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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 2024**

FINANCIAL HIGHLIGHTS

Revenue for FP2024 decreased from approximately HK\$394.1 million to approximately HK\$318.1 million, representing a decrease of approximately HK\$76.0 million or 19.3% as compared to that of FP2023.

Gross profit for FP2024 increased from approximately HK\$51.2 million to approximately HK\$65.8 million, representing an increase of approximately HK\$14.6 million or 28.5% as compared to that of FP2023.

Profit before income tax for FP2024 decreased from approximately HK\$2.7 million to approximately HK\$1.7 million, representing a decrease of approximately HK\$1.0 million or 37.0% as compared to that of FP2023.

Basic earnings per Share attributable to the Shareholders for FP2024 decreased from approximately HK cent 0.25 to approximately HK cent 0.21, representing a decrease of approximately HK cent 0.04 or 16.0% as compared to that of FP2023.

Net profit margin for FP2024 increased from approximately 0.31% to approximately 0.33%, representing an increase of approximately 0.02 percentage points as compared to that of FP2023.

As at 30 June 2024, cash and cash equivalents amounted to approximately HK\$20.9 million (31 December 2023: approximately HK\$28.7 million).

The board (the “**Board**”) of directors (the “**Directors**”) of BoardWare Intelligence Technology 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 June 2024 (“**FP2024**”) with the comparative figures for the corresponding period in 2023 (“**FP2023**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
	Notes	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	3	318,109	394,144
Cost of sales and services		(252,341)	(342,991)
Gross profit		65,768	51,153
Other income		5,837	2,533
Distribution and selling expenses		(20,751)	(12,404)
Administrative expenses		(41,394)	(33,800)
Research and development expenses		(6,725)	(4,306)
Impairment losses under expected credit loss model, net of reversal		(168)	484
Exchange (loss), net		(270)	(525)
Finance costs	5	(564)	(398)
Profit before tax		1,733	2,737
Income tax expenses	6	(695)	(1,499)
Profit for the period attributable to owners of the Company	7	1,038	1,238
Other comprehensive (expense) income			
<i>Item that will not be reclassified to profit or loss:</i>			
(Loss) on revaluation of property		(13)	–
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operation		(708)	104
Other comprehensive (expense) income for the period		(721)	104
Total comprehensive income for the period attributable to owners of the Company		317	1,342
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	8		
– Basic		0.21	0.25
– Diluted		0.21	0.25

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
ASSETS			
Non-current Assets			
Property, plant and equipment		16,857	9,332
Investment property		4,849	4,939
Right-of-use assets		11,382	10,088
Intangible assets		934	776
Deferred tax assets		268	1,567
Finance lease receivables		4,107	9,941
Contract assets		8,890	7,352
Financial assets at fair value through profit or loss		109	109
Deposits and prepayments		<u>27,599</u>	<u>29,617</u>
		<u>74,995</u>	<u>73,721</u>
Current Assets			
Inventories		19,153	21,928
Deposits, prepayments and other receivables		92,632	65,936
Contract costs		4,370	3,901
Finance lease receivables		6,403	6,484
Contract assets		212,176	148,594
Trade receivables	10	143,887	179,906
Tax recoverable		874	883
Pledged bank deposits		54,228	53,317
Cash and cash equivalents		<u>20,927</u>	<u>28,733</u>
		<u>554,650</u>	<u>509,682</u>
Total Assets		<u><u>629,645</u></u>	<u><u>583,403</u></u>

		As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	11	5,000	5,000
Share premium and reserves		<u>331,345</u>	<u>331,028</u>
Total Equity		<u>336,345</u>	<u>336,028</u>
Non-current Liabilities			
Lease liabilities		5,120	4,018
Contract liabilities		5,146	2,807
Deferred tax liabilities		<u>93</u>	<u>1,224</u>
		<u>10,359</u>	<u>8,049</u>
Current Liabilities			
Trade and other payables	12	180,232	190,942
Contract liabilities		57,336	26,678
Lease liabilities		6,911	7,139
Tax payable		2,984	3,515
Borrowings		<u>35,478</u>	<u>11,052</u>
		<u>282,941</u>	<u>239,326</u>
Total Equity and Liabilities		<u><u>629,645</u></u>	<u><u>583,403</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and the Company's shares (the "**Shares**") are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate parent 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 address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company acts as an investment holding company. The principal activities of its subsidiaries are provision of IT integrated solution 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 Hong Kong, Macau and Taiwan).

