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 **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 2024**

HIGHLIGHTS

- The total revenue of the Group amounted to approximately HK\$628.1 million for the Year, representing a decrease of approximately HK\$124.4 million or 16.5% as compared to approximately HK\$752.5 million for the Previous Year.
- The loss of the Group for the Year was approximately HK\$15.0 million, whereas the Group recorded a net profit for the Previous Year of HK\$43.7 million.
- Basic loss per share for the Year was (HK\$2.40) cents, as compared to basic earnings per share of HK\$7.75 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 annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2024 (the “**Year**”), together with the comparative figures for the year ended 31 March 2023 (the “**Previous Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2024

| | | 2024 | 2023 |
|---|-------|------------------|------------------|
| | Notes | HK\$'000 | HK\$'000 |
| Revenue | 3 | 628,075 | 752,547 |
| Cost of sales and services | | <u>(557,099)</u> | <u>(625,829)</u> |
| Gross profit | | 70,976 | 126,718 |
| Other income | | 991 | 4,472 |
| Other gains and losses | | (101) | (435) |
| Net impairment losses under expected credit loss model | | (14,328) | (2,856) |
| Selling and distribution expenses | | (36,170) | (36,404) |
| Administrative and other expenses | | (34,470) | (30,667) |
| Finance costs | | (3,705) | (2,971) |
| Listing expenses | | <u>–</u> | <u>(4,892)</u> |
| (Loss)/profit before taxation | | (16,807) | 52,965 |
| Taxation | 5 | <u>1,834</u> | <u>(9,228)</u> |
| (Loss)/profit for the year | 6 | (14,973) | 43,737 |
| Other comprehensive expense: | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | <u>(324)</u> | <u>(351)</u> |
| Total comprehensive (expense)/income for the year | | <u>(15,297)</u> | <u>43,386</u> |
| Basic (loss)/earnings per share (HK cents) | 8 | <u>(2.40)</u> | <u>7.75</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2024

| | <i>Notes</i> | 2024 HK\$'000 | 2023 HK\$'000 |
|---|--------------|--------------------------------|------------------|
| Non-current assets | | | |
| Property and equipment | <i>9</i> | 12,531 | 14,519 |
| Financial assets at fair value through profit or loss (“FVTPL”) | <i>10</i> | 11,321 | 11,194 |
| Deposits | <i>11</i> | 936 | 878 |
| Deposits paid for acquisition of property, and equipment | | 480 | 1,777 |
| Deferred tax assets | | 2,484 | 576 |
| | | <u>27,752</u> | <u>28,944</u> |
| Current assets | | | |
| Inventories | | 17,762 | 19,811 |
| Trade and other receivables, deposits and prepayments | <i>11</i> | 384,912 | 272,061 |
| Contract assets | | 534 | 1,163 |
| Tax recoverable | | 1,653 | – |
| Pledged bank deposits | | 37,460 | 37,243 |
| Bank balances and cash | | 10,685 | 28,512 |
| | | <u>453,006</u> | <u>358,790</u> |
| Current liabilities | | | |
| Trade and other payables and accrued charges | <i>12</i> | 194,470 | 76,834 |
| Contract liabilities | | 23,157 | 20,177 |
| Tax payables | | 352 | 9,874 |
| Lease liabilities | | 2,562 | 2,231 |
| Bank borrowings | | 59,891 | 61,035 |
| | | <u>280,432</u> | <u>170,151</u> |
| Net current assets | | <u>172,574</u> | <u>188,639</u> |
| Total assets less current liabilities | | <u>200,326</u> | <u>217,583</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 5,579 | 7,297 |
| Contract liabilities | | 885 | 1,127 |
| | | <u>6,464</u> | <u>8,424</u> |
| Net assets | | <u>193,862</u> | <u>209,159</u> |
| Capital and reserves | | | |
| Share capital | | 6,250 | 6,250 |
| Reserves | | 187,612 | 202,909 |
| Total equity | | <u>193,862</u> | <u>209,159</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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 “**Stock Exchange**”).

