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Microware Group Limited
美高域集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1985)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2022
AND
CLOSURE OF REGISTER OF MEMBERS**

HIGHLIGHTS

- The total revenue of the Group amounted to approximately HK\$1,149.0 million for the Year, representing an increase of approximately HK\$34.7 million or 3.1% as compared to approximately HK\$1,114.3 million for the Previous Year.
- The profit and total comprehensive income of the Group for the Year was approximately HK\$32.0 million, representing a decrease of approximately HK\$14.9 million or 31.9% as compared to approximately HK\$46.9 million for the Previous Year. Such decrease was due to the receipt of government subsidies from the Employment Support Scheme implemented by the Hong Kong Government of approximately HK\$13.4 million in the Previous Year.
- Basic earnings per Share for the Year was HK\$0.11, as compared to HK\$0.16 for the Previous Year.
- The Board recommended the payment of a final dividend of HK\$0.06 per Share for the Year, subject to the approval by the Shareholders at the AGM.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Microware Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2022 (the “**Year**”), together with the comparative figures for the year ended 31 March 2021 (the “**Previous Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March 2022

		2022	2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	1,148,967	1,114,277
Cost of sales		<u>(1,016,349)</u>	<u>(972,248)</u>
Gross profit		132,618	142,029
Other income		479	2,234
Other gains and losses, net		626	645
Other expenses		(2,213)	(2,864)
Distribution and selling expenses		(62,632)	(59,857)
Administrative expenses		(29,999)	(27,483)
Finance cost		<u>(554)</u>	<u>(236)</u>
Profit before taxation		38,325	54,468
Taxation	4	<u>(6,349)</u>	<u>(7,546)</u>
Profit and total comprehensive income for the year	5	<u><u>31,976</u></u>	<u><u>46,922</u></u>
Profit and total comprehensive income (expense) for the year attributable to			
— owners of the Company		31,970	47,332
— non-controlling interest		<u>6</u>	<u>(410)</u>
		<u><u>31,976</u></u>	<u><u>46,922</u></u>
Earnings per share	7		
Basic (HK\$)		<u><u>0.11</u></u>	<u><u>0.16</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		18,721	11,141
Deposit paid for acquisition of property, plant and equipment		169	1,612
Prepayments and deposits	8	1,797	1,991
Derivative financial instrument		6	—
		<u>20,693</u>	<u>14,744</u>
CURRENT ASSETS			
Inventories		55,199	53,807
Trade and other receivables, prepayments and deposits	8	197,721	153,351
Pledged bank deposits		32,348	27,639
Bank balances and cash		237,259	239,933
		<u>522,527</u>	<u>474,730</u>
CURRENT LIABILITIES			
Trade and other payables and accruals	9	212,118	193,204
Amount due to a non-controlling interest of a subsidiary		1,099	1,099
Contract liabilities	10	92,260	62,131
Tax liabilities		469	1,138
Lease liabilities		10,087	7,269
Derivative financial instruments		—	186
Bank borrowings		9,000	—
		<u>325,033</u>	<u>265,027</u>
NET CURRENT ASSETS		<u>197,494</u>	<u>209,703</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>218,187</u>	<u>224,447</u>
NON-CURRENT LIABILITIES			
Contract liabilities	10	3,352	3,598
Lease liabilities		3,797	—
Deferred tax liabilities		242	29
		<u>7,391</u>	<u>3,627</u>
NET ASSETS		<u>210,796</u>	<u>220,820</u>
CAPITAL AND RESERVES			
Share capital	11	3,000	3,000
Reserves		208,758	218,788
Equity attributable to owners of the Company		211,758	221,788
Non-controlling interest		(962)	(968)
		<u>210,796</u>	<u>220,820</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION

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, who is an executive director of the Company.

