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Microware Group Limited
美高域集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1985)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2024
AND
CLOSURE OF REGISTER OF MEMBERS**

HIGHLIGHTS

- The total revenue of the Group amounted to approximately HK\$1,234.3 million for the Year, representing an increase of approximately HK\$67.5 million or 5.8% as compared to approximately HK\$1,166.8 million for the Previous Year.
- The profit and total comprehensive income of the Group for the Year was approximately HK\$36.2 million, representing an increase of approximately HK\$3.1 million or 9.2% as compared to approximately HK\$33.2 million for the Previous Year.
- Basic earnings per Share for the Year was HK\$0.12, as compared to HK\$0.11 for the Previous Year.
- The Board resolved not to recommend the payment of a final dividend for the Year to the Shareholders.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Microware Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2024 (the “**Year**”), together with the comparative figures for the year ended 31 March 2023 (the “**Previous Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March 2024

		2024	2023
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	1,234,334	1,166,848
Cost of sales		<u>(1,089,378)</u>	<u>(1,045,282)</u>
Gross profit		144,956	121,566
Other income		4,425	8,968
Other gains and losses, net		1,757	1,330
Other expenses		(3,650)	(2,222)
Distribution and selling expenses		(69,085)	(60,029)
Administrative expenses		(33,905)	(30,258)
Finance cost		<u>(741)</u>	<u>(620)</u>
Profit before taxation		43,757	38,735
Taxation	4	<u>(7,529)</u>	<u>(5,559)</u>
Profit and total comprehensive income for the year	5	<u>36,228</u>	<u>33,176</u>
Profit and total comprehensive income (expense) for the year attributable to			
— owners of the Company		36,228	33,179
— non-controlling interest		<u>—</u>	<u>(3)</u>
		<u>36,228</u>	<u>33,176</u>
Earnings per share	7		
Basic (HK\$)		<u>0.12</u>	<u>0.11</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		11,486	16,955
Prepayments and deposits	8	1,736	1,944
Derivative financial instrument		400	177
Deferred tax assets		68	–
		<u>13,690</u>	<u>19,076</u>
CURRENT ASSETS			
Inventories		111,480	58,220
Loans to directors		5,800	–
Trade and other receivables, prepayments and deposits	8	186,106	146,202
Pledged bank deposits		34,675	39,900
Time deposits		5,384	5,161
Cash and cash equivalents		159,804	248,272
		<u>503,249</u>	<u>497,755</u>
CURRENT LIABILITIES			
Trade and other payables and accruals	9	212,434	203,350
Contract liabilities	10	95,099	82,575
Tax liabilities		3,605	984
Lease liabilities		9,573	10,970
Bank borrowings		11,000	–
		<u>331,711</u>	<u>297,879</u>
NET CURRENT ASSETS		<u>171,538</u>	<u>199,876</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>185,228</u>	<u>218,952</u>
NON-CURRENT LIABILITIES			
Contract liabilities	10	3,921	4,634
Lease liabilities		–	1,639
Deferred tax liabilities		–	208
		<u>3,921</u>	<u>6,481</u>
NET ASSETS		<u>181,307</u>	<u>212,471</u>
CAPITAL AND RESERVES			
Share capital	11	3,000	3,000
Reserves		178,307	209,471
		<u>181,307</u>	<u>212,471</u>
Equity attributable to owners of the Company		<u>181,307</u>	<u>212,471</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

1. GENERAL INFORMATION

Microware Group Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 20 January 2016. The addresses of the Company’s registered office and the principal place of business are at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 1/F, Century Centre, 44-46 Hung To Road, Kwun Tong, Kowloon, Hong Kong, respectively.