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 NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

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

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

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

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

2.1 Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform-Pillar Two Model Rules

The Group has applied the amendments for the first time in the current year. HKAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model Rules published by the Organisation for Economic Co-operation and Development (the “**Pillar Two legislation**”). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group’s entries are operating in jurisdictions which the Pillar Two legislation has yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group’s exposure to Pillar Two income taxes in the Group’s annual consolidation financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expenses/income related to Pillar Two income taxes when it is in effect.

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

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

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

3. REVENUE

Revenue from goods and services

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

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Types of goods or services: | | |
| Distribution Business* | | |
| – distribution of IT products | 378,248 | 483,887 |
| – provision of IT implementation services | 35,474 | 21,135 |
| | <u>413,722</u> | <u>505,022</u> |
| System Integration Solutions Business* | | |
| – procurement of IT products | 181,309 | 201,756 |
| – provision of IT infrastructure solutions services | 21,941 | 32,620 |
| – provision of IT maintenance and support services | 11,103 | 13,149 |
| | <u>214,353</u> | <u>247,525</u> |
| | <u>628,075</u> | <u>752,547</u> |

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

| | Year ended 31 March | |
|--|-------------------------|-------------------------|
| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
| Geographical markets: | | |
| Hong Kong | 616,710 | 739,824 |
| The People's Republic of China (the "PRC") (excluding Hong Kong and Macau) | 8,670 | 10,257 |
| Macau | 2,695 | 2,466 |
| | <u>628,075</u> | <u>752,547</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 continuing operations is analysed by location of the shipments of goods or the services provided.

4. SEGMENT INFORMATION

Information reported to the executive Directors, being the chief operating decision maker (“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.

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

| | Distribution Business HK\$’000 | System Integration Solutions Business HK\$’000 | Elimination HK\$’000 | Total HK\$’000 |
|--|---|---|---------------------------------|---------------------------|
| For the year ended 31 March 2024 | | | | |
| Segment revenue | 413,722 | 214,353 | – | 628,075 |
| Inter-segment sales | 10,240 | – | (10,240) | – |
| Total | <u>423,962</u> | <u>214,353</u> | <u>(10,240)</u> | <u>628,075</u> |
| Segment results | <u>35,501</u> | <u>35,475</u> | | 70,976 |
| Other income | | | | 991 |
| Other gains and losses | | | | (101) |
| Net impairment losses under expected credit loss model | | | | (14,328) |
| Selling and distribution expenses | | | | (36,170) |
| Administrative and other expenses | | | | (34,470) |
| Finance costs | | | | <u>(3,705)</u> |
| Loss before taxation | | | | <u>(16,807)</u> |

| | Distribution Business <i>HK\$'000</i> | System Integration Solutions Business <i>HK\$'000</i> | Elimination <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|---|---|--------------------------------|--------------------------|
| For the year ended 31 March 2023 | | | | |
| Segment revenue | 505,022 | 247,525 | – | 752,547 |
| Inter-segment sales | <u>14,235</u> | <u>75</u> | <u>(14,310)</u> | <u>–</u> |
| Total | <u><u>519,257</u></u> | <u><u>247,600</u></u> | <u><u>(14,310)</u></u> | <u><u>752,547</u></u> |
| Segment results | <u><u>76,502</u></u> | <u><u>50,216</u></u> | | 126,718 |
| 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 and other expenses | | | | (30,667) |
| Finance costs | | | | (2,971) |
| Listing expenses | | | | <u>(4,892)</u> |
| Profit before taxation | | | | <u><u>52,965</u></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

| | Year ended 31 March | |
|---|---------------------|--------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Current tax: | | |
| – Hong Kong Profits Tax | – | 9,659 |
| – PRC Enterprise Income Tax (“EIT”) | 47 | 7 |
| Deferred tax credit | (1,908) | (367) |
| Underprovision (overprovision) in prior years | 27 | (71) |
| | <u>(1,834)</u> | <u>9,228</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%. No provision for Hong Kong Profits Tax was made for the Year as the subsidiaries in Hong Kong do not have assessable profit for the Year.

