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 **MTT Group Holdings Limited**
數科集團控股有限公司
MTT GROUP HOLDINGS LIMITED
數科集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2350)

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

FINANCIAL HIGHLIGHTS

The Group recorded revenue and gross profit of approximately HK\$406.1 million and approximately HK\$74.1 million, respectively, for the six months ended 30 September 2022, representing an increase of approximately 55.1% and approximately 46.2%, respectively, when compared with the revenue and gross profit of approximately HK\$261.8 million and approximately HK\$50.7 million, respectively, for the six months ended 30 September 2021.

The profit for the six months ended 30 September 2022 increased to approximately HK\$31.1 million (six months ended 30 September 2021: approximately HK\$17.1 million), representing an increase of approximately 81.9% as compared to the corresponding period in 2021.

Basic earnings per Share for the six months ended 30 September 2022 was HK\$6.18 cents, as compared to HK\$3.42 cents for the six months ended 30 September 2021.

The board of Directors does not recommend the payment of an interim dividend for the six months ended 30 September 2022 subsequent to the Listing (six months ended 30 September 2021: Nil).

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of MTT Group Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2022, together with the comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

		Six months ended	
	NOTES	30.9.2022 HK\$'000 (Unaudited)	30.9.2021 HK\$'000 (Unaudited)
Revenue	3	406,141	261,803
Cost of sales and services		<u>(332,072)</u>	<u>(211,117)</u>
Gross profit		74,069	50,686
Other income	6	3,442	138
Other gains and losses	6	200	145
Net impairment losses under expected credit loss model		(1,701)	(653)
Selling and distribution expenses		(15,910)	(14,548)
Administrative expenses		(15,688)	(12,333)
Finance costs		(1,390)	(963)
Listing expenses		<u>(4,892)</u>	<u>(1,793)</u>
Profit before taxation		38,130	20,679
Taxation	5	<u>(7,020)</u>	<u>(3,584)</u>
Profit for the period	6	<u>31,110</u>	<u>17,095</u>
Other comprehensive (expense) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>(495)</u>	<u>76</u>
Total comprehensive income for the period		<u><u>30,615</u></u>	<u><u>17,171</u></u>
Earnings per share	8		
Basic (HK cents)		<u><u>6.18</u></u>	<u><u>3.42</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2022

	<i>NOTES</i>	30.9.2022 <i>HK\$'000</i> (Unaudited)	31.3.2022 <i>HK\$'000</i> (Audited)
Non-current assets			
Property and equipment	9	16,293	5,073
Financial assets at fair value through profit or loss (“FVTPL”)	10	11,142	11,090
Deposits	11	802	986
Deposits paid for acquisition of property and equipment		1,777	1,090
Deferred tax assets		316	209
		<hr/>	<hr/>
		30,330	18,448
Current assets			
Inventories		21,456	15,822
Trade and other receivables, deposits and prepayments	11	241,258	209,693
Contract assets		860	561
Amounts due from related companies		—	149
Pledged bank deposits		8,013	8,445
Bank balances and cash		103,567	17,166
		<hr/>	<hr/>
		375,154	251,836
Current liabilities			
Trade and other payables and accrued charges	12	76,185	74,866
Contract liabilities		24,126	24,636
Amount due to a director		—	2,419
Amount due to a related company		—	593
Tax payables		10,426	9,658
Lease liabilities		3,088	2,583
Bank borrowings		85,753	77,008
		<hr/>	<hr/>
		199,578	191,763
Net current assets		<hr/>	<hr/>
		175,576	60,073
Total assets less current liabilities		<hr/>	<hr/>
		205,906	78,521

	<i>NOTES</i>	30.9.2022 HK\$'000 (Unaudited)	31.3.2022 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Lease liabilities		8,546	667
Contract liabilities		972	896
		<u>9,518</u>	<u>1,563</u>
Net assets		<u>196,388</u>	<u>76,958</u>
Capital and reserves			
Share capital		6,250	—*
Reserves		190,138	76,958
Total equity		<u>196,388</u>	<u>76,958</u>