On 26 June 2023, Microware International Holdings Limited (“**Microware International**”), a limited liability company incorporated in the British Virgin Islands (the “**BVI**”) and the then immediate and ultimate holding company of the Company, sold 42,500,000 shares of the Company, representing approximately 14.16% of the ordinary share capital of the Company to Weiye Holdings Group Limited (“**Weiye**”), a limited liability company incorporated in the BVI and wholly owned by Mr. Wang Guangbo (“**Mr. Wang**”). On 13 September 2023, Mr. Yang Peter Shun Tsing and through Microware International completed a placing of a total of 114,000,000 ordinary shares to 9 Placees and ceased to be the immediate and ultimate holding company of the Company. Furthermore, on 28 November 2023, Weiye entered into a sales and purchase agreement with Microware International, such that Microware International agreed to sell and Weiye agreed to purchase 35,000,000 ordinary shares of the Company. On 2 February 2024, Mr. Wang has assumed the rights, obligations, duties and liabilities of Weiye under the sale and purchase agreement through a deed of novation entered into among Weiye, Mr. Wang and Microware International to effect the acquisition of 35,000,000 ordinary shares of the Company by Mr. Wang in his personal capacity instead of via Weiye. On 8 February 2024, Mr. Wang has completed the purchase of 17,500,000 ordinary shares of the Company from Microware International.

As at 31 March 2024, Mr. Wang (personally and via Weiye) is interested in 60,000,000 ordinary shares of the Company, representing approximately 20.00% of the ordinary share capital of the Company. Meanwhile, Microware International is interested in 20,804,000 ordinary shares of the Company, representing approximately 6.94% of the ordinary share capital of the Company and therefore ceased to be a substantial shareholder of the Company. As at 31 March 2024, Mr. Wang and Tang Huangju (one of the 9 Placees) held 20.00% and 12.56% of the ordinary share capital of the Company, respectively.

The Company is an investment holding company. The Company and its subsidiaries (the “**Group**”) is principally engaged in the provision of information technology (“**IT**”) infrastructure solution services and IT managed services in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”) which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impacts on application of Amendments to HKAS 8 “Definition of Accounting Estimates”

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

The Group has applied the amendments for the first time in the current year. HKAS 1 “Presentation of Financial Statements” is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “**Abolition**”). The Abolition will officially take effect on 1 May 2025 (the “**Transition Date**”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee’s LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Accordingly, the Group has recognised a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 December 2022, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 after the Abolition.

The application of the HKICPA guidance has had no material impact on the Group’s financial positions and performance the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The Directors anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

Segment revenue and results

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company who are also the chief operating decision makers (the “CODM”) that are used to make strategic decisions. Information reported to the CODM is based on the business lines operating by the Group. No operating segments have been aggregated to form the following reportable segments.

Details of the Group’s operating and reportable segments are as follows:

- (1) IT infrastructure solution services business refers to the procurement of semiconductor products, procurement of hardware and software by the Group and such procurement together with provision of design of solutions; and
- (2) IT managed services business refers to the provision of design of solutions, provision of maintenance and/or support services to IT systems of the customers.

An analysis of the Group's operating and reportable segment revenue and segment results is set out as below:

For the year ended 31 March 2024

	Segment of IT infrastructure solution services business HK\$'000	Segment of IT managed services business HK\$'000	Total HK\$'000
Segment revenue	<u>1,088,767</u>	<u>145,567</u>	<u>1,234,334</u>
Segment results	<u>64,532</u>	<u>14,179</u>	78,711
Other income			4,425
Other gains and losses, net			1,757
Other expenses			(3,650)
Certain distribution and selling expenses			(2,840)
Administrative expenses			(33,905)
Finance cost			<u>(741)</u>
Profit before taxation			<u>43,757</u>

For the year ended 31 March 2023

	Segment of IT infrastructure solution services business <i>HK\$'000</i>	Segment of IT managed services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>1,033,933</u>	<u>132,915</u>	<u>1,166,848</u>
Segment results	<u>49,806</u>	<u>12,811</u>	62,617
Other income			8,968
Other gains and losses, net			1,330
Other expenses			(2,222)
Certain distribution and selling expenses			(1,080)
Administrative expenses			(30,258)
Finance cost			<u>(620)</u>
Profit before taxation			<u><u>38,735</u></u>

The accounting policies of the operating and reportable Segments are the same as the Groups accounting policies. Segment result represents the profit earned by each segment without allocation of other income, other gains and losses, net, other expenses, certain distribution and selling expenses, administrative expenses and finance cost.

