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BoardWare

BoardWare Intelligence Technology Limited

博維智慧科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1204)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

FINANCIAL HIGHLIGHTS

Revenue for FP2023 increased from approximately HK\$247.0 million to approximately HK\$394.1 million, representing an increase of approximately HK\$147.1 million or 59.6% as compared to that of FP2022.

Gross profit for FP2023 increased from approximately HK\$49.1 million to approximately HK\$51.2 million, representing an increase of approximately HK\$2.1 million or 4.3% as compared to that of FP2022.

Profit before income tax for FP2023 decreased from approximately HK\$9.7 million to approximately HK\$2.7 million, representing a decrease of approximately HK\$7.0 million or 72.2% as compared to that of FP2022.

Basic earnings per Share attributable to the Shareholders for FP2023 decreased from approximately HK cent 2.06 to approximately HK cent 0.25, representing a decrease of approximately HK cent 1.81 or 87.9% as compared to that of FP2022.

Net profit margin for FP2023 decreased from approximately 2.89% to approximately 0.31%, representing a decrease of approximately 2.58 percentage points as compared to that of FP2022.

As at 30 June 2023, cash and cash equivalents amounted to approximately HK\$28.7 million (31 December 2022: approximately HK\$105.5 million).

The board (the “**Board**”) of directors (the “**Directors**”) of BoardWare Intelligence Technology Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (“**FP2023**”) with the comparative figures for the corresponding period in 2022 (“**FP2022**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Six months ended 30 June	
		2023 <i>HK\$’000</i> (Unaudited)	2022 <i>HK\$’000</i> (Unaudited)
Revenue	3	394,144	247,015
Cost of sales	4	(342,991)	(197,903)
Gross profit		51,153	49,112
Selling and distribution expenses	4	(12,404)	(10,805)
General and administrative expenses	4	(33,800)	(29,159)
Other income and other net gains		883	1,542
Reversal for impairment losses on financial assets and contract assets	4	484	315
Research and development expenses	4	(4,306)	–
Operating profit		2,010	11,005
Finance income	5	1,125	387
Finance costs	5	(398)	(1,645)
Finance income/(costs) – net	5	727	(1,258)
Profit before income tax		2,737	9,747
Income tax expense	6	(1,499)	(2,611)
Profit for the period		1,238	7,136
Earnings per Share			
(expressed in HK cent per Share)			
Basic earnings per Share	8	0.25	2.06
Diluted earnings per Share	8	0.25	2.03

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	1,238	7,136
Other comprehensive income/(loss) for the period, net of tax		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	<u>104</u>	<u>(271)</u>
Total comprehensive income for the period	<u>1,342</u>	<u>6,865</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Assets		
Non-current assets		
Property, plant and equipment	16,205	14,861
Right-of-use assets	12,935	11,398
Intangible assets	1,172	1,582
Deferred tax assets	1,379	1,379
Finance lease receivables	9,720	8,736
Contract assets	7,341	8,669
Financial assets at fair value through profit or loss	109	–
Deposits	11,716	11,503
Prepayments and contract costs	9,869	7,118
	70,446	65,246
Total non-current assets	70,446	65,246
Current assets		
Inventories	38,682	56,569
Deposits and other receivables	13,527	10,815
Prepayments and contract costs	62,359	49,024
Finance lease receivables	6,403	5,301
Contract assets	106,202	79,818
Trade receivables	132,501	147,447
Amount due from non-controlling interests	–	4
Restricted cash	53,948	53,317
Cash and cash equivalents	28,696	105,519
	442,318	507,814
Total current assets	442,318	507,814
Total assets	512,764	573,060

		As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Equity			
Share capital	11	5,000	5,000
Share premium		168,033	168,033
Reserves		159,332	157,990
		<u>332,365</u>	<u>331,023</u>
Non-controlling interests		–	–*
Total equity		<u>332,365</u>	<u>331,023</u>
Liabilities			
Non-current liabilities			
Lease liabilities		5,568	5,511
Contract liabilities		3,371	3,503
Total non-current liabilities		<u>8,939</u>	<u>9,014</u>
Current liabilities			
Trade and other payables	10	122,960	135,553
Contract liabilities		28,791	84,735
Lease liabilities		8,393	6,647
Income tax payable		5,760	6,088
Borrowings		5,556	–
Total current liabilities		<u>171,460</u>	<u>233,023</u>
Total liabilities		<u>180,399</u>	<u>242,037</u>
Total equity and liabilities		<u>512,764</u>	<u>573,060</u>

* Less than HK\$1,000

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2021 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 7 June 2021. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in provision of IT integrated solutions services ("**Professional IT services**"), support services from leasing contracts and security monitoring services ("**Managed services**"), IT equipment leasing, IT maintenance and consultancy services, and distribution and resale of packaged hardware and software in Macau, Hong Kong and the People's Republic of China (the "**PRC**", for the sole purpose of this announcement, excluding Macau, Hong Kong and Taiwan).

