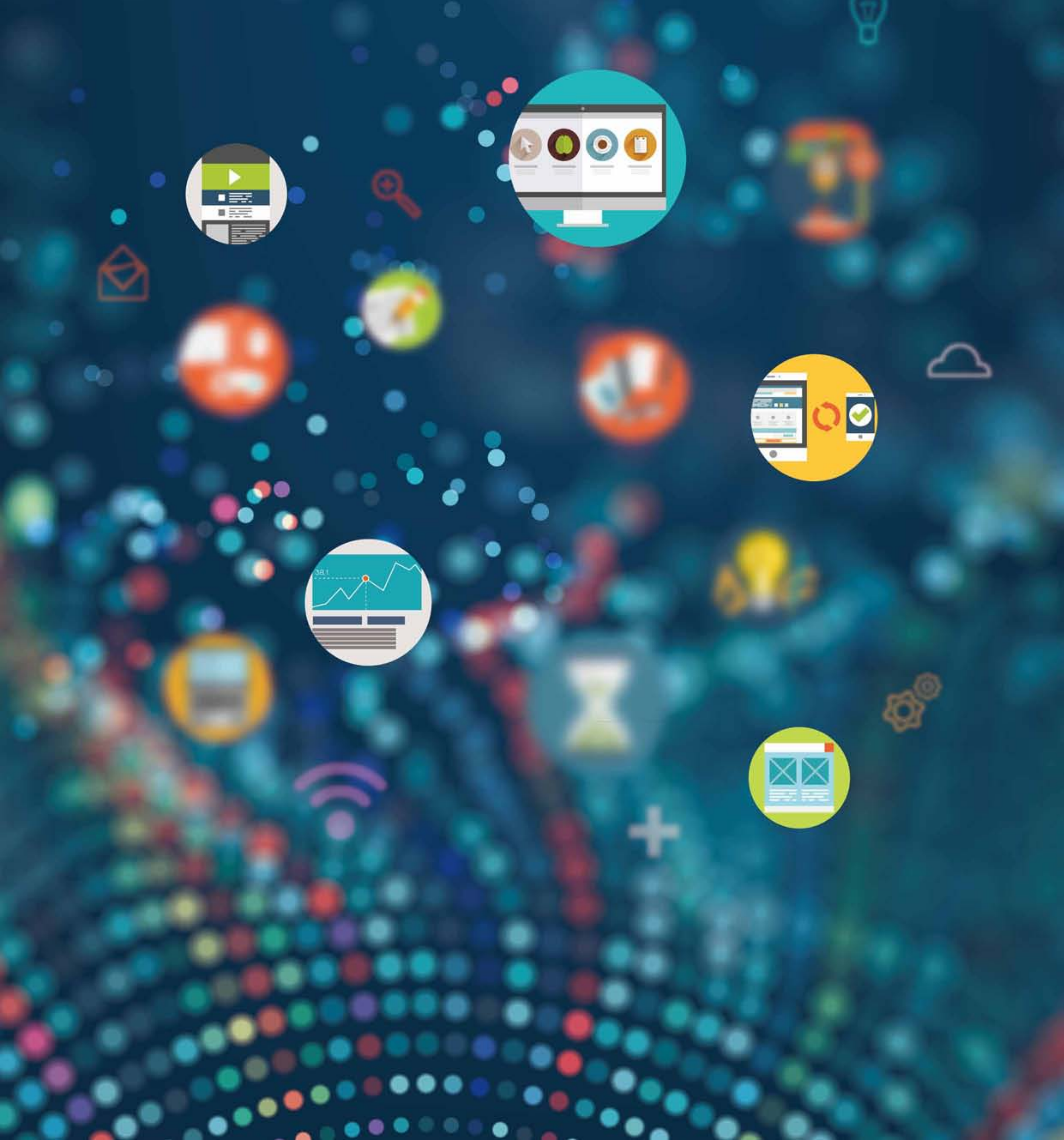
MICROWARE

ANNUAL REPORT **2018**

Microware Group Limited
美高域集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1985



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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.microware1985.com

STOCK CODE

1985

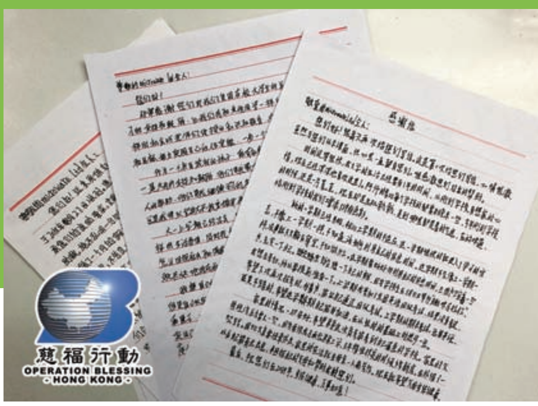
Highlights of the Year

Annual Dinner
2017

Annual General Meeting
2016/2017

Highlights of the Year

Caring for the Community



Rice Dumpling Delivery
Voluntary Services
（端陽暖萬心）
2017

Moon Cake Voluntary Services
（同心關懷賀中秋）
2017

Highlights of the Year

1

In the past year, Microware organised end-users seminars of different scales to promote its cutting-edge solutions and boost sales.

2

Microware attended overseas trainings and roundtable summits of its vendors to enhance vendors' engagement.

Highlights of the Year

3

Microware also participated and sponsored exposition organised by IT leaders to demonstrate its leadership in the industry.

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Microware Group Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the audited financial results of the Group for the year ended 31 March 2018 (the "**Year**").

For the Year, the Group's revenue amounted to approximately HK$1,096.2 million, representing a decrease of approximately 2.5% compared to the year ended 31 March 2017 (the "**Previous Year**"). Gross profit of the Group for the Year was approximately HK$119.2 million, representing a year-on-year decrease of approximately 6.7%. An analysis of the financial results of the Group for the year has been included in the section headed Management Discussion and Analysis in this report.

The decrease in gross profit in the Year was mainly due to the fierce competition in the highly competitive market and the ongoing challenge of engaging and retaining information and technology ("**IT**") professionals in the tight IT labour market. Our core business stream, IT services, is labour intensive. We are competing against system integrators, major multi-nationals and even our end-users in the same labour market. The tight supply of skilled professionals, compounded by the low barrier for IT professionals to switch jobs, is driving up salary costs rapidly in recent years. Our profit margin has been narrowed as a result.

The funding from the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 March 2017 has delivered vital resources for upgrading our Enterprise Resource Planning system. The IT revamp is in line with the market trend towards a higher degree of automation. By automating our processes progressively, with the goal of eventually achieving full automation, we expect to increase our operational efficiency. At the same time, we strive to improve knowledge management to mitigate the impact of high staff turnover on business delivery.

Automation is part of the Company's forward-looking three-pronged approach to improve revenue management and expand revenue sources. We intend to expand the scope of subscription-based services in our business portfolio as enterprise IT end-users are increasingly receptive to adopting IT services on a subscription basis. Subscription arrangements benefit IT services end-users as much as suppliers. Our clients do not need to make a sizeable upfront investment or manage unpredictable maintenance costs for IT infrastructure and service adoption. IT services expenses on a recurring basis could facilitate clients' expenses management. By the same token, recurring income for us as the IT supplier helps to stabilise cash flow and facilitate financial performance projections. The subscription model will also help us build long-term relationships with customers, lower the cost of sales and improve our management of services utilisation rates. Given that the subscription-based model enables more accurate projection of services' needs, manpower needs can be planned accordingly to manage a steady project flow. In the past year, our IT managed services segment has been moving towards the subscription model, with encouraging results. This has given us greater motivation to progress to the subscription-based model in other areas of our business such as product selling, in line with the market's response and demand.

Chairman's Statement

In parallel with adopting to the subscription model, the Company is widening our scope of services and embarking on cyber security. Internationally, more companies are aware of cyber threats and increasing their expenditure on enhancing cyber security. In Hong Kong, cyber security has come into focus after high-profile security breaches by Hong Kong enterprises. To capture the growing business opportunities in cyber security, we have arranged with an Israel-based company to offer scenario-based cyber-attack training in Hong Kong. We have formed a joint venture with a local partner with strong expertise and connections in cyber security to set up a training centre. The initiative will gear up IT staff of clients to take appropriate action in the event of cyber security incidents. The training centre will be rolled out in the second half of 2018.

Going forward, we see the potential to expand market share of our core business based on our financial results for the year. We expect that we will have additional business by widening our solutions profile, through which we can take advantage of our economies of scale in a highly fragmented and competitive business landscape. We will expand our business scope by leveraging the strengths of our business partners in various initiatives. We will consolidate our leading market position and reinforce clients' confidence in our strengths as a service provider. We will continue to maintain good relationships with international vendors and help them to establish their markets in Hong Kong. Hong Kong will continue to be our key market and we will build on our distinctive advantage in Hong Kong by leveraging its attributes as a financial centre.

I would like to express my heartfelt gratitude for the generous support and trust of the Board, the shareholders of the Company (the "**Shareholders**"), business partners, clients and vendors. I would like to take this opportunity to thank the senior management and the staff for their dedication, professionalism and contribution. The Company will seek to optimise all opportunities for growth and strive for the benefit of all stakeholders.

Chu Ming Ho
Chairman of the Board, executive Director and Chief Executive Officer

Hong Kong, 26 June 2018

Management Discussion and Analysis

BUSINESS REVIEW

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

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

The Group is a well-established IT infrastructure solutions provider based in Hong Kong. As at 31 March 2018, the Group has increased the number of both technical and sales staff who have passed the qualification test to ensure that the Group keeps abreast of the advanced technology development with its vendors. In addition, the Group has received a numerous of remarkable awards of top performance and enterprise solutions from the vendors as set out below:

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

The IT infrastructure solutions industry in Hong Kong is highly competitive and fragmented. In particular, the Board believes that the business environment of Hong Kong is challenging. The Group's management team will continuously take proactive actions with an aim to improve the Group's operations and results.

FINANCIAL REVIEW

Revenue

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

Management Discussion and Analysis

Cost of sales

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

Gross profit and gross profit margin

Gross profit of the Group for the Year was approximately HK$119.2 million, representing a decrease of approximately HK$8.6 million or 6.7% from approximately HK$127.8 million for the Previous Year. Such decrease was mainly due to the decrease in gross profit generated from the IT infrastructure solutions services of the Group.

Operating expenses

Total operating expenses of the Group for the Year was approximately HK$83.2 million, representing a decrease of approximately HK$18.4 million or 18.1% as compared to approximately HK$101.6 million for the Previous Year. Such decrease was due to the non-recurring listing expenses of approximately HK$18.9 million recognised for the Previous Year.

Profit for the Year

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

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

Liquidity and financial resources

Capital Structure

The Group did not have any borrowings as at 31 March 2018 (31 March 2017: Nil). The details of the share capital of the Company during the Year and the Previous Year are set out in note 19 to the consolidated statements of the Group for the Year included in this report (the "**Financial Statements**").

Cash position

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

Capital expenditure

During the Year, the Group's total capital expenditure amounted to approximately HK$0.8 million (the Previous Year: HK$0.3 million), which was mainly incurred for acquisition of office equipment.

Gearing ratio

The net gearing ratio of the Group (net borrowings, including interest-bearing bank loans and other borrowings less cash and cash equivalents and restricted cash, divided by the total equity) was not applicable as at 31 March 2018 and 31 March 2017 since the Group did not have any interest-bearing liabilities as at 31 March 2018 and 31 March 2017.

Contingent liabilities

The Group's contingent liabilities as at 31 March 2018 are set out in note 25 to the Financial Statements. Save as disclosed in this report, the Group did not have other contingent liabilities as at 31 March 2018.

Pledge of assets

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

Foreign exchange risk

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

HUMAN RESOURCES

As at 31 March 2018, the Group had a total of 277 employees (31 March 2017: 276 employees). For the Year, the total staff costs including Directors' emoluments was approximately HK$99.9 million (Previous Year: HK$103.1 million). The Group offers a competitive remuneration package to its employees, including mandatory provident funds in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and medical insurance coverage to employees who are retained after the probation period. The Group will review the performance of its employees and make reference to such performance reviews in its salary and/or promotional review in order to attract and retain talented employees.

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

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

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.07 per share of the Company (the "**Shares**") for the Year (the "**2018 Final Dividend**") to the Shareholders. Subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company (the "**AGM**") to be held on Monday, 20 August 2018, the 2018 Final Dividend will be paid on or about Friday, 7 September 2018 to Shareholders whose names appear on the register of members of the Company on Friday, 24 August 2018. (Previous Year: HK$0.06 per Share).

SIGNIFICANT INVESTMENTS HELD

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

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

The Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Year and no future plan for material investments or capital assets as at 31 March 2018.