No analysis of the Group's assets and liabilities by reportable segments is disclosed as it is not regularly provided to the CODM for review.

4. TAXATION

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	7,805	5,593
Deferred tax	<u>(276)</u>	<u>(34)</u>
	<u>7,529</u>	<u>5,559</u>

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

Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime for the year ended 31 March 2024 and 2023.

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit before taxation	<u>43,757</u>	<u>38,735</u>
Taxation at Hong Kong Profits Tax rate of 16.5%	7,220	6,391
Tax effect of income not taxable for tax purposes	(674)	(1,032)
Tax effect of expenses not deductible for tax purposes	891	338
Tax effect of tax losses not recognised	253	9
Tax effect of two-tiered tax rates	(165)	(165)
Others	<u>4</u>	<u>18</u>
Taxation for the year	<u>7,529</u>	<u>5,559</u>

5. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Staff costs:		
Directors' remuneration	9,901	8,741
Other staff costs	108,054	96,507
Retirement benefits scheme contributions (excluding directors)	<u>3,476</u>	<u>3,415</u>
	<u>121,431</u>	<u>108,663</u>
Auditor's remuneration	1,540	1,540
Cost of inventories recognised as an expense (<i>note a</i>)	942,677	936,176
Depreciation of property, plant and equipment	<u>13,089</u>	<u>13,895</u>

note:

- (a) Cost of inventories charged to profit or loss including allowance for inventories of HK\$151,000 (2023: allowance for inventories of HK\$212,000).

6. DIVIDENDS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2024 Interim dividend – HK\$0.02 (2023: 2023 interim dividend HK\$0.045) per share	6,000	13,500
2023 Final dividend – HK\$0.025 (2023: 2022 final dividend HK\$0.06) per share	7,500	18,000
2023 Special dividend – HK\$0.08 (2023: 2022 special dividend HK\$Nil) per share	<u>24,000</u>	<u>–</u>
	<u>37,500</u>	<u>31,500</u>

Subsequent to the end of the reporting period, no dividend in respect of the year ended 31 March 2024 (2023: a special dividend of HK\$0.08 per share in an aggregate amount of HK\$24,000,000), has been declared by the directors of the Company. No final dividend in respect of the year ended 31 March 2024 (2023: a final dividend of HK\$0.025 per share, in an aggregate amount HK\$7,500,000), has been proposed by the directors of the Company and is subject to approval by the shareholders (the “Shareholders”) in the forthcoming general meeting.

7. EARNINGS PER SHARE

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>36,228</u>	<u>33,179</u>
	2024	2023
	'000	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>295,505</u>	<u>300,000</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the treasury shares repurchased during the year.

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

8. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables from contracts with customers	159,381	117,628
Less: Allowance for credit losses	<u>(80)</u>	<u>(9)</u>
	159,301	117,619
Rental and utilities deposits	166	320
Prepayments for costs of maintenance services	25,538	26,945
Others	<u>2,837</u>	<u>3,262</u>
Total trade and other receivables, deposits and prepayments	<u>187,842</u>	<u>148,146</u>
Analysed as:		
Current	186,106	146,202
Non-current (including prepayments for costs of maintenance services, rental and utilities deposits)	<u>1,736</u>	<u>1,944</u>
	<u>187,842</u>	<u>148,146</u>

As at 1 April 2022, trade receivables from contracts with customers amounted to HK\$172,410,000.

