



Microware Group Limited
美高域集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1985



2024
INTERIM REPORT



Corporate Information

BOARD OF DIRECTORS

Executive Directors

WANG Guangbo
(Chairman and Executive Director of the Group)
HUANG Tianlei
ZHANG Ting (resigned on 10 October 2024)

Non-Executive Directors

WANG Zhi

Independent Non-Executive Directors

DAI Bin
XU Jianwen
LAN Jia
Lu Junbo (resigned on 5 September 2024)

AUDIT COMMITTEE

LAN Jia (Chairlady)
DAI Bin
XU Jianwen

REMUNERATION COMMITTEE

DAI Bin (Chairman)
WANG Guangbo
XU Jianwen
Lu Junbo (resigned on 5 September 2024)

NOMINATION COMMITTEE

WANG Guangbo (Chairman)
DAI Bin
XU Jianwen

COMPANY SECRETARY

CHAN Wai Hing Gloria (HKICPA)

AUTHORISED REPRESENTATIVES

WANG Guangbo
(Chairman and Executive Director of the Group)
CHAN Wai Hing Gloria

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

LEGAL ADVISERS

As to Hong Kong Law

DeHeng Law Offices (Hong Kong) LLP

REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1/F, Century Centre
44-46 Hung To Road
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
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KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Ltd.
17/F, Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

PRINCIPAL BANKS

Industrial and Commercial Bank of China (Asia) Limited
Dah Sing Bank Limited
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited

COMPANY'S WEBSITE

www.microware1985.com

STOCK CODE

1985



Management Discussion and Analysis

BUSINESS REVIEW

Microware Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is principally engaged in the provision of IT infrastructure solution services and IT managed services in Hong Kong. The Group strives to provide one-stop IT experience which begins with (i) consultation and advice; (ii) hardware and/or software procurement; (iii) implementation; and (iv) management and maintenance of the IT infrastructure solutions.

The Group is a well-established IT infrastructure solutions provider based in Hong Kong. During the six months ended 30 September 2024 (the “**Period**”), the total revenue of the Group was approximately HK\$720.7 million, representing an increase of approximately HK\$222.2 million or 44.6% from approximately HK\$498.6 million as compared to that for the six months ended 30 September 2023 (the “**Previous Period**”). Such increase was due to the increase in revenue generated from the IT infrastructure solution services and IT managed services of the Group. Gross profit of the Group for the Period was approximately HK\$66.7 million, representing an increase of approximately HK\$9.8 million or 17.2% from approximately HK\$56.9 million for the Previous Period. Such increase was mainly due to the increase in revenue from sales of IT infrastructure solution services and IT managed services of the Group.

For this Period, the board (the “**Board**”) of directors (the “**Directors**”) of the Company considers that the economy of Hong Kong for the second half of this year is still challenging given the high operating costs and the ongoing tensions between the United States and China. The Group will continue to monitor the development of the aforementioned and react actively to its impact (if any) on the financial position and operating results of the Group.

FINANCIAL REVIEW

Revenue

Total revenue of the Group amounted to approximately HK\$720.7 million for the Period, representing an increase of approximately HK\$222.2 million or 44.6% as compared to approximately HK\$498.6 million for the Previous Period. The increase in total revenue was mainly due to the increase in revenue of the business segment of IT infrastructure solution services which was approximately HK\$649.1 million for the Period, representing an increase of approximately HK\$223.6 million or 52.6% as compared to approximately HK\$425.5 million for the Previous Period. However, the revenue of the business segment of IT managed services which was approximately HK\$71.7 million for the Period, representing a decrease of approximately HK\$1.4 million or 1.9% as compared to approximately HK\$73.1 million for the Previous Period. For the Period, the business segments of IT infrastructure solution services and IT managed services contributed approximately 90.1% and 9.9% to the total revenue of the Group, respectively.

Cost of sales

The cost of sales of the Group for the Period was approximately HK\$654.0 million, representing an increase of approximately HK\$212.4 million or 48.1% from approximately HK\$441.6 million for the Previous Period. Such increase was mainly due to the increase in cost of IT infrastructure solution services for the Period which was approximately HK\$595.9 million, representing an increase of approximately HK\$211.7 million or 55.1% from approximately HK\$384.3 million for the Previous Period. The cost of IT managed services was approximately HK\$58.1 million for the Period, representing an increase of approximately HK\$0.7 million or 1.3% as compared to approximately HK\$57.4 million for the Previous Period.

