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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2023**

HIGHLIGHTS

- The total revenue of the Group amounted to approximately HK\$752.5 million for the Year, representing an increase of approximately HK\$121.0 million or 19.2% as compared to approximately HK\$631.5 million for the Previous Year.
- The profit of the Group for the Year was approximately HK\$43.7 million, representing a decrease of approximately HK\$3.6 million or 7.6% as compared to approximately HK\$47.3 million for the Previous Year. Such decrease was mainly due to the increase in selling and distribution and administrative expenses in the Year.
- Basic earnings per share for the Year was HK\$7.75 cents, as compared to HK\$9.45 cents for the Previous Year.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of MTT Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2023 (the “**Year**”), together with the comparative figures for the year ended 31 March 2022 (the “**Previous Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Revenue	3	752,547	631,512
Cost of sales and services		(625,829)	(515,447)
Gross profit		126,718	116,065
Other income		4,472	190
Other gains and losses		(435)	162
Net (impairment losses) reversal of impairment losses under expected credit loss model		(2,856)	2,878
Selling and distribution expenses		(36,404)	(29,881)
Administrative expenses		(30,667)	(24,393)
Finance costs		(2,971)	(2,037)
Listing expenses		(4,892)	(5,269)
Profit before taxation		52,965	57,715
Taxation	5	(9,228)	(10,457)
Profit for the year	6	43,737	47,258
Other comprehensive (expense) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(351)	171
Total comprehensive income for the year		43,386	47,429
Earnings per share	8		
Basic (HK cents)		7.75	9.45

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property and equipment	9	14,519	5,073
Financial assets at fair value through profit or loss (“FVTPL”)	10	11,194	11,090
Deposits	11	878	986
Deposits paid for acquisition of property and equipment		1,777	1,090
Deferred tax assets		576	209
		<u>28,944</u>	<u>18,448</u>
Current Assets			
Inventories		19,811	15,822
Trade and other receivables, deposits and prepayments	11	272,061	209,693
Contract assets		1,163	561
Amounts due from related companies		—	149
Pledged bank deposits		37,243	8,445
Bank balances and cash		28,512	17,166
		<u>358,790</u>	<u>251,836</u>
Current liabilities			
Trade and other payables and accrued charges	12	76,834	74,866
Contract liabilities		20,177	24,636
Amount due to a director		—	2,419
Amount due to a related company		—	593
Tax payables		9,874	9,658
Lease liabilities		2,231	2,583
Bank borrowings		61,035	77,008
		<u>170,151</u>	<u>191,763</u>
Net current assets		<u>188,639</u>	<u>60,073</u>
Total assets less current liabilities		<u>217,583</u>	<u>78,521</u>
Non-current liabilities			
Lease liabilities		7,297	667
Contract liabilities		1,127	896
		<u>8,424</u>	<u>1,563</u>
Net assets		<u>209,159</u>	<u>76,958</u>
Capital and reserves			
Share capital		6,250	—*
Reserves		202,909	76,958
Total equity		<u>209,159</u>	<u>76,958</u>

* Amounts less than HK\$1,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1. BASIS OF PREPARATION

MTT Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 24 July 2020 under the Companies Act Chapter 22 of the Cayman Islands. The shares of the Company are listed on the Main Board of the Stock Exchange of Hong Kong Limited.

The Company acts as an investment holding company.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”) AND AGENDA DECISIONS OF THE IFRS INTERPRETATIONS COMMITTEE (THE “**COMMITTEE**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2022 for the preparation of the 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

In addition, the Group applied the agenda decisions of the Committee of the International Accounting Standards Board, which are relevant to the Group.

The application of the amendments to HKFRSs and the Committee’s agenda decisions in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group’s annual reporting period beginning on 1 April 2023. As at 31 March 2023, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$9,409,000 and HK\$9,528,000 respectively in which the Group will recognise the related deferred tax assets and deferred tax liabilities of HK\$1,552,000 and HK\$1,572,000 respectively.