* Amounts less than HK\$1,000.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Translation reserves HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 31 March 2022 (audited)	—*	15,061	(16,798)	311	78,384	76,958
Profit for the period	—	—	—	—	31,110	31,110
Other comprehensive expense for the period	—	—	—	(495)	—	(495)
Total comprehensive (expense) income for the period	—	—	—	(495)	31,110	30,615
Dividends declared (note 7)	—	—	—	—	(4,000)	(4,000)
Deemed distribution to the owner of the Company (note)	—	—	(604)	—	—	(604)
Capitalisation issue	5,000	(5,000)	—	—	—	—
Issue of new shares of the Company	1,250	105,000	—	—	—	106,250
Transaction costs attributable to issue of shares	—	(12,831)	—	—	—	(12,831)
At 30 September 2022 (unaudited)	6,250	102,230	(17,402)	(184)	105,494	196,388
At 31 March 2021 (audited)	—*	15,061	(15,522)	140	31,126	30,805
Profit for the period	—	—	—	—	17,095	17,095
Other comprehensive income for the period	—	—	—	76	—	76
Total comprehensive income for the period	—	—	—	76	17,095	17,171
Deemed distribution to the owner of the Company (note)	—	—	(1,071)	—	—	(1,071)
At 30 September 2021 (unaudited)	—*	15,061	(16,593)	216	48,221	46,905

* Amounts less than HK\$1,000.

Note: Deemed distribution of approximately HK\$604,000 (Six months ended 30 September 2021: HK\$1,071,000) represent the listing expense incurred by Mr. Ip Ka Wai, Charlie, the ultimate shareholder of the Group as the owner of the Company during the six months ended 30 September 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements of MTT Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as 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 shares of the Company has been listed on the Main Board of the Stock Exchange since 26 September 2022.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2022.

Application of amendments to Hong Kong Financial Reporting Standards (“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 or after 1 April 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

3. REVENUE

An analysis of the Group's revenue from goods and services by segment for the periods is as follows:

	Six months ended	
	30.9.2022	30.9.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Types of goods or services:		
Distribution Business*		
— distribution of IT products	279,040	158,247
— provision of IT implementation services	10,543	13,070
	<u>289,583</u>	<u>171,317</u>
System Integration Solutions Business*		
— procurement of IT products	97,393	74,057
— provision of IT infrastructure solutions services	11,916	9,364
— provision of IT maintenance and support services	7,249	7,065
	<u>116,558</u>	<u>90,486</u>
	<u>406,141</u>	<u>261,803</u>

* The segment names are defined in the section "Segment information" in note 4.

	Six months ended	
	30.9.2022	30.9.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Geographical markets:		
Hong Kong	401,002	246,822
The People's Republic of China ("PRC") (excluding Hong Kong and Macau)	3,976	11,760
Macau	1,163	3,221
	<u>406,141</u>	<u>261,803</u>

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

Information about the Group's revenue from external customers is presented based on the locations of the shipments of goods or the services provided.

	Six months ended	
	30.9.2022	30.9.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Timing of revenue recognition:		
Over time	29,708	29,499
A point in time	376,433	232,304
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	406,141	261,803
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4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers (“CODM”), for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group’s reportable and operating segments are therefore as follows:

- (1) Distribution Business refers to distribution of IT products of which the Group obtained the authorised distributorship from the suppliers and related provision of IT implementation services by the Group; and
- (2) System Integration Solutions Business refers to procurement of IT products and related provision of IT infrastructure solutions services and IT maintenance and support services by the Group.

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the six months ended 30 September 2022

	Distribution Business HK\$'000 (unaudited)	System Integration Solutions Business HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue	289,583	116,558	—	406,141
Inter-segment sales	5,413	56	(5,469)	—
	<u>289,583</u>	<u>116,558</u>	<u>(5,469)</u>	<u>406,141</u>
Total	<u>294,996</u>	<u>116,614</u>	<u>(5,469)</u>	<u>406,141</u>
Segment results	<u>50,766</u>	<u>23,303</u>		74,069
Other income				3,442
Other gains and losses				200
Net impairment losses under expected credit loss model				(1,701)
Selling and distribution expenses				(15,910)
Administrative expenses				(15,688)
Finance costs				(1,390)
Listing expenses				(4,892)
Profit before taxation				<u>38,130</u>