Gross profit

Gross profit of the Group for the Period was approximately HK\$66.7 million, representing an increase of approximately HK\$9.8 million or 17.2% from approximately HK\$56.9 million for the Previous Period. Such increase was mainly due to the increase in revenue of IT infrastructure solution services.

Operating expenses

Total operating expenses of the Group for the Period was approximately HK\$57.1 million, representing an increase of approximately HK\$12.8 million or 28.8% as compared to approximately HK\$44.3 million for the Previous Period. Such increase was due to the increase in selling and distribution expenses and the administrative expenses for the Period.

Profit for the Period

As a result of the foregoing, the profit and total comprehensive income of the Group for the Period was approximately HK\$13.5 million, representing an increase of approximately HK\$1.9 million or 16.7% from approximately HK\$11.5 million for the Previous Period. Such increase was mainly due to the increase in revenue of IT infrastructure solution services.

Liquidity and financial resources

Capital structure

As at 30 September 2024, the Group's total bank borrowings amounted to approximately HK\$96.4 million (31 March 2024: HK\$11.0 million). The bank borrowings of the Group as at 30 September 2024 were denominated in Hong Kong Dollars, and carried interest rate of 6.06% per annum.

The details of the share capital of the Company during the Period and the Previous Period are set out in note 16 on page 26 of this report (the “**Financial Statements**”).

Cash position

The Group recorded net current assets of approximately HK\$130.2 million as at 30 September 2024 (31 March 2024: approximately HK\$171.5 million). As at 30 September 2024, the Group had cash and cash equivalents of approximately HK\$69.7 million (31 March 2024: approximately HK\$159.8 million). Most of the cash and cash equivalents of the Group were denominated in HK\$ and US\$.

Capital expenditure

During the Period, the Group total capital expenditure amounted to approximately HK\$3 million (the Previous Period: Nil), which was mainly incurred for acquisition of Office equipment.

Gearing ratio

The net gearing ratio was 50.42% which is total interest-bearing bank loans divided by the total equity and multiplied by 100% as at 30 September 2024, since the Group did not have any interest bearing liabilities as at 30 September 2024 (31 March 2024: 6.07%).

Performance guarantees

The Group's performance guarantees as at 30 September 2024 are set out in note 19 of page 28 of this report.

Contingent liabilities

As at 30 September 2024, the Group had no material contingent liabilities (as at 31 March 2024: Nil).



Management Discussion and Analysis

Pledge of assets

As at 30 September 2024, certain of the Group's bank deposits totaling HK\$56.9 million (31 March 2024: HK\$34.7 million) were pledged for securing banking facilities granted to the Group.

Foreign exchange risk

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

HUMAN RESOURCES

As at 30 September 2024, the Group had a total of 273 employees (30 September 2023: 246 employees). For the Period, the total staff costs including Directors' emoluments amounted to approximately HK\$64.8 million (Previous Period: HK\$53.6 million). The remuneration policy of the Group is to offer a competitive remuneration package to its employees, including mandatory provident funds in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and medical insurance coverage to employees who are retained after the probation period. The Group will review the performance of its employees and make reference to such performance reviews in its salary and/or promotional reviews according to its remuneration policy in order to attract and retain talented employees.

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

The Company adopted a share option scheme (the "**Share Option Scheme**") on 15 February 2017 and a share award scheme (the "**Share Award Scheme**") on 16 January 2024. As such, share options or awards may be granted to eligible employees of the Group pursuant to the Share Option Scheme or the Share Award Scheme. Since the adoption of these schemes and up to the date of this report, no share options or share awards have been granted.

INTERIM DIVIDEND

The Board resolved not to declared interim dividend for the Period (six months ended 30 September 2023: HK\$0.02 per share).

SIGNIFICANT INVESTMENTS HELD

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

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

The Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Period and no future plans for material investments or capital assets as at 30 September 2024.

IMPORTANT EVENTS AFTER THE PERIOD

The Group did not have any other material subsequent events after the Period.

FUTURE OUTLOOK

The Group is pleased to announce that it recorded a substantial increase in the revenue of the Group for the Period because the significant increase in the revenue of IT infrastructure solution services. Despite the Hong Kong's economic environment is uncertain and the ongoing tensions between the United States and China are unpredictable, the Group is confident for the performance in the year.

Despite the challenges, the Group may catch the great opportunities ahead. In line with market trend and demand, the Group actively expands and develops artificial intelligence (“**AI**”) business. The Group believed that AI would bring intelligent and efficient solutions to our customers.