3. REVENUE

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

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Types of goods or services:		
Distribution Business*		
— distribution of IT products	483,887	393,236
— provision of IT implementation services	21,135	33,895
	<u>505,022</u>	<u>427,131</u>
System Integration Solutions Business*		
— procurement of IT products	201,756	166,668
— provision of IT infrastructure solutions services	32,620	21,005
— provision of IT maintenance and support services	13,149	16,708
	<u>247,525</u>	<u>204,381</u>
	<u><u>752,547</u></u>	<u><u>631,512</u></u>

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

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Geographical markets:		
Hong Kong	739,824	605,013
The People’s Republic of China (“PRC”) (excluding Hong Kong and Macau)	10,257	20,173
Macau	2,466	6,326
	<u>752,547</u>	<u>631,512</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.

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 year ended 31 March 2023

	Distribution Business HK\$’000	System Integration Solutions Business HK\$’000	Elimination HK\$’000	Total HK\$’000
Segment revenue	505,022	247,525	–	752,547
Inter-segment sales	14,235	75	(14,310)	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total	519,257	247,600	(14,310)	752,547
	<hr/> <hr/>	<hr/> <hr/>		
Segment results	76,502	50,216		126,718
				<hr/>
Other income				4,472
Other gains and losses				(435)
Net impairment losses under expected credit loss model				(2,856)
Selling and distribution expenses				(36,404)
Administrative expenses				(30,667)
Finance costs				(2,971)
Listing expenses				(4,892)
				<hr/>
Profit before taxation				52,965
				<hr/> <hr/>

For the year ended 31 March 2022

	Distribution Business	System Integration Solutions Business	Elimination	Total
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Segment revenue	427,131	204,381	—	631,512
Inter-segment sales	11,012	6,754	(17,766)	—
	<u>438,143</u>	<u>211,135</u>	<u>(17,766)</u>	<u>631,512</u>
Total	<u>438,143</u>	<u>211,135</u>	<u>(17,766)</u>	<u>631,512</u>
Segment results	<u>76,246</u>	<u>39,819</u>		116,065
Other income				190
Other gains and losses				162
Net reversal of impairment losses under expected credit loss model				2,878
Selling and distribution expenses				(29,881)
Administrative expenses				(24,393)
Finance costs				(2,037)
Listing expenses				(5,269)
Profit before taxation				<u>57,715</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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
— Hong Kong Profits Tax	9,659	9,939
— PRC Enterprise Income Tax (“EIT”)	7	26
Deferred tax (credit) charge	(367)	466
(Overprovision) underprovision in prior years	(71)	26
	<u>9,228</u>	<u>10,457</u>

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%.

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 year ended 31 March 2023 and 2022. 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. Effective from 1 January 2022 to 31 December 2024, a qualified small-scale entity is subject to 2.5% effective EIT rate for the first RMB1,000,000 taxable income and 5% 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 both years. No provision for Macau Complementary Tax was made for both years as the subsidiary in Macau does not have assessable profit for both years.

6. PROFIT FOR THE YEAR

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors remuneration	4,262	2,819
Salaries, allowances and other benefits for other staff	52,443	51,790
Contributions to retirement benefits schemes for other staff	2,057	2,034
	<u>58,762</u>	<u>56,643</u>
Depreciation:		
Depreciation of right-of-use assets	3,896	4,452
Depreciation of other property and equipment	1,265	600
	<u>5,161</u>	<u>5,052</u>
Auditor's remuneration (<i>note (ii)</i>)		
— Audit Services	2,200	900
— Non- audit services	200	100
	<u>2,400</u>	<u>1,000</u>
Cost of inventories recognised as an expense (<i>note (i)</i>)	577,794	469,780
Net impairment losses (reversal of impairment losses) on trade receivables	2,842	(2,862)
Net impairment losses (reversal of impairment losses) on contract assets	14	(16)
	<u>2,856</u>	<u>(2,878)</u>
Net impairment losses (reversal of impairment losses) under expected credit loss model	<u>2,856</u>	<u>(2,878)</u>

Notes:

- (i) The amount included the write-down of inventories of HK\$1,212,000 (2022: HK\$721,000) for the year ended 31 March 2023.
- (ii) Auditor's remuneration for audit services and non-audit services of approximately HK\$800,000 and HK\$100,000, respectively for the year ended 31 March 2022 are included in listing expenses.