The ultimate holding company of the Company is Tai Wah (BVI) Holdings Limited, a company incorporated in the British Virgin Islands and is wholly owned by Mr. Chao Ka Chon ("**Mr. Chao**").

The Company's shares (the "**Shares**") were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 July 2022 (the "**Listing Date**") (the "**Listing**").

The unaudited condensed consolidated financial information for FP2023 (the "**Interim Financial Information**") is presented in Hong Kong dollars ("**HK\$**"), unless otherwise stated.

The Interim Financial Information is unaudited but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

2. BASIS OF PRESENTATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", issued by the International Accounting Standards Board.

The Interim Financial Information does not include all the notes of the type normally included in annual financial statements. The Interim Financial Information should be read in conjunction with the annual report for the year ended 31 December 2022 and any announcement made which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") by the Group.

The accounting policies used in the preparation of the Interim Financial Information are consistent with those used in the previous financial year and corresponding interim period, except for the adoption of certain new and amended standards which has no significant impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group is principally engaged in the provision of Professional IT services, Managed services, IT equipment leasing, IT maintenance and consultancy services, as well as distribution and resale of packaged hardware and software. The performance of the Group is subject to seasonal fluctuations. The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-makers ("CODMs"). The CODMs have been identified as the Directors. The Directors regard the Group's business as a single operating segment and review the condensed consolidated financial statements accordingly. As the Group has only one operating segment qualified as reporting segment under IFRS 8 and the information that regularly reviewed by the Directors for the purposes of allocating resources and assessing performance of the operating segment is the financial statements of the Group, no separate segmental analysis is presented in the condensed consolidated financial information. The Directors assess the performance based on profit before income tax. The amounts provided to the Directors with respect to total assets and total liabilities are measured in a manner consistent with that in the condensed consolidated statements of financial position.

(a) Revenue by business line and nature

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<i>Enterprise IT solutions</i>		
Professional IT services	227,217	91,951
Managed services	11,936	12,390
Lease income from IT equipment	5,207	671
IT maintenance and consultancy services	22,401	45,656
	<u>266,761</u>	<u>150,668</u>
<i>Distribution and resale</i>		
Distribution	63,934	72,353
Resale	63,449	23,994
	<u>127,383</u>	<u>96,347</u>
Total revenue	<u>394,144</u>	<u>247,015</u>

(b) **Timing of revenue recognition**

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Recognised at a point in time	131,471	99,998
Recognised over time	257,466	146,346
	<hr/>	<hr/>
Revenue from contracts with customers	388,937	246,344
Lease income from IT equipment	5,207	671
	<hr/>	<hr/>
Total revenue	394,144	247,015
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(c) **Revenue recognition method**

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Recognised on a gross basis	386,364	242,630
Recognised on a net basis	2,573	3,714
	<hr/>	<hr/>
Revenue from contracts with customers	388,937	246,344
Lease income from IT equipment	5,207	671
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Total revenue	394,144	247,015
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(d) **Revenue from top customer**

Revenue from external party contributing 10% or more of the total revenue of the Group is as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	83,456	N/A*
Customer B	81,008	N/A*
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* The corresponding revenue did not contribute 10% or more of the total revenue of the Group for FP2022.

(e) Revenue by geographical locations (as determined by the country/region of domicile which the Group operates)

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Macau	216,988	143,088
Hong Kong	82,427	85,270
The PRC	94,729	18,657
	<hr/>	<hr/>
Total revenue	394,144	247,015
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(f) Non-current assets (other than financial instruments and deferred tax assets) by geographical locations

	As at	As at
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Macau	25,292	22,724
Hong Kong	8,724	5,956
The PRC	13,506	14,948
	<hr/>	<hr/>
	47,522	43,628
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5. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Finance income		
– Bank deposits	745	5
– Finance lease receivables	291	356
– Financing components in relation to contracts with customers	89	26
	1,125	387
Finance costs		
– Lease liabilities	382	215
– Borrowings	6	410
– Financial liability for redeemable rights	–	1,006
– Others	10	14
	398	1,645
Finance income/(costs) – net	727	(1,258)

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Current income tax		
– Macau complementary tax	1,499	2,045
– Hong Kong profits tax	–	526
– Adjustments for current income tax of prior years	–	2
	1,499	2,573
Deferred income tax expense	–	38
Income tax expense	1,499	2,611

The Group's principal applicable taxes and tax rates are as follows:

Cayman Islands and British Virgin Islands

Under the prevailing laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no Cayman Islands withholding tax is payable on dividend payments by the Company to its shareholders. The Group's entities incorporated in the British Virgin Islands are not subject to tax on income or capital gains.