The Group will continue to focus on core business and partnerships with key vendors. To strengthen the competition ability and maintain leadership of industry, the Group will proactively and widen the business opportunities and looking for new market offerings and demands.



Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the CG Code as its own code on corporate governance. Save for the Code Provision C.2.1 of the CG Code as disclosed below, to the best knowledge of the Directors, the Company had complied with all other applicable code provisions set out in the CG Code during the Period.

The chairman of the Board (the "**Chairman**") is responsible for overseeing the strategic planning and leadership of the Group and for ensuring that the entire Board members are properly briefed on issues at Board meetings and receive adequate and reliable information on a timely basis. The chief executive officer of the Group (the "**Chief Executive Officer**") is responsible for the strategic development and maintaining the Company's relationship with companies outside of the Group. Senior management is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

Code Provision C.2.1 of the CG Code provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present separate the roles of the chairman and Chief Executive Officer. Mr. Wang Guangbo, executive Director and chairman of the Board, together with Mr. Huang Tianlei, executive Director, assumed 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 Mr. Wang Guangbo and Mr. Huang Tianlei 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.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as the securities dealing code for its Directors.

Specific enquiry had been made to all Directors and all of the Directors have confirmed that they have fully complied with the required standards and provisions as set out in the Model Code during the Period. No incident of non-compliance was noted by the Company during the Period. The Company has also established written guidelines on no less exacting terms than the Model Code for relevant employees who are likely to be in possession of unpublished inside information of the Group. No incident of non-compliance of the written guidelines by the employees was noted by the Company during the Period.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 15 February 2017, which, unless otherwise terminated or amended, will remain in force for a period of 10 years from its adoption date.

Since its adoption date, no share options have been granted, exercised or cancelled by the Company under the Share Option Scheme. There were no outstanding share options under the Share Option Scheme as at the date of this report.

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme on 16 January 2024 which involves existing Shares only. The Share Award Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the eligible participants of the Share Award Scheme had or may have made to the Group. The Share Award Scheme shall terminate on the earlier of (i) the tenth (10th) anniversary date of the effective date of the Share Award Scheme or (ii) such date of early termination as determined by the Board.

As at 10 January 2024 (the adoption date of the Share Award Scheme) and 30 September 2024, the aggregate number of awards available for grant under the Share Award Scheme were 30,000,000 and 30,000,000, respectively.

From the adoption date of the Share Award Scheme to 30 September 2024, pursuant to the terms of the rules and trust deed of the Share Award Scheme, the trustee of the Share Award Scheme (the “**Trustee**”) purchased a total of 29,998,000 issued Shares on the market at a total consideration of approximately HK\$33.4 million with the highest and the lowest prices of HK\$1.10 and HK\$1.09, respectively. As at the date of this report, the Trustee had a total of 29,998,000 Shares and no Shares have been awarded under the Share Award Scheme since its adoption. The selected eligible participants are not required to provide consideration for being granted the award shares under the Share Award Scheme.



Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2024, the interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(1) Interest in the Company

Name of Director	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Mr. Wang Guangbo ("Mr. Wang")	Interest of a controlled corporation ⁽²⁾	42,500,000 (L)	14.2%
	Beneficial owner	35,000,000 (L)	11.7%

Notes:

- (1) The Letter "L" denotes the person's long position in the Shares. As at 30 September 2024, the Company had 300,000,000 Shares in issue.
- (2) These 42,500,000 Shares are held by Weiye Holdings Group Limited ("Weiye Holdings") which is beneficially and wholly owned by Mr. Wang. By virtue of the SFO, Mr. Wang is deemed to be interested in the Shares held by Weiye Holdings.

Save as disclosed above, none of the Directors or chief executive of the Company had registered any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations as at 30 September 2024, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES

As at 30 September 2024, the interests or short positions in the Shares or underlying Shares held by the persons (not being a Director or chief executive of the Company) which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Weiye Holdings	Beneficial owner	42,500,000 (L)	14.2%
Liu Yun	Beneficial Owner	20,716,000 (L)	6.9%
Han Shaoye	Beneficial Owner	19,754,000 (L)	6.6%
Chen Jianyang	Beneficial Owner	18,162,000 (L)	6.1%
Well Mount Holdings Limited	Trustee ⁽²⁾	29,998,000 (L)	10.0%

Notes:

(1) The letter "L" denotes the person's long position in the Shares. As at 30 September 2024, the Company had 300,000,000 Shares in issue.

(2) Trustee for Share Award Scheme.

Save as disclosed above, as at 30 September 2024, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to Section 336 of the SFO.