7. DIVIDENDS

During the year ended 31 March 2023, the Company declared and paid dividends of HK\$13,333 per share with aggregate amount of HK\$4,000,000 to Ip Group Holdings Limited and IPW Group Holdings Limited, the holding companies of the Company on 31 August 2022 before the listing.

During the year ended 31 March 2022, no dividend was paid or declared by the Company to the shareholders.

8. EARNINGS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>43,737</u>	<u>47,258</u>
Number of shares		
Number of ordinary shares in issue for the purpose of basic earnings per share	<u>564,041</u>	<u>500,000</u>

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 years.

9. MOVEMENTS IN PROPERTY AND EQUIPMENT

During the year ended 31 March 2023, the Group acquired property and equipment (including right-of-use assets) of approximately HK\$14,841,000 (2022: HK\$2,543,000). The additions to property and equipment are mainly for the relocation of offices.

During the year ended 31 March 2023, the Group disposed of property and equipment of approximately HK\$17,998,000 (2022: approximately HK\$326,000).

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 31 March 2023 and 2022.

11. TRADE AND OTHER RECEIVABLES DEPOSITS AND PREPAYMENTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Total trade receivables	246,474	159,314
Less: Allowance for credit losses	(4,354)	(1,512)
	<u>242,120</u>	<u>157,802</u>
Rental and other deposits	952	997
Prepayments (<i>note 2</i>)	29,746	46,447
Prepaid listing expenses	—	140
Deferred share issue costs	—	5,101
Other receivables	121	192
	<u>272,939</u>	<u>210,679</u>
Total	<u>272,939</u>	<u>210,679</u>
Presented as non-current assets	878	986
Presented as current assets	272,061	209,693
	<u>272,939</u>	<u>210,679</u>

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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables without instalment settlement		
0 – 30 days	81,260	108,229
31 – 60 days	66,528	16,299
61 – 90 days	16,603	11,616
91 – 180 days	60,123	12,368
Over 180 days	17,606	9,200
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Trade receivables with instalment settlement (note 1)	242,120	157,712
Over 180 days	—	90
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	242,120	157,802
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Notes:

- (1) The Group offered certain customers (mainly non-governmental 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 during the years ended 31 March 2023 and 2022.
- (2) Included in the prepayments as at 31 March 2023 was a prepayment to a vendor amounted to approximately HK\$12,068,000 (31 March 2022: HK\$33,540,000) for the IT products under Distribution Business and was subsequently utilised.

As at 31 March 2023, lease liabilities of approximately HK\$9,496,000 (2022: HK\$2,360,000) are secured by the rental deposits of approximately HK\$774,000 (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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	21,440	21,332
31 – 60 days	15,184	10,407
61 – 90 days	9,382	12,872
91 – 180 days	12,575	5,303
Over 180 days	8,868	14,768
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Total trade payables	67,449	64,682
Staff costs payables	5,388	3,261
Other payables and accrued charges	3,997	654
Accrued listing expenses	—	5,015
Accrued share issue costs	—	1,254
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	76,834	74,866
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13. CONTINGENT LIABILITIES

On 22 March 2023, the Group announced that Competition Commission (the “**Commission**”) has commenced proceedings in the Competition Tribunal against the Company and Multisoft Limited (“**Multisoft**”), a wholly-owned subsidiary of the Company, as well as other unrelated respondents which relates to a contravention of the Competition Ordinance taking place between May 2020 and September 2021. The Commission alleged that (i) the Company and Multisoft had engaged in practices including cover bidding when providing quotations for IT solutions in applications for government subsidy under the Distance Business Programme (“**D-Biz**”); and (ii) the Commission has reasonable cause to believe that such conduct amounts to serious anti-competitive conduct in the form of price-fixing, market sharing, bid-rigging and/or sharing competitively sensitive information, in contravention of the First Conduct Rule of the Competition Ordinance (the “**Allegations**”). The management of the Company is of the opinion that such allegations are caused by the quotations provided by a former employee of Multisoft for IT solutions in applications for government subsidy under D-Biz without proper authorisation.