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 years ended 31 March 2024 and 2023. 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 rate 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 rate 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. (LOSS)/PROFIT FOR THE YEAR

| | Year ended 31 March | |
|--|---------------------|-----------------|
| | 2024 | 2023 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| (Loss)/profit for the year has been arrived at after charging (crediting): | | |
| Staff costs: | | |
| Directors' remuneration | 4,563 | 4,262 |
| Salaries, allowances and other benefits for other staff | 51,166 | 52,443 |
| Contributions to retirement benefits schemes for other staff | 2,059 | 2,057 |
| | <u>57,788</u> | <u>58,762</u> |
| Depreciation: | | |
| Depreciation of right-of-use assets | 3,014 | 3,896 |
| Depreciation of other property and equipment | 1,784 | 1,265 |
| | <u>4,798</u> | <u>5,161</u> |
| Auditor's remuneration | | |
| – Audit services | 1,800 | 2,200 |
| – non-audit services | 348 | 200 |
| | <u>2,148</u> | <u>2,400</u> |
| Cost of inventories recognised as an expense (<i>note</i>) | 496,838 | 577,794 |
| Net impairment losses on trade receivables | 14,351 | 2,842 |
| Net (reversal of impairment losses) impairment losses on contract assets | (23) | 14 |
| | <u>14,328</u> | <u>2,856</u> |
| Penalty (included in administrative and other expenses) | 1,345 | – |

Note: The amount included the write-down of inventories of HK\$390,000 (2023: HK\$1,212,000) for the year ended 31 March 2024.

7. DIVIDENDS

During the year ended 31 March 2024, no dividend was paid or declared by the Company to the shareholders.

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.

8. (LOSS)/EARNINGS PER SHARE

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

Earnings figures are calculated as follows:

| | Year ended 31 March | |
|---|---------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| (Loss)/profit for the year attributable to owners of the Company for the purpose of calculating basic (loss)/earnings per share | <u>(14,973)</u> | <u>43,737</u> |

| | Year ended 31 March | |
|---|---------------------|----------------|
| | 2024 '000 | 2023 '000 |
| Number of ordinary shares in issue for the purpose of calculating basic (loss)/earnings per share | <u>625,000</u> | <u>564,041</u> |

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the reorganisation and 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 2024, the Group acquired property and equipment (including right-of-use assets) of approximately HK\$1,454,000 (2023: HK\$14,841,000). The additions to property and equipment are mainly for the relocation of offices.

During the year ended 31 March 2024, the Group disposed of property and equipment of approximately HK\$56,000 (2023: approximately HK\$17,998,000).

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 year ended 31 March 2024 and 2023.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | As at 31 March | |
|-----------------------------------|-----------------------|-----------------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Total trade receivables | 382,444 | 246,474 |
| Less: allowance for credit losses | (9,634) | (4,354) |
| | <u>372,810</u> | <u>242,120</u> |
| Rental and other deposits | 936 | 952 |
| Prepayments (<i>note</i>) | 12,102 | 29,746 |
| Other receivables | – | 121 |
| | <u>–</u> | <u>121</u> |
| Total | <u><u>385,848</u></u> | <u><u>272,939</u></u> |
| Presented as non-current assets | 936 | 878 |
| Presented as current assets | <u>384,912</u> | <u>272,061</u> |
| | <u><u>385,848</u></u> | <u><u>272,939</u></u> |

Note: Included in the prepayments as at 31 March 2023 was a prepayment to a vendor amounted to approximately HK\$12,068,000 for the IT products under Distribution Business and was subsequently utilised in April 2023.

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.

| | As at 31 March | |
|--------------------------|------------------------|-----------------|
| | 2024 | 2023 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade receivables | | |
| 0 – 30 days | 38,944 | 81,260 |
| 31 – 60 days | 43,755 | 66,528 |
| 61 – 90 days | 22,525 | 16,603 |
| 91 – 180 days | 86,354 | 60,123 |
| Over 180 days | 181,232 | 17,606 |
| | 372,810 | 242,120 |

As at 31 March 2024, included in the trade receivables balance are debtors with an aggregate carrying amount of approximately HK\$320,420,000 (2023: HK\$108,496,000) which have past due at the end of the reporting period. Out of the past due balances, approximately HK\$226,322,000 (2023: HK\$51,214,000), as at 31 March 2024 has been past due 90 days or more and is not considered as in default. With reference to the historical records, past experience and also available reasonable and supportive forward-looking information to those customers, the management of the Group does not consider these receivables as credit impaired as these customers have a good business relationship with the Group and recurring overdue records of these customers with satisfactory settlement history.