Macau

The entities within the Group incorporated in Macau are subject to Macau profits tax at a fixed rate of 12% on the taxable income above MOP600,000 for FP2023 and FP2022.

Hong Kong

In March 2018, the government of the Hong Kong Special Administrative Region (“**HKSAR**”) introduced a two-tiered profits tax rates regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the “**Ordinance**”). Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance had been effective since the year of assessment 2018 to 2019. The provisions for Hong Kong Profits Tax of the nominated subsidiary for FP2023 and FP2022 are calculated in accordance with the two-tiered profits tax rates regime; while the provisions, if any, for the other subsidiary incorporated in Hong Kong remain calculated at 16.5% of the assessable profits.

The PRC

Mainland corporate income tax (“**CIT**”) was made on the estimated assessable profits of the entities within the Group incorporated and operating in the PRC and was calculated in accordance with the relevant tax rules and regulations of the PRC. The general CIT rate is 25% for FP2023 and FP2022.

Withholding tax on undistributed profits

According to the relevant tax rules and regulations of the PRC, distribution to foreign investors of profits earned by PRC companies since 1 January 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors' foreign incorporated immediate holding companies.

During FP2023 and FP2022, there were no unremitted earnings whose distribution to owners from PRC subsidiaries that are subject to withholding tax of 5%. No deferred tax liabilities were provided on the unremitted earnings.

7. DIVIDEND

No interim dividend was paid or declared by the Company during FP2023 and FP2022.

8. EARNINGS PER SHARE

(a) Basic earnings per Share

Basic earnings per Share is calculated by dividing the profit attributable to owners of the Company (the “Shareholders”) by the weighted average number of Shares in issue during FP2023 and FP2022.

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profits attributable to the Shareholders (<i>HK\$'000</i>)	1,238	7,136
Weighted average number of ordinary Shares in issue for basic earnings per Share (<i>thousand shares</i>)	<u>500,000</u>	<u>346,930</u>
Basic earnings per Share (<i>HK cents</i>)	<u>0.25</u>	<u>2.06</u>

(b) Diluted earnings per Share

Diluted earnings per Share is calculated by adjusting the profit attributable to the Shareholders and the weighted average number of ordinary Shares outstanding to assume conversion of all potentially dilutive Shares.

For FP2022, the Group had one category of potentially dilutive Shares – ordinary Shares with redemption rights. The exercise of the redemption rights would be dilutive if the exercise price of such Shares is above the average market price. There were no potentially dilutive Shares outstanding during FP2023. Accordingly, diluted earnings per Share is the same as the basic earnings per Share for FP2023.

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profits attributable to the Shareholders (<i>HK\$'000</i>)	1,238	7,136
Weighted average number of ordinary Shares in issue for diluted earnings per Share (<i>thousand shares</i>)	<u>500,000</u>	<u>352,376</u>
Diluted earnings per Share (<i>HK cents</i>)	<u>0.25</u>	<u>2.03</u>

9. TRADE RECEIVABLES

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Due from third parties	133,542	149,253
Loss allowance	<u>(1,041)</u>	<u>(1,806)</u>
Total trade receivables, net of allowance	<u>132,501</u>	<u>147,447</u>

Due to the short-term nature of the trade receivables, their carrying amounts are considered to be the same as their fair values.

The credit terms of trade receivables granted by the Group are generally one to three months. The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Up to 3 months	110,070	62,877
Over 3 months and within 6 months	12,109	69,078
Over 6 months and within 1 year	2,416	3,282
Over 1 year	8,947	14,016
	133,542	149,253

10. TRADE AND OTHER PAYABLES

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Trade payables	109,723	116,385
Salaries payable	6,426	10,148
Accrued expenses	4,718	4,235
Other taxes payable	378	785
Other payables	1,712	2,107
Provision for onerous contract	3	1,893
	122,960	135,553

Other than the bank guarantee requested by a supplier, trade payables are unsecured and are usually paid within one to three months from recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Trade payables primarily represent payables for inventories. The ageing analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Within 1 month	78,403	83,283
Over 1 month and within 3 months	20,897	26,314
Over 3 months and within 1 year	10,366	6,702
Over 1 year	57	86
	109,723	116,385