The directors of the Company is prepared to defend the Allegations vigorously. After seeking the legal opinion and taking into account the fact that the proceedings commenced by the Commission are still in preliminary stages, the management of the Company does not have sufficient information to predict the eventual outcome of the Allegations or assess the potential impacts of the proceedings on the Group’s operations and financial conditions. Accordingly, no provision has been made as at 31 March 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As an IT solutions provider, the Group primarily engages in (i) the distribution of IT products in Hong Kong, Macau and PRC; 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 operates 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.

The total revenue increased by approximately HK\$121.0 million or 19.2% from approximately HK\$631.5 million for the Previous Year to approximately HK\$752.5 million for the Year. The revenue from our distribution business amounted to approximately HK\$505.0 million in the Year, representing an increase of approximately HK\$77.9 million or 18.2% as compared to approximately HK\$427.1 million in the Previous Year. Such increase in segment revenue was mainly attributable to the increase in sales of content delivery network (“**CDN**”) licence by approximately HK\$84.3 million from HK\$206.1 million in the Previous Year to HK\$290.4 million in the Year. The revenue from our SI solutions business amounted to approximately HK\$247.5 million in the Year, representing an increase of approximately HK\$43.1 million or 21.1% as compared to approximately HK\$204.4 million in Previous Year. 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.

PROSPECTS

The Group expects that the IT industry in Hong Kong will encounter a wide range of opportunities and challenges in long run for the following reasons:

Opportunities

- (a) 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;

- (b) 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;
- (c) 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
- (d) 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.

Challenges

- (a) The post-pandemic Hong Kong economy has experienced a recovery that falls short of initial expectations. Despite being aware of the advantages of digital transformation, some consumers have become more conservative in their IT investments. This cautious approach towards technology adoption may stem from the uncertain economic climate and a desire to prioritize cost-cutting measures;
- (b) The shortage of IT technicians in Hong Kong adds further pressure to staff costs, thereby adversely impacting group profitability. With the increasing demand for skilled IT professionals, businesses are faced with the challenge of recruiting and retaining qualified individuals, which often comes with higher salary expectations. The limited pool of available talent drives up competition among companies, leading to increased remuneration packages;
- (c) As the interest rate remains at a relatively high level, compared to its level of the past 15 years, the enterprise environment is becoming wary, exhibiting caution towards this fiscal change. This prompts businesses to adopt a conservative approach regarding infrastructure investments due to the high funding rates involved, which in turn affects capital expenditure. In this demanding and challenging business environment, enterprises must elongate their decision-making cycles, taking more time to thoroughly assess the marginal benefit and value that each potential investment might bring. Therefore, this may slow down the sales flow of the Group; and
- (d) The persistent geopolitical tensions between the United States and China have significant implications for the global business environment. Such tensions may lead to unexpected regulatory changes, trade disruptions, tariffs, and shifting alliances, thus creating a climate of uncertainty and potentially affecting the stability and profitability of international business operations.

FINANCIAL REVIEW

Revenue

Total revenue increased by approximately HK\$121.0 million or 19.2% from approximately HK\$631.5 million in the Previous Year to approximately HK\$752.5 million in the Year. 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 procurement of IT products and provision of IT infrastructure solutions services in our SI solutions business. For further explanations of such change in revenue, please refer to the section headed “Business Review” in this announcement.

Cost of sales

Cost of sales increased by approximately HK\$110.4 million or 21.4% from approximately HK\$515.4 million in the Previous Year to approximately HK\$625.8 million in the Year, 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\$10.6 million or 9.1% from approximately HK\$116.1 million in the Previous Year to approximately HK\$126.7 million in the Year. The increase in the gross profit was mainly attributable to the increase in gross profits generated from the SI solutions business of the Group. Meanwhile, the increase in the cost of sales was comparable to the increase in the revenue for the Year. The Group’s overall gross profit margin has slightly decreased from 18.4% in the Previous Year to 16.8% in the Year. The slight decrease in overall gross profit margin was primarily due to 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\$3.6 million or 900% from approximately HK\$0.4 million in the Previous Year to approximately HK\$4.0 million in the Year. 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 31 March 2023. In the Year, net impairment loss under expected credit loss model amounted to approximately HK\$2.9 million (Previous Year: net reversal of impairment loss under expected credit loss model amounted to approximately HK\$2.9 million). In the Year, we recorded the net impairment loss under expected credit loss model was primarily attributable to the increase in trade receivables and contract assets while in the Previous Year, net reversal of impairment loss under expected credit loss model was primarily due to the recovery of Hong Kong's economy from the outbreak of the COVID-19 pandemic.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK\$6.5 million or 21.7% from approximately HK\$29.9 million in the Previous Year to approximately HK\$36.4 million in the Year. The increase was mainly attributable to the increase in the salaries payable to the salespersons and commission expenses resulting from the revenue increase and expansion of sales and marketing team in the Year.