FUTURE OUTLOOK

The outlook for the year ending 31 March 2019 remains challenging due to the continuous weakened demand of the market for IT products in Hong Kong. However, the transformation into digital business and cybersecurity challenges will be the opportunities for the growth of the Group's business. The Group will explore suitable and innovative solutions with managed services for integration into its core offerings in order to cater for the market needs.

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

Profile of Directors and Senior Management

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Chu Ming Ho *(Chairman and Chief Executive Officer)*

Mr. Chu, aged 48, was appointed as a Director on 20 January 2016 and was re-designated as an executive Director on 25 May 2016. He has been the chairman and chief executive officer of the Group since 25 May 2016 and a director of all of subsidiaries of the Company. From January 2006 to the present, Mr. Chu has been the managing director of Microware Limited ("**Microware Ltd.**"), an indirect wholly-owned subsidiary of the Company, and he has been primarily responsible for the overall management, strategic planning and leading the management team. Mr. Chu received a bachelor's degree in business (economics and finance) from Royal Melbourne Institute of Technology University in Australia in September 2004.

Mr. Chu is a director of Microware International Holdings Limited ("**Microware International**"), a company beneficially and wholly owned by Mr. Yang Peter Shun Tsing and having an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"). For details, please refer to the paragraphs under the section headed "Substantial Shareholders' Interest and Short Positions in Shares" on page 31 of this report.

Yang Peter Shun Tsing

Mr. Yang, aged 67, was appointed as a Director on 20 January 2016 and was re-designated as an executive Director on 25 May 2016. He has over 29 years of experience in the IT industry. From 1 March 1989 to the present, Mr. Yang has been the president of Microware Ltd. and has been primarily responsible for the overall management and strategic planning of the businesses of the Group. He is a director of all subsidiaries of the Company. From March 1989 to February 2008 and from February 2008 to July 2012, he was the president and chairman of Microware Ltd., respectively, where he was responsible for the overall management and strategic planning of its businesses. Mr. Yang received a degree of Bachelor of Science with specialisation in physics from the University of Alberta in Canada in May 1971. From 1974 to 1984, Mr. Yang was a chartered accountant of The Institute of Chartered Accountants and Canadian Institute of Chartered Accountants. Mr. Yang is the father of Mr. Yang Joseph Hwa, a member of the senior management of the Group.

Mr. Yang is a director of Microware International, a company beneficially and wholly owned by him and having an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2, and 3 of Part XV of the SFO. For details, please refer to the paragraphs under the section headed "Substantial Shareholders' Interest and Short Positions in Shares" on page 31 of this report.

NON-EXECUTIVE DIRECTOR

Wan Yiu Hon

Mr. Wan, aged 61, was appointed as a non-executive Director on 25 May 2016 and is primarily responsible for supervising the business of the Group. Mr. Wan has been a director of Microware Ltd. since 1 August 2007 and is responsible for supervising the business of Microware Ltd.. Mr. Wan was graduated from St. Louis School in Hong Kong in 1975. He has over 26 years of sales and sales management experience in the IT industry. From June 2003 to September 2004, Mr. Wan was the director of the systems integration group of Microware Ltd., where he was responsible for supervising the sales team.

Profile of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheng Tak Chung

Mr. Cheng, aged 61, was appointed as an independent non-executive Director on 14 February 2017. During the period between April 1983 and September 2008, Mr. Cheng has served various roles in IBM China/Hong Kong Limited, a multinational technology and consulting corporation, and he held the position of GCG channel director in general management office before he left such company. From September 2008 to September 2011, Mr. Cheng worked as the vice president and general manager of Avnet Partner Solutions, greater China region, a distributor of IT services. Mr. Cheng received a bachelor's degree in science from the University of Wisconsin-Stevens Point in the United States in August 1980 and a master's degree in business administration from Northern Michigan University in the United States in August 1982.

Li Wai Man

Ms. Li, aged 51, was appointed as an independent non-executive Director on 14 February 2017. From 7 May 2001 to January 2007, Ms. Li served as the accounts and operation manager of Microware Ltd., where she was responsible for company secretarial services, financial management and office administration of the Group. She has over 18 years of accounting experience. Ms. Li received a master's degree in business administration and a master's degree in corporate governance from The Open University of Hong Kong through distance learning in June 2005 and June 2011, respectively. Ms. Li was admitted as a certified public accountant in June 1996. She has been a fellow of the Association of Chartered Certified Accountants since September 2001 and a fellow of the Hong Kong Institute of Certified Public Accountants since October 2013.

Li Richard King Hang

Mr. Li, aged 74, was appointed as an independent non-executive Director on 14 February 2017. He served as the director of IT services in the Hong Kong Polytechnic University for 10 years and retired from the IT services office of the university in October 2005. Mr. Li obtained a Bachelor of Science degree in physics and a Master of Science degree from Indiana University in the United States in June 1966 and February 1968, respectively.

SENIOR MANAGEMENT

Au Man Wah Randy

Mr. Au, aged 54, is the director of technical services and outsourcing of Microware Ltd. since 1 June 2011 and is primarily responsible for maintenance and service sales of the Group. He has over 21 years of sales and marketing experience. Mr. Au received a bachelor's degree in business administration from Fu Jen Catholic University in Taiwan in June 1988. He has also received a master's degree in information systems from the Hong Kong Polytechnic University in November 2010 through distance learning.

Chan Wai Hing Gloria

Ms. Chan, aged 49, is the chief financial officer, authorised representative and a company secretary of the Group since 22 January 2007 and is primarily responsible for the management of financial, accounting and company secretarial matters of the Group. She has over 20 years of accounting experience. Ms. Chan received a master's degree in professional accounting from The Hong Kong Polytechnic University in November 2003. Ms. Chan was admitted as a certified public accountant in July 1999. She has been an associate of the Hong Kong Society of Accountants since July 1999 and a fellow of the Hong Kong Institute of Certified Public Accountants since May 2007.

Profile of Directors and Senior Management

Cheng Wing Fai Ray

Mr. Cheng, aged 48, was appointed as director of the system integration group of Microware Ltd. in April 2018 and is primarily responsible for sales management of the Group. He has over 20 years of sales experience. From July 2002 to March 2018, he was senior sales manager of the Group and was responsible for a sales team for projects of the Government of Hong Kong.

Mr. Cheng received a bachelor of engineering degree from the City Polytechnic of Hong Kong (now known as City University of Hong Kong) in November 1993 and a master's degree in quantitative analysis for business from the City University of Hong Kong in November 1998.

Yang Joseph Hwa

Mr. Yang, aged 42, is the director of professional services of Microware Ltd. since 1 September 2008 and is primarily responsible for supervising the professional services division. He has over 11 years experience in the IT industry. From 1 December 2003 to February 2007, he worked as the chief technology officer of Microware Ltd. where he was responsible for the identification of new product and technology direction of the company. He then served as the director of professional services of Microware Ltd. Since September 2008. Mr. Yang received a degree of bachelor of mathematics in computer science from the University of Waterloo in Canada in June 1999. He is the son of Mr. Yang Peter Shun Tsing, an executive Director.

Lau Yuen Ling Crystal

Ms. Lau, aged 47, is the director of product and marketing of Microware Ltd. since June 2018 and is primarily responsible for the management of vendors relationship, product and solutions, go-to-market strategy, marketing and inventory control of the Group. Ms. Lau has over 18 years of experience in product marketing. She joined the Group in 27 March 2000 as product marketing officer and was responsible for vendor relationship and product. She was promoted to business manager in October 2013 and served as the senior manager of product and marketing from June 2017 to May 2018. Ms. Lau received a master's degree in business administration from University of Leicester through distance learning in July 2004.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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 for the Year.

DIRECTORS' SECURITIES TRANSACTIONS

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 Year.

THE BOARD

Board Composition

The Board, which currently comprises six Directors, is responsible for governing the Company. The Board is responsible for performing the corporate governance functions of the Company in accordance with the CG Code, including determining the Company's corporate governance policies, and reviewing and monitoring the corporate governance practices of the Company. The Board is responsible for determining the overall corporate strategies and development of the Company to meet its business objectives. All substantial business decisions, as the Board considers appropriate, have to be escalated to the Board level with written resolutions. The Board should make decisions objectively in the best interests of the Company. The Board currently comprises two executive Directors, one non-executive Director and three independent non-executive Directors:

Executive Directors
Mr. Chu Ming Ho *(Chairman and Chief Executive Officer of the Group)*
Mr. Yang Peter Shun Tsing

Non-Executive Director
Mr. Wan Yiu Hon

Independent Non-Executive Directors
Mr. Cheng Tak Chung
Ms. Li Wai Man
Mr. Li Richard King Hang

All the Directors have given sufficient time and attention to the affairs of the Company. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Details of the backgrounds and qualifications of the chairman of the Board and the other Directors are set out in the section headed "Profile of Directors and Senior Management" in this report.

Responsibilities of the Board and the management

The principal responsibility of the Board is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board is collectively responsible for the long-term success of the Company and delivery of sustainable value to the Shareholders. It sets strategies for the Company and approves capital and operating plans presented by management for the achievement of strategic objectives it has set. Implementation of the strategies set by the Board is delegated to the management which is led by the chief executive officer of the Group (the "**Chief Executive Officer**"). The management is responsible for the day-to-day management and operation of the Group and to provide the Board with updates in a timely manner, giving an assessment of the Company's performance and position to enable the Board to discharge its duties.

Regarding the Company's corporate governance, the Board as a whole is responsible for performing the following corporate governance duties including:

(i) to review and monitor the Company's policies and practises in compliance with legal and regulatory requirements;

(ii) to develop and review the Company's policies and practices on corporate governance;

(iii) to review and monitor the training and continuous professional development of Directors and management;

(iv) to review the Company's compliance with the CG Code and disclosure in its corporate governance report; and

(v) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors.

The Board has delegated such duties to the audit committee established by the Board (the "**Audit Committee**").

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Directors acknowledge their responsibility for preparing the Financial Statements.

Directors' and Officers' Insurance

The Company has arranged for appropriate insurance coverage in respect of legal actions against the Directors.

Board meetings and Board practices

The Board is scheduled to meet at least four times a year to determine overall strategic direction and objectives and approve interim and annual results and other significant matters. Apart from regular board meetings, the Board will meet on other occasions when a board level decision on a particular matter is required. Each of the members of the Board has full access to relevant information at the meetings.

Corporate Governance Report

Five Board meetings were held during the Year. Details of the attendance of the Board meetings are as follows:

Name of Directors	Attendance of regular Board Meeting
Mr. Chu Ming Ho	5/5
Mr. Yang Peter Shun Tsing	4/5
Mr. Wan Yiu Hon	5/5
Mr. Cheng Tak Chung	5/5
Ms. Li Wai Man	5/5
Mr. Li Richard King Hang	5/5

Appointment and re-election of directors

Under Code Provision A.4.1 of the CG Code, the non-executive Directors should be appointed for a specific term and subject to re-election. All Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

All the Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association (the "**Articles**").

Continuing professional development

According to Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. Every newly appointed Director has received comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The participation by individual Directors in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company during the Year is recorded in the table below:

Name of Directors	Training on corporate governance, regulatory development and other relevant topics
Mr. Chu Ming Ho	✓
Mr. Yang Peter Shun Tsing	✓
Mr. Wan Yiu Hon	✓
Mr. Cheng Tak Chung	✓
Ms. Li Wai Man	✓
Mr. Li Richard King Hang	✓

Independent non-executive Directors and Non-executive Director

The Company appointed three independent non-executive Directors and one non-executive Director who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the Shareholders.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

Each of the non-executive Directors (including the independent non-executive Directors) has been appointed for a term of three years commencing from the Listing Date and are subject to retirement by rotation in accordance with the Articles.

Chairman and Chief Executive Officer

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 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 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.

BOARD COMMITTEES

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and promoting the success of the Company. The Board is delegated with the authority and responsibility for the management of the Group. In addition, the Board has also established various Board committees, including the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and the Audit Committee, and has delegated various responsibilities to them. The executive Directors and senior management of the Company, as delegated by the Board, are responsible for implementing the determined strategies and policies and the day-to-day management of the Group's business.

Remuneration Committee

The Remuneration Committee was established on 15 February 2017. The chairman of the committee is Mr. Li Richard King Hang, an independent non-executive Director, and other members include Mr. Chu Ming Ho, the chairman of the Board, executive Director and Chief Executive Officer, and Mr. Cheng Tak Chung, an independent non-executive Director.

The primary objectives and duties of the Remuneration Committee were set out in its terms of reference adopted in compliance with the requirements under the CG Code, which include making recommendations to the Board on the remuneration policy and structure and remuneration packages and employee benefit arrangement of the Directors and the senior management.