AUDIT COMMITTEE

The audit committee ("**Audit Committee**") was established on 15 February 2017. The chairlady of the committee is Ms. Lan Jia, an independent non-executive Director with appropriate professional qualifications and the other members include Mr. Xu Jianwen and Mr. Dai Bin, both being independent non-executive Directors.

The main responsibilities of the Audit Committee are to review the Group's financial information and the auditors' reports and monitor the integrity of the financial statements of the Group as well as overseeing the financial reporting process, risk management and internal control system of the Group and assisting the Board to fulfil its responsibility over the audit. Other responsibilities include making recommendations to the Board on the appointment, reappointment and removal of external auditor, approval of the remuneration and terms of the engagement of the external auditor, and any other matters arising from the above. The Audit Committee is also responsible for performing the Company's corporate governance functions and serves as a channel of communication between the Board and the external auditor.



Other Information

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the Period and this interim report have been reviewed by the Audit Committee and the Audit Committee has no disagreement with the accounting treatment adopted by the Company and considered that such information has been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

By Order of the Board

Microware Group Limited

Wang Guangbo

Chairman and executive Director

Hong Kong, 25 November 2024

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2024



	NOTES	Six months ended 30 September	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Revenue	3	720,738	498,563
Cost of sales		(654,021)	(441,647)
Gross profit		66,717	56,916
Other income		2,810	2,227
Impairment losses under expected credit loss ("ECL") model, net of reversal		71	—
Other gains and losses, net		7,154	725
Other expenses		(1,641)	(1,334)
Distribution and selling expenses		(35,486)	(29,396)
Administrative expenses		(21,594)	(14,936)
Finance costs		(2,845)	(266)
Profit before taxation		15,186	13,936
Taxation	5	(3,005)	(2,407)
Profit for the period attributable to owners of the Company	6	12,181	11,529
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		1,273	—
Total comprehensive income for the period attributable to owners of the Company		13,454	11,529
Earnings per share	8		
Basic (HK\$)		0.04	0.04

Condensed Consolidated Statement of Financial Position

As at 30 September 2024

	NOTES	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	10,504	11,486
Equity instruments at fair value through other comprehensive income	10	55,513	—
Finance lease receivables	11	12,246	—
Prepayments and deposits	12	5,421	1,736
Derivative financial instruments	15	2,412	400
Deferred tax assets		67	68
		86,163	13,690
CURRENT ASSETS			
Inventories		62,658	111,480
Loans to directors		—	5,800
Finance lease receivables	11	13,114	—
Trade and other receivables, prepayments and deposits	12	328,433	186,106
Financial assets at fair value through profit or loss		14,456	—
Pledged bank deposits		56,863	34,675
Time deposits		5,560	5,384
Cash and cash equivalents		69,707	159,804
		550,791	503,249
CURRENT LIABILITIES			
Trade and other payables and accruals	13	222,951	212,434
Contract liabilities		74,247	95,099
Tax liabilities		5,213	3,605
Leases liabilities		21,783	9,573
Bank borrowings	14	96,427	11,000
		420,621	331,711
NET CURRENT ASSETS		130,170	171,538
TOTAL ASSETS LESS CURRENT LIABILITIES		216,333	185,228
NON-CURRENT LIABILITIES			
Contract liabilities		4,054	3,921
Lease liabilities		21,025	—
		25,079	3,921
NET ASSETS		191,254	181,307
CAPITAL AND RESERVES			
Share capital	16	3,000	3,000
Reserves		188,254	178,307
Equity attributable to owners of the Company		191,254	181,307

The condensed consolidated financial statements on pages 11 to 28 were approved and authorised for issue by the Board of Directors on 25 November 2024 and are signed on its behalf by:

Wang Guangbo
DIRECTOR

Huang Tianlei
DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2024

	Attributable to owners of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Treasury shares HK\$'000 (notes ii & iii)	Translation reserve HK\$'000	Other reserve HK\$'000 (note i)	Retained profits HK\$'000	Total equity HK\$'000
At 1 April 2024 (audited)	3,000	75,297	(29,892)	—	69,866	63,036	181,307
Profit and total comprehensive income for the period	—	—	—	—	—	12,181	12,181
Exchange differences arising on translation of foreign operations	—	—	—	1,273	—	—	1,273
Treasury shares repurchased	—	—	(3,507)	—	—	—	(3,507)
At 30 September 2024 (unaudited)	3,000	75,297	(33,399)	1,273	69,866	75,217	191,254
At 1 April 2023 (audited)	3,000	75,297	—	—	69,866	64,308	212,471
Profit and total comprehensive income for the period	—	—	—	—	—	11,529	11,529
Dividends paid (note 7)	—	—	—	—	—	(31,500)	(31,500)
At 30 September 2023 (unaudited)	3,000	75,297	—	—	69,866	44,337	192,500

