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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)

CHANGE IN USE OF PROCEEDS

Reference is made to (i) the prospectus issued by Microware Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 24 February 2017 (the “**Prospectus**”) in relation to the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), which sets out the intended use of the net proceeds from the issue of new shares of the Company (the “**Net Proceeds**”) at the time of preparing the Prospectus, (ii) the announcement dated 19 December 2019 in relation to a reallocation (the “**Reallocation**”) of certain amount of Net Proceeds which were unutilised (the “**Announcement**”), and (iii) the annual results announcement dated 24 June 2022 (the “**Annual Results Announcement**”), in which the utilisation of the Net Proceeds up to 31 March 2022 was disclosed. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus, the Announcement and the Annual Results Announcement.

PREVIOUS CHANGE IN USE OF PROCEEDS PURSUANT TO THE ANNOUNCEMENT

The original intended use of the Net Proceeds, which amounted to approximately HK\$56.0 million after deducting underwriting commissions and related expenses, was set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. On 19 December 2019, an amount of approximately HK\$19.7 million, being the unutilised Net Proceeds as at 19 December 2019, was reallocated in the manner set out in the Announcement. As disclosed in the section headed “Use of Proceeds” in the Annual Results Announcement, the Company had utilised approximately HK\$50.3 million of the Net Proceeds up to 31 March 2022. The proposed reallocation of the Net Proceeds as set out in the Announcement and the actual usage of the Net Proceeds up to 31 March 2022 are set out in the table below.

	Approximate planned use of Net Proceeds – as per Prospectus (HK\$' million)	Approximate planned use of Net Proceeds – after Reallocation (HK\$' million)	Approximate amount of net proceeds utilised		Approximate Unutilised Net Proceeds as at 31 March 2022 (HK\$' million)	Actual and expected timeline for utilizing the remaining Net Proceeds
			Utilised during the year (HK\$' million)	Total utilised (HK\$' million)		
Upgrading of the IT management systems of the Group	19.6	12.6	0.9	12.6	—	—
Enhancing of the Group's capability to undertake large-scale contracts	14.0	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	11.2	13.2	—	13.2	—	—
Strengthening the marketing efforts of the Group	5.6	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	—	5.6	—	—
	<u>56.0</u>	<u>56.0</u>	<u>3.4</u>	<u>50.3</u>	<u>5.7</u>	

Notes:

- 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 ended 31 March 2022, the original plan for utilizing the Net Proceeds in these areas had further been delayed.

FURTHER CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the Company has utilised approximately HK\$50.3 million of the Net Proceeds. The amount of Net Proceeds which remains unutilised (the “**Unutilised Net Proceeds**”) up to the date of this announcement amounted to approximately HK\$5.7 million.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company, having considered the recent business environment and development of the Group (in particular the impact from the outbreak of the COVID-19 pandemic to its business environment), resolved to change the use of the remaining Unutilised Net Proceeds. An analysis of the utilisation of the Net Proceeds up to the date of this announcement and the proposed change of use of the remaining Unutilised Net Proceeds (the “**Proposed Change**”) are summarised as follows:

	Approximate planned use of Net Proceeds – after Reallocation <i>(HK\$ million)</i>	Utilised Net Proceeds at the date of as this announcement <i>(HK\$ million)</i>	Unutilised Net Proceeds as at the date of this announcement <i>(HK\$ million)</i>	Proposed application of the Unutilised Net Proceeds <i>(HK\$ million)</i>
(i) Upgrading of IT management systems	12.6	12.6	—	0.8
(ii) Enhancing capability to undertake large-scale contracts	21.0	16.9	4.1	4.1
(iii) Recruitment and training of employees	13.2	13.2	—	0.8
(iv) Strengthening marketing efforts	3.6	2	1.6	—
(v) Additional working capital and other general corporate purposes	5.6	5.6	—	—
Total	56.0	50.3	5.7	5.7

REASONS FOR THE PROPOSED CHANGE

The Company has been listed on the Main Board of the Stock Exchange for more than five years, and it has been monitoring closely the use of Net Proceeds against the business strategy of the Group as set out in the Prospectus.

Due to the impact from the outbreak of the COVID-19 pandemic to its business environment, the Board noted that there had been a decrease in marketing activities, such as industry exhibitions and forums, for the Group to participate in or sponsor. Some of the marketing activities took place in the form of webinars, which further reduced the cost required in this sector. As the Net Proceeds initially allocated to the upgrading of IT management systems and recruitment and training of employees have been fully utilised, the Board considered that in order to better utilise the Unutilised Net Proceeds, part of the Unutilised Net Proceeds originally allocated to strengthening marketing efforts could be reallocated to the upgrading of new server hardware and network equipment, and to recruitment and training of employees. In particular, the Company intends to purchase new servers, network equipment, implement and subscribe for enterprise resources planning system.

As disclosed in the Prospectus, the Group considers that its success is attributable to its employees. The Company estimated that it would further require approximately HK\$0.8 million from the Unutilised Net Proceeds to expand its sales team and consultants by the recruitment of additional five mid-level employees so as to (i) improve the level of attention to be provided to each of the Group's clients; (ii) enhance the Group's sales capability; (iii) maintain relationship with the Group's clients; and (iv) enhance the Group's capability to undertake large-scale contracts. The Group also intends to sponsor existing employees to participate in qualification examinations and external professional training programmes, such as the Certified Technology Associate and Engineer course conducted by business partners in order to improve their skills and qualifications.

The Board considers the above change in the use of the Net Proceeds is fair and reasonable and will strengthen the Group's resources as the business continues to develop. The Board also confirms that there is no material change in the principal business nature of the Group as set out in the Prospectus and considered that the Proposed Change is in line with the business strategy of the Group and will not have any material adverse impact on its operations and is in the best interests of the Company and its shareholders as a whole.

The Board will continuously assess the plan for the use of the unutilised Net Proceeds and may revise or amend such plan where necessary to respond to the changing market conditions and strive for better business performance of the Group.

By order of the Board
Microware Group Limited
Chu Ming Ho

Chairman, executive Director and chief executive officer

Hong Kong, 30 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.