For the six months ended 30 September 2021

	Distribution Business <i>HK\$'000</i> (unaudited)	System Integration Solutions Business <i>HK\$'000</i> (unaudited)	Elimination <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Segment revenue	171,317	90,486	—	261,803
Inter-segment sales	5,647	117	(5,764)	—
	<u>176,964</u>	<u>90,603</u>	<u>(5,764)</u>	<u>261,803</u>
Total	<u>176,964</u>	<u>90,603</u>	<u>(5,764)</u>	<u>261,803</u>
Segment results	<u>33,157</u>	<u>17,529</u>		50,686
Other income				138
Other gains and losses				145
Net impairment losses under expected credit loss model				(653)
Selling and distribution expenses				(14,548)
Administrative expenses				(12,333)
Finance costs				(963)
Listing expenses				(1,793)
Profit before taxation				<u>20,679</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment result represents the profit earned by each segment without allocation of other income, other gains and losses, net impairment losses under expected credit loss model, selling and distribution expenses, administrative expenses, finance costs, listing expenses and taxation.

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

5. TAXATION

	Six months ended	
	30.9.2022	30.9.2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
— Hong Kong Profits Tax	7,123	3,647
— PRC Enterprise Income Tax (“EIT”)	1	15
Deferred tax credit	(104)	(104)
Underprovision in prior years	—	26
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	7,020	3,584
	<hr/> <hr/>	<hr/> <hr/>

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the six months ended 30 September 2022 and 2021, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits of one of the companies comprising the Group and at 16.5% on the estimated assessable profits above HK\$2,000,000. The profits of corporations not qualified for the two-tier profits tax regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the six months ended 30 September 2022 and 2021. A PRC subsidiary of the Group is qualified as small-scale entity under EIT Law and entitled the relevant EIT tax reduction. Effective from 1 January 2021 to 31 December 2022, a qualified small-scale entity is subject to 2.5% effective EIT rate for the first RMB1,000,000 taxable income and 10% effective EIT for the next RMB2,000,000 taxation income.

Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for the six months ended 30 September 2022 and 2021. No provision for Macau Complementary Tax was made for the six months ended 30 September 2022 and 2021 as the subsidiary in Macau does not have assessable profit for both periods.

6. PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2022 <i>HK\$'000</i> (Unaudited)	30.9.2021 <i>HK\$'000</i> (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs (including directors remuneration)	38,588	28,039
Cost of inventories recognised as an expense (<i>note 1</i>)	313,162	191,106
Depreciation of right-of-use assets	2,122	2,183
Depreciation of other property and equipment	303	322
	<u>2,425</u>	<u>2,505</u>
Included in other income:		
Bank interest income	(1,167)	—
Interest income on rental deposits	(19)	(17)
Effective interest income on amount due from a related company	—	(20)
Sponsorship income	(12)	(16)
Government grant (<i>note 2</i>)	(2,099)	—
Others	(145)	(85)
	<u>(3,442)</u>	<u>(138)</u>
Included in other gains and losses:		
Loss on disposals and written-off of property and equipment	249	2
Net foreign exchange gain	(397)	(130)
Fair value gain on financial assets at fair value through profit or loss	(52)	(17)
	<u>(200)</u>	<u>(145)</u>

Notes:

- (1) The amount included the write-down of inventories of HK\$594,000 for the six months ended 30 September 2022 (six months ended 30 September 2021: HK\$430,000).
- (2) The government grant received of approximately HK\$2,099,000 during the six months ended 30 September 2022 represented the government subsidy received under Employment Support Scheme launched by the Government of the Hong Kong Special Administrative Region.

7. DIVIDENDS DECLARED

On 31 August 2022, the Company declared and paid dividends of HK\$13,333 per share with aggregate amount of HK\$4,000,000 to the shareholders before the listing. After the listing, the directors of the Company did not recommend the payment of an interim dividend in respect of the current interim period. No dividends were paid, declared or proposed during the six months ended 30 September 2021.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company for the current interim period is based on the following data:

	Six months ended	
	30.9.2022	30.9.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company for the purpose of calculating basic earnings per share	31,110	17,095

	Six months ended	
	30.9.2022	30.9.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares in issue for the purpose of basic earnings per share	503,415	500,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the capitalisation issue had been effective on 1 April 2021 and the Share Offer made on 26 September 2022. No diluted earnings per share has been presented as there were no potential ordinary shares outstanding issue for both periods.

