



Microware Group Limited
美高域集團有限公司

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

Hybrid IT Infrastructure

Security

Smart Workspace

Managed Services

2022
INTERIM
REPORT

BOARD OF DIRECTORS

Executive Directors

CHU Ming Ho
(Chairman and Chief Executive Officer of the Group)
YANG Peter Shun Tsing
CHENG Wing Fai
Au Man Wah (appointed on 1 July 2022)

Non-Executive Directors

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
Certified Public Accountants
Registered Public Interest Entity Auditors

LEGAL ADVISERS

As to Hong Kong Law

Sidley Austin
Solicitors, Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKS

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

COMPANY'S WEBSITE

www.microware1985.com

STOCK CODE

1985

Management Discussion and Analysis

BUSINESS REVIEW

Microware Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is principally engaged in the provision of information technology (“**IT**”) infrastructure solution services and IT managed services in Hong Kong. The Group strives to provide one-stop IT experience which begins with (i) consultation and advice; (ii) hardware and/or software procurement; (iii) implementation; (iv) management and maintenance of the IT infrastructure solutions.

The Group is a well-established IT infrastructure solutions provider based in Hong Kong. During the six months ended 30 September 2022 (the “**Period**”), the total revenue of the Group was approximately HK\$569.0 million, representing an increase of approximately HK\$27.7 million or 5.1% as compared to that for the six months ended 30 September 2021 (the “**Previous Period**”). Such increase was due to the increase in revenue generated from the IT infrastructure solution services and IT managed services business of the Group. Gross profit of the Group for the Period was approximately HK\$58.7 million, representing a decrease of approximately HK\$0.9 million or 1.5% from approximately HK\$59.7 million for the Previous Period. Such decrease was mainly due to the increase in cost of sales of IT infrastructure solution services and IT managed services.

For the Period, the Group received HK\$5.9 million as subsidies from the Employment Support Scheme implemented by the Hong Kong Government as a result of the outbreak of the coronavirus disease (COVID-19). Excluding such subsidies, the financial performance of the Group remained stable amidst COVID-19. However, the board (the “**Board**”) of directors (the “**Directors**”) of the Company considers that the economy of Hong Kong for the second half of this year is still challenging given the continual impact of COVID-19 and the ongoing tensions between the United States and China. The Group will continue to monitor the development of the aforementioned and react actively to its impact (if any) on the financial position and operating results of the Group.

FINANCIAL REVIEW

Revenue

Total revenue of the Group amounted to approximately HK\$569.0 million for the Period, representing an increase of approximately HK\$27.7 million or 5.1% as compared to approximately HK\$541.3 million for the Previous Period. The increase in total revenue was mainly due to the increase in revenue of the business segment of IT infrastructure solution services which was approximately HK\$504.7 million for the Period, representing an increase of approximately HK\$23.5 million or 4.9% as compared to approximately HK\$481.2 million for the Previous Period. The revenue of the business segment of IT managed services which was approximately HK\$64.3 million, representing an increase of approximately HK\$4.1 million or 6.9% as compared to approximately HK\$60.2 million for the Previous Period. For the Period, the business segments of IT infrastructure solution services and IT managed services contributed approximately 88.7% and 11.3% to the total revenue of the Group, respectively.

Cost of sales

The cost of sales of the Group for the Period was approximately HK\$510.3 million, representing an increase of approximately HK\$28.6 million or 5.9% from approximately HK\$481.7 million for the Previous Period. Such increase was mainly due to the increase in cost of IT infrastructure solution services and IT managed services.

Gross profit

Gross profit of the Group for the Period was approximately HK\$58.7 million, representing a decrease of approximately HK\$0.9 million or 1.5% from approximately HK\$59.6 million for the Previous Period. Such decrease was mainly due to the increase in cost of IT infrastructure solution services and IT managed services.

Operating expenses

Total operating expenses of the Group for the Period was approximately HK\$45.2 million, representing an increase of approximately HK\$2.3 million or 5.4% as compared to approximately HK\$42.9 million for the Previous Period. Such increase was due to the increase in selling and distribution expenses and the administrative expenses for the Period.

Profit for the Period

As a result of the foregoing, the profit and total comprehensive income of the Group increased by approximately HK\$3.4 million or 26.4% to approximately HK\$16.3 million for the Period from HK\$12.9 million for the Previous Period. Such increase was primarily due to the receipt of the government subsidies of HK\$5.9 million from the Employment Support Scheme under Anti-Epidemic Fund recognised for the Period.