Administrative expenses

Administrative expenses increased by approximately HK\$6.3 million or 25.8% from approximately HK\$24.4 million in the Previous Year to approximately HK\$30.7 million in the Year. The increase was mainly attributable to an increase in legal and professional fees and office relocation expenses during the Year.

Finance costs

Finance costs increased by approximately HK\$1.0 million or 50% from approximately HK\$2.0 million in the Previous Year to approximately HK\$3.0 million in the Year. The increase was mainly attributable to the increase in interest expense 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\$4.9 million in the Year (Previous Year: HK\$5.3 million).

Income tax expenses

Income tax expense decreased by approximately HK\$1.3 million or 12.4% from approximately HK\$10.5 million in the Previous Year to approximately HK\$9.2 million in the Year. The decrease was mainly attributable to the decrease in profit before income tax from the Previous Year to the Year. Listing expenses, which are non-deductible items for computing assessable profit during the Year and the Previous Year, have led to the high effective tax rate of approximately 17.4% and 18.4% in the Year and the Previous Year, respectively.

Profit for the year

As a result of the foregoing, profit for the year decreased by approximately HK\$3.6 million or 7.6% from approximately HK\$47.3 million in the Previous Year to approximately HK\$43.7 million in the Year.

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 31 March 2023, the Group's bank borrowings were approximately HK\$61.0 million (31 March 2022: approximately HK\$77.0 million), representing a slight decrease of approximately HK\$16.0 million or 20.8%.

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's net debt position was decreased from approximately HK\$63.1 million as at 31 March 2022 to approximately HK\$42.1 million as at 31 March 2023. Such improvement was primarily due to the increase in cash and cash equivalents by approximately HK\$11.3 million or 65.7% from approximately HK\$17.2 million as at 31 March 2022 to approximately HK\$28.5 million as at 31 March 2023 and the decrease in total bank borrowings by approximately HK\$16.0 million or 20.8 % from approximately HK\$77.0 million as at 31 March 2022 to approximately HK\$61.0 million as at 31 March 2023.

The Group's total equity increased from approximately HK\$77.0 million as at 31 March 2022 to approximately HK\$209.2 million as at 31 March 2023. 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 20.1% as at 31 March 2023.

As at 31 March 2023, total lease liabilities amounted to approximately HK\$9.5 million (31 March 2022: approximately HK\$3.3 million), of which current lease liabilities amounted to approximately HK\$2.2 million (31 March 2022: approximately HK\$2.6 million) and non-current lease liabilities amounted to approximately HK\$7.3 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 Year, the Group incurred HK\$14.9 million (Previous Year: HK\$2.5 million) of capital expenditures for additions of properties and equipment (including right-of-use assets). As at 31 March 2023, 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 31 March 2023, save as disclosed in the announcement of the Company dated 23 March 2023 in relation to the commencement of proceedings by the Competition Commission in the Competition Tribunal against the Company and Multisoft Limited, a wholly-owned subsidiary of the Company, 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. Besides, the Group did not have any material contingent liabilities as at 31 March 2023.

PLEDGE OF ASSETS

As at 31 March 2023, the Group had pledged bank deposits of approximately HK\$37.2 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\$11.2 million (31 March 2022: HK\$11.1 million) pledged to secure certain of the Group's banking facilities. As at 31 March 2023, lease liabilities of approximately HK\$9.5 million (31 March 2022: HK\$3.3 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, PRC and Macau and is exposed to foreign exchange risk arising primarily with respect to the United States dollars ("USD"), Chinese Renminbi and Macau Pataca. Most of the Group's sales proceeds are received in HKD and approximately 53.3% 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 year ended 31 March 2023.

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.

FINAL DIVIDEND

The Directors do not recommend to declare any final dividend for the year ended 31 March 2023.