Corporate Governance Report

During the Year, one Remuneration Committee meeting was held. Details of the attendance of the Remuneration Committee meeting are as follows:

Name of Members	Attendance of the Remuneration Committee meeting
Mr. Li Richard King Hang *(Chairman)*	1/1
Mr. Chu Ming Ho	1/1
Mr. Cheng Tak Chung	1/1

During the Year, the Remuneration Committee has considered and reviewed the terms of employment contracts of the executive Directors and appointment letters of the non-executive Director and the independent non-executive Directors and has assessed the performance of the Directors. The Remuneration Committee considers that the terms of service agreements of the executive Directors and the appointment letters of the non-executive Director and the independent non-executive Directors are fair and reasonable.

Nomination Committee

The Nomination Committee was established on 15 February 2017. The chairman of the committee is Mr. Chu Ming Ho, the chairman of the Board, executive Director and the Chief Executive Officer and other members include Mr. Cheng Tak Chung and Mr. Li Richard King Hang, both being independent non-executive Directors.

The roles and functions of the Nomination Committee include making recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee identifies individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships. The Nomination Committee also reviews the structure, size and composition of the Board and assesses the independence of the independent non-executive Directors.

In addition, the Board has adopted a board diversity policy. The Company seeks to achieve board diversity through the consideration of a number of factors in the Board members' selection process, including but not limited to gender, age, cultural and educational background, race, professional experience and industry experience. These factors will be considered in determining the optimum composition of the Board and all Board appointments will be based on meritocracy, having due regard to the Group's business needs from time to time while taking into account diversity.

The Board considers that the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. The Board will continue to review its composition from time to time taking into consideration specific needs for the Group's business.

During the Year, one Nomination Committee meeting was held. Details of the attendance of the Nomination Committee meeting are as follows:

Name of Members	Attendance of the Nomination Committee meeting
Mr. Chu Ming Ho *(Chairman)*	1/1
Mr. Cheng Tak Chung	1/1
Mr. Li Richard King Hang	1/1

During the Year, the Nomination Committee reviewed the structure, size and diversity of the Board and assessed the independence of the independent non-executive Directors.

Audit Committee

The Audit Committee was established on 15 February 2017. The chairlady of the committee is Ms. Li Wai Man, an independent non-executive Director with the appropriate professional qualifications and 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.

During the Year, three Audit Committee meetings were held. Details of the attendance of the Audit Committee meetings are as follows:

Name of Members	**Attendance of the Audit Committee meeting**
Ms. Li Wai Man *(Chairlady)*	3/3
Mr. Cheng Tak Chung	3/3
Mr. Li Richard King Hang	3/3

During the Year, the Audit Committee has reviewed the audit plan and approach of the external auditor and monitored the progress and results of the audit regularly. The Group's audited annual results for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been duly made.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the management of the Company and is collectively responsible for ensuring sound and effective risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed for managing risk rather than eliminating the risk of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, having reviewed the effectiveness of the risk management and internal control systems of the Company through the Audit Committee, considers that the Company's risk management and internal control systems are adequate and effective and no significant control failings or weaknesses were identified for the Year. The level of resources, staff qualifications and experience, training programmes and budget of the Company's internal audit and accounting and financial reporting functions were also assessed and considered adequate for the Year. The Company will continue to improve its system of internal control. The Board shall conduct such review through the Audit Committee at least once annually.

Risk Management and Internal Control Systems

The Company's risk management and internal control systems are designed to manage and mitigate risks, rather than eliminating risks, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Company employed a top-down and bottom-up approach for identification, assessment and mitigation of risk at all business unit levels and across functional areas. Through the Audit Committee, the Board conducts annual review of the effectiveness of the Company's risk management and internal control systems, covering the material controls, including financial, operational and compliance controls. The Chief Executive Officer and chief financial officer of the Group (the "**Chief Financial Officer**") are primarily responsible for applying, supporting the risk management and internal control processes. The operating units and support functions are facilitated and coordinated by the Chief Executive Officer and the Chief Financial Officer, and ensure that risk management processes and mitigation plans follow good practices and guidelines established by the Company in their day-to-day operations. Risk events and incidents are reported by the operating units and support functions to the management in a timely manner.

Main Features of Risk Management and Internal Control Systems

The key elements of the Company's risk management and internal control systems include the establishment of strategic risk register to monitor, evaluate and assess the identified risks. The Company updates the risk responses for each key risk identified to ensure the effectiveness of the mitigation procedures on an ongoing basis. A risk matrix approach is adopted to determine the significance of the risk after evaluation of the risk according to the impact, frequency and probability of the risk event identified. The significance of the risks reflects the level of management's attention and risk responses.

Risk management process is integrated with the internal control system, so that the Company's ability to handle risks that hinder the achievement of financial, operational and compliance goals is strengthened and the allocation of resources on control measures against specific or high risks areas is more adequate.

Process used to identify, evaluate and manage significant risks

The Company develops a preliminary inventory of events that could influence the achievement of the Company's business objectives. The Company identifies outside and inside events by reviewing its external and internal environment and stakeholders, which have an influence or potential influence on the Company's ability to achieve its strategies and business objectives. The risk identification process takes place at least once a year. Furthermore, any risk events and incidents identified by the operating units and support functions will be reported to the management in a timely manner.

The risks identified are evaluated with a risk matrix which prioritises risks according to the frequency and probability of their occurrence and the significance of their impact on the achievement of the Company's business objectives. Following the review of the risk matrix, the Company selects and deploys the corresponding risk responses and investigates the mitigation procedures to be executed to ensure the identified significant risks were managed to an acceptable level.

Process used to review the effectiveness of the Risk Management and Internal Control Systems

During the Year, the Group has performed a review on the risk management and internal control systems and prepared a report to enable the Board and management to evaluate and provide reasonable assurance on the effectiveness and efficiency of operations, providing reliable financial reporting, complying with applicable laws and regulations and, where appropriate, carry out the recommended procedures (if any). The Audit Committee has reviewed the report and the review covered all material controls, including operational, financial and compliance control, and risk management functions. The scope and the quality of ongoing monitoring of risks and internal control systems have been assessed. The Board considered that during the Year, the risk management and internal control systems of the Group were effective and no significant deficiency was identified during the course of review.

Inside Information Policy

The Company has established policies for the handling and dissemination of inside information. Such policy is set out inside the staff manual and all staff is required to comply with such policy. In addition, each level of personnel of the Group is granted a specific level of access to price sensitive and inside information. The Directors, senior management and employees are informed with the latest regulatory updates.

AUDITOR'S REMUNERATION

The statement of the Company's auditors about their reporting responsibilities for the Financial Statements is set out in the "Independent Auditor's Report" on pages 49 to 53 of this report.

For the Year, the remuneration payable or paid to the Company's auditors, Deloitte Touche Tohmatsu, is as follows:

	Year ended 31 March 2018 (HK$'000)
Statutory audit services	1,800
Others	85
	1,885

COMPANY SECRETARY

Ms. Chan Wai Hing Gloria, the company secretary of the Company (the "**Company Secretary**"), has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules during the Year.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting

- Pursuant to the memorandum and articles of association of the Company (the "**Memorandum and Articles**"), any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting ("**EGM**") to be called by the Board for the transaction of any business specified in such requisition.

- Eligible Shareholder(s) who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong, at 1/F, Century Centre, 44-46 Hung To Road, Kwun Tong, Kowloon, Hong Kong, for the attention of the Company Secretary.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the EGM. The Requisition must be signed by the Eligible Shareholder(s) concerned.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within two months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition.

- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting enquiries by Shareholders to the Board

Shareholders may send their enquiries and concerns to Board by addressing them to the principal place of business of the Company in Hong Kong at 1/F, Century Centre, 44-46 Hung To Road, Kwun Tong, Kowloon, Hong Kong by post or email to Ms. Chan Wai Hing Gloria at gloriachan@microware.com.hk, for the attention of the Company Secretary.

Procedures for Shareholders to put forward proposals at Shareholders' meeting

There is no provision allowing Shareholders to propose resolutions at the general meetings of the Company under the Memorandum and Articles. Shareholders who wish to propose resolutions may, however, convene an EGM to do so by following the procedures as set out in the section headed "Procedures for Shareholders to convene an extraordinary general meeting" in this report.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its Shareholders. Information of the Company is disseminated to the Shareholders in the following manner:

- Delivery of annual and interim results and reports to all Shareholders;
- Publication of announcements regarding the annual and interim results on the Stock Exchange's website, and issue of other announcements and Shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and Shareholders.

CONSTITUTIONAL DOCUMENTS OF THE COMPANY

There were no changes in the constitutional documents of the Company during the Year.

A copy of the latest version of the Memorandum and Articles are available on the website of the Company and the Stock Exchange.

Directors' Report

DIRECTORS' REPORT

The Board is pleased to present to the Shareholders their report for the Year and the Financial Statements.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its major subsidiaries are set out in note 27 to the Financial Statements.

BUSINESS REVIEW

Discussion and analysis on the business of the Group for the Year are set out in the section headed "Management Discussion and Analysis" on pages 9 to 12 of this report.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the Group's financial position as at 31 March 2018 are set out in the Financial Statements on pages 54 to 55 of this report.

The Board recommends the payment of a 2018 Final Dividend of HK$0.07 per Share to the Shareholders. Subject to the approval by the Shareholders at the AGM to be held on Monday, 20 August 2018, the 2018 Final Dividend will be paid on or about Friday, 7 September 2018 to Shareholders whose names appear on the register of members of the Company on Friday, 24 August 2018.

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' rights to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 15 August 2018 to Monday, 20 August 2018, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 14 August 2018.

For the purposes of determining the Shareholders' entitlement to the 2018 Final Dividend, if approved by the Shareholders at the AGM, the register of members of the Company will be closed on Friday, 24 August 2018, on which day no transfer of Shares will be registered. In order to be eligible for the proposed 2018 Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 23 August 2018.

FINANCIAL SUMMARY

A summary of the published results and of the assets, equity and liabilities of the Group for the last five financial years is set out on page 94 of this report.

ENVIRONMENTAL POLICIES

The Directors believe that the IT infrastructure solutions industry in which the Group operates its business is not a major source of environmental pollution and the impact of its operations on the environment is minimal. The Group has taken measures to facilitate the environmental-friendliness of its workplace by encouraging, among other things, a recycle culture within the Group.

The Group has also dedicated its effort to review and monitor the Group's environmental, social and governance ("**ESG**") policies and practices to ensure compliance with the relevant legal and regulatory requirements as described in Appendix 27 to the Listing Rules. The Group is committed to engaging its key stakeholders and operating its business in a fair, responsible and transparent manner. Details of the Group's ESG performance for the Year can be found in "Environmental, Social and Governance Report" as set out on pages 38 to 48 of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, the Group complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group, including those in respect of its provision of IT infrastructure solutions services and IT managed services in Hong Kong, employment and labour practices and environmental protection. The Company also complied with the requirements under the Listing Rules, the SFO and the laws of the Cayman Islands during the Year. The Group conducts on-going review of the newly enacted laws and regulations affecting the operations of the Group, if any, and provides relevant trainings and guidance to the staff. During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that the Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The key risks and uncertainties identified by the Group are set out as follows:

— the Group is dependent upon recruiting and retaining eligible employees. Any shortfall in its workforce or increase in direct staff costs may materially impede its business operations and adversely affect its financial results;

— the Group may encounter cost overruns or delays in its IT infrastructure solutions service contracts, which may materially and adversely affect its business, financial position and results of operation; and

— the preferences of the Group's clients are highly subjective in nature and can substantially deviate from one another, and consequently failure to accommodate the client's individual preferences may result in client dissatisfaction, thereby potentially damaging the Group's business reputation and hindering its opportunity to secure future contracts or orders.

For other risks and uncertainties faced by the Group, please refer to the section headed "Risks Factors" in the prospectus of the Company dated 24 February 2017 (the "**Prospectus**").

USE OF PROCEEDS

The net proceeds (the "**Net Proceeds**") from the initial public offering of the Company in March 2017 amounted to approximately HK$56.0 million (after deducting underwriting commissions and related expenses). As at 31 March 2018, the Group had utilised approximately HK$6.8 million of the Net Proceeds in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, details of which are set out as follows:

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

Notes:

1. The utilisation of proceeds for upgrading of the IT management systems of the Group has fallen behind the schedule as disclosed in the Prospectus due to the complication of the Group's systems. The Group has appointed a consultant firm for this matter, who is in the process of evaluating the Group's existing systems and preparing a proposal.

