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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)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024**

FINANCIAL HIGHLIGHTS

The Group recorded revenue and gross profit of approximately HK\$220.3 million and approximately HK\$21.5 million, respectively, for the six months ended 30 September 2024, representing a decrease of approximately 38.8% and approximately 44.0%, respectively, when compared with the revenue and gross profit of approximately HK\$360.1 million and approximately HK\$38.4 million, respectively, for the six months ended 30 September 2023.

The loss of the Group for the six months ended 30 September 2024 was approximately HK\$18.2 million (profits for the six months ended 30 September 2023: approximately HK\$1.4 million).

Basic losses per Share for the six months ended 30 September 2024 was HK\$2.92 cents (basic earnings per Share for the six months ended 30 September 2023: HK\$0.22 cent).

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2024 (six months ended 30 September 2023: nil).

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of MTT Group Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2024, together with the comparative figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

	NOTES	Six months ended	
		30.9.2024 HK\$'000 (Unaudited)	30.9.2023 HK\$'000 (Unaudited)
Revenue	3	220,276	360,063
Cost of sales and services		<u>(198,745)</u>	<u>(321,616)</u>
Gross profit		21,531	38,447
Other income	6	472	855
Other gains and losses	6	(126)	(267)
Net impairment losses under expected credit loss model		(6,806)	(2,178)
Selling and distribution expenses		(17,047)	(16,612)
Administrative expenses		(15,290)	(17,067)
Finance costs		<u>(2,002)</u>	<u>(1,688)</u>
(Loss)/profit before taxation		(19,268)	1,490
Taxation	5	<u>1,046</u>	<u>(122)</u>
(Loss)/profit for the period	6	<u>(18,222)</u>	<u>1,368</u>
Other comprehensive (expense)/income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>235</u>	<u>(399)</u>
Total comprehensive (expense)/income for the period		<u>(17,987)</u>	<u>969</u>
(Loss)/earnings per share	8		
Basic (HK cents)		<u>(2.92)</u>	<u>0.22</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2024

	<i>NOTES</i>	30.9.2024 HK\$'000 (Unaudited)	31.3.2024 <i>HK\$'000</i> (Audited)
Non-current assets			
Property and equipment	9	10,657	12,531
Financial assets at fair value through profit or loss (“FVTPL”)	10	11,321	11,321
Deposits	11	1,105	936
Deposits paid for acquisition of property and equipment		480	480
Deferred tax assets		3,624	2,484
		27,187	27,752
Current assets			
Inventories		18,813	17,762
Trade and other receivables, deposits and prepayments	11	344,056	384,912
Contract assets		534	534
Tax recoverable		10,899	1,653
Pledged bank deposits		33,551	37,460
Bank balances and cash		10,457	10,685
		418,310	453,006
Current liabilities			
Trade and other payables and accrued charges	12	154,257	194,470
Contract liabilities		46,290	23,157
Tax payables		135	352
Lease liabilities		2,975	2,562
Bank borrowings		60,726	59,891
		264,383	280,432
Net current assets		153,927	172,574
Total assets less current liabilities		181,114	200,326

	30.9.2024	31.3.2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current liabilities		
Lease liabilities	4,354	5,579
Contract liabilities	<u>885</u>	<u>885</u>
	<u>5,239</u>	<u>6,464</u>
Net assets	<u>175,875</u>	<u>193,862</u>
Capital and reserves		
Share capital	6,250	6,250
Reserves	<u>169,625</u>	<u>187,612</u>
Total equity	<u>175,875</u>	<u>193,862</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Translation reserves <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2024 (audited)	6,250	102,230	(17,402)	(364)	103,148	193,862
Loss for the period	—	—	—	—	(18,222)	(18,222)
Other comprehensive income for the period	—	—	—	235	—	235
Total comprehensive (expense)/income for the period	—	—	—	235	(18,222)	(17,987)
At 30 September 2024 (unaudited)	<u>6,250</u>	<u>102,230</u>	<u>(17,402)</u>	<u>(129)</u>	<u>84,926</u>	<u>175,875</u>
At 1 April 2023 (audited)	6,250	102,230	(17,402)	(40)	118,121	209,159
Profit for the period	—	—	—	—	1,368	1,368
Other comprehensive expense for the period	—	—	—	(399)	—	(399)
Total comprehensive (expense)/income for the period	—	—	—	(399)	1,368	969
At 30 September 2023 (unaudited)	<u>6,250</u>	<u>102,230</u>	<u>(17,402)</u>	<u>(439)</u>	<u>119,489</u>	<u>210,128</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