Liquidity and financial resources

Capital structure

The Group did not have any borrowings as at 30 September 2022 (31 March 2022: approximately HK\$9.0 million). The details of the share capital of the Company during the Period and the Previous Period are set out in note 13 on page 22 of this report.

Cash position

The Group recorded net current assets of approximately HK\$198.7 million as at 30 September 2022 (31 March 2022: approximately HK\$197.5 million). As at 30 September 2022, the Group had cash and cash equivalents of approximately HK\$123.4 million (31 March 2022: approximately HK\$237.3 million).

Capital expenditure

During the Period, the Group's total capital expenditure amounted to approximately HK\$1.7 million (Previous Period: approximately HK\$0.4 million), which was mainly incurred for acquisition of office equipment.

Gearing ratio

The gearing ratio of the Group (total interest-bearing bank loans divided by the total equity and multiplied by 100%) was not applicable as at 30 September 2022 since the Group did not have any interest-bearing liabilities. The gearing ratio of the Group was 4.27% as at 31 March 2022.

Performance guarantees

The Group's performance guarantees as at 30 September 2022 are set out in note 17 of page 24 of this report.

Contingent liabilities

As at 30 September 2022, the Group had no material contingent liabilities (as at 31 March 2022: Nil).

Pledge of assets

As at 30 September 2022, certain of the Group's bank deposits totaling HK\$30.0 million (31 March 2022: HK\$32.3 million) were pledged for securing banking facilities granted to the Group.

Foreign exchange risk

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

HUMAN RESOURCES

As at 30 September 2022, the Group had a total of 252 employees (30 September 2021: 254 employees). For the Period, the total staff costs including Directors' emoluments amounted to approximately HK\$53.5 million (Previous Period: HK\$52.4 million). The remuneration policy of the Group is to offer a competitive remuneration package to its employees, including mandatory provident funds in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and medical insurance coverage to employees who are retained after the probation period. The Group will review the performance of its employees and make reference to such performance reviews in its salary and/or promotional reviews according to its remuneration policy in order to attract and retain talented employees.

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

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

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK\$13.5 million of HK\$0.045 per share (the "**Interim Dividend**") (six months ended 30 September 2021: HK\$0.04 per share) on Tuesday, 29 November 2022 for the Period, which will be payable to the shareholders of the Company in cash on or before Friday, 30 December 2022.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the shareholders' entitlement to the Interim Dividend for the Period, the register of members of the Company will be closed on Tuesday, 20 December 2022, on which day no transfer of shares of the Company (the "**Shares**") will be registered. In order to be eligible for the proposed Interim Dividend for the Period, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for registration no later than 4:30 p.m. on Monday, 19 December 2022.

SIGNIFICANT INVESTMENTS HELD

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

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

The Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Period and no future plans for material investments or capital assets as at 30 September 2022.

IMPORTANT EVENTS AFTER THE PERIOD

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

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).

Set out below is a summary of the actual utilisation of the Net Proceeds as at 30 September 2022 against the planned use of the Net Proceeds, taking into account the reallocations as set out in the Company’s announcements dated 19 December 2019 and 30 June 2022.

	Approximate planned use of Net Proceeds – after reallocation (HK\$’million)	Approximate amount of Net proceeds utilised Utilised during the Period (HK\$’million)	Total utilised as at 30 September 2022 (HK\$’million)	Approximate unutilised Net Proceeds as at 30 September 2022 (HK\$’million)	Actual and expected timeline for utilising the remaining Net Proceeds (HK\$’million)
Upgrading of the IT management systems of the Group	13.4	0.3	13.0	0.4	Expected to be fully utilised on or before 31 December 2023
Enhancing of the Group’s capability to undertake large-scale contracts	21.0	—	16.9	4.1	Expected to be fully utilised on or before 31 December 2024 (Note 1)
Recruitment and training of employees	14.0	0.4	13.5	0.5	Expected to be fully utilized on or before 31 December 2023
Strengthening the marketing efforts of the Group	2.0	—	2.0	—	—
Additional working capital and other general corporate purposes	5.6	—	5.6	—	—
	56.0	0.7	51.0	5.0	

Note 1: As a result of the impact of Covid-19, there had been delay in undertaking large-scale contracts during the Period, the original plan for utilising the Net Proceeds in these areas had further been delayed as disclosed above.