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 31 March 2023, 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 Year and had no future plan for material investments or capital assets as at 31 March 2023.

SIGNIFICANT INVESTMENTS

As at 31 March 2023, there was no significant investment held by the Group.

EMPLOYEES

As at 31 March 2023, the Group employed approximately 135 (31 March 2022: 135) employees. We incurred staff costs inclusive of performance related bonus and director’s emoluments of approximately HK\$58.8 million for the Year (Previous Year: HK\$56.6 million). 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 (the “**New Share Option Scheme**”) and terminate the Existing Share Option Scheme. On 19 December 2022, the ordinary resolution in relation to the adoption of the New Share Option Scheme has been approved by the Shareholders at the EGM and the New Share Option Scheme became effective on 29 December 2022. The purpose of the New Share Option Scheme is to recognize and acknowledge the contributions the eligible participants (including any Directors, full-time or part-time employees of the Group, directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company) (collectively, the “**Eligible Participants**”) who have had or may have made to the Group and will provide the Eligible Participants a personal stake in the Company with the view to (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group. No option was granted during the Year and, as at 31 March 2023, there was no outstanding option granted under the New Share Option Scheme.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There has been no material event occurring after 31 March 2023.

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 of the date of this announcement, the Company does not anticipate any change on its plan on the use of proceeds as stated in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

As at 31 March 2023, the details of the utilised and unutilised Net Proceeds were as follows:

Intended use of Net Proceeds	Approximate planned use of Net Proceeds (HK\$'million)	Approximate amount of Net proceeds utilised		Approximate Unutilised Net Proceeds as at 31 March 2023 (HK\$'million)	Expected timeline of utilizing the remaining Net Proceeds
		Utilised during the Year (HK\$'million)	Total utilised (HK\$'million)		
Expand the Group's IT distribution business segment	36.5	25.5	25.5	11.0	Expected to be fully utilised on or before 31 March 2024 (note (ii))
Expand the Group's SI solutions business segment	13.5	0.2	0.2	13.3	Expected to be fully utilised on or before 31 March 2024 (note (ii))
Establish a new centralised service unit for provision of IT maintenance and support services which provides 24/7 technical support and detection and response support services	5.1	0.9	0.9	4.2	Expected to be fully utilised on or before 31 March 2024 (note (i))
Strengthen marketing efforts and improving brand recognition	1.3	0.7	0.7	0.6	Expected to be fully utilised on or before 31 March 2024 (note (i))
Upgrade the Group's equipment, software, hardware and ERP systems	2.9	0.3	0.3	2.6	Expected to be fully utilised on or before 31 March 2024 (note (iii))
General working capital	6.7	6.7	6.7	–	–
	<u>66.0</u>	<u>34.3</u>	<u>34.3</u>	<u>31.7</u>	

Notes:

- (i) The expected timeline for utilising the unutilised funds is based on the best estimation of the future market condition made by the Group. It may be subject to change based on the current and future development of market conditions.
- (ii) The utilisation of proceeds for workforce expansion in IT distribution and SI solution business segments has fallen behind the schedule as disclosed in the Prospectus due to the insufficient supply of talent and labour in the market. The Group is in the process of identifying suitable candidates for the relevant positions and anticipates that the recruitment of the relevant workforce will take longer than originally planned as disclosed in the Prospectus.
- (iii) The delay of the utilisation for the upgrade of systems is due to the fact that the development phase takes longer than originally planned as disclosed in the Prospectus.

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

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 31 March 2023.

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 (the "CG Code") as set out in Appendix 14 to the Listing Rules.

Except for the deviation from provision C.2.1 of the CG Code, the Company's corporate governance practices have complied with all the code provisions as set out in the CG Code since the Listing Date and up to the date of this announcement. Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate 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 was the founder of the Group and 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 CG 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 audited condensed consolidated financial statements and the annual results for the year ended 31 March 2023.

REVIEW OF THE ANNUAL RESULTS

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the Year as approved by the Board of Directors on 23 June 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 16 August 2023 to Monday, 21 August 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting to be held on Monday, 21 August 2023, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 15 August 2023.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

Hong Kong, 23 June 2023

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.