The condensed consolidated financial statements of the Group are presented in Hong Kong dollars ("**HK\$**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") "Interim Financial Reporting" issued by the International Accounting Standard Board ("**IASB**") as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on Stock Exchange (the "**Listing Rules**").

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than additional in accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2023.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

3. REVENUE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	316,485	388,937
Lease income from IT equipment	1,624	5,207
Total	318,109	394,144

(i) Disaggregation of revenue from contracts with customers

(a) An analysis of the Group's revenue by business line and nature is as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Types of goods or services		
<i>Enterprise IT solutions</i>		
Professional IT services (<i>Note</i>)	127,966	227,217
Managed services	20,612	11,936
IT maintenance and consultancy services	25,348	22,401
	173,926	261,554
<i>Distribution and resale</i>		
Distribution	77,654	63,934
Resale	64,905	63,449
	142,559	127,383
Total	316,485	388,937

Note: Included in revenue from Professional IT services amounting to HK\$127,282,000 (FP2023: HK\$225,703,000) is recognised over time under input method by reference to the proportion of contract costs incurred to date to the estimated total costs for FP2024.

(b) An analysis of the Group's revenue by timing of satisfaction of performance obligation is as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
A point in time	151,898	131,471
Over time	164,587	257,466
Total	316,485	388,937

- (c) The following table sets out the Group's revenue from external customers by geographical location as determined by the country/region of domicile which the Group operates. The geographical location of revenue of the Group is based on the physical location of assets through which the services were provided or the location at which the goods were delivered:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Macau	225,177	211,781
Hong Kong	82,405	82,427
The PRC	8,903	94,729
Total	316,485	388,937

4. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment focuses on revenue analysis by products and services. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

- (a) The Group's operations are located in Macau, Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets other than financial instruments and deferred tax assets is presented based on the physical location of the assets or the location of the operations to which they are allocated.

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		As at	As at
	2024	2023	30 June	31 December
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Macau	225,177	211,781	36,014	30,552
Hong Kong	82,405	82,427	9,162	7,827
The PRC	8,903	94,729	13,984	10,734
	316,485	388,937	59,160	49,113

- (b) Revenue from external customers for the corresponding periods contributing 10% or more of the total revenue of the Group are as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	64,593	—*
Customer B	37,665	—*
Customer C	—*	83,456
Customer D	—*	81,008
	<u> </u>	<u> </u>

* The corresponding revenue did not contribute 10% or more of the total revenue of the Group for FP2023 and FP2024.

5. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on borrowings	288	6
Interest on lease liabilities	272	382
Other finance costs	4	10
	<u> </u>	<u> </u>
	564	398
	<u> </u>	<u> </u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Macau Complementary Tax	515	1,499
– Hong Kong Profits Tax	9	—
	<u> </u>	<u> </u>
	524	1,499
Overprovision in prior years	(51)	—
	<u> </u>	<u> </u>
	473	1,499
Deferred taxation	222	—
	<u> </u>	<u> </u>
	695	1,499
	<u> </u>	<u> </u>

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

Macau

The entities within the Group incorporated in Macau are subject to Macau Complementary Tax at progressive rates ranging from 3% to 9% on the taxable income above 32,000 Macanese Pataca (“MOP”) but below MOP300,000, and thereafter at a fixed rate of 12%. For FP2024, the Macau tax authority introduced a one-time incentive that raised the tax-exempt income ceiling from MOP32,000 to MOP600,000. Consequently, profits surpassing MOP600,000 are subject to the standard 12% fixed tax rate.