The Company is an investment holding company. The Group is principally engaged in the provision of information technology ("**IT**") infrastructure solution services and IT managed services business 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**")

Amendments to HKFRSs that are mandatorily effective for the current year

In 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, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concession beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

Impacts on application of the agenda decision of the Committee — Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
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 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 — 2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by the management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 March 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the Group’s financial positions and performance but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgement or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes (“**HKAS 12**”) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 March 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$13,775,000 and HK\$13,884,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

3. REVENUE AND SEGMENT INFORMATION

Segment revenue and results

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 procurement of hardware and software by the Group and such procurement together with provision of design of solutions; and
- (2) IT managed services provision of design of solutions 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 <i>HK\$'000</i>	Segment of IT managed services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2022			
Segment revenue	<u>1,026,178</u>	<u>122,789</u>	<u>1,148,967</u>
Segment results	<u>53,918</u>	<u>17,242</u>	71,160
Other income			479
Other gains and losses, net			626
Other expenses			(2,213)
Certain distribution and selling expenses			(1,174)
Administrative expenses			(29,999)
Finance cost			(554)
Profit before taxation			<u>38,325</u>
	Segment of IT infrastructure solution services business <i>HK\$'000</i>	Segment of IT managed services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2021			
Segment revenue	<u>995,842</u>	<u>118,435</u>	<u>1,114,277</u>
Segment results	<u>63,914</u>	<u>19,185</u>	83,099
Other income			2,234
Other gains and losses, net			645
Other expenses			(2,864)
Certain distribution and selling expenses			(927)
Administrative expenses			(27,483)
Finance cost			(236)
Profit before taxation			<u>54,468</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment result represents the profit earned by each segment without allocation of other income, other gains and losses, other expenses, certain distribution and selling expenses, administrative expenses 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.

4. TAXATION

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	6,136	7,513
Deferred tax	213	33
	<u>6,349</u>	<u>7,546</u>
	<u>6,349</u>	<u>7,546</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime (i.e. other subsidiaries of the Group) will continue to be taxed at a flat rate of 16.5%.

Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime for the year ended 31 March 2022 and 2021.

5. PROFIT FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' remuneration	7,611	8,185
Other staff costs	100,036	91,565
Retirement benefits scheme contributions (excluding directors)	3,467	3,620
	<u>111,114</u>	<u>103,370</u>
Auditor's remuneration	1,750	1,600
Cost of inventories recognised as an expense (<i>note b</i>)	917,236	882,540
Depreciation of property and continued suspension of trading, plant and equipment	11,697	10,281
Allowance (reversal of allowance) for inventories, net (included in cost of sales)	416	(201)
	<u><u>416</u></u>	<u><u>(201)</u></u>

Notes:

- a. For the year ended 31 March 2021, government grants from the Employment Support Scheme amounted to HK\$13,401,000 have been offset against staff costs. No government grants were received in current year.
- b. Cost of inventories charged or profit or loss including allowance for inventories of HK\$416,000 (2021: reversal of allowance for inventories of HK\$201,000).

6. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2022 Interim dividend — HK\$0.04 (2021: 2021 interim dividend HK\$0.05) per share	12,000	15,000
2021 Final dividend — HK\$0.05 (2021: 2020 final dividend HK\$0.08) per share	15,000	24,000
2021 Special dividend — HK\$0.05 (2021: 2020 special dividend HK\$0.07) per share	15,000	21,000
	<u>42,000</u>	<u>60,000</u>

Subsequent to the end of the reporting period, no special dividend in respect of the year ended 31 March 2022 (2021: HK\$0.05 per share in an aggregate amount of HK\$15,000,000), has been declared by the directors of the Company. A final dividend in respect of the year ended 31 March 2022 of HK\$0.06 (2021: HK\$0.05) per share, in an aggregate amount of HK\$18,000,000 (2021: HK\$15,000,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

7. EARNINGS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings:		
Profit for the year for the purpose of basic earnings per share	<u>31,970</u>	<u>47,332</u>
	2022 '000	2021 '000
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	<u>300,000</u>	<u>300,000</u>

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

8. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables from contracts with customers	172,419	132,964
Less: Allowance for credit losses	(9)	—
	<u>172,410</u>	<u>132,964</u>
Rental and utilities deposits	320	318
Prepayments for costs of maintenance services	21,860	17,534
Others	4,928	4,526
	<u>199,518</u>	<u>155,342</u>
Total trade and other receivables, deposits and prepayments	<u>199,518</u>	<u>155,342</u>
Analysed as:		
Current	197,721	153,351
Non-current (including prepayments for costs of maintenance services, rental and utilities deposits)	1,797	1,991
	<u>199,518</u>	<u>155,342</u>
	<u>199,518</u>	<u>155,342</u>

As at 1 April 2020, trade receivables from contracts with customers amounted to HK\$228,700,000.