- (i) The amount recorded in other reserves were resulted from the following transactions:
- (a) the balance of HK\$67,172,000 credited in other reserves represents the merger reserve arising from the completion of the group reorganisation on 31 March 2016;
 - (b) the balance of HK\$13,474,000 credited in other reserves represents the shareholder's contribution arising from share-based payment arrangements attributable to owners of the Company;
 - (c) the balance of HK\$10,780,000 debited in other reserves represents the changes in ownership of interests of subsidiaries held by non-controlling interests.
- (ii) On 30 January 2024, 31 January 2024, 1 February 2024 and 2 February 2024, an aggregate of 27,258,000 ordinary shares of the Company were repurchased at an aggregate cost of HK\$29,892,000 for the purpose of satisfying the share award scheme adopted with effect from 16 January 2024.
- (iii) On 9 July 2024, an aggregate of 2,740,000 ordinary shares of the Company were repurchased at an aggregate cost of HK\$3,507,200 for the purpose of satisfying the share award scheme adopted with effect from 16 January 2024.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2024

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(69,171)	(51,793)
INVESTING ACTIVITIES		
Cash outflow from derivative financial instruments	(112,534)	(52,095)
Placement of pledged bank deposits	(94,009)	(58,466)
Purchase of equity instruments at fair value through other comprehensive income	(55,086)	—
Placement of time deposits	(10,951)	(10,525)
Purchase of financial assets at fair value through profit or loss	(9,886)	—
Purchase of property, plant and equipment	(3,075)	(35)
Cash inflow from derivative financial instruments	113,433	—
Withdrawal of pledged bank deposits	71,821	64,169
Withdrawal of time deposits	10,775	10,374
Bank interest received	1,272	2,225
NET CASH USED IN INVESTING ACTIVITIES	(88,240)	(44,353)
FINANCING ACTIVITIES		
New bank borrowing raised	85,427	—
Repayment of lease liabilities	(12,313)	(5,457)
Purchase of treasury shares	(3,507)	—
Interest paid	(1,440)	—
Interest paid on lease liabilities	(1,405)	(266)
Dividends paid	—	(31,500)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	66,762	(37,223)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(90,649)	(133,369)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	159,804	248,272
Effect of foreign exchange rate changes	552	—
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	69,707	114,903

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2024



1. GENERAL INFORMATION AND BASIS OF PREPARATION

Microware Group Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 20 January 2016. The Group is principally engaged in the provision of information technology (“**IT**”) infrastructure solution services and IT managed services in Hong Kong.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”).

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2024.

Application of amendments to HKFRSs

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

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of amendments to HKFRSs *(continued)*

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

Sale and leaseback transactions

The Group as a seller-lessee

For a transfer that satisfies the requirements as a sale, the Group as a seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognises any gain or loss that relates to the rights transferred to the buyer-lessor only. Right-of-use asset and lease liability are subsequently measured in accordance with the general requirements under HKFRS 16 *Leases*. In measuring the lease liability, the Group determines "lease payments" or "revised lease payments" (including both lease payments that are fixed or variable) in a way that the Group would not recognise any amount of the gain or loss that relates to the right-of-use assets retained by the Group.

If the fair value of the consideration for the sale does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group makes the following adjustments to measure the sale proceeds at fair value:

- (a) any below-market terms is accounted for as a prepayment of lease payments; and
- (b) any above-market terms is accounted for as additional financing provided by the buyer-lessor to the seller-lessee.

The application of the amendments has no material impact on the Group's financial position and performance.

Impacts of Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

The Group will apply amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements which are mandatorily effective for the Group's annual period beginning on 1 April 2024 for the preparation of the Group's consolidated financial statements for the year ending 31 March 2025.

The amendments add a disclosure objective to HKAS 7 *Statement of Cash Flows* stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, HKFRS 7 *Financial Instruments: Disclosures* was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The application of the amendments is expected to affect the disclosures of the Group's liabilities, cash flows and the Group's exposure to liquidity risk related to the supplier finance arrangements entered into by the Group in the annual consolidated financial statements for the year ending 31 March 2025.