1. BASIS OF PREPARATION

The condensed consolidated financial statements of MTT Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2024 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The shares of the Company have been listed on the Main Board of the Stock Exchange since 26 September 2022.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of amendments to HKFRSs

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

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

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

3. REVENUE

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

	Six months ended	
	30.9.2024	30.9.2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Types of goods or services:		
Distribution Business*		
— distribution of IT products	88,862	245,881
— provision of IT implementation services	17,210	17,232
	<u>106,072</u>	<u>263,113</u>
System Integration Solutions Business*		
— procurement of IT products	98,135	81,958
— provision of IT infrastructure solutions services	10,789	9,564
— provision of IT maintenance and support services	5,280	5,428
	<u>114,204</u>	<u>96,950</u>
	<u>220,276</u>	<u>360,063</u>

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

	Six months ended	
	30.9.2024	30.9.2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Geographical markets:		
Hong Kong	217,405	356,460
The People's Republic of China (“PRC”) (excluding Hong Kong and Macau)	2,555	3,603
Macau	316	—
	<u>220,276</u>	<u>360,063</u>

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

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

	Six months ended	
	30.9.2024	30.9.2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition:		
Over time	33,279	32,224
A point in time	186,997	327,839
	<u>220,276</u>	<u>360,063</u>

4. SEGMENT INFORMATION

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

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

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

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

For the six months ended 30 September 2024

	Distribution Business HK\$'000 (unaudited)	System Integration Solutions Business HK\$'000 (unaudited)	Elimination HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Segment revenue	106,072	114,204	—	220,276
Inter-segment sales	4,534	3,297	(7,831)	—
Total	<u>110,606</u>	<u>117,501</u>	<u>(7,831)</u>	<u>220,276</u>
Segment results	<u>3,891</u>	<u>17,640</u>		21,531
Other income				472
Other losses				(126)
Net impairment losses under expected credit loss model				(6,806)
Selling and distribution expenses				(17,047)
Administrative expenses				(15,290)
Finance costs				<u>(2,002)</u>
Loss before taxation				<u>(19,268)</u>

For the six months ended 30 September 2023

	Distribution Business <i>HK\$'000</i> (unaudited)	System Integration Solutions Business <i>HK\$'000</i> (unaudited)	Elimination <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Segment revenue	263,113	96,950	—	360,063
Inter-segment sales	<u>4,265</u>	<u>2,296</u>	<u>(6,561)</u>	<u>—</u>
Total	<u><u>267,378</u></u>	<u><u>99,246</u></u>	<u><u>(6,561)</u></u>	<u><u>360,063</u></u>
Segment results	<u><u>21,685</u></u>	<u><u>16,762</u></u>		38,447
Other income				855
Other losses, net				(267)
Net impairment losses under expected credit loss model				(2,178)
Selling and distribution expenses				(16,612)
Administrative expenses				(17,067)
Finance costs				<u>(1,688)</u>
Profit before taxation				<u><u>1,490</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

	Six months ended	
	30.9.2024	30.9.2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
— Hong Kong Profits Tax	94	446
— PRC Enterprise Income Tax (“EIT”)	—	24
Deferred tax credit	(1,140)	(348)
	<u>(1,046)</u>	<u>122</u>

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of taxable profits of qualifying group entity will be taxed at 8.25%, and taxable 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 six months ended 30 September 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 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 periods. No provision for Macau Complementary Tax was made for both periods as the subsidiary in Macau does not have assessable profit for both periods.

6. (LOSS)/PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2024	30.9.2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period has been arrived at after charging/(crediting):		
Staff costs (including directors remuneration)	31,884	30,213
Cost of inventories recognised as an expense (<i>Note</i>)	153,218	294,089
Depreciation of right-of-use assets	1,798	1,516
Depreciation of other property and equipment	921	773
	<u>2,719</u>	<u>2,289</u>
Included in other income:		
Bank interest income	(442)	(567)
Interest income on rental deposits	(30)	(23)
Others	—	(265)
	<u>(472)</u>	<u>(855)</u>
Included in other losses, net:		
Net foreign exchange loss	126	319
Fair value gain on financial assets at FVTPL	—	(52)
	<u>126</u>	<u>267</u>

Note: The amount included the write-down of inventories of Nil for the six months ended 30 September 2024 (six months ended 30 September 2023: HK\$460,000).

7. DIVIDENDS DECLARED

No dividends were paid, declared or proposed during the six months ended 30 September 2024 (six months ended 30 September 2023: nil).

