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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

HIGHLIGHTS

- 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.
- Profit and total comprehensive income of the Group for the Period was approximately HK\$16.3 million, representing an increase of approximately HK\$3.4 million or 26.4% as compared to approximately HK\$12.9 million for the Previous Period. Such increase was due to the receipt of government subsidies from the Employment Support Scheme implemented by the Hong Kong Government of approximately HK\$5.9 million during the Period.
- Basic earnings per share for the Period was HK\$0.05, as compared to HK\$0.04 for the Previous Period.
- The Board has declared the payment of an interim dividend of HK\$0.045 per share for the Period (Previous Period: HK\$0.04).

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Microware Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2022 (the “**Period**”), together with the comparative figures for the corresponding period in 2021 (the “**Previous Period**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Six months ended	
		30 September	
	<i>NOTES</i>	2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(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	4	(2,255)	(2,724)
Profit and total comprehensive income for the period	5	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	7		
Basic (HK\$)		0.05	0.04

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	<i>NOTES</i>	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		16,184	18,721
Deposit paid for acquisition of property, plant and equipment		—	169
Prepayments and deposits	8	2,297	1,797
Derivative financial instrument		418	6
		18,899	20,693
CURRENT ASSETS			
Inventories		55,286	55,199
Trade and other receivables, prepayments and deposits	8	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	9	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	10	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

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. 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

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 <i>HK\$'000</i>	Segment of IT managed services business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
	<u>2,018</u>	<u>484</u>	<u>4,322</u>	<u>6,824</u>
For the six months ended				
30 September 2021 (unaudited)				
Depreciation	524	508	4,066	5,098
Allowance for inventories	1,373	—	—	1,373
	<u>1,373</u>	<u>508</u>	<u>4,066</u>	<u>5,098</u>

4. TAXATION

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(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.

5. PROFIT FOR THE PERIOD

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(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

6. 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.

7. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Earnings:		
Earnings for the period for the purpose of basic earnings per share	16,325	12,843
	_____	_____
	<i>'000</i>	<i>'000</i>
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.

8. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

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

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:

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (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
	<u>186,249</u>	<u>172,410</u>

9. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (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
	<u>143,304</u>	<u>212,118</u>

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

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (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
	<u>100,935</u>	<u>152,066</u>

10. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
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.

11. 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.

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 10 on page 12 of this announcement.

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 as at 30 September 2022 (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 11 of page 13 of this announcement.

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 announcement, 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		Approximate unutilised Net Proceeds as at 30 September 2022 (HK\$'million)	Actual and expected timeline for utilising the remaining Net Proceeds (HK\$'million)
		Utilised during the Period (HK\$'million)	Total utilised as at 30 September 2022 (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	—	—
	<u>56.0</u>	<u>0.7</u>	<u>51.0</u>	<u>5.0</u>	

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.

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.

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.

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 of the Company (the “**Audit Committee**”), which comprises three independent non-executive Directors in accordance with the requirements under Rule 3.21 of the Listing Rules. 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim 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 interim report of the Company for the Period containing all the relevant information required by the Listing Rules will be despatched to the shareholders of the Company 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, 29 November 2022

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Chu Ming Ho, Mr. Yang Peter Shun Tsing, Mr. Cheng Wing Fai and Mr. Au Man Wah, 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.