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For the six months ended 30 September 2024



3. REVENUE FROM GOODS AND SERVICES

	Segment revenue		
	IT infrastructure solution services business HK\$'000	IT managed service business HK\$'000	Total HK\$'000
For the six months ended 30 September 2024 (unaudited)			
Disaggregation of revenue and reconciliation to segment revenue			
Procurement of hardware and software	599,598	—	599,598
Procurement of semiconductor products	40,727	—	40,727
Provision of design of solutions	6,086	8,526	14,612
Provision of maintenance and/or support services	2,660	63,141	65,801
Total	649,071	71,667	720,738
Timing of revenue recognition			
A point of time	640,325	—	640,325
Over time	8,746	71,667	80,413
Total	649,071	71,667	720,738
For the six months ended 30 September 2023 (unaudited)			
Disaggregation of revenue and reconciliation to segment revenue			
Procurement of hardware and software	417,207	—	417,207
Procurement of semiconductor products	—	—	—
Provision of design of solutions	7,233	7,504	14,737
Provision of maintenance and/or support services	1,035	65,584	66,619
Total	425,475	73,088	498,563
Timing of revenue recognition			
A point of time	417,207	—	417,207
Over time	8,268	73,088	81,356
Total	425,475	73,088	498,563



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2024

3. REVENUE FROM GOODS AND SERVICES *(continued)*

Revenue from major customer types

The following is an analysis of the Group's revenue from continuing operations from its major customer types:

	Segment of IT infrastructure solution services business HK\$'000	Segment of IT managed services business HK\$'000	Total HK\$'000
For the six months ended 30 September 2024 (unaudited)			
Public sector			
Hong Kong Government	133,663	16,224	149,887
Public bodies	200,192	1,983	202,175
Educational institutions and, non-profits organisations	79,552	3,667	83,219
Sub-total	413,407	21,874	435,281
Private sector			
Banking and finance	80,487	25,554	106,041
IT	7,386	3,970	11,356
Telecommunications and media	7,435	1,842	9,277
Transportation	11,285	1,810	13,095
Others	129,071	16,617	145,688
Sub-total	235,664	49,793	285,457
Total	649,071	71,667	720,738
	Segment of IT infrastructure solution services business HK\$'000	Segment of IT managed services business HK\$'000	Total HK\$'000
For the six months ended 30 September 2023 (unaudited)			
Public sector			
Hong Kong Government	127,222	18,413	145,635
Public bodies	46,863	2,417	49,280
Educational institutions and, non-profits organisations	64,752	4,090	68,842
Sub-total	238,837	24,920	263,757
Private sector			
Banking and finance	75,040	28,429	103,469
IT	6,820	3,367	10,187
Telecommunications and media	6,066	1,621	7,687
Transportation	13,255	1,775	15,030
Others	85,457	12,976	98,433
Sub-total	186,638	48,168	234,806
Total	425,475	73,088	498,563

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2024



4. SEGMENT INFORMATION

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

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

- (1) IT infrastructure solution services business refers to the procurement of 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:

	Segment of IT infrastructure solution services business HK\$'000	Segment of IT managed services business HK\$'000	Total HK\$'000
For the six months ended 30 September 2024 (unaudited)			
Segment revenue	649,071	71,667	720,738
Segment results	27,701	5,964	33,665
Other income			2,810
Other gains and losses, net			7,154
Other expenses			(1,641)
Certain distribution and selling expenses			(2,363)
Administrative expenses			(21,594)
Finance cost			(2,845)
Profit before taxation			15,186
For the six months ended 30 September 2023 (unaudited)			
Segment revenue	425,475	73,088	498,563
Segment results	19,786	8,448	28,234
Other income			2,227
Other gains and losses, net			725
Other expenses			(1,334)
Certain distribution and selling expenses			(714)
Administrative expenses			(14,936)
Finance cost			(266)
Profit before taxation			13,936

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2024

4. SEGMENT INFORMATION *(continued)*

Segment result represents the profit earned by each segment without allocation of other income, other gains and losses, net, other expenses, certain distribution and selling expenses, administrative expenses and finance cost.