9. MOVEMENTS IN PROPERTY AND EQUIPMENT

During the six months ended 30 September 2022, the Group acquired property and equipment (including right-of-use assets) of approximately HK\$13,872,000 (six months ended 30 September 2021: approximately HK\$1,725,000). The additions of property and equipment during the current interim period are mainly for the relocation of office. Such addition comprise of leased properties of approximately HK\$10,511,000, leasehold improvements of approximately HK\$3,104,000 and other office equipment and furniture and fixtures of approximately HK\$257,000.

During the six months ended 30 September 2022, the Group disposed of property and equipment of approximately HK\$1,526,000 (six months ended 30 September 2021: approximately HK\$317,000).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Life insurance contracts for a director are measured under Level 3 fair value hierarchy. The fair value is measured with reference to the information provided by counterparties, which includes the cash value of the life insurance policies, the premium paid to the life insurance policies and net yield with reference to the average expected return rate of 2%. The significant unobservable input is the average expected return rate. Assuming other inputs were held consistent, an increase in average expected return rate would result in an increase in the fair value of the life insurance contracts and vice versa. In the opinion of the directors of the Company, the change of average expected return rate of the life insurance policies is insignificant based on the historical records and therefore no sensitivity analysis is provided. There is no transfer among the fair value hierarchy during the six months ended 30 September 2022 and 2021.

11. TRADE AND OTHER RECEIVABLES DEPOSITS AND PREPAYMENTS

The Group normally allows credit period of 0 to 60 days to its customers. The following is an ageing analysis of trade receivables, net of allowance on credit losses, presented based on the invoice date at the end of each reporting period.

	30.9.2022 <i>HK\$'000</i> (Unaudited)	31.3.2022 <i>HK\$'000</i> (Audited)
Trade receivables without instalment settlement		
0 - 30 days	71,808	108,229
31 - 60 days	79,386	16,299
61 - 90 days	27,029	11,616
91 - 180 days	23,534	12,368
Over 180 days	8,706	9,200
	210,463	157,712
Trade receivables with instalment settlement (note 1)		
Over 180 days	—	90
	—	90
Total trade receivables	210,463	157,802
Rental and other deposits	811	997
Prepayments (note 2)	30,527	46,447
Prepaid listing expenses	—	140
Deferred share issue costs	—	5,101
Other receivables	259	192
Total	242,060	210,679
Presented as non-current assets	802	986
Presented as current assets	241,258	209,693
	242,060	210,679

Notes:

- (1) The Group offered certain customers (mainly non-governmental and non-profitable organisations) on interest-free instalment settlement arrangement with instalment period ranged from 4 months to 36 months. In the opinion of the directors of the Company, the financing components of the contracts with instalment settlement arrangement were insignificant in contract level.
- (2) Included in the prepayments as at 30 September 2022 was a prepayment to a vendor amounted to approximately HK\$13,090,000 (31 March 2022: HK\$33,540,000) for the IT products under Distribution Business and was subsequently utilised.

As at 30 September 2022, lease liabilities of approximately HK\$11,051,000 (31 March 2022: HK\$2,360,000) are secured by the rental deposits of approximately HK\$802,000 (31 March 2022: HK\$783,000).

12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The credit period granted by suppliers is generally 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period.

	30.9.2022	31.3.2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 - 30 days	22,101	21,332
31 - 60 days	10,358	10,407
61 - 90 days	11,536	12,872
91 - 180 days	14,229	5,303
Over 180 days	5,945	14,768
	<hr/>	<hr/>
Total trade payables	64,169	64,682
Staff costs payables	6,444	3,261
Other payables and accrued charges	2,200	654
Payables for acquisition of property and equipment	963	—
Accrued listing expenses	1,910	5,015
Accrued share issue costs	499	1,254
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	76,185	74,866
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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

As an IT solutions provider, the Group primarily engages in (i) the distribution of IT products in Hong Kong; and (ii) provision of system integrated solutions for IT systems involving integration of system design, development and/or implementation of hardware and software, hardware and software coordination, system configuration and technical and maintenance support service (“**SI solutions**”) in Hong Kong, PRC and Macau. The Group operate in (i) the distribution business as an authorised distributor sourcing IT products from IT product vendors and distributing to down-stream resellers; and (ii) SI solutions business as an SI solutions provider procuring IT products from authorised distributors, integrating them into customised solutions and selling them to end-users.