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

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 30 days	92,481	72,841
31 to 60 days	29,130	23,488
61 to 90 days	15,405	6,906
91 to 120 days	8,186	4,388
121 to 180 days	8,169	6,515
Over 180 days	<u>5,930</u>	<u>3,481</u>
	<u>159,301</u>	<u>117,619</u>

As at 31 March 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$71,029,000 (2023: HK\$48,412,000) which are past due as at the reporting date. Out of the past due balances, HK\$14,167,000 (2023: HK\$10,082,000) has been past due 90 days or more and is not considered as in default as these debtors have a good business relationship with the Group and recurring overdue records of these debtors with satisfactory settlement history.

9. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	170,455	165,958
Accrued staff costs	18,569	14,522
Accrued purchases	8,320	11,327
Others	<u>15,090</u>	<u>11,543</u>
	<u><u>212,434</u></u>	<u><u>203,350</u></u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 30 days	84,599	90,102
31 to 60 days	62,955	59,693
61 to 90 days	19,132	13,441
Over 90 days	<u>3,769</u>	<u>2,722</u>
	<u><u>170,455</u></u>	<u><u>165,958</u></u>

10. CONTRACT LIABILITIES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current	95,099	82,575
Non-current	<u>3,921</u>	<u>4,634</u>
	<u><u>99,020</u></u>	<u><u>87,209</u></u>

As at 1 April 2022, contract liabilities amounted to HK\$95,612,000.

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

During the year ended 31 March 2024, the Group has recognised revenue of HK\$82,575,000 (2023: HK\$92,260,000) that was included in the contract liabilities balance at the beginning of the year.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Procurement of hardware and software, design of solution/maintenance and/or support services

The Group typically receives 20% – 30% of the contract value as deposits and advance payments for the procurement of hardware and software, design of solution/maintenance and/or support services when the purchase order is entered into, while the amount of deposits may be varied depending on the business relationship with the customers. The deposits and advance payments result in contract liabilities being recognised until the customer obtains control of hardware and software products, or until revenue recognised on the relevant contract exceeds the amounts of deposit and advance payments.

11. SHARE CAPITAL

The share capital as at 31 March 2023 and 2024 represented the share capital of the Company with the details as follows:

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2022, 31 March 2023 and 2024	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 1 April 2022, 31 March 2023 and 2024	<u>300,000,000</u>	<u>3,000</u>

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

During the year, the Company repurchased its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

2024

Month of repurchases	No. of ordinary shares of HK\$0.021 each	Price paid per share		Aggregate consideration paid (including expenses) <i>HK\$'000</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
January 2024	13,566,000	1.10	1.10	14,905
February 2024	13,692,000	1.10	1.09	14,987
	<u>27,258,000</u>			<u>29,892</u>

The repurchased ordinary shares are not cancelled and are deemed as treasury shares to satisfy the share award scheme adopted by the Company on 16 January 2024.

12. PERFORMANCE GUARANTEES

As at 31 March 2024, the performance guarantees of the Group of HK\$20,477,000 (2023: HK\$29,591,000) were given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance guarantees have been given, such customers may demand the bank to pay them the sum or sum stipulated in such demand. The Group will become liable to compensate the bank accordingly. The performance guarantee will be released upon completion of the contract works.

As at 31 March 2024 and 2023, the directors of the Company did not consider that it is probable that a claim will be made against the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group is a well-established IT infrastructure solutions provider based in Hong Kong. As at 31 March 2024, the Group has maintained qualified technical and sales staff to ensure that the Group keeps abreast of the advanced technology development with its vendors. In addition, the Group has received a numerous of remarkable awards of top performance and enterprise solutions from the vendors and charity organisation as set out below:

Presented by	Awards
Adobe	2023 Adobe Document Cloud — Top Growth Reseller of the Year
APC	Best GOV Segment Partner Award
City University of Hong Kong	Compliment 2023/24
H3C	2023 Rising Star of the Year
Hewlett Packard Enterprise	FY23 Top Performing Solution Partner — Enterprise FY23 Top Performing Solution Partner — Storage Solution
HP Inc. Hong Kong Limited	FY23 Best Contributor to Commercial Print Market Share
Kaspersky	Outstanding Partner
Lenovo	FY23 Top Commercial Business Champion FY23 Top Growth Enterprise Solutions Partner
RSA Security LLC.	Partner Program 2023 — Titanium Partner
Veeam	ProPartner of the Year 2023
Hillstone	Strategic Partner (Hong Kong and Macau)
NetApp	FY24 Best Growth Award — Public Sector
SGS	ISO/IEC 27001: 2013 & ISO/IEC 20000 — 1: 2018
The Hong Kong Council of Social Service	15 Years Plus Caring Company Logo

The IT infrastructure solutions industry in Hong Kong is highly competitive and fragmented. In particular, the Board believes that the business environment of Hong Kong is challenging. The Group's management team will continuously take proactive actions with an aim to improve the Group's operations and results.

FINANCIAL REVIEW

Revenue

The total revenue of the Group amounted to approximately HK\$1,234.3 million for the Year, representing an increase of approximately HK\$67.5 million or 5.8% as compared to approximately HK\$1,166.8 million for the Previous Year. The increase in total revenue was mainly due to the increase in revenue of the business segment of IT infrastructure solution services which was approximately HK\$1,088.8 million for the Year, representing an increase of approximately HK\$54.9 million or 5.3% as compared to approximately HK\$1,033.9 million for the Previous Year. The revenue of the business segment of IT managed services was approximately HK\$145.6 million, representing an increase of approximately HK\$12.7 million or 9.6% as compared to approximately HK\$132.9 million for the Previous Year. For the Year, the business segments of IT infrastructure solutions services and IT managed services contributed approximately 87.9% and 12.1% to the total revenue of the Group, respectively.

Cost of sales

The total cost of sales of the Group for the Year was approximately HK\$1,089.4 million, representing an increase of approximately HK\$44.1 million or 4.2% from approximately HK\$1,045.3 million for the Previous Year. The increase in total cost of sales was mainly due to the increase in cost of the business segment of IT infrastructure solution services which was approximately HK\$973.4 million for the Year, representing an increase of approximately HK\$34.1 million or 3.6% as compared to approximately HK\$939.3 million for the Previous Year. The cost of the business segment of IT managed services was approximately HK\$116.0 million, representing an increase of approximately HK\$10.1 million or 9.5% as compared to approximately HK\$105.9 million for the Previous Year.

Gross profit and gross profit margin

The gross profit of the Group for the Year was approximately HK\$145.0 million, representing an increase of approximately HK\$23.4 million or 19.2% from approximately HK\$121.6 million for the Previous Year. Such increase was due to the increase in gross profit of both the business segments of IT infrastructures solution services and IT managed services.

The gross profit of the business segment of IT infrastructure solution services was approximately HK\$115.4 million, representing an increase of approximately HK\$20.8 million or 22.0% as compared to approximately HK\$94.6 million for the Previous Year. The gross profit of the business segment of IT managed services was approximately HK\$29.6 million, representing an increase of approximately 2.6 million or 9.6% as compared to approximately HK\$27.0 million for the Previous Year.

Operating expenses

The total operating expenses of the Group for the Year was approximately HK\$103.0 million, representing an increase of approximately HK\$12.7 million or 14.1% as compared to approximately HK\$90.3 million for the Previous Year. Such increase was due to the net impact of increase in distribution and selling expenses and increase in administrative expenses of approximately HK\$9.1 million or 15.1% and HK\$3.6 million or 12.1% respectively.

Profit for the Year

The profit and total comprehensive income of the Group for the Year was approximately HK\$36.2 million, representing an increase of approximately HK\$3.1 million or 9.2% as compared to approximately HK\$33.2 million for the Previous Year.