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.

| | As at 31 March | |
|------------------------------------|------------------------|-----------------|
| | 2024 | 2023 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0 – 30 days | 26,343 | 21,440 |
| 31 – 60 days | 20,652 | 15,184 |
| 61 – 90 days | 11,526 | 9,382 |
| 91 – 180 days | 49,876 | 12,575 |
| Over 180 days | 76,159 | 8,868 |
| Trade payables | 184,556 | 67,449 |
| Staff costs payables | 5,000 | 5,388 |
| Other payables and accrued charges | 4,914 | 3,997 |
| | 194,470 | 76,834 |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

As an information technology (“IT”) solutions provider, the Group primarily engages in (i) the distribution of IT products in Hong Kong, Macau and the 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, the 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.

During the period under review, the total revenue decreased by approximately HK\$124.4 million or 16.5% from approximately HK\$752.5 million for the Previous Year to approximately HK\$628.1 million for the Year. The revenue from our distribution business amounted to approximately HK\$413.7 million in the Year, representing a decrease of approximately HK\$91.3 million or 18.1% as compared to approximately HK\$505.0 million in the Previous Year. Such decrease in segment revenue was mainly attributable to the decrease in sales of content delivery network (“CDN”) licences by approximately HK\$140.4 million from approximately HK\$290.4 million in the Previous Year to approximately HK\$150.0 million in the Year. The revenue from our SI solutions business amounted to approximately HK\$214.4 million in the Year, representing an decrease of approximately HK\$33.1 million or 13.4% as compared to approximately HK\$247.5 million in the Previous Year. Such decrease in segment revenue was mainly due to the decrease in demand under weak economic environment in the Year as compared to the Previous Year.

PROSPECTS

Despite the challenging macroeconomic and business environment in Hong Kong and the increase in market competition in the IT industry, the Group expects that the IT industry in Hong Kong will remain positive in the 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. The need for remote access to data, applications and services has accelerated the adoption of cloud computing. It is expected that businesses will continue to adopt and invest in such automation services and migrate their infrastructure and operations to the cloud. The increase in popularity of cloud services will increase the demand for cloud infrastructure building, data management 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”) products is becoming increasingly popular in data centres, the demand for HCI products is expected to be driven up by the rise in investments related to data centre infrastructures in Hong Kong; and
- (c) The need for artificial intelligence (“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.

Challenges

- (a) 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 and extending the time it takes for the Group to recruit the right person;
- (b) As the interest rate remains at a relatively high level, compared to its level of the past 16 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
- (c) The persistent geopolitical tensions between the United States and the PRC and the Russian-Ukraine War 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 decreased by approximately HK\$124.4 million or 16.5% from approximately HK\$752.5 million in the Previous Year to approximately HK\$628.1 million in the Year. The decrease was due to the aggregate impact of the increase in market competition of CDN licenses in our distribution business and the decrease in the revenue from our SI solutions business caused by decrease in demand under weak economic environment. For explanations of such change in revenue, please refer to the section headed “Business Review and Outlook” in this announcement.

Cost of sales and services

Cost of sales decreased by approximately HK\$68.7 million or 11.0% from approximately HK\$625.8 million in the Previous Year to approximately HK\$557.1 million in the Year, which was generally in line with the decrease in the revenue of the Group during the same period. There is no material change in the costs of sales and services mix during such periods.

Gross profit and gross profit margin

Gross profit decreased by approximately HK\$55.7 million or 44.0% from approximately HK\$126.7 million in the Previous Year to approximately HK\$71.0 million in the Year. The decrease in the gross profit was attributable to the decrease in the revenue generated from the distribution business and SI solutions business of the Group. The Group’s overall gross profit margin has decreased from 16.8% in the Previous Year to 11.3% in the Year. The decrease in overall gross profit margin was primarily due to (i) the decrease in gross profit margin in our SI solutions business due to lower selling prices as a result of decrease in demand under weak economic environment; and (ii) the decrease in gross profit margin in our distribution business as a result of decrease in the gross profit margins in sales of CDN licences due to increase in market competition.