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	94,627	75,476
31 to 60 days	35,398	18,369
61 to 90 days	15,912	11,597
91 to 120 days	8,146	12,856
121 to 180 days	6,586	4,138
Over 180 days	11,741	10,528
	<u>172,410</u>	<u>132,964</u>
	<u>172,410</u>	<u>132,964</u>

As at 31 March 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$83,872,000 (2021: HK\$68,084,000) which are past due as at the reporting date. Out of the past due balances, HK\$18,672,000 (2021: HK\$16,880,000) has been past due 90 days or more and is not considered as in default as these debtors have a good business relationship with the Group and recurring overdue records of these debtors with satisfactory settlement history.

9. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	152,066	153,509
Accrued staff costs	18,182	18,892
Accrued purchases	26,110	8,535
Others	15,760	12,268
	<u>212,118</u>	<u>193,204</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	89,964	87,352
31 to 60 days	37,824	31,879
61 to 90 days	21,318	27,715
Over 90 days	2,960	6,563
	<u>152,066</u>	<u>153,509</u>

10. CONTRACT LIABILITIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current	92,260	62,131
Non-current	3,352	3,598
	<u>95,612</u>	<u>65,729</u>

As at 1 April 2020, contract liabilities amounted to HK\$76,489,000.

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers.

During the year ended 31 March 2022, the Group has recognised revenue of HK\$62,131,000 (2021: HK\$72,995,000) that was included in the contract liabilities balance at the beginning of the year.

11. SHARE CAPITAL

The share capital as at 31 March 2021 and 2022 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 2020, 31 March 2021 and 2022	5,000,000,000	50,000
Issued and fully paid:		
At 1 April 2020, 31 March 2021 and 2022	300,000,000	3,000

There was no movement in the Company's share capital for both years.

12. PERFORMANCE GUARANTEES

As at 31 March 2022, the performance guarantees of the Group of HK\$26,136,000 (2021: HK\$21,943,000) 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 2022 and 2021, the directors of the Company did not consider that it is probable that a claim will be made against the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group is a well-established IT infrastructure solutions provider based in Hong Kong. As at 31 March 2022, the Group has maintained 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	Top Growth Reseller of the Year 2021
Arcserve	Top Public Sector Partner of the Year 2021
Check Point	Rising Star of Enterprise Business 2021 Business Growth Partner 2021
Entrust	Best Performing Partner of the Year 2021 — Hong Kong
Fortinet	Top High Growth Partner 2021
Hewlett Packard Enterprise	Top Performing Partner GreenLake FY21 — Platinum Partner Top Performing Partner Revenue FY21 Top Performing Partner PointNext Services FY21
HP	Best Contributor to Commercial Print Market Share FY21
Lenovo	Top Commercial Partner Champion FY2021 Top Commercial Education Champion FY2021
Red Hat	Asia Pacific Partner Awards 2021 — Top Partner (Greater China)

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

The total revenue of the Group amounted to approximately HK\$1,149.0 million for the Year, representing an increase of approximately HK\$34.7 million or 3.1% as compared to approximately HK\$1,114.3 million for the Previous Year. 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\$1,026.2 million for the Year, representing an increase of approximately HK\$30.4 million or 3.0% as compared to approximately HK\$995.8 million for the Previous Year. The revenue of the business segment of IT managed services was approximately HK\$122.8 million, representing an increase of approximately HK\$4.4 million or 3.7% as compared to approximately HK\$118.4 million for the Previous Year. For the Year, the business segments of IT infrastructure solutions services and IT managed services contributed approximately 89.3% and 10.7% to the total revenue of the Group, respectively.

Cost of sales

The total cost of sales of the Group for the Year was approximately HK\$1,016.3 million, representing an increase of approximately HK\$44.1 million or 4.5% from approximately HK\$972.2 million for the Previous Year. The increase in total cost of sales was mainly due to the increase in cost of the business segment of IT infrastructure solution services which was approximately HK\$924.5 million for the Year, representing an increase of approximately HK\$37.4 million or 4.2% as compared to approximately HK\$887.1 million for the Previous Year. The cost of the business segment of IT managed services was approximately HK\$91.8 million, representing an increase of approximately HK\$6.7 million or 7.9% as compared to approximately HK\$85.1 million for the Previous Year.