11. SHARE CAPITAL

	Number of Shares	Nominal value of Shares <i>HK\$'000</i>
Authorised		
Ordinary Shares of HK\$0.01 each		
At 31 December 2022 (Audited) and 30 June 2023 (Unaudited)	<u>10,000,000,000</u>	<u>100,000</u>
	Number of Shares	Nominal value of Shares <i>HK\$'000</i>
Issued and fully paid		
At 31 December 2022 (Audited) and 30 June 2023 (Unaudited)	<u>500,000,000</u>	<u>5,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW AND OUTLOOK

Information technology (“IT”) solutions involve the design, supply, integration, operation and maintenance of IT systems. IT solutions could be primarily categorised into two segments, namely (i) enterprise IT solutions and (ii) distribution of hardware and software. Enterprise IT solutions could be further grouped as (i) Professional IT services, (ii) Managed services and (iii) IT maintenance and consultancy services.

As an IT solutions provider and authorised distributor, the Group introduces IT products and services, and provides related IT solutions to the local markets, including Macau, Hong Kong and the PRC, and provides IT solution services covering procurement and integration, Managed services and maintenance services to the end users in Macau, Hong Kong and the PRC. The Group has extended its footprint to the Greater Bay Area since 2021.

The adverse effect on the economy resulting from COVID-19 pandemic has been eased along with the border reopening policies in Macau, Hong Kong and the PRC since late 2022. The Group expects the growth of IT industry in the Greater Bay Area will resume with the following reasons:

- (a) the demand for professional IT solutions from customers in different industries remain strong even during the period of severe COVID-19 pandemic. However, the pandemic limited their budgets and plans on IT infrastructure refurbishments. It is expected that these customers will accelerate and will continue their original plans on IT infrastructure refurbishments and new project investments along with the rapid post-COVID recovery in Macau, Hong Kong and the PRC;
- (b) the new 10-year gaming operator license was finalised in December 2022, and operators committed to invest and support the development of non-gaming industries in Macau in coming years under the new licensing requirements. With the increasing efforts from the government of the Macau Special Administrative Region (“**Macau SAR**”) to diversify the economy away from its reliance on gaming industry, the Group expects that it will benefit indirectly from the increasing demand for IT solutions relating to the investments to be committed by those operators in the coming years;
- (c) the government of Macau SAR will adopt the “1+4” adequate diversification development strategy to enrich Macau’s function as “One Centre” for integrated tourism and leisure, while facilitating the development of four nascent industries, namely the “Big Health” industry; modern financial services; high technology; and conferences and exhibitions, commerce and trade, and culture and sports in the “2023 Policy Address”. The Group expects the demand for IT solutions in the above sectors will increase along with the increasing influence of IT elements in business operations;

- (d) the Group will leverage the technical know-how and experience in Macau and will extend its service scope by extending its comprehensive enterprise IT solutions business on top of the existing distribution business and IT maintenance and consultancy services in Hong Kong and the Greater Bay Area in coming years;
- (e) with the intensified competitions over gaming and hospitality industry in Macau, market participants endeavor to create a better and immersive experience to customers by adding new features and value-added services on the existing IT infrastructure; and
- (f) the development of 5G network, advancement and popularisation of data analytics, increased infrastructure requirements for emerging technology adoption and increased data exposure would also continuously drive the demand for IT solutions in Macau.

The following emerging business opportunities in Macau and the Greater Bay Area also offer a platform for the Group to expand its business:

Supportive governmental policies in promoting smart city

The government of Macau SAR has been actively promoting the development of smart city for several years. According to the “Government of Macau SAR Five Years Development Plan (2016–2020)” published in 2016, “Technology Innovation and Smart City Working Group” has been set up to establish a comprehensive and hierarchical system to assist higher institution and research institutes to develop Macau into a smart city. The overall direction aims to integrate smart technologies into urban management, government services, medical services, transportation management, tourism and custom services by utilising advanced IT. Such smart city development will boost the demand for IT solutions services in Macau.

Implementation of Internet of Things (“IoT”) network

The “Outline of Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area” 《粵港澳大灣區發展規劃綱要》 aims to build up a smart urban agglomeration. In order to facilitate the development of smart city within the Greater Bay Area, the government of Macau SAR has invested extensive resources to conduct research and development on the implementation of the IoT network over the years. As a result, along with the development of 5G network and supportive governmental policies, the rapid development of IoT in Macau will directly drive the demand for IT solutions in coming years.

Development of Fin-tech and e-commerce services

In May 2020, People’s Bank of China, China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission and State Administration of Foreign Exchange issued “Opinions on Financial Support for The Construction of The Guangdong-Hong Kong-Macao Greater Bay Area” 《關於金融支持粵港澳大灣區建設的意見》 which stated the development direction and emphasised the cooperation of financial institutions within the Greater Bay Area. In response to the development goal, the government of Macau SAR will provide financial incentives to local small and medium enterprises and help them develop e-Commerce and cross-border e-Commerce business, as well as popularising digital payment system.