2. The utilisation of proceeds for recruitment and training of employees has fallen behind the schedule as disclosed in the Prospectus due to the insufficient supply of labour in the market. The Group is in the process of identifying suitable candidates for the relevant positions.

As at 31 March 2018, the unutilised Net Proceeds have been deposited into short-term demand deposit with authorised financial institutions and/or licensed banks in Hong Kong.

SHARE CAPITAL

Movements in the share capital of the Company during the Year are set out in note 19 to the Financial Statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distributions to Shareholders as at 31 March 2018 comprised the share premium plus accumulated loss with an aggregate amount of approximately HK$77,823,000 (2017: HK$51,166,000).

RESERVES

Movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 56 of this report and the details of reserves attributable to equity shareholders of the Company are set out in note 26 to the Financial Statements.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest customers accounted for approximately 21% of the total revenue of the Group for the Year, while the largest customer accounted for approximately 7% of the total revenue of the Group for the Year.

The Group's five largest suppliers accounted for approximately 70% of the Group's total purchases during the Year, while the largest supplier accounted for approximately 24% of the total purchases of the Group for the Year.

At all time during the Year, none of the Directors or any of their close associates or any Shareholders who, to the best knowledge of the Directors, own more than 5% of the number of issued Shares had an interest in any of the five largest suppliers or five largest customers of the Group.

DIRECTORS

The Directors as at the date of this report were:

Executive Directors

Mr. Chu Ming Ho *(Chairman and Chief Executive Officer)*
Mr. Yang Peter Shun Tsing

Non-executive Director

Mr. Wan Yiu Hon

Independent non-executive Directors

Mr. Cheng Tak Chung
Ms. Li Wai Man
Mr. Li Richard King Hang

In accordance with article 84 of the Articles, Mr. Wan Yiu Hon and Mr. Li Richard King Hang will retire by rotation and, being eligible, offer themselves for re-election as non-executive Director and independent non-executive Director, respectively, at the AGM.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 13 to 15 of this report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

All Directors are subject to retirement by rotation and re-election in accordance with the Articles.

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS

Details of the continuing connected transactions, and related party transactions of the Group during the Year are respectively set out on pages 33 to 34 and of this report.

Save as disclosed above, no other transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with Director had a material interest, whether directly or indirectly, subsisted at any time during the Year or as at the end of the Year.

CONTROLLING SHAREHOLDERS' INTEREST

Save as disclosed in this report, no contracts of significance between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries or any contracts of any significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries subsisted at any time during the Year or as at the end of the Year.

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

As at 31 March 2018, 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 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:

(i) Interest in the Company

Name of Director	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding
Mr. Yang Peter Shun Tsing	Interest of a controlled corporation[2]	164,804,000 (L)	54.9%
	Beneficial owner	32,546,000 (L)	10.8%
Mr. Chu Ming Ho	Beneficial owner	10,300,000 (L)	3.4%

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, 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.

(ii) Interest in associated corporations 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 interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations as at 31 March 2018, 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 31 March 2018, 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) 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:

Name of Director	Nature of Interest	Number of Shares [(1)]	Approximate percentage of shareholding
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 31 March 2018, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "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 or which would fall to be disclosed to the Company and Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme, a summary of the principal terms of which is set out as follows:

1. Purpose of the Share Option Scheme

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants (as defined below) an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants (as defined below) to optimise their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants (as defined below) whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Share Option Scheme

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "**Eligible Participants**") to subscribe for such number of new Shares as the Board may determine:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

3. Total number of Shares available for issue under the Share Option Scheme and percentage of issued Shares

As at the Latest Practicable Date, no share option has been granted under the Share Option Scheme.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 30,000,000 Shares, representing 10% of the total number of Shares in issue as at the Latest Practicable Date.

4. Maximum entitlement of each participant under the Share Option Scheme

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting.

5. The period within which the options must be exercised under the Share Option Scheme

An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, but shall not be more than 10 years from the date upon which the option is deemed to be granted and accepted.

6. The minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

7. The basis of determining the exercise price

The exercise price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

8. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

The grantee shall pay HK$1.00 to the Company by way of consideration for the grant on or before the relevant acceptance date of the option.

9. The remaining life of the Share Option Scheme

The Share Option Scheme, unless otherwise terminated or amended, will remain in force for a period of 10 years from the Adoption Date, i.e. 15 February 2017.

Since the adoption of the Share Option Scheme, 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' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" on pages 30 to 31 of this report and "Share Option Scheme" on pages 31 to 33 of this report, at no time during the Year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had entered into the following continuing connected transactions:

(1) Microware Ltd., an indirect wholly-owned subsidiary of the Company, as tenant, entered into the residential tenancy agreement (the "**Residential Tenancy Agreement**") with Mr. Yang Peter Shun Tsing ("**Mr. Yang**") as landlord on 27 April 2016, pursuant to which Mr. Yang agreed to lease to Microware Ltd. a property situated at Flat B, 8/F, Tower 3, One Mayfair, 1 Broadcast Drive, Kowloon Tong, Kowloon, Hong Kong (the "**Residential Premises**"), with a total gross floor area of approximately 2,177 square feet ("**sq.ft.**") and a car parking space at the same building (the "**Car Parking Space**") for a term commenced from 1 May 2016 and ending on 31 March 2019 at a monthly rental (exclusive of utilities, telephone charges and other similar charges) of HK$95,000. The Residential Premises are used as residence for, and the Car Parking Space is used by, Mr. Chu Ming Ho, an executive Director, chairman and chief executive officer of the Group, provided by the Group as part of his director's emoluments; and

(2) Microware Ltd. as tenant entered into the office tenancy agreement (the "**Office Tenancy Agreement**") with Microware Properties Limited ("**Microware Properties**"), a wholly-owned subsidiary of Microware International which is in turn wholly owned by Mr. Yang, as landlord, on 15 February 2017, pursuant to which Microware Properties agreed to lease to Microware Ltd. a property situated at 1st Floor, Century Centre, 44 and 46 Hung To Road, Kwun Tong, Kowloon, Hong Kong (the "**Office Premises**") with a total gross floor area of approximately 48,960 sq.ft. for a term of three years commenced from 1 April 2016 and ending on 31 March 2019 at a monthly rental of HK$440,640 during the period from 1 April 2016 to 30 September 2016 and HK$490,000 during the period from 1 October 2016 to 31 March 2019 (exclusive of management fees, rates and government rent). The Office Premises are used as the Group's head office.

During the Year, the aggregate rent paid by Microware Ltd. to Mr. Yang pursuant to the Residential Tenancy Agreement amounted to HK$1,140,000 and the aggregate rent paid by Microware Ltd. to Microware Properties pursuant to the Office Tenancy Agreement amounted to HK$5,880,000.

As Mr. Yang is an executive Director and a substantial shareholder of the Company, and Microware Properties is a wholly-owned subsidiary of Microware International, which is in turn wholly owned by Mr. Yang, each of Mr. Yang and Microware Properties is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Residential Tenancy Agreement and the Office Tenancy Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since each of the applicable percentage ratios (other than the profits ratio) for (a) the Residential Tenancy Agreement and the Office Tenancy Agreement on an aggregated basis; and (b) the Office Tenancy Agreement on a standalone basis is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under (i) the Residential Tenancy Agreement and the Office Tenancy Agreement on an aggregated basis; and (ii) the Office Tenancy Agreement on a standalone basis are subject to the reporting, annual review and announcement requirements but exempt from the independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions as set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) on terms that are fair and reasonable and in the interests of the Shareholders as a whole according to the Residential Tenancy Agreement and the Office Tenancy Agreement.

The related party transactions set out in note 23 to the Financial Statements constitute continuing connected transactions of the Company and the Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules.

Deloitte Touche Tohmatsu, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. In the opinion of the Directors, sufficient access was given to Deloitte Touche Tohmatsu to the Group records for the purpose of reporting on the continuing connected transaction. Deloitte Touche Tohmatsu have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The emoluments of the Directors are reviewed and approved by the Remuneration Committee, having regard to factors including salaries paid by comparable companies, time commitment, job duties and responsibilities in respect of the relevant positions. The Company has adopted the Share Option Scheme, details of which are set out in the paragraphs under the section headed "Share Option Scheme" in this report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CHARITABLE DONATIONS

During the Year, the Group made charitable donations amounting to HK$1.9 million.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

CORPORATE GOVERNANCE AND MODEL CODE

The Company has complied with the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules throughout the Year, except for Code Provision A.2.1 of the CG Code. For details, please refer to the Corporate Governance Report of the Company which is set out on pages 16 to 25 of this report.

The Company has adopted the Model Code as the securities dealing code for its Directors. Having made specific enquiry to all Directors, all Directors confirmed that they have fully complied with the required standards and provisions as set out in the Model Code during the Year.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors a confirmation of independence, and the Company considers that each of them is independent and has met the guidelines set out in Rule 3.13 of the Listing Rules.

INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN A COMPETING BUSINESS

As at 31 March 2018, the Directors were not aware of any business in which the Directors or the controlling Shareholders are interested that had competed or might compete with the business of the Group.

DEED OF NON-COMPETITION

Each of Microware International and Mr. Yang (the "**Covenantors**"), being the controlling Shareholders, has undertaken to the Company in the deed of non-competition (the "**Deed of Non-competition**") entered into by them in favour of the Company on 15 February 2017 that he/it will not, and will procure his/its close associates (as defined in the Listing Rules and other than members of the Group) not to directly or indirectly participate, acquire or hold any right or interest in or otherwise be involved in or undertake any business that directly or indirectly competes, or may compete, with the existing business activity or any business activities that the Group may undertake in the future, or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by the Group from time to time except where the Covenantors hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of the Group and they do not control 10% or more of the board of directors of such company. Details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed "Relationship with Our Controlling Shareholders".

The Company has received an annual written confirmation from the Covenantors in respect of their compliance with the Deed of Non-competition. The independent non-executive Directors have reviewed and were satisfied that each of the Covenantors has complied with the Deed of Non-competition during the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient public float throughout the Year.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group believes that its employees are valuable assets for the Group's continuous development. Thus, it offers competitive salary 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. 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 Company has also adopted the Share Option Scheme to recognise and motivate contributions of its employees. Further details regarding the Share Option Scheme are set out in the paragraphs headed "Share Option Scheme" on pages 31 to 33 of this report.

The Group provides high quality IT infrastructure solutions to its customers from both private sector and public sector to fulfil their immediate and long-term needs. The Group also communicates with its customers regularly to maintain close relationship with them.

The Group strives to maintain fair and cooperative relationships with its suppliers.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles, every Director, auditor, secretary or other officers of the Company shall be entitled to be indemnified by the Company out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may sustain or incur by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

The Company has taken appropriate insurance coverage in respect of Directors' and officers' liability throughout the Year.

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

MANAGEMENT CONTRACT

No contract concerning the management or administration of the whole or any substantial part of the business of the Company was entered into or existed during the Year.

IMPORTANT EVENT AFTER THE END OF THE YEAR

There is no important event affecting the Group which has occurred since the end of the Year.

REVIEW OF THE ANNUAL RESULTS

The Audit Committee has reviewed the Financial Statements, the annual results announcement and this annual report of the Company for the Year and had submitted the same to the Board for approval. Members of the Audit Committee were of the opinion that the preparation of such Financial Statements, results announcement and annual report has complied with the applicable accounting standards, the Listing Rules and that adequate disclosure had been made.

AUDITORS

A resolution will be proposed at the AGM to re-appoint Deloitte Touche Tohmatsu as the external auditors of the Company until the conclusion of the next annual general meeting of the Company and to authorise the Board to fix their remuneration.

On behalf of the Board

Chu Ming Ho
Chairman

Environmental, Social and Governance Report

SCOPE AND REPORTING PERIOD

This is the second ESG report by the Group, highlighting its ESG performance, with disclosure made in accordance with the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules and the relevant guidance of the Stock Exchange.

The principal activity of the Group is the provision of IT infrastructure solution services and IT managed services in Hong Kong. It advises clients on their IT systems, delivers and/or installs and implements IT infrastructure solutions with the hardware and software purchased from a number of manufacturers or authorised distributors for its clients. This ESG report covers the Group's overall environmental and social performances of the business operations in the two offices of the Group in Kwun Tong and Sheung Wan, Hong Kong during the Year, unless otherwise stated.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

It is believed that every corporation has to take into consideration of its people, the environment and the community in its business operation to achieve sustainable development and return. The Group upholds high ethical standards and is committed to engaging its stakeholders and operating its business in a fair, responsible and transparent manner.