Gross profit and gross profit margin

The gross profit of the Group for the Year was approximately HK\$132.6 million, representing a decrease of approximately HK\$9.4 million or 6.6% from approximately HK\$142.0 million for the Previous Year. Such decrease was due to the decrease in gross profit of both the business segments of IT infrastructure solution services and IT managed services, and the receipt of government subsidies from the Employment Support Scheme (“ESS”) implemented by the Hong Kong Government as a result of the outbreak of the coronavirus disease (“COVID-19”)

of approximately HK\$7.2 million in the Previous Year, which was not available to the Group for the Year. The gross profit of the business segment of IT infrastructure solution services was approximately HK\$101.7 million, representing a decrease of approximately HK\$7.0 million or 6.4% as compared to approximately HK\$108.7 million for the Previous Year. The gross profit of the business segment of IT managed services was approximately HK\$31.0 million, representing a decrease of approximately HK\$2.3 million or 6.9% as compared to approximately HK\$33.3 million for the Previous Year.

Operating expenses

The total operating expenses of the Group for the Year was approximately HK\$92.6 million, representing an increase of approximately HK\$5.3 million or 6.1% as compared to approximately HK\$87.3 million for the Previous Year. Such increase was mainly due to the increase in selling and distribution expenses and administrative expenses of approximately HK\$2.8 million or 4.6% and HK\$2.5 million or 9.2% respectively, and the receipt of government subsidies from the ESS implemented by the Hong Kong Government as a result of the outbreak of the COVID-19 of approximately HK\$6.2 million in the Previous Year, which was not available to the Group for the Year.

Profit for the Year

The profit and total comprehensive income of the Group for the Year was approximately HK\$32.0 million, representing a decrease of approximately HK\$14.9 million or 31.9% as compared to approximately HK\$46.9 million for the Previous Year. Such decrease was due to the absence of government subsidies from the ESS implemented by the Hong Kong Government in current year while the subsidies from the ESS in the Previous Year were approximately HK\$13.4 million.

Liquidity and financial resources

Capital Structure

As at 31 March 2022, the Group's total bank and other borrowings amounted to approximately HK\$9.0 million (31 March 2021: Nil). The bank and other borrowings of the Group as at 31 March 2022 were denominated in Hong Kong Dollars, and carried interest rates of 1.43% to 2.15% per annum. The details of the share capital of the Company during the Year and the Previous Year are set out in note 11 on page 15 of this announcement.

Cash position

The Group recorded net current assets of approximately HK\$197.5 million as at 31 March 2022, while the net current assets of the Group as at 31 March 2021 was approximately HK\$209.7 million. As at 31 March 2022, the Group had cash and cash equivalents of approximately HK\$232.2 million (31 March 2021: HK\$234.8 million). Most of the cash and cash equivalents of the Group were denominated in HKD and USD.

Capital expenditure

During the Year, the Group's total capital expenditure amounted to approximately HK\$3.6 million (the Previous Year: HK\$2.7 million), which was mainly incurred for acquisition of office equipment.

Gearing ratio

The gearing ratio of the Group (total interest-bearing bank loans dividend by the total equity and multiplied by 100%) was 4.27% as at 31 March 2022 and was not applicable as at 31 March 2021, since the Group did not have any interest-bearing liabilities as at 31 March 2021.

Performance guarantees

The Group's performance guarantees as at 31 March 2022 are set out in note 12 on page 15 of this announcement.

Contingent liabilities

The Group had no contingent liabilities as at 31 March 2022 (as at 31 March 2021: Nil).

Pledge of assets

As at 31 March 2022, certain of the Group's bank deposits totaling HK\$32.3 million (31 March 2021: HK\$27.6 million) 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 2022, the Group had a total of 253 employees (31 March 2021: 263 employees). For the Year, the total staff costs including Directors' emoluments was approximately HK\$111.1 million (Previous Year: HK\$103.4 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 the 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.

DIVIDEND

The Board recommends the payment of a final dividend of HK\$0.06 per share of the Company (the “Shares”) for the Year (the “**2022 Final Dividend**”) to the Shareholders (Previous Year: HK\$0.05 per Share). Subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company (the “**AGM**”) to be held on Wednesday, 24 August 2022, the 2022 Final Dividend will be paid on or about Friday, 9 September 2022 to Shareholders whose names appear on the register of members of the Company on Tuesday, 30 August 2022.

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 Friday, 19 August 2022 to Wednesday, 24 August 2022, 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (as from 15 August 2022, 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong) for registration no later than 4:30 p.m. on Thursday, 18 August 2022.