As at 30 September 2022, the unutilised Net Proceeds have been deposited into short-term demand deposit with authorised financial institutions and/or licensed banks in Hong Kong.

FUTURE OUTLOOK

The Group recorded a substantial increase in the profit and total comprehensive income for the Period because the Group received government subsidies from the Employment Support Scheme implemented by the Hong Kong Government. In the Period, the inflation of Hong Kong was getting worse and pointing towards a more difficult economy in Hong Kong. Labour cost was increasing due to the IT talents remained shortage. The subcontracting cost and hardware component cost were increased due to the supply shortage by the prolonged shipment schedules. The group's performance is definitely affected by these factors and will remain continuously for coming months. The ongoing tensions between the United States and China is unpredictable, and the influence of the economic environment is equivocal. As COVID-19 continues to have its impact worldwide, the economic environment of Hong Kong in the second half of this year may improve due to most countries having opened their international borders.

Looking forward, the Group will continue to establish core partnership with key vendors and work with various business partners to expand our business offerings. Moreover, the Group will continue to diversify and broaden our expertise, and we will widen up the skills and solution services for different businesses sectors. We will look for new market opportunities, optimise operational efficiencies and leverage our industry leadership to achieve long-term sustainable growth.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving good corporate governance practices by emphasising its accountability, transparency, independence, responsibility and fairness. The Company's corporate governance practices are based on the principles (the "**Principles**") and code provisions (the "**Code Provisions**") in the Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Save for Code Provision C.2.1 of the CG Code as disclosed below, the Company has applied the Principles and the Directors are of the view that the Company had complied with all applicable Code Provisions during the Period.

The chairman of the Board is responsible for overseeing the strategic planning and leadership of the Group and for ensuring that the entire Board members are properly briefed on issues at Board meetings and receive adequate and reliable information on a timely basis. The chief executive officer of the Group (the "**Chief Executive Officer**") is responsible for the strategic development and maintaining the Company's relationship with companies outside of the Group. Senior management is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

Code Provision C.2.1 of the CG Code provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present separate the 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 the day-to-day responsibilities in operating and managing the Company since April 2000, the Board believes that it is in the best interest of the Company to have Mr. Chu Ming Ho taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from Code Provision C.2.1 of the CG Code is appropriate in such circumstances. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place.

COMPLIANCE WITH THE MODEL CODE

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

Specific enquiry had been made to all Directors and all of the Directors have confirmed that they have fully complied with the required standards and provisions as set out in the Model Code during the Period. No incident of non-compliance was noted by the Company during the Period. The Company has also established written guidelines on no less exacting terms than the Model Code for relevant employees who are likely to be in possession of unpublished inside information of the Group. No incident of non-compliance of the written guidelines by the employees was noted by the Company during the Period.

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

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

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

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

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

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

As at 30 September 2022, the interests or short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(1) Interest in the Company

Name of Director	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Mr. Yang Peter Shun Tsing ("Mr. Yang")	Interest of a controlled corporation ⁽²⁾	164,804,000 (L)	54.9%
	Beneficial owner	40,076,000 (L)	13.4%
Mr. Chu Ming Ho	Beneficial owner	11,500,000 (L)	3.8%
Mr. Au Man Wah	Beneficial owner	90,000 (L)	0.0%

Notes:

- (1) The Letter "L" denotes the person's long position in the Shares. As at 30 September 2022, the Company had 300,000,000 Shares in issue.
- (2) These 164,804,000 Shares are held by Microware International Holdings Limited ("Microware International"), which is beneficially and wholly owned by Mr. Yang. By virtue of the SFO, Mr. Yang is deemed to be interested in the Shares held by Microware International.

(2) Interest in associated corporation of the Company

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

Save as disclosed above, none of the Directors or chief executive of the Company had any interest or short positions in any Shares, underlying Shares and debentures of the Company or any associated corporation as at 30 September 2022, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES

As at 30 September 2022, the interests or short positions in the Shares or underlying Shares held by the persons (not being a Director or chief executive of the Company) as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name 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. As at 30 September 2022, the Company had 300,000,000 Shares in issue.

Save as disclosed above, as at 30 September 2022, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to Section 336 of the SFO.