Hong Kong

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimate assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

The PRC

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Auditors' remuneration		
– Audit services	1,151	1,095
– Non-audit services	62	20
Amortisation of intangible assets	405	433
Cost of inventories sold and services provided	233,444	332,604
Depreciation of property, plant and equipment	3,182	2,530
Depreciation of right-of-use assets	4,489	4,495
Employee benefit expenses (including directors' emoluments and contributions to retirement benefits scheme)	66,364	50,571
Expense relating to short-term leases	212	39
(Reversal of) write-down of inventories	(1,055)	2,430

8. EARNINGS PER SHARE

The calculation of the basis and diluted earnings per Share is based on the Group's profit attributable to the owners of the Company of HK\$1,038,000 (FP2023: HK\$1,238,000) and the weighted average number of ordinary Shares calculated below.

	Six months ended 30 June	
	2024 '000 (Unaudited)	2023 '000 (Unaudited)
Weighted average number of ordinary Shares for the purpose of basis and diluted earnings per Share	<u>500,000</u>	<u>500,000</u>

No diluted earning per Share for FP2024 and FP2023 were presented as the Company has no dilutive potential ordinary Shares outstanding during the periods.

9. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period (FP2023: nil).

10. TRADE RECEIVABLES

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Trade receivables		
Contracts with customers	144,575	181,513
Less: Allowance for credit losses	<u>(688)</u>	<u>(1,607)</u>
	<u>143,887</u>	<u>179,906</u>

The credit terms of trade receivables granted by the Group are generally 1 to 3 months. The following is an analysis of trade receivables by age, presented based on invoice dates:

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Up to 3 months	99,618	112,883
Over 3 months and within 6 months	28,578	57,871
Over 6 months and within 1 year	12,146	5,376
Over 1 year	<u>4,233</u>	<u>5,383</u>
	<u>144,575</u>	<u>181,513</u>

As at 30 June 2024, included in trade receivables are bills received amounting to HK\$10,640,000 that were held by the Group for future settlement of trade receivables.

As at 31 December 2023, included in trade receivables are bills received amounting to HK\$5,546,000 that were discounted to bank on a full recourse basis. Since the substantial risks and rewards of the ownership of the bills have not been transferred taking into account the credit quality of the issuing counterparties, the Group continues to recognise the full carrying amount of those discounted receivables and has recognised the associated liabilities as borrowings.

The Group continues to recognise their full carrying amounts at the end of the reporting periods. All bills received by the Group are with a maturity period of less than 1 year.

11. SHARE CAPITAL

	Number of Shares '000	Nominal value of Shares HK\$'000
Ordinary Shares of HK\$0.01 each		
Authorised		
At 1 January 2023 (Audited), 31 December 2023 (Audited) and 30 June 2024 (Unaudited)	<u>10,000,000</u>	<u>100,000</u>
	Number of Shares '000	Nominal value of Shares HK\$'000
Issued and fully paid		
At 1 January 2023 (Audited), 31 December 2023 (Audited) and 30 June 2024 (Unaudited)	<u>500,000</u>	<u>5,000</u>

12. TRADE AND OTHER PAYABLES

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Trade payables	156,697	174,165
Salaries payable	11,468	9,933
Accrued expenses	4,769	4,343
Other taxes payable	4,918	113
Other payables	<u>2,380</u>	<u>2,388</u>
	<u>180,232</u>	<u>190,942</u>

Trade payables are unsecured and are usually paid within 1 to 3 months from recognition.

The following is an analysis of trade payables by age, presented based on the invoice date.

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Within 1 month	74,364	121,497
Over 1 month and within 3 months	31,326	41,035
Over 3 months and within 1 year	49,596	11,605
Over 1 year	1,411	28
	<hr/>	<hr/>
	156,697	174,165
	<hr/>	<hr/>

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 and resale 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.