Other income and other net gains and losses

Other income and other net gains decreased by approximately HK\$3.5 million or 77.8% from approximately HK\$4.5 million in the Previous Year to approximately HK\$1.0 million in the Year. The decrease in other income and other net gains and losses in the Year as compared to the Previous Year was mainly due to government subsidy received in the Previous Year under the Employment Support Scheme launched by the Government of Hong Kong Special Administrative Region and no such subsidy was received in the Year.

Net impairment losses under expected credit loss model

Net impairment losses 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 2024. In the Previous Year and the Year, net impairment loss under expected credit loss model amounted to approximately HK\$2.9 million and HK\$14.3 million respectively. The increase was primarily attributable to (i) the increase in trade receivables and contract assets; and (ii) additional impairment loss of approximately HK\$9.0 million recognised for a credit impaired debtor encountering financial difficulties and undergoing a voluntary liquidation process.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately HK\$0.2 million or 0.5% from approximately HK\$36.4 million in the Previous Year to approximately HK\$36.2 million in the Year. The decrease was mainly attributable to an decrease in staff cost in relation to the selling activities in the Year.

Administrative expenses

Administrative expenses increased by approximately HK\$3.8 million or 12.4% from approximately HK\$30.7 million in the Previous Year to approximately HK\$34.5 million in the Year. The increase was mainly attributable to an increase in legal and professional fees and penalties in the Year.

Finance costs

Finance costs increased by approximately HK\$0.7 million or 23.3% from approximately HK\$3.0 million in the Previous Year to approximately HK\$3.7 million in the Year. 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 on the Stock Exchange (the “**Listing**”). Listing expenses amounted to approximately HK\$4.9 million in the Previous Year and no such listing expenses for the Year.

Income tax credit/expenses

The income tax credit amounted to approximately HK\$1.8 million in the Year, whereas, there was an income tax expense of approximately HK\$9.2 million in the Previous Year. The change was mainly attributable to the net loss recorded for the Year and net profit recorded for the Previous Year.

(Loss)/profit for the year

As a result of the foregoing, the Group recorded a net loss for the year of approximately HK\$15.0 million in the Year whereas the Group recorded a net profit for the Previous Year of approximately HK\$43.7 million.

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 2024, the Group's bank borrowings were approximately HK\$59.9 million (31 March 2023: approximately HK\$61.0 million), representing a slight decrease of approximately HK\$1.1 million or 1.8%.

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 of approximately HK\$42.1 million as at 31 March 2023 increased to approximately HK\$57.3 million as at 31 March 2024. Such change was primarily due to the significant decrease in cash and cash equivalents by approximately HK\$17.8 million or 62.5% from approximately HK\$28.5 million as at 31 March 2023 to approximately HK\$10.7 million as at 31 March 2024.

The Group's total equity decreased from approximately HK\$209.2 million as at 31 March 2023 to approximately HK\$193.9 million as at 31 March 2024. 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%) increased from approximately 20.1% as at 31 March 2023 to approximately 29.6% as at 31 March 2024.

As at 31 March 2024, total lease liabilities amounted to approximately HK\$8.1 million (31 March 2023: approximately HK\$9.5 million), of which current lease liabilities amounted to approximately HK\$2.6 million (31 March 2023: approximately HK\$2.2 million) and non-current lease liabilities amounted to approximately HK\$5.6 million (31 March 2023: approximately HK\$7.3 million).

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\$1.5 million (Previous Year: HK\$14.8 million) capital expenditures for additions of properties and equipment (including right-of-use assets). As at 31 March 2024, the Group did not have any capital commitments for the acquisition of property and equipment contracted but not provided for (31 March 2023: nil).

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 (Cap. 619) 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.

As at 31 March 2023, 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. During the year ended 31 March 2024, the Company and the Commission have reached a preliminary settlement agreement to accept an agreed sum of approximately HK\$1,345,000 comprising a pecuniary penalty in the amount of HK\$1,190,000 and the Commission’s investigation costs of HK\$155,000 and such amount have been recognised to profit or loss for the year ended 31 March 2024. Referred to the Company’s announcement on 11 June 2024, the settlement agreement have been subsequently reached and confirmed on 7 June 2024.