AUDIT COMMITTEE

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

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

REVIEW OF INTERIM RESULTS

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

By Order of the Board

Microware Group Limited

Chu Ming Ho

Chairman, executive Director and chief executive officer

Hong Kong, 29 November 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2022

	NOTES	Six months ended 30 September	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3	568,984	541,345
Cost of sales		(510,296)	(481,660)
Gross profit		58,688	59,685
Other income		6,258	133
Other gains and losses, net		1,025	356
Other expenses		(1,862)	(1,520)
Distribution and selling expenses		(29,694)	(28,550)
Administrative expenses		(15,462)	(14,318)
Finance costs		(374)	(211)
Profit before taxation		18,579	15,575
Taxation	5	(2,255)	(2,724)
Profit and total comprehensive income for the period	6	16,324	12,851
Profit and total comprehensive income for the period attributable to:			
— owners of the Company		16,325	12,843
— non-controlling interest		(1)	8
		16,324	12,851
Earnings per share	8		
Basic (HK\$)		0.05	0.04

Condensed Consolidated Statement of Financial Position

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As at 30 September 2022

	NOTES	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	16,184	18,721
Deposit paid for acquisition of property, plant and equipment		—	169
Prepayments and deposits	10	2,297	1,797
Derivative financial instrument	12	418	6
		18,899	20,693
CURRENT ASSETS			
Inventories		55,286	55,199
Trade and other receivables, prepayments and deposits	10	215,550	197,721
Pledged bank deposits		30,049	32,348
Bank balances and cash		123,363	237,259
		424,248	522,527
CURRENT LIABILITIES			
Trade and other payables and accruals	11	143,304	212,118
Amount due to a non-controlling interest of a subsidiary		1,099	1,099
Contract liabilities		72,659	92,260
Tax liabilities		835	469
Leases liabilities		7,643	10,087
Bank loans		—	9,000
		225,540	325,033
NET CURRENT ASSETS		198,708	197,494
TOTAL ASSETS LESS CURRENT LIABILITIES		217,607	218,187
NON-CURRENT LIABILITIES			
Contract liabilities		4,686	3,352
Lease liabilities		3,559	3,797
Deferred tax liabilities		242	242
		8,487	7,391
NET ASSETS		209,120	210,796
CAPITAL AND RESERVES			
Share capital	13	3,000	3,000
Reserves		207,083	208,758
Equity attributable to owners of the Company		210,083	211,758
Non-controlling interest		(963)	(962)
		209,120	210,796

The condensed consolidated financial statements on pages 10 to 24 were approved and authorised for issue by the Board of Directors on 29 November 2022 and are signed on its behalf by:

Chu Ming Ho
DIRECTOR

Yang Shun Tsing
DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022

	Attributable to owners of the Company				Total HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained profits HK\$'000			
At 1 April 2022 (audited)	3,000	75,297	70,832	62,629	211,758	(962)	210,796
Profit and total comprehensive income for the period	—	—	—	16,325	16,325	(1)	16,324
Dividends paid (note 7)	—	—	—	(18,000)	(18,000)	—	(18,000)
At 30 September 2022 (unaudited)	3,000	75,297	70,832	60,954	210,083	(963)	209,120
At 1 April 2021 (audited)	3,000	75,297	70,832	72,659	221,788	(968)	220,820
Profit and total comprehensive income for the period	—	—	—	12,843	12,843	8	12,851
Dividends paid (note 7)	—	—	—	(30,000)	(30,000)	—	(30,000)
At 30 September 2021 (unaudited)	3,000	75,297	70,832	55,502	204,631	(960)	203,671

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

Condensed Consolidated Statement of Cash Flows

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For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(82,143)	(63,084)
INVESTING ACTIVITIES		
Bank interest received	291	107
Purchase of property, plant and equipment	(1,719)	(421)
Deposit paid for acquisition of property, plant and equipment	—	(844)
Placement of pledged bank deposits	(14,282)	(39,865)
Withdrawal of pledged bank deposits	16,581	38,627
Placement of time deposits	(5,109)	(5,102)
Withdrawal of time deposits	5,104	5,100
NET CASH FROM (USED IN) INVESTING ACTIVITIES	866	(2,398)
FINANCING ACTIVITIES		
Dividends paid	(18,000)	(30,000)
Repayment of bank loans	(9,000)	—
Repayment of lease liabilities	(5,250)	(3,966)
Interest paid on lease liabilities	(371)	(205)
Interest paid	(3)	—
New bank loans raised	—	5,000
NET CASH USED IN FINANCING ACTIVITIES	(32,624)	(29,171)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(113,901)	(94,653)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	232,155	234,833
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	118,254	140,180