For the purposes of determining the Shareholders’ entitlement to the 2022 Final Dividend, if approved by the Shareholders at the AGM, the register of members of the Company will be closed on Tuesday, 30 August 2022, on which day no transfer of Shares will be registered. In order to be eligible for the proposed the 2022 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (as from 15 August 2022, 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong) for registration no later than 4:30 p.m. on Monday, 29 August 2022.

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 plans for material investments or capital assets as at 31 March 2022.

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).

The reallocation of the Net Proceeds as set out in the Company’s announcement of 19 December 2019 and the actual usage of the Net Proceeds up to 31 March 2022 are set out below:

	Approximate planned use of Net Proceeds — after Reallocation (HK\$'million)	Approximate amount of Net proceeds utilised Utilised during the year (HK\$'million)	Total utilised (HK\$'million)	Approximate Unutilised of Net Proceeds as at 31 March 2022 (HK\$'million)	Actual and expected timeline for utilizing the remaining Net Proceeds
Upgrading of the IT management systems of the Group	12.6	0.9	12.6	—	—
Enhancing of the Group’s capability to undertake large-scale contracts	21.0	2.4	16.9	4.1	Expected to be fully utilised on or before 31 December 2022 (Note 1)
Recruitment and training of employees	13.2	—	13.2	—	—
Strengthening the marketing efforts of the Group	3.6	0.1	2	1.6	Expected to be fully utilised on or before 31 March 2023 (Note 1)
Additional working capital and other general corporate purposes	5.6	—	5.6	—	—
	<u>56.0</u>	<u>3.4</u>	<u>50.3</u>	<u>5.7</u>	

Note 1. As a result of the impact of COVID-19 pandemic, there had been a decrease in marketing activities such as industry exhibitions and forums and delay in undertaking large-scale contracts during the Year, the original plan for utilizing the Net Proceeds in these areas had further been delayed as disclosed above.

FUTURE OUTLOOK

Affected by the COVID-19 pandemic, the global economy continued to slow down significantly for the year and disrupted the supply chain. And, the ongoing tensions between the US and China caused the uncertainty of Hong Kong economic environment. However, the Group believes that the international borders would be open soon and look forward to seeing normalcy restored to the society and livelihood activities. The economy environment of Hong Kong may be improved. The Group will widen the business opportunities and seek the new market demand.

The Group will continue to focus on the core business and partnerships with key vendors. Moreover, the Group had a good capital structure and prudent financial policy, it would minimize the financial risk in the future. To optimize the operation costs, the Group will improve the efficiencies and leverage its industry leadership to achieve long-term sustainable growth.

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.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event affecting the Group that had occurred since the end of the Year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the Year, except for code provision C.2.1 of the CG Code which is currently in force.

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 roles of the chairman and chief executive officer. Mr. Chu Ming Ho is the chairman of the Company and the chief executive officer of the Company. In view of the fact that Mr. Chu Ming Ho has been assuming day-to-day responsibilities in operating and managing the Group since April 2000, the Board believes that it is in the best interest of the Company to have Mr. Chu taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstance. 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 securities dealing code for the Directors in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”).

Specific enquiries had been made to all Directors and all the Directors have confirmed that they have fully complied with the required standards and provisions as set out in the Model Code during the Year.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

REVIEW OF THE ANNUAL RESULTS

The audit committee of the Board (the “**Audit Committee**”) has reviewed the annual results for the Year with the Company’s management and considered that such results have been prepared in accordance with the applicable accounting standards and requirements with sufficient disclosure. The Audit Committee has been established in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Ms. Li Wai Man, Mr. Cheng Tak Chung, and Mr. Li Richard King Hang. Ms. Li Wai Man serves as the chairlady of the Audit Committee. The primary responsibilities of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting system, risk management and internal control systems of the Group, to oversee the audit process, to develop and review the Group’s policies and to perform other duties and responsibilities as assigned by the Board.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the Company’s website at www.microware1985.com. The annual report of the Company for the Year containing all the relevant information required by the Listing Rules will be despatched to the Shareholders and also published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Microware Group Limited
Chu Ming Ho

Chairman, executive Director and chief executive officer

Hong Kong, 24 June 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chu Ming Ho, Mr. Yang Peter Shun Tsing and Mr. Cheng Wing Fai, one non-executive Director, namely Mr. Wan Yiu Hon and three independent non-executive Directors, namely Mr. Cheng Tak Chung, Ms. Li Wai Man and Mr. Li Richard King Hang.