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

Other segment information

	Segment of IT infrastructure solution services business HK\$'000	Segment of IT managed services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
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Amounts included in the measure of
segment results:

For the six months ended 30 September 2024 (unaudited)

Depreciation	1,639	98	5,250	6,987
Allowance for inventories	1,386	—	—	1,386
Impairment losses under ECL model, net of reversal	(71)	—	—	(71)

For the six months ended 30 September 2023 (unaudited)

Depreciation	2,132	253	4,380	6,765
Reversals of write-down of inventories	(2)	—	—	(2)

5. TAXATION

	Six months ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	3,005	2,407

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period ended 30 September 2024 and 2023.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2024



6. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	543,450	382,186
Depreciation of property, plant and equipment	6,987	6,765
Allowance for (reversals of write-down) inventories, net (included in cost of sales)	1,386	(2)
And after crediting to other income:		
Interest income	(1,272)	(2,225)
And after crediting to other gains and losses, net:		
Change in fair value of financial assets at fair value through profit of loss	(4,570)	—

7. DIVIDENDS

During the period, no dividend in respect of the year ended 31 March 2024 (2023: a final dividend of HK\$0.025 per share and special dividend of HK\$0.08 per share in respect for the year ended 31 March 2023), were declared and paid to owners of the Company.

The aggregate amount of the final and special dividend declared and paid in the last interim period was HK\$31.5 million.

Subsequent to the end of the period, no interim dividend was declared for the six months ended 30 September 2024 (30 September 2023: an interim dividend of HK\$0.02 per share amounting to HK\$6 million).

8. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Earnings:		
Earnings for the period for the purpose of basic earnings per share	12,181	11,529
	'000	'000
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	271,484	300,000

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2024, the Group spent HK\$3,075,000 (for the six months ended 30 September 2023: HK\$35,000) on the acquisition of property, plant and equipment.

10. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
Unlisted equity securities	55,513	–

The above unlisted equity investment represents the Group’s 0.24% equity interest in Chongqing Terminus Smart Technology Inc., Co., Ltd, a joint stock company established in the People’s Republic of China with limited liability. The directors of the Group have elected to designate the investment as at fair value through other comprehensive income as they believe that the investment is not held for trading and not expected to be sold in the foreseeable future.

11. FINANCE LEASE RECEIVABLES

The Group entered into finance lease arrangements as a lessor for equipment. The term of the finance leases entered into is 2 years. The interest rate inherent in the leases are fixed at the contract date over the lease term.

	Minimum lease payments HK\$'000 (unaudited)	Present value of minimum lease payments HK\$'000 (audited)
Finance lease receivables comprise:		
Within one year	14,138	13,114
Within a period of more than one year but not more than two years	13,027	12,246
	27,165	25,360
Gross investment in the lease	27,165	N/A
Less: unearned finance income	(1,805)	N/A
Present value of minimum lease payment receivable	25,360	25,360
Analysed as:		
Current		13,114
Non-current		12,246
		25,360

As at 30 September 2024, the interest rate implicit in the above finance leases was approximately 6.76% per annum.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 September 2024



12. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
Trade receivables	217,693	159,381
Less: Allowance for credit losses	(9)	(80)
	217,684	159,301
Rental and utilities deposits	2,133	166
Prepayments for costs of maintenance services	30,789	25,538
Prepayments for inventories	79,565	—
Others	3,683	2,837
	333,854	187,842
Total trade and other receivables, prepayments and deposits	333,854	187,842
Analysed as:		
Current	328,433	186,106
Non-current	5,421	1,736
	333,854	187,842

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

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

	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
0 to 30 days	98,800	92,481
31 to 60 days	54,062	29,130
61 to 90 days	13,420	15,405
91 to 120 days	19,969	8,186
121 to 180 days	9,116	8,169
Over 180 days	22,317	5,930
	217,684	159,301



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2024

13. TRADE AND OTHER PAYABLES AND ACCRUALS

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

	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
Trade payables	149,333	170,455
Accrued staff costs	19,379	18,569
Accrued purchases	21,134	8,320
Others	33,105	15,090
	222,951	212,434

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

	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
0 to 30 days	66,595	84,599
31 to 60 days	47,839	62,955
61 to 90 days	32,649	19,132
Over 90 days	2,250	3,769
	149,333	170,455

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2024



14. BANK BORROWINGS

	At 30 September 2024 HK\$'000 (unaudited)	At 31 March 2024 HK\$'000 (audited)
Borrowings included bank loans:		
Revolving loans	67,000	11,000
Bank loans under supplier finance arrangements	29,427	–
	96,427	11,000
The bank loans are repayable as follows:		
Within one year	96,427	11,000

As at 30 September 2024, the Group's bank loans carried annual interests at HIBOR plus 2% (2024: HIBOR plus 2%).