During the period under review, the total revenue increased by approximately HK\$144.3 million or 55.1% from approximately HK\$261.8 million for the six months ended 30 September 2021 (“**FP2021**”) to approximately HK\$406.1 million for the six months ended 30 September 2022 (“**FP2022**”). The revenue from our distribution business amounted to approximately HK\$289.6 million in FP2022, representing an increase of approximately HK\$118.3 million or 69.1% as compared to approximately HK\$171.3 million in FP2021. Such increase in segment revenue was mainly attributable to the increase in sales of content delivery network (“**CDN**”) licence by approximately HK\$158.4 million from HK\$53.5 million in FP2021 to HK\$211.9 million in FP2022. The revenue from our SI solutions business amounted to approximately HK\$116.6 million in FP2022, representing an increase of approximately HK\$26.1 million or 28.8% as compared to approximately HK\$90.5 million in FP2021. Such increase in segment revenue was mainly due to the increase in the procurement of IT products related to data communication and infrastructure and the provision of IT infrastructure solutions services for the customers from the private sector.

The shares of the Company were successfully listed on The Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 26 September 2022 (the “**Listing**”), marking an important milestone for the Company. Going forward, it is expected that the need for enterprises to undergo digital transformation will continue to drive up demand for IT products such as HCI products and AI servers, and SI solutions services. The sale of CDN licences is also expected to continue to provide a strong driving force for our growth in revenue.

PROSPECTS

In light of the COVID-19 pandemic, the Group expects that the IT industry in Hong Kong will remain positive in the long run for the following reasons:

- (a) The outbreak of the COVID-19 pandemic and corresponding social distancing measures have reshaped IT applications in both commercial activities and daily lives causing fundamental changes to the underlying IT needs, such as the need for VPN services, real-time communication tools and remote working software. This has accelerated digital transformation, which will create growth opportunities for IT solutions providers;
- (b) To enhance operational efficiency, organizations (including government agencies) have continued to adopt online productivity and collaboration services, driving demand for cloud services. It is expected that businesses will continue to adopt and invest in such automation services post pandemic. The increase in popularity of cloud services will increase the demand for cloud infrastructure building and related cloud security products;
- (c) Growth in data centres in Hong Kong will continue, as aided by the increased internet usage for personal and business purposes by consumers through smartphones and high-speed broadband connectivity. As the adoption of hyper-converged infrastructure (“**HCI**”) is becoming increasingly popular in data centres, the demand for HCI is expected to be driven up by the rise in investments related to data centre infrastructures in Hong Kong;
- (d) The need for AI servers for better computing power will continue as enterprises in Hong Kong adopt technology that utilises machine learning and deep learning, creating demand for AI infrastructure, such as AI servers and AI storage, to avoid bottleneck in processing time; and
- (e) The demand for the CDN will continue to increase due to the increase in demand for content rich media and video streaming over websites. CDN is a fundamental IT architecture which reduces network latency and provide support for latency-sensitive devices in relation to autonomous driving, remote surgery and mission critical communication. Demand for CDN services is expected to be one of the major drivers of the IT industry in Hong Kong.

FINANCIAL REVIEW

Revenue

Total revenue increased by approximately HK\$144.3 million or 55.1% from approximately HK\$261.8 million in FP2021 to approximately HK\$406.1 million in FP2022. The increase was due to the aggregate impact of the increase in sales of CDN licenses in our distribution business and the increase in the number of customers in our SI solutions business. For explanations of such change in revenue, please refer to the section headed “Business Review and Outlook” in this announcement.

Cost of sales

Cost of sales increased by approximately HK\$121.0 million or 57.3% from approximately HK\$211.1 million in FP2021 to approximately HK\$332.1 million in FP2022, which was generally in line with the increase in the revenue of the Group during the same period. There is no material change in the costs of sales mix during such periods.

Gross profit and gross profit margin

Gross profit increased by approximately HK\$23.4 million or 46.2% from approximately HK\$50.7 million in FP2021 to approximately HK\$74.1 million in FP2022. The increase in the gross profit was attributable to the growth in the revenue generated from the distribution business and SI solutions business of the Group. Meanwhile, the increase in the cost of sales was comparable to the increase in the revenue in FP2022. The Group’s overall gross profit margin has slightly decreased from 19.4% in FP2021 to 18.2% in FP2022. The slight decrease in overall gross profit margin was primarily due to (i) the decrease in gross profit margin in our SI solutions business which had increased orders involving internationally renowned brands that generally have lower gross profit margins; and (ii) the decrease in gross profit margin in our distribution business as a result of the increase in sales of CDN licence which had relatively lower gross profit margins.