With the steady recovery of the economy, especially the rapid recovery of the economies in the Greater Bay Area, Hong Kong and Macau, coupled with economic transformation, enterprises are more inclined to use digital means and technology for operation and marketing, which has brought significant demand to the IT industry:

- (a) as the transformation of the economy and the popularisation of digitalisation in the Greater Bay Area, Hong Kong and Macau, local enterprises have planned to increase their investment in IT infrastructure renovation and new IT upgrade projects. At the same time, with the local government’s strong promotion of digitalisation and economic transformation, more and more local enterprises have utilised digital tools such as digital platforms, advanced systems and smart devices more extensively in order to improve their operational efficiency and expand their customer acquisition channels. The Group expects the demand for IT solutions and related products will increase with the popularisation of digital transformation among the enterprises in the Greater Bay Area, Hong Kong and Macau;
- (b) as the six gaming operators in Macau had committed to invest and support the development of non-gaming industries in Macau in coming years under the requirement of the new gaming concession contract, together 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 will still benefit indirectly from the increasing demand for IT solutions arising from the investments to be committed by those operators in the coming years; and

- (c) the government of Macau SAR reinforced its policies on 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 “2024 Policy Address”. It also emphasised the importance of the integration of various technologies with traditional industries such as tourism and gaming industries so as to create new experiences for tourists in the future. The Group expects the demand for IT solutions in the above industries will increase along with the increasing influence of IT elements in business operations under the related supportive policies from the government of Macau SAR.

The following emerging business opportunities in the Greater Bay Area, Hong Kong and Macau 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 (2024–2028)” published in October 2023, “Transformation and upgrading of high-tech industries and traditional industries” has been introduced to develop new economy growing point by (i) strengthening the business development and policy supports to IT enterprises in Macau; (ii) enhancing the existing legal framework relating to IT industries; (iii) collaborating with Hengqin on the share of talents, resources and IT infrastructure; and (iv) enhancing the quality of the services and products from traditional industries with the assistance of new technologies. The overall direction aims to (i) create a more supportive environment for the R&D activities by offering preferential policies and providing consultancy supports to IT enterprises; (ii) foster the R&D activities to develop high-tech industries by partnering with various tertiary institutions in Macau and the PRC; and (iii) promote Macau internationally by bridging Portuguese-speaking countries and the PRC through leveraging its competitive advantages.

Implementation of Internet of Things (“IoT”) network

The “Outline of Development Plan for Guangdong-Hong Kong-Macau 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 R&D 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-Macau 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 continue to provide financial incentives to local small and medium-sized enterprises and to help them develop e-Commerce and cross-border e-Commerce business, as well as popularise digital payment system.

Constructing an Artificial Intelligence ("AI") model synchronised with human thinking based on the collection and learning of Non-Invasive Brain Signals and Big Data

The rapid development of AI technology has had a profound impact on scientific and technological innovation, industry resources, and even daily life of humans globally. The Group has focused on research and development ("R&D") of Brain-Computer Interface ("BCI") technologies over the last two years. During FP2024, the Group has made breakthrough developments in R&D of BCI technologies, which has achieved market-leading results in dry electrode wearable devices. In the future, the Group will continue to focus on the R&D of BCI technologies and deeply integrate it with AI technologies in order to generate a new generation of AI systems that possess human-like thoughts.

Barco Technologies Limited* ("Barco"), a wholly-owned subsidiary of the Company, consists of the Group's Artificial Intelligence of Things ("AIoT") team and BCI team which are mainly responsible to engage in R&D in the areas of (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 product under Web 3.0 era.

As at the date of this announcement, the Group had registered 25 software copyrights (as at 31 December 2023: 17) and 49 patents (as at 31 December 2023: 21) for related technologies under China National Intellectual Property Administration. Meanwhile, the Group received R&D subsidies from Science and Technology Development Fund of Macau for supporting the Group's R&D projects related to BCI and AI technologies. To facilitate sustainable R&D activities of the Group, the Group will continue to seek for possible short-term and long-term financing sources to support the funding needs.

During FP2024, the Group's R&D team has made certain progress in the R&D projects in relation to different technologies. Up to the date of this announcement, the team has completed the first version of the BCI cloud platform v1.0, R&D works on brain-computer equipment and application cloud access analysis. The Group will adjust the number of headcount under R&D department in accordance with the latest progress of product development. The Group will also recruit scientists and talents to the R&D department for BCI and AI by offering competitive remuneration packages.