Research and development (“R&D”) of Artificial Intelligence of Things (“AIoT”) and Brain-Computer Interface (“BCI”) teams in metaverse technology

The internet is transforming from Web 2.0 to Web 3.0, which will provide more customised and individual experiences to users together with the Artificial Intelligent (“AI”) technology.

To embrace the forthcoming business opportunities from the development and widespread application of Web 3.0, the Group continues building up its own features and functions in AI technology. During FP2023, the Group continued its process on developing a new technology platform and products with BCI features, which could create synergy on the existing IT solutions offered by the Group and such technology could be integrated to products from other fields, including but not limited to, healthcare, smart auto-mobile, smart home and smart wearable devices.

During FP2023, the Group has relocated existing AIoT team and BCI team to a newly established wholly-owned subsidiary, namely Barco Technologies Limited* (“**Barco**”), which specialises in (i) developing brain-computer interaction and related sense technology and sensory-induced electroencephalography signal acquisition technology; and (ii) developing own ecosystem which could be widely applied in different products under Web 3.0 era.

As at 30 June 2023, the Group had 56 employees (31 December 2022: 57 employees) in R&D department. During FP2023, the Group had registered certain software copyrights for related technologies under China National Intellectual Property Administration. The Group will continue seeking possible fund-raising activity in the second half of 2023 to support the funding of such R&D.

As at 30 June 2023, Barco entered the final testing stage for BCI headband, which could be integrated with different existing technical products in the market for various AI application scenarios. The first batch of mass-produced commercialised BCI headband is estimated to be launched in the second half of 2024.

* *For identification purposes*

Up to the date of this announcement, Barco entered into a contract relating to metaverse content in Guilin, one of the popular tourism cities in Guangxi province. The scope of the project is to create a virtual scene for one of the popular scenic spots in Guilin and allow users to enter the virtual scene for immersive tourism experience by using BCI headband and AI technology.

On top of a joint laboratory between the Group and Guangdong Institute of Intelligence Science and Technology, namely BrainVerse Digitalisation Laboratory, which was established in 2022, Barco also entered into an agreement in 2023 to build a joint laboratory with Beihang University, which mainly focuses on the development of additional features and furthering new technologies as well as new applications with AIoT, BCI and AI technology. The Group believes such technologies will be the new development trend in IT industry and will be widely applied in various industries with the increasing awareness from the world. It also helps diversify the existing businesses by building up a new business driver for the Group.

Opportunities in the PRC

Looking forward, the Group would excel its existing competitive strengths to maintain its leading position in Macau and capture further business opportunities in Hong Kong and the PRC, especially in the Greater Bay Area. The Group has two subsidiaries located in Hengqin and Nansha, where are the major cities of the Greater Bay Area. The preferential tax treatment for enterprises that are conducive to Macau's economic diversification would further put the Group to an advantageous position in exploring the market and business opportunities in Hengqin. The Group believes the subsidiaries located in Hengqin and Nansha are complementary to each other and will create synergy for the growth of the business in the PRC in the near future.

Resulting from the business development in the PRC, the revenue of the Group derived from the PRC increased by approximately HK\$76.0 million or 406.4% to approximately HK\$94.7 million for FP2023 from approximately HK\$18.7 million for FP2022.

The Group would also identify potential business opportunities, including but not limited to extending Group's current business model to cities outside the Greater Bay Area and developing new business models, which could help further diversify the Group's business.

BUSINESS REVIEW

During FP2023, the Group continuously provided IT comprehensive and high-quality end-to-end enterprise IT solutions to customers under various sectors in Macau, Hong Kong and the PRC as well as conducting distribution business in Hong Kong and resale business in Macau and the PRC.

The ease of strict COVID-19 measures and border reopening policies adopted by the governments of Macau SAR, HKSAR and the PRC in the late 2022 enabled the Group to capture the resumed demand of IT solution orders from the economic recovery in Macau, Hong Kong and the PRC.

The revenue of the Group for FP2023 increased from approximately HK\$247.0 million to approximately HK\$394.1 million, representing an increase of approximately HK\$147.1 million or 59.6% as compared to that of FP2022.

Enterprise IT solutions

The revenue from enterprise IT solutions increased from approximately HK\$150.7 million to approximately HK\$266.8 million. Such increase was mainly attributable to the increase in the revenue from Professional IT services by approximately HK\$135.2 million. The increase in revenue under Professional IT services was mainly due to the increase in the revenue recognised from the contracts with large contract values, which was completed in Macau and the PRC during FP2023.