	At 30 September 2024 (unaudited)	At 31 March 2024 (audited)
Effective interest rates		
Variable-rate borrowings	6.06%	6.69%

15. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into HK\$ to United States dollars (“**US\$**”) net-settled structured foreign currency forward contracts with banks in Hong Kong in order to manage the Group’s currency risk.

The Group is required to transact with the bank monthly during contract period for designated notional amount under the respective contract. If the spot rate for conversion of US\$ for HK\$ as prevailing in the international foreign exchange market (“**Spot Rate**”) on fixing date is higher than or at the strike price, the Group will buy notional amount 1 at the strike price from the banks. If the spot rate on fixing date is lower than the strike price, the Group will buy notional amount 2 at the strike price from the banks.

	Notional amount 1	Notional amount 2	Contract date	Strike price	Beginning fixing date	Target value	Ending fixing date (note)
As at 31 March 2024 (audited):							
Contract A	USD500,000	USD1,000,000	18 January 2024	7.750	27 March 2024	HK\$150,000	30 December 2025
Contract B	USD500,000	USD1,000,000	25 January 2024	7.745	25 April 2024	HK\$150,000	21 January 2026
As at 30 September 2024 (unaudited):							
Contract C	USD500,000	USD1,000,000	5 April 2024	7.746	5 August 2024	HK\$125,000	31 March 2026
Contract D	USD600,000	USD1,200,000	29 May 2024	7.749	29 August 2024	HK\$150,000	29 July 2026
Contract E	USD500,000	USD1,000,000	30 July 2024	7.748	30 October 2024	HK\$120,000	28 July 2026
Contract F	USD500,000	USD1,000,000	4 September 2024	7.746	23 October 2024	HK\$125,000	24 August 2026

Note: The contract maturity date is approximate to the ending fixing date.

The above contracts are measured at fair value at the end of the reporting period.

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2023, 30 September 2023, 1 April 2024 and 30 September 2024	5,000,000,000	50,000
Issued and fully paid:		
At 1 April 2023, 30 September 2023, 1 April 2024 and 30 September 2024	300,000,000	3,000

All issued shares of the Company rank pari passu in all respects with each other.



17. CONNECTED PARTY/RELATED PARTY TRANSACTIONS

The Group had entered into the following connected party/related party transactions:

Name of related party	Nature of transactions	Six months ended 30 September	
		2024 HK\$'000	2023 HK\$'000
Microware Properties limited	Interest expenses on lease liabilities	212	123
	Lease liabilities	4,033	3,168
Mr. Yang	Interest expenses on lease liabilities	—	17
	Lease liabilities	—	426

During the period ended 30 September 2023, the Group, as the tenant, and Mr. Yang, as the landlord, entered into a tenancy agreement in respect of a residential property which is provided to Mr. Chu as a former director's quarter.

Mr. Yang and Mr. Chu resigned as director of the Company on 5 December 2023 and are considered connected to the Company.

Mr. Yang is the controlling shareholder of Microware Properties. Therefore, Microware Properties is also considered connected to the Company.

Compensation of key management personnel

The remuneration of the executive directors and other members of key management during the period were as follows:

	Six months ended 30 September	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Short-term benefits	8,694	5,059
Post-employment benefits	197	111
	8,891	5,170

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group’s financial assets that are measured at fair value on a recurring basis

Some of the Group’s financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique	Key input
	30 September 2024 (unaudited)	31 March 2024 (audited)			
Derivative financial instruments	Assets: HK\$2,412,000	Assets: HK\$400,000	Level 2	Discounted cash flow	Forward exchange rate and contracted exchange rate
Equity instruments at fair value through other comprehensive income	Assets: HK\$55,513,000	N/A	Level 3	Market comparison approach	Comparable listed companies and non-liquidator reduction factors
Financial assets at fair value through profit or loss	Assets: HK\$14,456,000	N/A	Level 1	Quoted bid prices in an active market	N/A

There were no transfers between Level 1 and 2 during both periods.

Fair value of the Group’s financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated statement of financial position approximate their fair values.

19. PERFORMANCE GUARANTEES

As at 30 September 2024, the performance guarantees of the Group of approximately HK\$17,046,000 (31 March 2024: HK\$20,477,000) were given by a bank in favour of the Group’s customers as security for the due performance and observance of the Group’s obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance guarantees have been given, such customers may demand the bank to pay them the sum or sum stipulated in such demand. The Group will become liable to compensate the bank accordingly. The performance guarantee will be released upon completion of the contract works.

As at 30 September 2024 and 31 March 2024, the directors of the Company did not consider that it is probable that a claim will be made against the Group.