Other income and other net gains

Other income and other net gains increased by approximately HK\$3.3 million or 1,100% from approximately HK\$0.3 million in FP2021 to approximately HK\$3.6 million in FP2022. The increase was primarily attributable to the receipt of government subsidy under the Employment Support Scheme during the outbreak of COVID-19 pandemic and interest income generated from proceeds from the Listing.

Net impairment losses under expected credit loss model

Net impairment loss under expected credit loss model primarily represented the net impairment losses on trade receivables and contract assets in respect of impairment assessment in accordance with HKFRS 9 as at 30 September 2022. In FP2021 and FP2022, net impairment loss under expected credit loss model amounted to approximately HK\$0.7 million and HK\$1.7 million respectively. The increase was primarily attributable to the increase in trade receivables and contract assets.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK\$1.4 million or 9.7% from approximately HK\$14.5 million in FP2021 to approximately HK\$15.9 million in FP2022. The increase was mainly attributable to the increase in the salaries payable to the salespersons and commission expenses resulting from the increasing revenue and the expansion of the selling and marketing team in FP2022.

Administrative expenses

Administrative expenses increased by approximately HK\$3.4 million or 27.6% from approximately HK\$12.3 million in FP2021 to approximately HK\$15.7 million in FP2022. The increase was mainly attributable to an increase in legal and professional fees and office relocation expenses during such period.

Finance costs

Finance costs increased by approximately HK\$0.4 million or 40% from approximately HK\$1.0 million in FP2021 to approximately HK\$1.4 million in FP2022. The increase was mainly attributable to the increase in interest arising from bank borrowings.

Listing expenses

Listing expenses represented professional fees incurred in relation to the preparation of the Listing. Listing expenses amounted to approximately HK\$1.8 million and HK\$4.9 million in FP2021 and FP2022, respectively.

Income tax expenses

Income tax expense increased by approximately HK\$3.4 million or 94.4% from approximately HK\$3.6 million in FP2021 to approximately HK\$7.0 million in FP2022. The increase was mainly attributable to the increase in profit before income tax from FP2021 to FP2022. The listing expenses, which are non-deductible items for computing assessable profit during FP2022 and FP2021, have led to the high effective tax rate of approximately 18.4% and 17.3% in FP2022 and FP2021, respectively.

Profit for the period

As a result of the foregoing, profit increased by approximately HK\$14.0 million or 81.9% from approximately HK\$17.1 million in FP2021 to approximately HK\$31.1 million in FP2022.

LIQUIDITY AND FINANCIAL RESOURCES

The Group funded its liquidity and capital requirements primarily through a combination of internally generated funds from its operating activities and bank borrowings. As at 30 September 2022, the Group's bank borrowings were approximately HK\$85.8 million (31 March 2022: approximately HK\$77.0 million), representing a slight increase of approximately HK\$8.8 million or 11.4%. The pledge of assets and/or guarantees provided by Mr. Ip Ka Wai Charlie ("**Mr. Charlie Ip**") and/or companies controlled by Mr. Charlie Ip in respect of the Group's bank borrowings is under the process of release and our Directors confirm that such pledge of assets and/or guarantees had been agreed with the relevant banks to be released as at the date of this announcement.

The Group's total net debt/net cash is calculated as total bank borrowings and lease liabilities net of cash and cash equivalents. The Group has changed from net debt position of approximately HK\$63.1 million as at 31 March 2022 to net cash position of approximately HK\$6.2 million as at 30 September 2022. Such improvement was primarily due to the significant increase in cash and cash equivalents by approximately HK\$86.3 million or 86.4% from approximately HK\$17.2 million as at 31 March 2022 to approximately HK\$103.6 million as at 30 September 2022.

The Group's total equity increased from approximately HK\$77.0 million as at 31 March 2022 to approximately HK\$196.4 million as at 30 September 2022. As a result, the Group's net gearing ratio (which is calculated as total bank borrowings and lease liabilities net of cash and cash equivalents divided by total equity and multiplied by 100%) decreased from approximately 82.0% as at 31 March 2022 to approximately minus 3.1% as at 30 September 2022.