With the ease of the adverse impact from the COVID-19 in Macau, Hong Kong and the PRC from late 2022, the Group was able to capture the resumed demand of IT solutions in Macau, Hong Kong and the PRC in FP2023 and expects the demand of enterprise IT services would remain strong in the near future. The Group would continuously identify further business opportunities and re-design up-to-date IT solutions to cope with the increasing demands and standards from customers in Macau, Hong Kong and the PRC in the second half of 2023.

Due to the prolonged adverse effect from the COVID-19 in Macau, the Group entered fewer contracts with higher gross profit margin for FP2023. The Group endeavoured to compensate the impact of the drop in gross profit margin by engaging in more contracts with larger contract value or contracts with lower complexity. The Group expects the gross profit margin of incoming projects will be improved along with economic recovery from the COVID-19, in which customers tend to resume their investments in enterprise IT solutions projects with higher complexity.

Distribution and resale

During FP2023, the Group continuously acted as a distributor by partnering with system vendors or their authorised distributors in the sale and distribution of a selected range of hardware and associated system relating to corporate mobility and cybersecurity solutions in Hong Kong. The Group continuously expanded its marketing channels in order to capture more resale orders in Macau, Hong Kong and the PRC to address the rising needs from customers.

Resulting from the abovementioned development of the Group, the revenue from distribution and resale increased from approximately HK\$96.3 million to approximately HK\$127.4 million. Such increase was attributable to the increase in the demand under resale business in Macau.

FINANCIAL REVIEW

Revenue

The total revenue increased by approximately HK\$147.1 million or 59.6% to approximately HK\$394.1 million for FP2023 from approximately HK\$247.0 million for FP2022. The increase was primarily attributable to the aggregate effect of the increase in revenue generated from the enterprise IT solutions business by approximately HK\$116.1 million and the increase in revenue generated from distribution and resale business by approximately HK\$31.1 million. For explanations of such change in revenue, please refer to the section headed “Business Review” in this announcement.

Cost of sales

The cost of sales increased by approximately HK\$145.1 million or 73.3% to approximately HK\$343.0 million for FP2023 from approximately HK\$197.9 million for FP2022, which was generally in line with the increase in the revenue during the same period. There is no material change in the cost of sales mix during the periods.

Gross profit and gross profit margin

The gross profit increased by approximately HK\$2.1 million or 4.3% to approximately HK\$51.2 million for FP2023 from approximately HK\$49.1 million for FP2022. The increase in the gross profit was attributable to the growth in the revenue. Since the economic recovery in Macau, Hong Kong and the PRC from late 2022, customers has slowly resumed their original pace on IT solution or IT infrastructure investments. The Group mainly engaged in projects with less complexity in FP2023, which led to a drop in gross profit margin from approximately 19.9% for FP2022 to approximately 13.0% for FP2023. In addition, the increase in the revenue contribution from distribution and resale business also led to the drop in the overall gross profit margin of the Group.

Other income and other net gains

The other income and other net gains decreased by approximately HK\$0.7 million or 42.7% to approximately HK\$0.9 million for FP2023 from approximately HK\$1.5 million for FP2022. The decrease was attributable to the net effect of the increase in the government grants received by the Group mainly in relation to the R&D activities in the PRC of approximately HK\$0.4 million and the decrease in the net foreign exchange effect of approximately HK\$1.0 million from the Group’s operations.

Selling and distribution expenses

The selling and distribution expenses increased by approximately HK\$1.6 million or 14.8% to approximately HK\$12.4 million for FP2023 from approximately HK\$10.8 million for FP2022. The increase was mainly attributable to the increase in the salaries payable to the salespersons and commission expenses resulting from the increasing revenue and the expansion of the selling and marketing team in FP2023.

General and administrative expenses

The general and administrative expenses increased by approximately HK\$4.6 million or 15.9% to approximately HK\$33.8 million for FP2023 from approximately HK\$29.2 million for FP2022. The increase was mainly attributable to the increase in the entertaining and travelling expenses by approximately HK\$1.0 million, the increase in the depreciation of right-of-use asset by approximately HK\$0.8 million, the increase in the depreciation of property, plant and equipment by approximately HK\$0.5 million and the increase in the legal and professional services by approximately HK\$0.5 million.

R&D expenses

The R&D expenses increased by approximately HK\$4.3 million for FP2023. It mainly represents the costs incurred by AIoT and BCI teams established in the PRC, which specialise in the development of core technologies widely applied in metaverse experience, including three-dimension reconstruction, haptic feedback, iris recognition technology, artificial intelligence, IoT, and edge computing, aiming to develop a metaverse eco-system for new users' experience and enhance the existing IT solutions provided by the Group in the future.