Liquidity and financial resources

Capital Structure

As at 31 March 2024, the Group's total bank borrowings amounted to approximately HK\$11 million (31 March 2023: Nil). The bank borrowings of the Group as at 31 March 2024 were denominated in Hong Kong Dollars, and carried interest rate of 6.69% per annum.

The details of the share capital of the Company during the Year and the Previous Year are set out in note 11 on page 16 of this announcement.

Cash position

The Group recorded net current assets of approximately HK\$171.5 million as at 31 March 2024, while the net current assets of the Group as at 31 March 2023 was approximately HK\$199.9 million. As at 31 March 2024, the Group had cash and cash equivalents of approximately HK\$159.8 million (31 March 2023: HK\$248.3 million). Most of the cash and cash equivalents of the Group were denominated in HK\$ and United States Dollars ("US\$").

Capital expenditure

During the Year, the Group's total capital expenditure amounted to approximately HK\$0.2 million (the Previous Year: HK\$2.5 million), which was mainly incurred for acquisition of office equipment.

Gearing ratio

The net gearing ratio was 6.17% which is total interest-bearing bank loans divided by the total equity and multiplied by 100% as at 31 March 2024, and it was not applicable as at 31 March 2023, since the Group did not have any interest bearing liabilities as at 31 March 2023.

Performance guarantees

The Group's performance guarantees as at 31 March 2024 are set out in note 12 on page 18 of this announcement.

Contingent liabilities

The Group had no contingent liabilities as at 31 March 2024 (as at 31 March 2023: Nil).

Pledge of assets

As at 31 March 2024, certain of the Group's bank deposits totaling HK\$34.7 million (31 March 2023: HK\$39.9 million) were pledged to secure derivative financial instruments and performance guarantees which will be released upon the maturity of the derivative financial instruments and completion of the contract works, respectively.

Foreign exchange risk

The Group's transactions are mainly denominated and settled in HK\$ and the US\$. Foreign exchange exposure of the Group to US\$ will continue to be minimal as long as the policy of the Hong Kong Government to link HK\$ to US\$ remains in effect. During the Year, the Group has entered into the HK\$/US\$ net-settled structured foreign currency forward contracts with banks in Hong Kong in order to mitigate foreign exchange exposure as a result of purchases made from certain suppliers in its regular course of business. The fair value changes of the derivative financial instruments comprised realised gain (loss) and unrealised fair value gain (loss) on the HK\$/US\$ net-settled structured foreign currency forward contracts entered into by the Group.

HUMAN RESOURCES

As at 31 March 2024, the Group had a total of 259 employees (31 March 2023: 240 employees). For the Year, the total staff costs including Directors' emoluments was approximately HK\$121.4 million (Previous Year: HK\$108.7 million). The Group offers a competitive remuneration package to its employees, including mandatory provident funds in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and medical insurance coverage to employees who are retained after the probation period. The Group will review the performance of its employees and make reference to such performance reviews in its salary and/or promotional review in order to attract and retain talented employees.

In order to promote overall efficiency, employee loyalty and retention, employees of the Group are required to attend orientation sessions when they first join the Group and may attend other training courses held onsite or externally. The Group has also implemented (i) an educational subsidy programme to its employees to allow them to enrol courses relating to IT services from external organisations; (ii) an university education subsidy programme for the children of its employees; and (iii) a medical check programme for its employees.

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 15 February 2017 (the “**Adoption Date**”). As such, share options may be granted to eligible employees of the Group pursuant to the Share Option Scheme. During the period from the Adoption Date to the date of this announcement, no share options have been granted under the Share Option Scheme.

The Company also adopted a share award scheme with effect from 16 January 2024 (the “**Share Award Scheme**”), under which share awards may be granted to eligible employees of the Group pursuant to the Share Award Scheme. Since the adoption of the Share Award Scheme and up to the date of this announcement, no share awards have been granted under the Share Award Scheme.

DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the Year to the Shareholders (Previous Year: HK\$0.025 per Share).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' rights to attend and vote at the annual general meeting of the Company ("AGM"), the register of members of the Company will be closed from Monday, 12 August 2024 to Thursday, 15 August 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for registration no later than 4:30 p.m. on Friday, 9 August 2024.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the Year.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not conduct any material acquisition or disposal of subsidiaries, associates or joint ventures during the Year and has no future plans for material investments or capital assets as at 31 March 2024.

FUTURE OUTLOOK

In the coming year, the global environment will remain clouded by uncertainties. Having considered the geopolitical tensions, supply chain challenges and the rising salary costs caused by IT talent shortage, the Group will adopt advanced software and artificial intelligence ("AI") technology to enhance the efficiency of synergy among internal teams and optimize workflow. We will continue to optimize enterprise operational costs and enhance operational efficiency. In the face of talent challenges, we will give full play to our multi-locational synergy model to control costs and attract top talents, while continuing to provide training to employees and advancing the construction of an open and inclusive corporate culture.

The Group will continue to focus on core business and partnerships with key vendors. Moreover, the Group had a good capital structure and prudent financial policy, it would minimize financial risk in the future. To strengthen the competition ability and maintain the leadership of industry, the Group will proactively seek and widen the business opportunities and looking for new market offerings and demand, leverage its industry leadership to achieve long-term sustainable growth.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

EVENTS AFTER THE REPORTING PERIOD

On 8 May 2024, the Board announced that, in order to facilitate the strategic planning for AI development in the People's Republic of China (the "PRC") market, two wholly-owned subsidiaries, Microware AI and Microware Technology will be established in Shanghai, the PRC, in June 2024, with a registered capital of RMB60 million and RMB10 million respectively. In addition, the Board has authorized the management to handle the administrative procedures for industry and commerce and all other related matters regarding the establishment of Microware AI and Microware Technology.

Save as disclosed above, there was no significant event affecting the Group that had occurred since the end of the Year and up to the date of this announcement.

** For identification purpose only*

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving good corporate governance practices by emphasising its accountability, transparency, independence, responsibility and fairness. The Company's corporate governance practices are based on the principles (the "**Principles**") and code provisions (the "**Code Provisions**") in the Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix 14 (which has been renumbered to Appendix C1 with effect from 31 December 2023) to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company complied with the CG Code throughout the Year, except for Code Provision C.2.1 of the CG Code, details of which are set out below.

Code Provision C.2.1 of the CG Code provides that the roles of the chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not at present separate the roles of the chairman and Chief Executive Officer. Mr. Wang Guangbo, executive Director and chairman of the Board, together with Mr. Huang Tianlei and Mr. Zhang Ting, both executive Directors, will jointly assume the duties and responsibilities of the Chief Executive Officer of the Company in the overall management, strategic planning and the day-to-day business operation of the Group. Given their extensive experience and knowledge in the information technology industry, the Board believes that they will provide a broader perspective on strategic matters and enable efficient decision-making to meet the dynamic needs of the Group's business. Therefore, the Directors consider that the deviation from Code Provision C.2.1 of the CG Code is appropriate in such circumstance. Notwithstanding the deviation, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (which has been renumbered to Appendix C3 with effect from 31 December 2023) to the Listing Rules (the "**Model Code**") as the securities dealing code for its Directors.

Having made specific enquiry to all Directors, all Directors confirmed that they have fully complied with the required standards and provisions as set out in the Model Code during the Year.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2024 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s unaudited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

REVIEW OF THE ANNUAL RESULTS

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

By order of the Board
Microware Group Limited
Wang Guangbo
Chairman and executive Director

Hong Kong, 20 June 2024

As at the date of this announcement, the executive Directors are Mr. Wang Guangbo, Mr. Huang Tianlei and Mr. Zhang Ting, the non-executive Director is Mr. Wang Zhi and the independent non-executive Directors are Mr. Dai Bin, Mr. Xu Jianwen, Mr. Lu Junbo and Ms. Lan Jia.