As at 30 September 2022, total lease liabilities amounted to approximately HK\$11.6 million (31 March 2022: approximately HK\$3.3 million), of which current lease liabilities amounted to approximately HK\$3.1 million (31 March 2022: approximately HK\$2.6 million) and non-current lease liabilities amounted to approximately HK\$8.5 million (31 March 2022: approximately HK\$0.7 million). The increment is primarily due to the new leases entered for the relocation of offices.

The Group has adequate liquidity to meet its current and future working capital requirements.

CAPITAL EXPENDITURES AND COMMITMENTS

For the six months ended 30 September 2022, the Group incurred HK\$3.4 million (FP2021: HK\$0.5 million) capital expenditures for additions of properties, plant and equipment and intangible assets. As at 30 September 2022, the Group did not have any capital commitments for the acquisition of property and equipment contracted but not provided for (31 March 2022: nil).

CONTINGENT LIABILITIES

As at 30 September 2022, to the best knowledge of the Board, the Group was not involved in any legal proceeding pending or, threatened against our Group which could have a material adverse effect on the Group's business or operations. The Group did not have any material contingent liabilities as at 30 September 2022.

PLEDGE OF ASSETS

As at 30 September 2022, the Group had bank deposits of approximately HK\$8.0 million (31 March 2022: HK\$8.4 million) and life insurance contracts for a director classified as financial assets at fair value through profit or loss of approximately HK\$ 9.3 million (31 March 2022: HK\$11.1 million) pledged to secure certain of the Group's banking facilities. As at 30 September 2022, lease liabilities of approximately HK\$11.1 million (31 March 2022: HK\$2.4 million) were secured by rental deposits of approximately HK\$0.8 million (31 March 2022: HK\$0.8 million).

FOREIGN EXCHANGE AND RISK MANAGEMENT

The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising primarily with respect to the United States dollars ("USD") and Chinese Renminbi ("RMB"). Most of the Group's sales proceeds are received in HKD and approximately 63.7% of the Group's purchases are denominated in USD. The Group did not enter into any derivative instrument to hedge against its foreign exchange exposure during the six months ended 30 September 2022.

The Group closely monitors its overall foreign exchange exposure from time to time and will adopt a proactive but prudent approach to minimize the relevant exposures.

INTERIM DIVIDEND

The Directors do not recommend to declare any interim dividend for the six months ended 30 September 2022 subsequent to the Listing. Prior to the Listing, on 31 August 2022, the Company had declared and paid dividends of HK\$4.0 million to the then shareholders of the Company.

CAPITAL STRUCTURE

The shares of the Company were listed on the Main Board of the Stock Exchange on 26 September 2022 ("Listing Date"). Since the issue of shares on the Listing Date, there has been no change in the issued share capital of the Company.

As at 30 September 2022, the Group's capital structure consists of bank borrowings and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 September 2022 and no future plan for material investments or capital assets as at 30 September 2022.

SIGNIFICANT INVESTMENTS

As at 30 September 2022, there was no significant investment held by the Group.

EMPLOYEES

As at 30 September 2022, the Group employed approximately 137 (31 March 2022: 135) employees. The Group adopts a remuneration policy which is commensurate with job nature, qualification and experience of employees. In addition to the provision of annual bonuses and employee related insurance benefits, discretionary bonuses are also rewarded to employees based on individual performance. The remuneration packages and policies are reviewed periodically. The Group also provides in-house and external training programs to its employees. The emoluments of the Directors are decided by the Board and the remuneration committee of the Company having regard to the Group's operating results, individual performance and comparable market statistics.

The Group has also adopted a share option scheme (the “**Existing Share Option Scheme**”) on 4 August 2022 for the purpose of providing incentives to eligible participants of the scheme, including Directors, full-time employees of and advisers and consultants to the Group. In light of amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) relating to share schemes of listed issuers which will take effect on 1 January 2023, on 28 October 2022 the Board has proposed to seek approval by the shareholders of the Company (the “**Shareholders**”) by way of ordinary resolution at the extraordinary general meeting (“**EGM**”) to adopt the new share option scheme and terminate the Existing Share Option Scheme. A circular containing, among other things, the notice of the EGM and details of the proposed adoption of the New Share Option Scheme, including the principal terms of the new share option scheme, will be dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There has been no material event occurring after 30 September 2022.