Finance income/(costs) – net

The finance income/(costs) – net was changed from finance costs – net of approximately HK\$1.3 million for FP2022 to finance income – net of approximately HK\$0.7 million for FP2023. The reasons for the change were mainly attributable to the increase in interest income from bank deposits of approximately HK\$0.7 million and the decrease in interest costs arising from the financial liability with redeemable right of approximately HK\$1.0 million.

Income tax expense

The income tax expense decreased by approximately HK\$1.1 million or 42.3% to approximately HK\$1.5 million for FP2023 from approximately HK\$2.6 million for FP2022. The decrease was mainly attributable to the decrease in profit before income tax by approximately HK\$7.0 million or 72.2% to approximately HK\$2.7 million for FP2023 from approximately HK\$9.7 million for FP2022. The effective tax rate was increased to approximately 54.8% for FP2023 from 26.8% for FP2022, which was due to the unutilised tax loss of subsidiaries located in Hong Kong and the PRC.

Profit and total comprehensive income for the period

As a result of the foregoing reasons, the Group's profit and total comprehensive income for the period decreased by approximately HK\$5.6 million or 81.2% to approximately HK\$1.3 million for FP2023 from approximately HK\$6.9 million for FP2022, which was mainly due to the increase in operating expenses resulting from the expansion of business and the increase in R&D expenses during the period.

TREASURY POLICY

The Group has adopted a conservative approach towards its treasury policies and thus maintained a healthy liquidity position throughout FP2023. The Group strives to reduce exposure to credit risk by assessing the potential customer's credit quality, defining credit limit by customer and conducting regular meetings and reviews on the overdue status of the customers. To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Company to finance the Group's operations and meet its short-term and long-term funding requirements.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations mainly through a combination of cash flow from operations and borrowings. As at 30 June 2023, the Group had cash and cash equivalents of approximately HK\$28.7 million (31 December 2022: approximately HK\$105.5 million) that were mainly denominated in HK\$, MOP, RMB and US\$. The decrease in the cash and cash equivalents is mainly attributable to (i) the decrease in contract liabilities resulting from the fulfillment of contracts; and (ii) payments made to trade payables for the purchase of goods and services for the fulfillment of contracts.

The gearing ratio of the Group as at 30 June 2023, which was calculated based on the total borrowings as at the respective dates, was approximately 1.7% (31 December 2022: nil).

As at 30 June 2023, the Group had total borrowings of approximately HK\$5.6 million (31 December 2022: nil), which mainly comprised of short-term borrowings of approximately HK\$5.6 million (31 December 2022: nil).

As at 30 June 2023, the Group had total lease liabilities of approximately HK\$14.0 million (31 December 2022: approximately HK\$12.2 million), of which short-term lease liabilities amounted to approximately HK\$8.4 million (31 December 2022: approximately HK\$6.6 million).

FOREIGN EXCHANGE RISK

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. For commercial transactions, the exposure to foreign exchange risk is minimal as the majority of subsidiaries of the Group operates in Macau and Hong Kong with most of the transactions denominated and settled in HK\$.

For assets and liabilities, a majority of the monetary assets and liabilities are denominated in HK\$, MOP and US\$ and the foreign exchange risk is considered minimal as these currencies are pegged. The Group considers that the Macau and Hong Kong subsidiaries are exposed to minimal foreign exchange risk from insignificant amounts of monetary assets and liabilities denominated in RMB.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and aims to minimise these exposures through close monitoring. The Group did not carry out any hedging activities by using any financial instrument against its foreign currencies' during FP2023 and FP2022.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2023, the Group had capital commitments of approximately HK\$2.4 million (31 December 2022: nil).

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: nil).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no significant investment, material acquisition or disposal of subsidiaries and affiliated companies by the Group during FP2023 and FP2022. Save for the business plan as disclosed in the prospectus of the Company dated 29 June 2022 ("**Prospectus**"), there was no plan for material investments or capital assets as at 30 June 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had a total of 337 full-time employees (including four executive Directors and excluding one non-executive Director and three independent non-executive Directors), as compared to a total of 228 full-time employees as at 30 June 2022. The remuneration packages that the Group offers to its employees include salary, commissions, discretionary bonuses, pension scheme and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary raises, bonuses and promotions. The total staff costs incurred by the Group for FP2023 were approximately HK\$50.6 million compared to approximately HK\$40.2 million for FP2022. Various on-the-job trainings were provided to the employees.

The remuneration of the Directors is decided by the Board upon recommendation from the remuneration committee of the Company having regard to the Group's operating results, individual performance and comparable market statistics.