The Group manages stakeholders satisfaction by holding regular meetings with its stakeholders. The Group maintains a list of stakeholders (e.g. customers, suppliers, regulatory bodies, etc.) and reviews it on a half-yearly basis. Interim service meetings with stakeholders are organised on a quarterly basis to discuss service performance and achievement, business environment in which the services operate, requirements for new or changed services and other service related issues. Service review meetings are organised on an annual basis to discuss any changes to the service scope and stakeholders' business needs.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its environmental, social and governance approach and performance. Please give your suggestions or share your views with the Group via email at ir@microware.com.hk or by phone (852)2565 3088.

THE GROUP'S ENVIRONMENTAL PROTECTION POLICY

It is a fundamental aim of the Group to accomplish the green vision and raise staff's environmental awareness for carbon reduction. The Group integrates environmental management into business processes and continually improves environmental performance in line with local regulations and industry specific guidelines.

The Group is committed to achieving the following environmental objectives:

1. Seek to comply with all applicable environmental legislation, standards and regulations;

2. Ensure that resources are not wasted and that where practicable, materials and goods are re-used and recycled;

3. Reduce the generation of waste as far as it is reasonably practicable and dispose of waste in an environmentally responsible manner;

4. Reduce energy consumption and improve energy efficiency through the environmental management;

5. Avoid, reduce or control environmental pollution arising from its business and engaged suppliers and contractors to adopt and implement similar environmental measures. Communicate best practices relating to environmental issues; and

6. Encourage employees to take part in appropriate environmental initiatives.

A. ENVIRONMENTAL

The Group's business operations were office-based, in which significant emissions were mainly related to electricity consumption. Other emission sources included freshwater processing, sewage treatment, paper disposed at landfill and business air travel. Hazardous wastes generated from its offices were mainly computer hardware and batteries while non-hazardous wastes generated were mainly paper. During the Year, the Group did not note any cases of material non-compliance in relation to air and greenhouse gas emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste. Also, no direct emission from gaseous fuel consumption and vehicles had been involved.

The Group believes that the IT infrastructure solutions industry in which it operates is not a major source of environmental pollution and the impact of its operation on the environment is minimal. Even so, the Group formulated its own environmental protection policy which raises staff's awareness on carbon reduction and waste reduction.

1. Greenhouse Gas Emission

Scope of Greenhouse Gas Emissions	Emission Sources	Emission (in tCO_2e*)	Total Emission (in percentage)
Scope 1			
Direct Emissions	N/A	N/A	N/A
Scope 2			
Energy Indirect Emissions	Purchased Electricity	428.88	94%
Scope 3			
Other Indirect Emissions	Water Consumption	2.02	6%
	Paper Waste Disposal	19.94	
	Business Air Travel	5.37	
Total		456.21	100%

Notes:

— Reference was made to Appendix 27 to the Listing Rules and the relevant guidance of the Stock Exchange for the emission factors, unless stated otherwise.

— tCO_2e represents tonnes of carbon dioxide equivalent.

There were 456.21 tCO_2e greenhouse gases (2016/17: 518.69 tCO_2e), mainly carbon dioxide, methane and nitrous oxide, emitted from the Group's operation during the Year. The annual emission intensity was 0.10 tCO_2e/m^2 (2016/17: 0.11 tCO_2e/m^2) and 1.65 tCO_2e/staff.

With the implementation of the environmental protection policy, the Group achieved a reduced consumption in all the emission sources (i.e. electricity, water, paper and business air travel) during the Year. This contributed to a reduction of 12% in its total greenhouse gases emission and its emission intensity per square metre when compared to the Previous Year.

2. Emission Sources

(i) Electricity Consumption

The electricity consumption of the Group during the Year was 832,922 kWh, with an energy intensity of 177.53 kWh/m^2 and 3,006.94 kWh/staff. The Group encourages staff to reduce electricity consumption and implemented the following initiatives:

- Using energy-efficient lightings (e.g. LED tubes, T5 fluorescent tubes and parabolic reflectors);
- Using electronic appliances with Grade 1 energy labels;
- Using all-in-one multi-functional devices that minimise power consumption and carbon footprint;
- Setting computer monitors to enter into sleeping mode when idled for over 5 minutes; and
- Reminding staff to turn off unnecessary lightings, electronic appliances and devices.

(ii) Water Consumption

Water consumption of the Group during the Year was 3,342 m^3 with water intensity of 0.71 m^3/m^2 and 12.06 m^3/staff. Only water consumption of the Group's office in Kwun Tong's has been included as water consumption of the Group's office in Sheung Wan is managed by the office's building management office and water usage data is not available, but it is noteworthy that its water consumption is insignificant. The Group has adopted automatic urinal sensors and installed faucet water savers with Grade 1 water efficiency labels to reduce water wastage.

(iii) Paper Consumption

A total of 4.16 tonnes of paper have been used for daily office operations. The Group strives to reduce paper consumption through the following initiatives:

- Deploying e-administration such as e-fax and e-forms for leave application and stationary application;
- Defaulting printers to double-sided printing;
- Using single-side used paper for draft paper;
- Using e-cards for festival greetings; and
- Encouraging on-site engineers to reuse or recycle packaging materials for parts delivery after maintenance.

With the above initiatives that are in alignment with the Group's environmental protection policy, the Group made significant effort in recycling paper. During the Year, 11.75 tonnes of paper (including packaging materials and old documents) had been recycled, contributing to a reduction of 56.40 tCO_2e emission.

(iv) Business Air Travels

During the Year, employees travelled by air for business meetings, resulting in 5.37 tCO_2e emission. To reduce carbon emission from air travels, the Group encourages staff to use video conference calls and participate in online meetings and training sessions.

3. Wastes

(i) Hazardous Waste

During the Year, a total of 6.51 tonnes of hazardous electronic wastes were generated by the Group, which included 0.14 tonnes of batteries and computer hardware such as computers and 6.37 tonnes of printing cartridges. The Group provides disposal programme to collect disposal items from customers. Disposal items from its customers or the Group are recorded before being degaussed and data storage media being erased. Usable items will be sent to workshop for repair. Unusable items will be sent to sub-contractors for dismantling. Useful dismantled parts will be integrated into computer equipment for reuse while un-reusable parts will be collected by licensed collectors.

(ii) Non-hazardous Waste

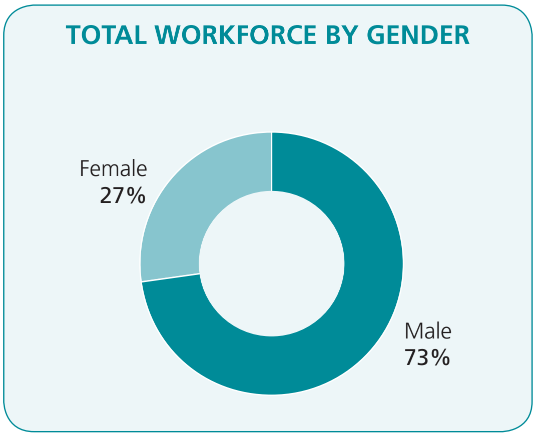
During the Year, paper was the Group's major source of non-hazardous wastes. A total of 4.16 tonnes of waste paper have been generated during the Year. Other non-hazardous wastes in small amount were not recorded, which included non-hazardous computer components, food scraps, packaging boxes, worn-out uniform and towels, etc. Non-hazardous wastes are regularly collected by the building management offices. To reduce waste, the Group disposes of office furniture and other materials only when they are no longer usable. It also established an internal reuse area that enables staff to access to used stationaries collected such as binders, punchers and file folders.

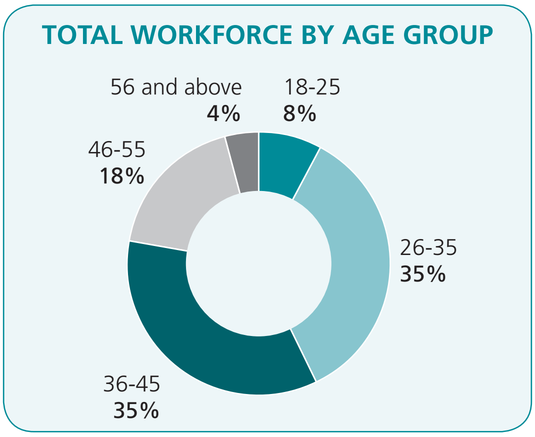
B. SOCIAL

1. Employment and Labour Practices

(i) Employment

The Group had a total number of 277 employees (2016/17: 276 employees) as at 31 March 2018, of which all employees were from Hong Kong. All employees were full time except two employees who were hired as part time employees. As at 31 March 2018, the composition of the employees by gender and age groups was as follows:





Competitive Compensation and Benefits Package

The Group generally recruits employees from the open market. Fair terms regarding standard working hours, termination of employment and dismissal had been laid down in the employment contracts. Competitive remuneration is offered to its employees with medical insurance, travel insurance and employees' compensation insurance provided. Housing allowances are approved on a case-by-case basis by the Chief Executive Officer. The salary range for each staff grade is determined and approved by the Directors based on principles of fairness, ability, competitiveness and timeliness. Overall staff salary is reviewed annually based on the result of performance evaluation approved by departmental directors and the Chief Executive Officer. The Group provides a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for its eligible employees. Employees are entitled to various types of leave (including annual, sick, maternity, paternity and compassionate leave), education subsidy programme, children education allowance and medical check programme. They can also purchase the Group's products at special prices upon approval from relevant department head or senior management. The Group did not note any material non-compliance with laws and regulations regarding compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfare during the Year.

Equal Opportunity

The Group is committed to creating a work environment which is free from discrimination and sexual harassment and where members of staff are treated with dignity, courtesy and respect. The policy of anti-discrimination has been developed which applies to all staff, their work-related interactions and functions. The Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong), Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong), Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong) and Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong) are complied with. It is unlawful under the said ordinances to discriminate against or harass a person directly or indirectly.

As an equal opportunity employer, the Group emphasises a fair, open, objective and non-discriminatory selection process in its recruitment, promotion, transferral and other business operation activities. Assessment of eligibility is based on attributes relevant to the job requirement like qualifications, knowledge, work experience, skills and competency.

Employee Communication

Appraisals are conducted annually to evaluate staff performance and strengthen mutual understanding between appraisees and the Group. They also provide a basis of reference for making related personnel decisions including confirmation of employment, salary increment, bonus allocation, promotion, transferal, jobs rotation and arrangement of trainings, etc. Staff performance is appraised through self-assessment and assessment by immediate supervisors as well as interactive communication between staff and his/her immediate supervisor.

To build workplace camaraderie, the Group celebrates with its staff during festivals such as Winter Solstice, Lunar New Year, Mid-Autumn festival and Christmas. Apart from statutory holidays, early leave is sometimes allowed during festive celebrations or special occasions. The Group also celebrates employees' life events through:

- sending greeting cards with red packets to employees who are parents;
- giving red packets to newly-married employees; and
- giving red packets to employees' newborn babies.

(ii) Employee Health and Safety

The Group provides a healthy and safe working environment for its employees and sub-contractors and takes adequate steps to prevent accidents and injuries arising in the course of work. It also exercises duty of care to its customers and general public in its business activities.

The health and safety policy of the Group states that one of the prime responsibilities of the management at all levels is to ensure all reasonably practicable actions are taken to comply with the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) and the policy itself. The policy ensures that:

- risks of all types of work activities are identified and reduced;
- accidents are prevented and analysed if occurred; and
- contractors and business partners selected conform to the Group's health and safety requirements.

The health and safety performances are periodically monitored and reviewed. The Group provides proper lighting and adequate ventilation at office and promotes staff awareness on health and safety through posted information at conspicuous locations. The Group did not note any material non-compliance with laws and regulations in relation of employee health and safety during the Year.

Occupational Health and Safety Data during the Year

Work related fatality	0
Work injury cases ≥3 days	1
Work injury cases <3 days	0
Lost days due to work injury	8

(iii) Development and Training

The Group provides internal trainings and encourages participation in external trainings through provision of the education subsidy programme. It believes that all-round trainings can increase production, build confidence in its workforce and create a better working environment.

Internal trainings such as staff orientations cover various topics including company policy, anti-discrimination, anti-corruption, intellectual property and data security. External trainings are organised by professional institutions, hardware, software or supplier companies, which mainly involve trainings of new product knowledge, sales skills, technical IT skills and solutions.

Training and Development Data during the Year

Percentage of Employees trained by Gender	
— Male	55%
— Female	51%
Percentage of Employees trained by Employment Category	
— Senior Management	82%
— Middle Management	94%
— Frontline and Other Employees	50%
Average Training Hours Completed per Employee by Gender	
— Male	2.43
— Female	2.71
Average Training Hours Completed per Employee by Employee Category	
— Senior Management	3.64
— Middle Management	3.22
— Frontline and Other Employees	2.40

(iv) Labour Standards

In compliance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), there was no child nor forced labour in the Group's operation during the Year. The human resources department of the Group checks job candidates' identity cards, working visas, relevant certificates and references to ensure compliance with all the applicable laws regarding employment and labour standard. The Group did not note any material non-compliance with laws and regulations regarding employment and labour standards during the Year.