* For identification purpose only

In addition to the joint laboratories with Guangdong Institute of Intelligence Science and Technology and Beihang University, which were established in 2022 and 2023 respectively, the Group also established a joint laboratory with Zhejiang University during FP2024, which focuses on R&D in “large models and behavioral brain signal technology”. The Group believes such technologies will be the new development trend in IT industry and will be widely applied in various industries with 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 three subsidiaries located in Hengqin and Nansha, which 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 in 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 Group’s business in the PRC in the near future.

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 FP2024, the Group continuously provided IT comprehensive and high-quality end-to-end enterprise IT solutions as well as conducting distribution and resale business to customers under various sectors in Macau, Hong Kong and the PRC, especially the Greater Bay Area.

Revenue of the Group for FP2024 decreased from approximately HK\$394.1 million to approximately HK\$318.1 million, representing a decrease of approximately HK\$76.0 million or 19.3% as compared to that of FP2023. The decrease in revenue is mainly due to the decrease in the revenue from Professional IT services. Since certain projects with large contract sum were completed substantially in 2023, the revenue from Professional IT services decreased from approximately HK\$227.2 million for FP2023 to approximately HK\$128.0 million for FP2024.

Due to the non-gaming investment commitments pledged by the gaming operators under the requirements of new gaming concession contract, the Group expects the demand for IT solutions and products related to non-gaming investments from the gaming operators to increase in coming years. During FP2024, the Group entered into a number of high complex contracts with the gaming operators. Since the contracts were currently under early preparatory stage, there was no significant revenue recognised during FP2024. The Group believe that as the contract works will be proceeding during the second half of 2024, the revenue from such contracts will compensate the decrease in revenue during FP2024.

In addition, the Group endeavoured to expand its businesses in relation to Managed service and IT maintenance and consultancy service in Macau and Hong Kong during FP2024. With the increasing number of contracts in relation to Managed services and IT maintenance and consultancy services entered between the Group and customers in Macau and Hong Kong, the Group expects the revenue from such services will compensate the decrease in revenue from Professional IT services in the second half of 2024.

Enterprise IT solutions

The revenue from enterprise IT solutions decreased from approximately HK\$261.6 million for FP2023 to approximately HK\$173.9 million for FP2024. Such decrease was mainly attributable to the net effect of the decrease in the revenue from Professional IT services by approximately HK\$99.2 million, the increase in the revenue from Managed service by approximately HK\$8.7 million and the increase in the revenue from IT maintenance and consultancy services by approximately HK\$2.9 million. The decrease in revenue from Professional IT services was mainly due to the decrease in the revenue recognised from the contracts with large contract sum were substantially completed in 2023 and there was no significant revenue recognised during FP2024.

In response to economic transformation and the growing demand for digital applications among enterprises, the Group has increased its resource investment in high-profit businesses such as Managed services and IT maintenance and consultancy services, and has also focused more on the development of these businesses. The relevant businesses have also experienced significant growth during FP2024. The Group believes that in the future it will gradually occupy an important proportion of the Group's business and bring sustained and stable revenue to the Group in future.

Distribution and resale

During FP2024, 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 procured different IT products for resale to fulfill the needs from different customers 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\$127.4 million for FP2023 to approximately HK\$142.6 million for FP2024. Such increase was attributable to the increase in the number of distribution orders in Hong Kong.

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately HK\$76.0 million or 19.3% to approximately HK\$318.1 million for FP2024 from approximately HK\$394.1 million for FP2023. The decrease was primarily attributable to the net effect of the decrease in revenue generated from the enterprise IT solutions business by approximately HK\$87.7 million and the increase in revenue generated from distribution and resale business by approximately HK\$15.2 million. For explanations of such change in revenue, please refer to the section headed “Business Review” in this announcement.

Cost of sales and services

Cost of sales and services decreased by approximately HK\$90.7 million or 26.4% to approximately HK\$252.3 million for FP2024 from approximately HK\$343.0 million for FP2023. The extent of the decrease in cost of sales and services was greater than that of the revenue for FP2023. The reason was mainly due to the completion of certain contracts with significant contract sum and lower gross profit margin while the weight of revenue recognised from the contracts decreased during FP2024.