PLEDGE OF ASSETS

As at 30 June 2023, the bank deposit of approximately HK\$53.9 million (31 December 2022: approximately HK\$53.3 million) was restricted for securing banking facilities.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there are no other significant events after the end of the reporting period that either request adjustment to the financial statement or are material to the understanding of the Group's current position.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries have purchased, redeemed or sold any of the Company's listed securities during FP2023 and up to the date of this announcement.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for FP2023 (FP2022: Nil).

CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Company has adopted the code provisions stated in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Except for the deviation from provision C.2.1 of the Corporate Governance Code, the Company's corporate governance practices have complied with the Corporate Governance Code during FP2023 and up to the date of this announcement. Under code provisions C.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Chao is the chairman of the Board and the chief executive officer of the Company. In view of the fact that Mr. Chao has been responsible for the day-to-day management of the Group since 2010 and the steady development of the Group, the Board believes that with the support of Mr. Chao's extensive experience and knowledge in the business of the Group, vesting the roles of both chairman and chief executive officer in Mr. Chao strengthens the consistent and solid leadership of the Group, thereby allowing efficient business planning and decision which is in the best interest of the Group and the Shareholders as a whole.

The Directors consider that the deviation from provision C.2.1 of the Corporate Governance Code is appropriate in such circumstances. Notwithstanding the above, the Board is of the view that the current management structure is effective for the operations, and sufficient checks and balances are in place. The Board will continue to review the effectiveness of the corporate governance structure of the Company in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

USE OF PROCEEDS

The net proceeds (the “**Net Proceeds**”) from the Listing amounted to approximately HK\$93.0 million after deducting the underwriting fees and commissions and other listing expenses borne by the Company. As at date of this announcement, the Directors are not aware of any material change to the planned use of proceeds as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The Company will use the Net Proceeds raised from the global offering on 15 July 2022 (“**Global Offering**”) in accordance with the intended application of the Net Proceeds as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

An analysis of the planned usage of the Net Proceeds as stated in the Prospectus and the actual utilisation of the Net Proceeds for the period from the Listing Date and up to the date of this announcement are set out below:

Use of proceeds	Percentage of total Net Proceeds	Allocation of Net Proceeds ^(Note) HK\$ million	Utilised Net Proceeds as at the date of this announcement HK\$ million	Unutilised Net Proceeds HK\$ million
Capturing business opportunities in the Greater Bay Area	43.8%	40.7	10.5	30.2
Upfront costs of two enterprise IT solution projects	30.4%	28.3	–	28.3
Strengthening the product development capabilities	15.8%	14.7	6.9	7.8
General working capital	10.0%	9.3	4.2	5.1
Total	<u>100.0%</u>	<u>93.0</u>	<u>21.6</u>	<u>71.4</u>

Note: As disclosed in the Prospectus, the estimated Net Proceeds after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering, were approximately HK\$104.8 million, which was revised to approximately HK\$94.1 million as disclosed in the Company’s offer price and allotment results announcement dated 14 July 2022. The actual net proceeds received by the Company were approximately HK\$93.0 million. The Company intends to adjust the difference of approximately HK\$1.1 million to the business strategies in the same proportion as the original funds applied as shown in the Prospectus.

Save as disclosed above, the Group has no other update on the use of Net Proceeds up to the date of this announcement. Further announcement will be published when there is any change in the use of Net Proceeds.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Man Wing Pong, Mr. U Seng Pan and Mr. Suen Chi Wai. Mr. Man Wing Pong has been appointed as the chairman of the Audit Committee and he possesses the appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules. The primary duties of the Audit Committee are, among others, to review and supervise the financial reporting process and internal control procedures of the Group, and to develop and review the policies and procedures for corporate governance and make recommendations to the Board.

REVIEW OF INTERIM RESULTS

The Interim Financial Information is unaudited, but have been reviewed by the Audit Committee, including the accounting principles and practices adopted by the Group. Based on their review and discussions with the management, there is no disagreement by the Audit Committee with the accounting treatment adopted by the Group and the Audit Committee was satisfied that the interim results were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for FP2023.

PUBLICATION OF UNAUDITED INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.boardware.com). The interim report of the Company for FP2023 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the aforesaid websites in due course.

By order of the Board
BoardWare Intelligence Technology Limited
Chao Ka Chon
Chairman and Executive Director

Hong Kong, 24 August 2023

As at the date of this announcement, the Board comprises Mr. Chao Ka Chon, Ms. Chiu Koon Chi, Ms. Lei Sok Han and Mr. Ng Hong Kei as executive Directors; Mr. Li Haodong as non-executive Director; and Mr. Man Wing Pong, Mr. Suen Chi Wai and Mr. U Seng Pan as independent non-executive Directors.