PLEDGE OF ASSETS

As at 31 March 2024, the Group had pledged bank deposits of approximately HK\$37.5 million (31 March 2023: approximately HK\$37.2 million) and life insurance contracts for a director classified as financial assets at FVTPL of approximately HK\$11.3 million (31 March 2023: approximately HK\$11.2 million) pledged to secure certain of the Group's banking facilities. As at 31 March 2024, lease liabilities of approximately HK\$8.1 million (31 March 2023: approximately HK\$9.5 million) were secured by rental deposits of approximately HK\$0.8 million (31 March 2023: approximately HK\$0.8 million).

FOREIGN EXCHANGE AND RISK MANAGEMENT

The Group operates in Hong Kong, Macau and the PRC and is exposed to foreign exchange risk arising with respect to the United States dollars (“USD”), Macau Pataca and Renminbi. Most of the Group's sales proceeds are received in Hong Kong dollars and approximately 32.2% 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 2024.

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 2024 (for the year ended 31 March 2023 subsequent to the Listing: Nil).

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 2024, the Group's capital structure consists of 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 no future plan for material investments or capital assets as at 31 March 2024.

SIGNIFICANT INVESTMENTS

As at 31 March 2024, there was no significant investment held by the Group.

EMPLOYEES

As at 31 March 2024, the Group employed approximately 180 (31 March 2023: 135) employees. We incurred staff cost inclusive of performance related bonus and director's emoluments of approximately HK\$57.8 million for the Year (Previous Year: HK\$58.8 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 also provides a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for eligible employees in Hong Kong and retirement contributions for staff in the PRC and Macau in accordance with the statutory requirements.

The Group has also adopted the share option scheme (the "**Share Option Scheme**") which became effective on 29 December 2022. The purpose of the 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 financial year ended 31 March 2024 and, as at 31 March 2024, there was no outstanding option granted under the Share Option Scheme.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There has been no material event occurring after 31 March 2024.

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 after deducting underwriting fees and commissions and other listing expenses borne by the Company amounted to approximately HK\$66.0 million.

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 2024, 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 utilised Net Proceeds as at 31 March 2024 (HK\$'million) | Approximate amount of unutilised Net Proceeds as at 31 March 2024 (HK\$'million) | Expected timeline of utilizing the remaining Net Proceeds |
|---|---|---|---|--|
| Expand the Group’s IT distribution business segment | 36.5 | 36.1 | 0.4 | Expected to be fully utilised on or before 31 March 2025 (note (i)) |
| Expand the Group’s SI solutions business segment | 13.5 | 3.3 | 10.2 | Expected to be fully utilised on or before 31 March 2025 (note (ii)) |

| Intended use of Net Proceeds | Approximate planned use of Net Proceeds (HK\$'million) | Approximate amount of utilised Net Proceeds as at 31 March 2024 (HK\$'million) | Approximate amount of unutilised Net Proceeds as at 31 March 2024 (HK\$'million) | Expected timeline of utilizing the remaining Net Proceeds |
|---|---|---|---|--|
| 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 | 5.1 | – | – |
| Strengthen marketing efforts and improving brand recognition | 1.3 | 1.3 | – | – |
| Upgrade the Group's equipment, software, hardware and ERP systems | 2.9 | 1.8 | 1.1 | Expected to be fully utilised on or before 31 March 2025 (note (iii)) |
| General working capital | 6.7 | 6.7 | – | – |
| | <u>66.0</u> | <u>54.3</u> | <u>11.7</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 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 of proceeds 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 Year.

CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Company has adopted the code provisions stated in the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (the "**Corporate Governance Code**").

Except for the deviation from code provision C.2.1 of the Corporate Governance Code, the Company's corporate governance practices have complied with the Corporate Governance Code throughout the Year. Under code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ip Ka Wai Charlie ("**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 of the Company (the "**Shareholders**") as a whole.

The Directors consider that the deviation from code 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 C3 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 Year.

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 and agreed 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 consolidated financial statements and the annual results for the year ended 31 March 2024.

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 Corporate Governance 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 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 on 25 June 2024. 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.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “**AGM**”) will be held on Monday, 19 August 2024. The notice of the AGM will be published and dispatched (if requested) to Shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 13 August 2024 to Monday, 19 August 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM to be held on Monday, 19 August 2024, 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 Monday, 12 August 2024.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.mttgholdings.com). The annual report of the Company for the Year containing all the information required by the Listing Rules will be despatched to the Shareholders (if requested) 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, 25 June 2024

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