Gross profit and gross profit margin

Gross profit increased by approximately HK\$14.6 million or 28.5% to approximately HK\$65.8 million for FP2024 from approximately HK\$51.2 million for FP2023. The increase in the gross profit was attributable to the decrease in the weight of revenue from the contracts with lower gross profit margin during FP2024. Moreover, along with the recovery of IT industry in Macau, the Group engaged in more complexed projects during FP2024. As a result, the gross profit margin increased by approximately 7.7% from approximately 12.99% for FP2023 to approximately 20.69% for FP2024.

Other income

Other income increased by approximately HK\$3.3 million or 132.0% to approximately HK\$5.8 million for FP2024 from approximately HK\$2.5 million for FP2023. The increase was attributable to the increase in the government grants received by the Group mainly in relation to the R&D activities.

Distribution and selling expenses

Distribution and selling expenses increased by approximately HK\$8.4 million or 67.7% to approximately HK\$20.8 million for FP2024 from approximately HK\$12.4 million for FP2023. The increase was mainly attributable to the increase in the salaries payable to the salespersons and commission expenses resulting from the expansion of the selling and marketing team in Hong Kong since the second half of 2023.

Administrative expenses

Administrative expenses increased by approximately HK\$7.6 million or 22.5% to approximately HK\$41.4 million for FP2024 from approximately HK\$33.8 million for FP2023. The increase was mainly attributable to the increase in the employee benefit expenses by approximately HK\$5.5 million, the increase in the depreciation of property, plant and equipment by approximately HK\$0.8 million, the increase in the entertaining and travelling expenses by approximately HK\$0.6 million and the increase in the legal and professional services expenses by approximately HK\$0.3 million. The increase in the employee benefit expenses is mainly resulting from a salary increment in line with the employment market and additional costs incurred from recruiting additional staff.

R&D expenses

R&D expenses increased by approximately HK\$2.4 million or 55.8% to approximately HK\$6.7 million for FP2024 from approximately HK\$4.3 million for FP2023. The increase was mainly attributable to the increase in R&D expenditure in accordance with the latest product progress in FP2024.

Finance costs

Finance costs increased by approximately HK\$0.2 million or 50.0% to approximately HK\$0.6 million for FP2024 from approximately HK\$0.4 million for FP2023. The increase was mainly attributable to the increase in interest costs from bank borrowing of approximately HK\$0.3 million resulting from the new borrowing raised from the bank in Macau during FP2024.

Income tax expenses

Income tax expenses decreased by approximately HK\$0.8 million or 53.3% to approximately HK\$0.7 million for FP2024 from approximately HK\$1.5 million for FP2023. The decrease was mainly attributable to the decrease in profit before income tax by approximately HK\$1.0 million or 37.0% to approximately HK\$1.7 million for FP2024 from approximately HK\$2.7 million for FP2023. The effective tax rate for FP2024 and FP2023 were approximately 39.6% and 54.8% respectively.

Profit for the period

As a result of the foregoing reasons, profit for the period of the Group for FP2024 decreased by approximately HK\$0.2 million or 16.7% to approximately HK\$1.0 million for FP2024 from approximately HK\$1.2 million for FP2023.

TREASURY POLICY

The Group has adopted a conservative approach towards its treasury policies and thus maintained a healthy liquidity position throughout FP2024. The Group strives to reduce exposure to credit risk by assessing the potential customer's credit quality, define credit limit by customer and conduct 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 2024, the Group had cash and cash equivalents of approximately HK\$20.9 million (31 December 2023: approximately HK\$28.7 million) that were mainly denominated in HK\$, MOP, Renminbi ("RMB") and United States dollar ("US\$"). The decrease in the cash and cash equivalents is mainly attributable to (i) the increase in contract assets resulting from the fulfillment of contracts; (ii) increase in prepayments, deposits and other receivables arising from the operations for FP2024; and (iii) increase in capital investment for acquisition of property, plant and equipments.