2. Operating Practices

(i) Supply Chain Management

Suppliers engaged by the Group were principally hardware and software manufacturers, authorised distributors and other IT service providers which mainly act as its subcontractors. Hardware and software were mainly purchased from the manufacturers directly or through their authorised distributors.

When selecting and evaluating a supplier, the Group considers three major criteria, namely price, quality of work and performance capability. It executes a contract with the chosen supplier either in the form of a purchase order or a contract which covers statement of work, schedule, service term, pricing and payment, acceptance of products, warranty and termination. The supplier is assessed and filed to the supplier master file before being employed. Suppliers in the master file are evaluated periodically with frequency depending on the nature of products or services they provide. Purchase orders are approved by the procurement manager. All personnel involved in the selection and evaluation processes should declare any conflict of interest before the selection and evaluation process is performed.

(ii) Product Responsibility

Product responsibility is one of the Group's priorities. During the Year, the Group did not note any cases of material non-compliance regarding health and safety, advertising and labelling related to products and services provided as required by relevant laws and regulations.

*Intellectual Property ("**IP**") Rights*

The Group registered a number of trademarks in Hong Kong and branded its business using the brand name "Microware". It manages security of its assets such as financial information, IP, or employee details entrusted to the Group by third parties in compliance with the ISO/IEC 27001:2013 information security management system. For any infringement of its IP, the Group will urge infringers to cease such infringement. The human resources department of the Group will take further action if infringement continues.

To protect third party IP rights and comply with relevant licensing terms when software is used, employees are prohibited from duplicating, installing or using software in violation of its copyright or license terms as part of the Group's information security policy and staff handbook. Use of free software products is stringently controlled; making copies of copyright works is strictly prohibited. Employees in violation of the policy will be subject to disciplinary action, civil or criminal sanctions. If any illegal or unauthorised use of their hardware and/or software is noticed, the Group will notify the manufacturers. No material non-compliance with laws and regulations regarding IP rights including the following ordinances was noted during the Year:

- Trade Marks Ordinance (Chapter 599 of the Laws of Hong Kong);
- Patents Ordinance (Chapter 514 of the Laws of Hong Kong); and
- Copyright Ordinance (Chapter 528 of the Laws of Hong Kong).

Data Protection and Privacy

Information has varying degrees of sensitivity and criticality. The Group classifies information into three categories according to its asset management policy, namely public, internal use and confidential. Information is labelled and handled according to their sensitivity to ensure sufficient level of protection. Access to confidential information is restricted, in which they are either password-protected, encrypted or can only be accessed upon authorisation of the management.

Complying with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Group collects and uses data from job applicants, employees and customer in a lawful and fair manner. Employees of the Group are required to sign employment contracts with contractual obligations which include code of conduct and confidentiality clauses that prohibit employees from disclosing trade secrets, confidential information and customers' information without permission. Apart from the information security policy, the Group has also established procedures on management of cryptographic keys, which maintains confidentiality, integrity, authenticity and non-repudiation of the Group's sensitive data. The Group did not note any cases of material non-compliance regarding data protection and privacy as required by related laws and regulations during the Year.

Customer Communication

The Group is committed to providing quality service to its customers. It complies with the ISO/IEC 20000-1:2011 service management system and established a business relationship management procedure to ensure maintenance of good relationship with customers through understanding customers and their business needs, regular review of service level achievements and timely resolution of customers' complaints.

To manage customer satisfaction, the Group maintains a list of customers and reviews it on a half-yearly basis. Interim meetings and annual meetings are organized on a quarterly and yearly basis to discuss service performance and achievement of the Group. The Group analyses customer surveys and establishes service improvement plans after meetings to follow up with the customers.

Upon receipt of product or service-related enquiries or complaints, customers' information will be recorded and cases will be transferred to relevant departments for further handling. Initial assessment will be conducted to determine complaints in terms of severity, safety implication, complexity, impact and the need or possibility of immediate action. Respective departments will take reasonable efforts to investigate all relevant circumstances and information surrounding the complaint, followed by communicating with the complainant regarding the decision and action to be taken. If the complaint cannot be resolved immediately, the case will be escalated to the higher management. Action plans to address the complaints and customers' satisfaction will be evaluated after the complaints are settled. There was no complaint in relation to the Group's products and services, nor product sold or shipped subject to recalls for safety and health reasons during the Year.

(iii) Anti-corruption

The Group believes that honesty, integrity and fair play are essential values in its business. It has established the anti-corruption policy to ensure that the Group's reputation is not tarnished by dishonesty, disloyalty or corruption. The policy stipulates standards of behaviour and explains proper procedures and response to different situations in business dealings.

Conflict of Interest

Conflict of interest arises when the personal interests of staff compete or conflict with the interests of the Group. Staff should avoid such situations, actual or potential, which may compromise his/her integrity and put the Group's interests and reputation at stake. Staff must declare to the Group any financial interest, direct or indirect, which he/she or members of his/her immediate family may have, in any business or other organisation which competes with the Group or with which the Group has business dealings.

Anti-Corruption

Any staff soliciting or accepting an advantage in connection with his/her work without the permission of the employer commits an offence under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). The offeror will also commit an offence. The term "advantage" is defined in the said ordinance and includes gift, loan, fee, reward, office employment, contract, service and favour.

The Group was in compliance with the said ordinance during the Year. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the Year.

Whistle-blowing Policy

The Group is committed to the highest possible standards of openness, probity and accountability. In line with the standards it upholds, the Group expects and encourages its employees, customers, suppliers and other stakeholders who have concerns about any suspected misconduct or malpractice within the Group to voice those concerns. Upon receipt of complaints, the Group will endeavour to respond fairly and properly.

Persons making appropriate complaints under the policy are assured of protection against unfair dismissal, victimisation or unwarranted disciplinary action, even if the concerns turn out to be unsubstantiated. Employees who victimise or retaliate against those who have raised concerns under the policy will be subject to disciplinary actions.

3. Community Investment

Apart from caring for its employees, the Group cares for its community and discharges its corporate social responsibilities by actively participating in voluntary services. With its care for people and the environment, the Group has long been recognised by the Hong Kong Council of Social Service with the "Caring Company Award" for ten consecutive years.

(i) Voluntary Services

During the Year, the Group donated around HK$12,000 to voluntary programmes such as the Rice Dumpling Delivery Voluntary Services 2017 and Mooncake Delivery Voluntary Services 2017 with a total of 33 employees participated as volunteers. The Group also donated around HK$1,581,000 to the Community Chest through the Christmas Greeting for the Chest Programme and the Corporate and Employee Contribution Programme.

(ii) Scholarships and Bursaries

The Group is dedicated to nourishing the younger generation. During the Year, it provided scholarships and bursaries to outstanding students and students who need financial assistance:

- a total of HK$200,000 was donated to City University of Hong Kong, providing scholarships or bursaries to students with good conduct and outstanding academic performances in computer science or information systems. Priorities were given to those in need of financial assistance; and

- a total of HK$78,750 was donated to Operation Blessing Hong Kong Ltd. to provide bursaries for university students' living costs.

Independent Auditor's Report

Deloitte.

德勤

TO THE SHAREHOLDERS OF MICROWARE GROUP LIMITED
(美高域集團有限公司)
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Microware Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 54 to 93, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of Inventories	
We identified valuation of inventories as a key audit matter due to the use of judgment and estimates by management in identifying obsolete and slow-moving inventories and estimating the allowance for inventories. Obsolete and slow-moving inventories were identified by management based on ageing analysis and conditions and marketability of inventories. Allowance was applied to inventories based on assessment of net realisable value by management by considering the latest selling prices and current market conditions. As set out in note 15 to the consolidated financial statements, the Group had inventories of HK$25,244,000 (net of allowance of inventories of HK$2,392,000) as at 31 March 2018.	Our procedures in relation to the valuation of inventories included: • Obtaining an understanding of how allowance for inventories is estimated by the management; • Obtaining an understanding of the key controls of the Group in relation to identification of slow-moving and obsolete inventories and preparation of ageing analysis of inventories; • Testing the ageing analysis of the inventories, on a sample basis, to the source documents; • Assessing the reasonableness of the net realisable value of inventories estimated by the management for those slow-moving and obsolete inventories with reference to the recent selling prices, movements, physical conditions, ageing analysis and subsequent sales of inventories; and • Testing the subsequent sales, on a sample basis, to source documents.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of trade receivables	
We identified the valuation of trade receivables as a key audit matter due to the use of judgement and estimates by the management on the evaluation of the recoverability of trade receivables. In determining the allowance for bad and doubtful debts, the management considers current creditworthiness, the past collection history of each customer, ageing analysis and subsequent settlement of individual balances. As set out in note 16 to the consolidated financial statements, the carrying amount of trade receivables is HK$150,503,000 (net of allowance for bad and doubtful debts of HK$277,000) as at 31 March 2018.	Our procedures in relation to the valuation of trade receivables included: • Obtaining an understanding of how allowance for bad and doubtful debts is estimated by the management; • Obtaining an understanding of the key controls over assessing the recoverability of trade receivables; • Testing the ageing analysis of the Group's trade receivables, on a sample basis, to source documents; • Assessing the reasonableness of allowance for bad and doubtful debts with reference to current creditworthiness, the past collection history of each customer, ageing analysis and subsequent settlement of individual balances; and • Testing subsequent settlements, on a sample basis, to source documents.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Hung Suk Fan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 June 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	NOTES	**2018** **HK$'000**	2017 HK$'000
Revenue	5	**1,096,205**	1,124,374
Cost of sales		**(976,975)**	(996,536)
Gross profit		**119,230**	127,838
Other income	6	**1,330**	1,088
Other gains and losses, net	6	**416**	2,072
Other expenses		**(1,906)**	(1,358)
Distribution and selling expenses		**(56,657)**	(59,602)
Administrative expenses		**(26,525)**	(23,061)
Listing expenses		**—**	(18,889)
Profit before taxation		**35,888**	28,088
Taxation	7	**(5,806)**	(8,128)
Profit and total comprehensive income for the year	8	**30,082**	19,960
Earnings per share	11		
Basic (HK$)		**0.10**	0.08

Consolidated Statement of Financial Position

As at 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**1,071**	1,055
Deferred tax asset	13	**388**	388
Deposit paid for acquisition of property, plant and equipment		**842**	—
Prepayments and deposits	16	**998**	2,283
Derivative financial instruments	14	**182**	—
		3,481	3,726
CURRENT ASSETS			
Inventories	15	**25,244**	24,258
Trade and other receivables, prepayments and deposits	16	**167,838**	124,380
Pledged bank deposit	17	**2,270**	—
Bank balances and cash	17	**246,552**	271,824
		441,904	420,462
CURRENT LIABILITIES			
Trade and other payables and accruals	18	**226,880**	214,914
Tax liabilities		**118**	3,211
		226,998	218,125
NET CURRENT ASSETS		**214,906**	202,337
TOTAL ASSETS LESS CURRENT LIABILITIES		**218,387**	206,063
NON-CURRENT LIABILITIES			
Derivative financial instruments	14	**—**	442
Deferred revenue	18	**3,933**	3,249
		3,933	3,691
NET ASSETS		**214,454**	202,372
CAPITAL AND RESERVES			
Share capital	19	**3,000**	3,000
Reserves		**211,454**	199,372
TOTAL EQUITY		**214,454**	202,372

The consolidated financial statements on pages 54 to 93 were approved and authorised for issue by the Board of Directors on 26 June 2018 and are signed on its behalf by:

Chu Ming Ho
DIRECTOR

Yang Shun Tsing
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (note)	Retained profits HK$'000	Total HK$'000
At 1 April 2016	—	—	70,832	33,283	104,115
Profit and total comprehensive income for the year	—	—	—	19,960	19,960
Issue of shares (note 19)	600	87,000	—	—	87,600
Capitalisation issue (note 19)	2,400	(2,400)	—	—	—
Transaction costs directly attributable to issue of shares	—	(9,303)	—	—	(9,303)
At 31 March 2017	**3,000**	**75,297**	**70,832**	**53,243**	**202,372**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**30,082**	**30,082**
Dividend paid (note 10)	**—**	**—**	**—**	**(18,000)**	**(18,000)**
At 31 March 2018	**3,000**	**75,297**	**70,832**	**65,325**	**214,454**

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.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	NOTE	**2018 HK$'000**	2017 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**35,888**	28,088
Adjustments for:			
Interest income		**(852)**	(247)
Allowance for bad and doubtful debts, net		**32**	—
Allowance (reversal of allowance) for inventories		**1,488**	(2,044)
Fair value changes of derivative financial instruments		**(812)**	(1,251)
Depreciation		**792**	881
Written-off of property, plant and equipment		**—**	2
Operating cash flows before movements in working capital		**36,536**	25,429
(Increase) decrease in inventories		**(2,474)**	32,197
(Increase) decrease in trade and other receivables, prepayments and deposits		**(42,205)**	53,767
Increase (decrease) in trade and other payables, accruals and deferred revenue		**17,224**	(20,377)
Net change in derivative financial instruments		**188**	763
Cash generated from operations		**9,269**	91,779
Income tax paid		**(8,899)**	(7,399)
NET CASH FROM OPERATING ACTIVITIES		**370**	84,380
INVESTING ACTIVITIES			
Bank interest received		**852**	247
Purchase of property, plant and equipment		**(808)**	(289)
Deposit paid for acquisition of property, plant and equipment		**(842)**	—
Placement of time deposits		**(10,694)**	(13,000)
Withdrawal of time deposits		**3,000**	—
Placement of pledged bank deposit		**(2,270)**	—
NET CASH USED IN INVESTING ACTIVITIES		**(10,762)**	(13,042)
FINANCING ACTIVITIES			
Proceeds from issue of shares		**—**	87,600
Settlement of transaction costs directly attributable to issue of shares		**(4,574)**	(8,151)
Dividend paid		**(18,000)**	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(22,574)**	79,449
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(32,966)**	150,787
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**258,824**	108,037
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	17	**225,858**	258,824

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. GENERAL

Microware Group Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 20 January 2016. The addresses of the Company's registered office and the principal place of business are at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 1/F, Century Centre, 44-46 Hung To Road, Kwun Tong, Kowloon, Hong Kong, respectively.