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

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

3. REVENUE FROM GOODS AND SERVICES

	Segment revenue		Total HK\$'000
	IT infrastructure solution services business HK\$'000	IT managed service business HK\$'000	
For the six months ended 30 September 2022 (unaudited)			
Disaggregation of revenue and reconciliation to segment revenue			
Procurement of hardware and software	497,168	—	497,168
Provision of design of solutions	6,363	1,627	7,990
Provision of maintenance and/or support services	1,120	62,706	63,826
Total	504,651	64,333	568,984
Timing of revenue recognition			
A point of time	497,168	—	497,168
Over time	7,483	64,333	71,816
Total	504,651	64,333	568,984
For the six months ended 30 September 2021 (unaudited)			
Disaggregation of revenue and reconciliation to segment revenue			
Procurement of hardware and software	479,617	—	479,617
Provision of design of solutions	1,502	—	1,502
Provision of maintenance and/or support services	41	60,185	60,226
Total	481,160	60,185	541,345
Timing of revenue recognition			
A point of time	479,617	—	479,617
Over time	1,543	60,185	61,728
Total	481,160	60,185	541,345

3. REVENUE FROM GOODS AND SERVICES (continued)

Revenue from major customer types

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

	Segment of IT infrastructure solution services business HK\$'000	Segment of IT managed services business HK\$'000	Total HK\$'000
For the six months ended 30 September 2022 (unaudited)			
Public sector			
Hong Kong Government	131,082	16,227	147,309
Public bodies	91,455	1,443	92,898
Educational institutions and, non-profits organisations	56,723	4,538	61,261
Sub-total	279,260	22,208	301,468
Private sector			
Banking and finance	84,767	22,940	107,707
IT	15,123	3,146	18,269
Telecommunications and media	8,828	1,740	10,568
Transportation	23,951	2,131	26,082
Others	92,722	12,168	104,890
Sub-total	225,391	42,125	267,516
Total	504,651	64,333	568,984
	Segment of IT infrastructure solution services business HK\$'000	Segment of IT managed services business HK\$'000	Total HK\$'000
For the six months ended 30 September 2021 (unaudited)			
Public sector			
Hong Kong Government	70,055	15,118	85,173
Public bodies	113,090	1,934	115,024
Educational institutions and, non-profits organisations	72,282	5,237	77,519
Sub-total	255,427	22,289	277,716
Private sector			
Banking and finance	79,548	20,703	100,251
IT	15,409	1,958	17,367
Telecommunications and media	18,443	1,782	20,225
Transportation	28,432	2,302	30,734
Others	83,901	11,151	95,052
Sub-total	225,733	37,896	263,629
Total	481,160	60,185	541,345

4. SEGMENT INFORMATION

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

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

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

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

	Segment of IT infrastructure solution services business HK\$'000	Segment of IT managed services business HK\$'000	Total HK\$'000
For the six months ended 30 September 2022 (unaudited)			
Segment revenue	504,651	64,333	568,984
Segment results	23,110	6,506	29,616
Other income			6,258
Other gains and losses, net			1,025
Other expenses			(1,862)
Certain distribution and selling expenses			(622)
Administrative expenses			(15,462)
Finance cost			(374)
Profit before taxation			18,579
For the six months ended 30 September 2021 (unaudited)			
Segment revenue	481,160	60,185	541,345
Segment results	20,420	11,244	31,664
Other income			133
Other gains and losses, net			356
Other expenses			(1,520)
Certain distribution and selling expenses			(529)
Administrative expenses			(14,318)
Finance cost			(211)
Profit before taxation			15,575

4. SEGMENT INFORMATION *(continued)*

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

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

Other segment information

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

For the six months ended 30 September 2022 (unaudited)

Depreciation	2,018	484	4,322	6,824
Allowance for inventories	218	—	—	218

For the six months ended 30 September 2021 (unaudited)

Depreciation	524	508	4,066	5,098
Allowance for inventories	1,373	—	—	1,373

5. TAXATION

	Six months ended 30 September 2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	2,255	2,724

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period ended 30 September 2022 and 2021.