The gearing ratio of the Group as at 30 June 2024, which was calculated based on the total borrowings as at the respective dates, was approximately 10.6% (31 December 2023: approximately 3.3%). The increase was mainly attributable to the increase in secured bank borrowing.

As at 30 June 2024, the Group had total borrowings of approximately HK\$35.5 million (31 December 2023: HK\$11.1 million), which mainly comprised of secured bank borrowings of approximately HK\$35.5 million (31 December 2023: HK\$5.5 million). The Group had no financial liabilities on bills discounted with recourse (31 December 2023: HK\$5.5 million).

As at 30 June 2024, the Group had total lease liabilities of approximately HK\$12.0 million (31 December 2023: approximately HK\$11.2 million), of which short-term lease liabilities amounted to approximately HK\$6.9 million (31 December 2023: approximately HK\$7.1 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 operate 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 the subsidiaries located in Macau and Hong Kong 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 tries to minimise these exposures through close monitoring. The Group did not carry out any hedging activities against its foreign currencies' during FP2024 and FP2023.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no capital commitments (31 December 2023: HK\$1.3 million) relating to capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statement.

As at 30 June 2024 and 31 December 2023, the Group did not have any significant contingent liabilities.

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

There was no significant investment, material acquisition or disposal of subsidiaries and affiliated companies by the Group during FP2024 and FP2023. Save for the future plans as disclosed under the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 June 2022 (the "**Prospectus**"), there was no plan for material investments or capital assets as at 30 June 2024.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group had a total of 359 full-time employees (including 4 executive Directors and excluding 1 non-executive Director and 3 independent non-executive Directors), as compared to a total of 337 full-time employees as at 30 June 2023. 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 FP2024 were approximately HK\$66.4 million compared to approximately HK\$50.6 million for FP2023. 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 2024, the bank deposits of approximately HK\$54.2 million (31 December 2023: approximately HK\$53.3 million) were restricted for securing a banking facility and a bank guarantee requested by a supplier. The Group also pledged the investment property with the fair value of approximately HK\$4.8 million for the existing borrowings in the PRC (31 December 2023: HK\$4.9 million). The Group had no bill receivables, which were discounted to bank on a full recourse basis (31 December 2023: HK\$5.5 million).

EVENTS AFTER THE REPORTING PERIOD

There were no other significant events after the end of the reporting period and up to the date of this announcement 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 any of its subsidiaries have purchased, redeemed or sold any of the Company's listed securities during FP2024 and up to the date of this announcement.

INTERIM DIVIDEND

The Board has resolved not to recommend the declaration of any interim dividend for FP2024 (FP2023: nil).

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and to the best knowledge of the Board, as at the date of this announcement, the Company has maintained the public float of not less than 25% of the issued Shares as required under the Listing Rules.

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 C1 to the Listing Rules (the “**Corporate Governance Code**”).

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 FP2024 and up to the date of this announcement. Under code provisions C.2.1 of the Corporate Governance Code, 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 of the Company (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.

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 ("**Global Offering**") on 15 July 2022 (the "**Listing Date**") 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	40.7	–
Upfront costs of two enterprise IT solution projects	30.4%	28.3	28.3	–
Strengthening the product development capabilities	15.8%	14.7	14.7	–
General working capital	10.0%	9.3	9.3	–
Total	100.0%	93.0	93.0	–

Note: As disclosed in the Prospectus, the estimated Net Proceeds after deduction of underwriting fees and commissions and estimated expenses payable by the Company 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 Proceed 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.

The Net Proceeds from the listing as referred to in the Prospectus were approximately HK\$93.0 million, which have been fully utilised as at the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 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. Having made specific enquiries with all the Directors, all the Directors confirmed that they have complied with the Model Code during FP2024.

AUDIT COMMITTEE

The Company has established its Audit Committee (the “**Audit Committee**”) on 20 June 2022 in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The Audit Committee consists of 3 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 results of the Group for FP2024 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 of the Company, 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 FP2024.

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 FP2024 containing all the information required by 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, 28 August 2024

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.