The Company's immediate and ultimate holding company is Microware International Holdings Limited ("Microware International"). Microware International is a limited liability company incorporated in the British Virgin Islands (the "BVI") and wholly owned by Mr. Yang Peter Shun Tsing ("Mr. Yang"), who is an executive director of the Company.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 27. The Company and its subsidiaries (the "Group") is principally engaged in the provision of information technology ("IT") infrastructure solution services and IT managed services in Hong Kong.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs and interpretation in issue but not yet effective

HKFRS 9 *Financial Instruments* *(continued)*

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods; and

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate that all other financial assets and financial liabilities would continue to be measured on the same bases as are currently measured under HKAS 39.

Based on the assessment by the directors of the Company, when the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 April 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 April 2018.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including Hong Kong Accounting Standard ("HKAS") 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs and interpretation in issue but not yet effective *(continued)*

HKFRS 15 *Revenue from Contracts with Customers (continued)*

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs and interpretation in issue but not yet effective *(continued)*

HKFRS 16 *Leases* *(continued)*

As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK$2,803,000 as disclosed in note 21. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$389,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except for above, the directors of the Company do not anticipate that the application of the other new and revised HKFRSs will have a material effect on the amounts recognised in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on fair value of the consideration given in exchange for goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 "Leases" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in a subsidiary

Investment in a subsidiary is included in the statement of financial position at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from provision of service is recognised when services are provided. Service income received but not yet recognised as revenue are presented as deferred revenue.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment held for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in term of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposit and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Impairment loss for loans and receivables are assessed on an individual basis.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by an entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables and accruals) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Allowance for inventories

Obsolete and slow-moving inventories were identified by management based on ageing analysis and conditions and marketability of inventories. Allowance was applied to inventories based on assessment of net realisable value by management by considering the latest selling prices and current market conditions. Allowance will be provided if the net realisable value is estimated to be below the cost.

Allowance for inventories of HK$1,488,000 is charged for the year ended 31 March 2018 (2017: reversal of allowance for inventories of HK$2,044,000). The carrying amount of inventories is HK$25,244,000 (2017: HK$24,258,000) as at 31 March 2018. The carrying amount of allowance of inventories is HK$2,392,000 (2017: HK$905,000) as at 31 March 2018.

Allowance for bad and doubtful debts

The allowance for bad and doubtful debts of the Group is estimated based on the evaluation of collectability and ageing analysis of individual trade debts performed by the management of the Company. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each customer, and/or the age and subsequent settlement of individual balances. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at 31 March 2018, the carrying amount of trade receivables is HK$150,503,000 (2017: HK$107,047,000). During the year ended 31 March 2018, allowance for trade receivables of HK$32,000 (2017: nil) was recognised.

5. REVENUE AND SEGMENT INFORMATION

Revenue

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

The Group determines its operating segments based on the reports reviewed by the executive directors 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.

Segment revenue and results

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

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

Notes to the Consolidated Financial Statements
For the year ended 31 March 2018

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Revenue *(continued)*

Segment revenue and results *(continued)*

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

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. 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.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment information

	IT infrastructure solution services business HK$'000	IT managed services business HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment results:				
For the year ended 31 March 2018				
Depreciation	**287**	**221**	**284**	**792**
Allowance for inventories	**1,488**	**—**	**—**	**1,488**
For the year ended 31 March 2017				
Depreciation	290	209	382	881
Reversal of allowance for inventories	(2,044)	—	—	(2,044)

Geographical information

As all the Group's revenue is derived from its operation in Hong Kong and all its non-current assets (excluding financial assets and deferred tax asset) are located in Hong Kong, no geographical information is presented.

Information about major customers

No individual customer was accounted for over 10% of the Group's total revenue during both years.

6. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

	2018 HK$'000	2017 HK$'000
Other income		
Interest income	**852**	247
Others	**478**	841
	1,330	1,088
Other gains and losses, net		
Allowance for bad and doubtful debts, net	**(32)**	—
Fair value changes of derivative financial instruments	**812**	1,251
Net foreign exchange (loss) gain	**(364)**	823
Written-off of property, plant and equipment	**—**	(2)
	416	2,072

Notes to the Consolidated Financial Statements
For the year ended 31 March 2018

7. TAXATION

	2018 **HK$'000**	2017 HK$'000
Hong Kong Profits Tax:		
Current tax	**5,806**	8,128

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

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 **HK$'000**	2017 HK$'000
Profit before taxation	**35,888**	28,088
Taxation at Hong Kong Profits Tax rate of 16.5%	**5,922**	4,635
Tax effect of income not taxable for tax purposes	**(307)**	(247)
Tax effect of expenses not deductible for tax purposes	**243**	3,589
Tax effect of tax losses not recognised	**19**	15
Others	**(71)**	136
Taxation for the year	**5,806**	8,128

8. PROFIT FOR THE YEAR

	2018 **HK$'000**	2017 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' remuneration (note 9)	**4,677**	4,754
Other staff costs	**91,921**	95,000
Contributions to retirement benefits scheme (excluding directors)	**3,258**	3,390
	99,856	103,144
Auditor's remuneration	**1,800**	1,800
Cost of inventories recognised as an expense	**893,715**	905,854
Depreciation of property, plant and equipment	**792**	881
Minimum operating lease payments in respect of office premises and warehouses	**6,675**	6,336
Allowance (reversal of allowance) for inventories (included in cost of sales)	**1,488**	(2,044)

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

The emoluments paid or payable to the directors and chief executive of Company (including emoluments for services as directors of the group entities prior to becoming the directors of the Company) by the Group during the year were as follows:

	Directors' fee HK$'000	Salaries, allowance and other benefits HK$'000	Bonus HK$'000 (note i)	Retirement benefits scheme contribution HK$'000	Total HK$'000
For the year ended 31 March 2018					
Executive directors					
Mr. Yang	—	600	—	—	600
Mr. Chu Ming Ho ("Mr. Chu") (note ii)	94	2,785	659	59	3,597
Non-executive director					
Mr. Wan Yiu Hon	120	—	—	—	120
Independent non-executive directors					
Mr. Cheng Tak Chung (note iii)	120	—	—	—	120
Ms. Li Wai Man (note iii)	120	—	—	—	120
Mr. Li Richard King Hung (note iii)	120	—	—	—	120
	574	**3,385**	**659**	**59**	**4,677**

	Directors' fee HK$'000	Salaries, allowance and other benefits HK$'000	Bonus HK$'000 (note i)	Retirement benefits scheme contribution HK$'000	Total HK$'000
For the year ended 31 March 2017					
Executive directors					
Mr. Yang	—	600	—	—	600
Mr. Chu (note ii)	94	2,841	1,041	59	4,035
Non-executive director					
Mr. Wan Yiu Hon	95	—	—	—	95
Independent non-executive directors					
Mr. Cheng Tak Chung (note iii)	8	—	—	—	8
Ms. Li Wai Man (note iii)	8	—	—	—	8
Mr. Li Richard King Hung (note iii)	8	—	—	—	8
	213	3,441	1,041	59	4,754

Notes to the Consolidated Financial Statements
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9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

Directors' and chief executive's emoluments *(continued)*

Notes:

(i) Bonus was determined by reference to their duties and responsibilities of the relevant individual within the Group and the Group's performance.

(ii) Mr. Chu acts as the chairman and chief executive officer of the Group. Included in salaries, allowance and other benefits was rental expense of director's quarter occupied by Mr. Chu paid by the Group to the landlord, Mr. Yang, of HK$1,140,000 for the year ended 31 March 2018 (2017: HK$1,045,000) as set out in note 23.

(iii) Mr. Cheng Tak Chung, Ms. Li Wai Man and Mr. Li Richard King Hung were appointed as independent non-executive directors on 14 February 2017.

The executive directors' emoluments stated above were for their services in connection with the management of the affairs of the Company and subsidiaries undertaking. The non-executive director's emoluments shown above were for his services as the director of the Company and its subsidiaries. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

During both years, no remuneration was paid by the Company to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. The directors of the Company have not waived any remuneration during the year.

Employees' emoluments

The five highest paid individuals of the Group include one (2017: one) director of the Company for the year ended 31 March 2018, whose emoluments are included in the disclosures above. The emoluments of the remaining four (2017: four) individuals for the year ended 31 March 2018, are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other benefits	**2,817**	2,663
Bonuses	**1,556**	1,708
Contributions to retirement benefits scheme	**107**	105
	4,480	4,476

The number of highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2018 No. of employees	2017 No. of employees
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**3**	3

During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2018

10. DIVIDEND

During the year ended 31 March 2018, the Company declared and paid dividends of HK$18,000,000 of HK$0.06 per share (2017: nil) in respect of the year ended 31 March 2017 to its shareholders.

A final dividend of HK$0.07 per share of the Company in respect of the year ended 31 March 2018 (2017: HK$0.06 per share) has been proposed by the directors of the Company, which is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

11. EARNINGS PER SHARE

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

	2018 **HK$'000**	2017 HK$'000
Earnings:		
Profit for the year for the purpose of basic earnings per share	**30,082**	19,960

	2018 **'000**	2017 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**300,000**	243,945

The weighted average number of ordinary shares for the year ended 31 March 2017 for the purpose of calculating basic earnings per share has been determined on the assumption that the capitalisation issue as described in note 19 had been effective on 1 April 2016.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 April 2016	4,762	10,687	296	15,745
Additions	—	289	—	289
Written-off	—	(59)	—	(59)
At 31 March 2017	**4,762**	**10,917**	**296**	**15,975**
Additions	**—**	**808**	**—**	**808**
Written-off	**—**	**(282)**	**—**	**(282)**
At 31 March 2018	**4,762**	**11,443**	**296**	**16,501**
ACCUMULATED DEPRECIATION				
At 1 April 2016	4,699	9,117	280	14,096
Provided for the year	14	851	16	881
Eliminated on written-off	—	(57)	—	(57)
At 31 March 2017	**4,713**	**9,911**	**296**	**14,920**
Provided for the year	**14**	**778**	**—**	**792**
Eliminated on written-off	**—**	**(282)**	**—**	**(282)**
At 31 March 2018	**4,727**	**10,407**	**296**	**15,430**
CARRYING VALUE				
At 31 March 2018	**35**	**1,036**	**—**	**1,071**
At 31 March 2017	49	1,006	—	1,055

Depreciation is charged so as to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the shorter of lease term or 20%
Furniture, fixtures and office equipment	20%-33$^{1}/_{3}$%
Motor vehicles	33$^{1}/_{3}$%

Notes to the Consolidated Financial Statements
For the year ended 31 March 2018

13. DEFERRED TAXATION

The following are the major deferred tax asset arising from accelerated accounting depreciation recognised by the Group and movement thereon during the year.