6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	456,450	435,383
Depreciation of property, plant and equipment	6,824	5,098
Allowance for inventories, net (included in cost of sales)	218	1,373

7. DIVIDENDS

During the period, a final dividend of HK\$0.06 per share in respect of the year ended 31 March 2022 (2021: HK\$0.05 per share and special dividend of HK\$0.05 per share) was declared and paid to owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK\$18 million (2021: HK\$30 million).

Subsequent to the end of the period, the directors of the Company have declared that an interim dividend of HK\$0.045 per share amounting to HK\$13.5 million in aggregate (30 September 2021: HK\$12 million) will be paid to ordinary shareholders of the Company.

8. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Earnings:		
Earnings for the period for the purpose of basic earnings per share	16,325	12,843
	'000	'000
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	300,000	300,000

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group spent HK\$1,719,000 (for the six months ended 30 September 2021: HK\$421,000) on the acquisition of property, plant and equipment.

10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Trade receivables	186,258	172,419
Less: Allowance for credit losses	(9)	(9)
	186,249	172,410
Rental and utilities deposits	320	320
Prepayments for costs of maintenance services	22,578	21,860
Others	8,700	4,928
Total trade and other receivables, deposits and prepayments	217,847	199,518
Analysed as:		
Current	215,550	197,721
Non-current	2,297	1,797
	217,847	199,518

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

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

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

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
0 to 30 days	97,439	94,627
31 to 60 days	48,908	35,398
61 to 90 days	15,201	15,912
91 to 120 days	6,751	8,146
121 to 180 days	7,428	6,586
Over 180 days	10,522	11,741
	186,249	172,410

11. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Trade payables	100,935	152,066
Accrued staff costs	20,804	18,182
Accrued purchases	6,023	26,110
Others	15,542	15,760
	143,304	212,118

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

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
0 to 30 days	40,625	89,964
31 to 60 days	38,825	37,824
61 to 90 days	19,899	21,318
Over 90 days	1,586	2,960
	100,935	152,066

12. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	Notional amount 1	Notional amount 2	Contract date	Lower Strike price	Upper Strike price	Beginning fixing date	Ending fixing date (note)
As at 31 March 2022 (audited):							
Contract A	US\$600,000	US\$1,200,000	4 November 2021	7.749	7.749	8 December 2021	3 November 2023
As at 30 September 2022 (unaudited):							
Contract A	US\$600,000	US\$1,200,000	12 August 2022	7.784	7.784	16 September 2022	12 August 2024
Contract B	US\$600,000	US\$1,200,000	24 June 2022	7.750	7.750	27 October 2022	30 September 2024

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

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

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2021, 30 September 2021, 1 April 2022 and 30 September 2022	5,000,000,000	50,000
Issued and fully paid:		
At 1 April 2021, 30 September 2021, 1 April 2022 and 30 September 2022	300,000,000	3,000

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

14. CAPITAL COMMITMENT

At 30 September 2022, the Group has capital commitment of HK\$116,000 (31 March 2022: HK\$605,000) in respect of the acquisition of property, plant and equipment contracted but not provided for.

15. RELATED PARTY TRANSACTIONS

The Group had entered into the following related party transactions:

Name of related party	Nature of transactions	Six months ended 30 September	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Microware Properties limited	Interest expenses on lease liabilities	150	127
	Lease liabilities	3,157	3,166
Mr. Yang	Interest expenses on lease liabilities	22	19
	Lease liabilities	472	473

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

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

Mr. Yang is the controlling shareholder of Microware Properties.

Compensation of key management personnel

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

	Six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Short-term benefits	5,233	5,529
Post-employment benefits	104	101
	5,337	5,630

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique	Key input
	30 September 2022 (unaudited)	31 March 2022 (audited)			
Derivative financial instruments	Assets: HK\$418,000	Assets: HK\$6,000	Level 2	Discounted cash flow	Forward exchange rate and contracted exchange rate

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

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

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

17. PERFORMANCE GUARANTEES

As at 30 September 2022, the performance guarantees of the Group of approximately HK\$19,438,000 (31 March 2022: HK\$26,136,000) were given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance guarantees have been given, such customers may demand the bank to pay them the sum or sum stipulated in such demand. The Group will become liable to compensate the bank accordingly. The performance guarantee will be released upon completion of the contract works.

As at 30 September 2022 and 31 March 2022, the directors of the Company did not consider that it is probable that a claim will be made against the Group.