USE OF PROCEEDS

The shares of the Company were listed on the Main Board of the Stock Exchange on 26 September 2022. Reference is made to the prospectus of the Company dated 13 September 2022 (the “**Prospectus**”) and the announcement of the Company dated 23 September 2022 in relation to the announcement of offer price and allotment results (the “**Announcement**”). As disclosed in the Announcement, the estimated net proceeds from the Share Offer (as defined in the Prospectus)(the “**Share Offer**”) to be received by the Company after deducting underwriting fees and commissions and estimated expenses payable by the Company in connection with the Share Offer was approximately HK\$71.2 million. Upon taking into account certain expenses in connection with the Listing, the actual net proceeds (the “**Net Proceeds**”) from the Share Offer amounted to approximately HK\$66.0 million after deducting underwriting fees and commissions and other listing expenses borne by the Company.

As at the date of this announcement, the Net Proceeds has not been applied and utilised. The Directors are not aware of any material change to the planned use of Net Proceeds as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The Company will use the Net Proceeds raised from the Share Offer in accordance with the intended application of the Net Proceeds as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus as follows:

- approximately 55.3% will be used for expanding the Group’s distribution business including (a) enriching product portfolio for distribution by obtaining more authorised distributorship from IT vendors; (b) expanding service offerings by launching subscription-based laptop rental services; and (c) expanding workforce and enriching the expertise of sales product and technical teams;
- approximately 20.4% will be used for expanding the Group’s SI solutions business including (a) building up in-house capability in providing digital transformation services; and (b) expanding workforce in sales and technical teams to increase project capacity;
- approximately 7.7% will be used for establishing a new centralised service unit for providing IT maintenance and 24/7 technical support, detection and response support services;
- approximately 4.4% will be used for upgrading equipment, software, hardware and ERP systems in support of business expansion;
- approximately 2.0% will be used for strengthening marketing effort and improving brand recognition; and
- approximately 10.2% will be used for general working capital.

Save as disclosed above, the Group has no other update on the use of Net Proceeds up to the date of this announcement and will closely monitor the impact on the business environment in Hong Kong from COVID-19. Further announcement will be published when there is any change in the use of Net Proceeds.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to 30 September 2022.

CORPORATE GOVERNANCE PRACTICES

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

Except for the deviation from provision C.2.1 of the Corporate Governance Code, the Company's corporate governance practices have complied with the Corporate Governance Code since the Listing Date and up to the date of this announcement. Under code provisions C.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Charlie Ip is the chairman of the Board and the chief executive officer of the Company. In view of the fact that Mr. Charlie Ip has been responsible for the day-to-day management of the Group since 2013 and the steady development of the Group, the Board believes that with the support of Mr. Charlie Ip's extensive experience and knowledge in the business of the Group, vesting the roles of both chairman and chief executive officer in Mr. Charlie Ip provides the Company with strong and consistent leadership and allows for more efficient and effective planning and execution of long term business strategies, which is in the best interest of the Group and the Shareholders as a whole.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own securities dealing code to regulate all dealings by the Directors in the securities of the Company and other matters covered by the Model Code.

Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required provisions set out in the Model Code throughout the period from the Listing Date to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Ms. Wu Ching Tung Grace (Chairlady of the Audit Committee), Ms. Chung Anita Mei Yiu and Mr. Lam Chi Wing. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with the management, including a review of the unaudited condensed consolidated financial statements and the interim results for the six months ended 30 September 2022.

The interim results of the Group for the six months ended 30 September 2022 have not been audited, but have been reviewed by the Group’s auditors, Messrs. Deloitte Touche Tohmatsu, registered Public Interest Entity Auditors.

PUBLICATION OF UNAUDITED INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim result announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.mttgholdings.com). The interim report of the Company for FP2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the aforesaid websites in due course.

By Order of the Board
MTT Group Holdings Limited
Ip Ka Wai Charlie
Chairman

Hong Kong, 24 November 2022

As at the date of this announcement, the Board comprises Ip Ka Wai Charlie and Chan Tim Cheung as executive Directors, and Lam Chi Wing, Chung Anita Mei Yiu, and Wu Ching Tung Grace as independent non-executive Directors.