	HK$'000
At 1 April 2016, 31 March 2017 and 31 March 2018	**388**

At 31 March 2018, the Group had estimated unused tax losses of approximately HK$1,412,000 (2017: HK$1,326,000) to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

14. 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 0.05, 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	13 August 2015	7.7250	7.7600	15 September 2015	15 August 2017
Contract B	US$300,000	US$600,000	25 February 2016	7.7300	7.7300	8 September 2016	9 August 2017
Contract C	US$300,000	US$600,000	25 February 2016	7.7300	7.7300	22 September 2016	24 August 2017
Contract D	US$300,000	US$600,000	31 March 2017	7.7300	7.7800	15 September 2017	15 March 2019
Contract E	US$300,000	US$600,000	28 June 2017	7.7400	7.7400	11 September 2017	11 June 2019
Contract F	US$300,000	US$600,000	28 June 2017	7.7400	7.7400	26 September 2017	26 June 2019

Note: The contract maturity date approximates to the ending fixing date.

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

15. INVENTORIES

	2018 HK$'000	2017 HK$'000
Finished goods	**25,244**	24,258

16. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2018 **HK$'000**	2017 HK$'000
Trade receivables	**150,780**	107,292
Less: Allowance for bad and doubtful debts	**(277)**	(245)
	150,503	107,047
Rental deposits	**389**	344
Prepayments for costs of maintenance services	**12,947**	16,120
Others	**4,997**	3,152
Total trade and other receivables, deposits and prepayments	**168,836**	126,663
Analysed as:		
Current	**167,838**	124,380
Non-current	**998**	2,283
	168,836	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 rating to customers are reviewed on a regular basis. The Group allows credit period of 30 to 60 days to its customers.

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

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

As at 31 March 2018, aggregate carrying amounts of HK$87,964,000 (2017: HK$55,787,000) were past due respectively for which the Group has not provided for impairment loss as there were settlements subsequent to the end of the reporting period or there were continuous settlements by the respective customers and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 64.3 days (2017: 63.5 days) as at 31 March 2018.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2018

16. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(continued)*

Ageing of trade receivables from third parties past due but not impaired

	2018 HK$'000	2017 HK$'000
0 to 30 days	**31,269**	22,648
31 to 60 days	**14,390**	11,269
61 to 90 days	**31,395**	7,404
91 to 120 days	**2,855**	9,249
121 to 180 days	**2,749**	2,664
Over 180 days	**5,306**	2,553
	87,964	55,787

Movement in the allowance for bad and doubtful debts

	2018 HK$'000	2017 HK$'000
At the beginning of the reporting period	**245**	495
Impairment loss recognised on receivables	**32**	—
Amounts written off as uncollectible	**—**	(250)
At the end of the reporting period	**277**	245

17. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

	2018 HK$'000	2017 HK$'000
Cash on hand	**22**	26
Bank balances/deposits with original maturity within three months or less	**225,836**	258,798
Cash and cash equivalents	**225,858**	258,824
Bank deposits with original maturity over three months	**20,694**	13,000
Bank balances and cash	**246,552**	271,824
Pledged bank deposit	**2,270**	—

Bank balances and cash comprise cash and short-term bank deposits held by the Group and carry interest at market rates ranging from 0.01% to 2.40% (31 December 2017: 0.01% to 2.50%) per annum. Pledged bank deposit carries fixed interest rate at 0.60% per annum for securing banking facilities granted to the Group.

18. TRADE AND OTHER PAYABLES AND ACCRUALS

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

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

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

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

19. SHARE CAPITAL

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

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2016	**39,000,000**	**390**
Increase in authorised share capital (note i)	**4,961,000,000**	**49,610**
At 31 March 2017 and 2018	**5,000,000,000**	**50,000**
Issued and fully paid:		
At 1 April 2016	**120,000**	**—**
Issue of shares (note ii)	**60,000,000**	**600**
Capitalisation issue (note iii)	**239,880,000**	**2,400**
At 31 March 2017 and 2018	**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.

20. RETIREMENT BENEFITS SCHEME

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The retirement benefits scheme contributions arising from the MPF Scheme of HK$3,317,000 (2017: HK$3,449,000) charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the MPF Scheme by the Group.

21. 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:

	2018 **HK$'000**	2017 HK$'000
Within one year	**2,803**	3,141
After one year but within five years	**—**	1,310
	2,803	4,451

The Group leases its office premises and a warehouse from a related company, a director's quarter from Mr. Yang 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 the year.

22. CAPITAL COMMITMENT

At 31 March 2018, the Group has capital commitment of HK$980,000 (2017: nil) in respect of the acquisition of property, plant and equipment contracted but not provided for.

23. RELATED PARTY TRANSACTIONS

The Group had entered into the following related party transactions:

	2018 **HK$'000**	2017 HK$'000
Rental paid to Microware Properties limited ("Microware Properties")	**5,880**	5,584
Rental paid to Mr. Yang	**1,140**	1,045

During both years, 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 as the director's quarter.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2018

23. RELATED PARTY TRANSACTIONS *(continued)*

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 (2017: HK$1,470,000) as at 31 March 2018 and rental of director's quarter with Mr. Yang amounted to HK$1,140,000 (2017: HK$2,280,000) as at 31 March 2018.

Compensation of key management personnel

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

	2018 **HK$'000**	2017 HK$'000
Short-term benefits	**10,620**	11,151
Post-employment benefits	**181**	181
	10,801	11,332

24. 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 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 31 March 2018

	Gross/net amounts presented on consolidated statement of financial position	**Related amount not set off in consolidated statement of financial position**		
		Financial instrument	**Cash collateral received/ pledged**	**Net amount**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recognised financial assets:				
— Bank balances	**30,278**	**—**	**—**	**30,278**
— Derivative financial instruments	**182**	**—**	**—**	**182**

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

At 31 March 2017

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

25. CONTINGENT LIABILITIES

As at 31 March 2018, the performance guarantees of the Group of approximately HK$17,205,000 (2017: HK$17,100,000) were given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance guarantees have been given, such customers may demand the bank to pay them the sum or sum stipulated in such demand. The Group will become liable to compensate the bank accordingly. The performance guarantee will be released upon completion of the contract works.

As at 31 March 2018 and 2017, the directors of the Company did not consider that it is probable that a claim will be made against the Group.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2018

26. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current asset		
Investment in a subsidiary	—*	—*
Current assets		
Other receivables, prepayment and deposits	206	695
Amount due from a subsidiary	30,000	—
Bank balances and cash	56,278	83,070
	86,484	83,765
Current liabilities		
Other payables and accruals	4,201	6,254
Amount due to a subsidiary	1,460	23,345
	5,661	29,599
Net current assets	80,823	54,166
Net assets	80,823	54,166
Capital and reserves		
Share capital (note 19)	3,000	3,000
Reserves (note)	77,823	51,166
	80,823	54,166

* Less than HK$1,000

26. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(continued)

Note:

Reserves of the Company

	Share premium HK$'000	(Accumulated losses) retained profits HK$'000	Total HK$'000
At 1 April 2016	—	(2,455)	(2,455)
Loss and total comprehensive expense for the year	—	(21,676)	(21,676)
Issue of shares (note 19)	87,000	—	87,000
Capitalisation issue (note 19)	(2,400)	—	(2,400)
Transaction costs directly attributable to issue of shares	(9,303)	—	(9,303)
At 31 March 2017	75,297	(24,131)	51,166
Profit and total comprehensive income for the year	—	44,657	44,657
Dividend paid (note 10)	—	(18,000)	(18,000)
At 31 March 2018	75,297	2,526	77,823

27. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at the end of each reporting period are as follows:

Name of subsidiary	Place of incorporation/ operation	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest attributable to the Company 2018	2017	Principal activities
Microware Hong Kong Limited^	BVI	HK$1	100%	100%	Investment holding
Microware Limited	Hong Kong	US$6,000,000	100%	100%	Provision of IT infrastructure solutions services and provision of IT managed services
Cumulus Managed Services Limited	Hong Kong	HK$1	100%	100%	Provision of IT infrastructure solutions services
Microware Computer Systems Limited	Hong Kong	HK$10,000	100%	100%	Inactive
ProAct IT Services Limited	Hong Kong	HK$100,000	100%	100%	Provision of IT managed services

^ Directly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the year.

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior years.

The capital structure of the Group represents equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and raise of new loan borrowings.

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 **HK$'000**	2017 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**400,462**	380,131
Derivative financial instruments	**182**	—
Financial liabilities		
Amortised cost	**164,570**	159,170
Derivative financial instruments	**—**	(442)

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade and other payables and accruals, derivative financial instruments, pledged bank deposit as well as bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

29. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risks

Interest rate risk

The Group's fair value interest rate risk relates primarily to pledged bank deposit (note 17). The Group's cash flow interest rate risk relates primarily to variable-rate bank balances (note 17).

The Group has not used any interest rate hedging policy to mitigate its exposure associated with interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The directors of the Company consider the Group's exposure to future cash flow interest rate risk is minimal taking into account the minimal fluctuation on market interest rate and carrying amounts as at 31 March 2018 and 2017. Accordingly, no sensitivity analysis on interest rate risk is presented.

Currency risk

The Group has foreign currency purchases, which exposes the Group to foreign currency risk. Certain bank balances and cash and trade payables of the Group are denominated in foreign currencies. The carrying amounts of the Group's bank balances and cash and trade payables denominated in foreign currencies at the end of each reporting period are as follows:

	Bank balances and cash		**Trade payables**	
	2018 **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000
US$	**2,496**	10,884	**65,064**	55,741
Renminbi ("RMB")	**8,224**	7,411	**—**	—

The Group has entered into certain foreign exchange forward contract as set out in note 14 to mitigate foreign exchange exposure arising on the purchase to external parties. The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

No sensitivity analysis is provided on derivative financial instruments as the management of the Company considers that the effect of the foreign exchange rate fluctuations on the fair value of derivative financial instruments are considered as insignificant.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2018

29. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risks *(continued)*

Sensitivity analysis

The change in exchange rate of HK$ against US$ has not been considered in the sensitivity analysis as HK$ is pegged to US$. In the opinion of the directors of the Company, the Group does not expect any significant movements between the exchange rate of US$ against HK$. Hence, only sensitivity of the change in foreign exchange rate of HK$ against RMB is considered. The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding RMB denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit for the year where RMB strengthen 5% against HK$. For a 5% weakening of RMB against HK$, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	2018	2017
	HK$'000	HK$'000
Increase in post-tax profit for the year	**411**	371

Credit risk

As at 31 March 2018 and 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of material individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with good reputation.

29. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The contractual maturity of the Group for its non-derivative financial liabilities with undiscounted cash flow of HK$164,570,000 as at 31 March 2018 (2017: HK$159,170,000), based on the earliest date on which the Group can be required to pay, are repayable on demand or within 3 months.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual cash inflows and outflows on derivative instruments by using the forward rate published by independent researchers as at 31 March 2018 and 2017. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as the management of the Company considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	On demand or less than 3 months HK$'000	**3 months to 1 year** HK$'000	**1-5 years** HK$'000	**Total undiscounted cash flows** HK$'000	**Total carrying amount of derivative forward contract assets (liabilities)** HK$'000
As at 31 March 2018					
Derivative – net settlement	**241**	**724**	**196**	**1,161**	**182**
As at 31 March 2017					
Derivative – net settlement	(277)	(439)	(350)	(1,066)	(442)

29. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurements of financial instruments

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

Some of the Group's financial assets and 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 assets and liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial liabilities	Fair value as at 31 March 2018	2017	Fair value hierarchy	Valuation technique	Key input
Derivative financial instruments	**Assets: HK$182,000**	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 the year.

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 consolidated statement of financial position approximate their fair values.

Financial Summary

RESULTS

	For the year ended 31 March				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Revenue	1,082,087	1,064,152	1,075,491	1,124,374	**1,096,205**
Profit before taxation	42,000	41,252	38,258	28,088	**35,888**
Taxation	(7,027)	(7,279)	(7,055)	(8,128)	**(5,806)**
Profit for the year	34,973	33,973	31,203	19,960	**30,082**
Attributable to:					
Owners of the Company	29,301	27,534	24,861	19,960	**30,082**
Non-controlling interests	5,672	6,439	6,342	—	**—**
	34,973	33,973	31,203	19,960	**30,082**
Earnings per share					
Basic (HK$)	0.15	0.14	0.13	0.08	**0.10**

ASSETS AND LIABILITIES

	At 31 March				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Total assets	390,389	402,827	345,401	424,188	**445,385**
Total liabilities	(224,142)	(247,286)	(241,286)	(221,816)	**(230,931)**
	166,247	155,541	104,115	202,372	**214,454**
Equity attributable to owners of the Company	139,298	126,106	104,115	202,372	**214,454**
Non-controlling interests	26,949	29,435	—	—	**—**
	166,247	155,541	104,115	202,372	**214,454**