8. (LOSS)/EARNINGS PER SHARE

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

	Six months ended	
	30.9.2024	30.9.2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>(18,222)</u>	<u>1,368</u>
	Six months ended	
	30.9.2024	30.9.2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares in issue for the purpose of basic earnings per share	<u>625,000</u>	<u>625,000</u>

No diluted earnings per share has been presented as there were no potential ordinary shares outstanding issue for both periods.

9. MOVEMENTS IN PROPERTY AND EQUIPMENT

During the six months ended 30 September 2024, the Group acquired property and equipment of approximately HK\$65,000 (six months ended 30 September 2023: approximately HK\$114,000).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Life insurance contracts for a director are measured under Level 3 fair value hierarchy. The fair value is measured with reference to the information provided by counterparties, which includes the cash value of the life insurance policies, the premium paid to the life insurance policies and net yield with reference to the average expected return rate of 2%. The significant unobservable input is the average expected return rate. Assuming other inputs were held consistent, an increase in average expected return rate would result in an increase in the fair value of the life insurance contracts and vice versa. In the opinion of the directors of the Company, the change of average expected return rate of the life insurance policies is insignificant based on the historical records and therefore no sensitivity analysis is provided. There is no transfer among the fair value hierarchy during the six months ended 30 September 2024 and 2023.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	30.9.2024 HK\$'000 (Unaudited)	31.3.2024 HK\$'000 (Audited)
0 - 30 days	20,569	38,944
31 - 60 days	9,453	43,755
61 - 90 days	30,096	22,525
91 - 180 days	53,884	86,354
Over 180 days	193,371	181,232
	<hr/>	<hr/>
Total trade receivables	307,373	372,810
Rental deposits	1,105	936
Prepayments	36,434	12,102
Other receivables	249	—
	<hr/>	<hr/>
Total	345,161	385,848
	<hr/> <hr/>	<hr/> <hr/>
Presented as non-current assets	1,105	936
Presented as current assets	344,056	384,912
	<hr/>	<hr/>
	345,161	385,848
	<hr/> <hr/>	<hr/> <hr/>

As at 30 September 2024, lease liabilities of approximately HK\$7,329,000 (31 March 2024: approximately HK\$8,441,000) are secured by the rental deposits of approximately HK\$851,000 (31 March 2024: approximately HK\$851,000).

12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

	30.9.2024 HK\$'000 (Unaudited)	31.3.2024 HK\$'000 (Audited)
0 - 30 days	22,278	26,343
31 - 60 days	9,646	20,652
61 - 90 days	7,635	11,526
91 - 180 days	24,702	49,876
Over 180 days	80,275	76,159
Total trade payables	144,536	184,556
Staff costs payables	5,069	5,000
Other payables and accrued charges	4,652	4,914
	154,257	194,470

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 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.

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.

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\$139.8 million or 38.8% from approximately HK\$360.1 million for the six months ended 30 September 2023 (“**FP2023**”) to approximately HK\$220.3 million for the six months ended 30 September 2024 (“**FP2024**”). The revenue from our distribution business amounted to approximately HK\$106.1 million in FP2024, representing a decrease of approximately HK\$157.0 million or 59.7% as compared to approximately HK\$263.1 million in FP2023. Such decrease in segment revenue was mainly attributable to the absence of the sales of content delivery network (“**CDN**”) license in FP2024 (approximately HK\$122.2 million in FP2023). The revenue from our SI solutions business amounted to approximately HK\$114.2 million in FP2024, representing an increase of approximately HK\$17.2 million or 17.8% as compared to approximately HK\$97.0 million in FP2023. Such increase in segment revenue was mainly due to (i) the increase of the sales of cloud products and services and (ii) the increase in total number of orders in FP2024 as compared to FP2023.

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 26 September 2022 (the “**Listing**”), marking an important milestone for the Company. Going forward, it is expected that the need for enterprises to undergo digital transformation will continue to drive up demand for IT products such as hyper-converged infrastructure (“**HCI**”) products and artificial intelligence (“**AI**”) servers, and SI solutions services.

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 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;
- (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) Due to a shortage of IT professionals in Hong Kong market, many companies face challenges in maintaining adequate internal staff to monitor and manage their IT systems. This has created a growing demand for managed services, driving an increase in the need for outsourced IT support.

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\$139.8 million or 38.8% from approximately HK\$360.1 million in FP2023 to approximately HK\$220.3 million in FP2024. The decrease was mainly due to the absence of the sales of the CDN license in our distribution business. For explanations of such change in revenue, please refer to the section headed “Business Review and Outlook” in this announcement.

Cost of sales

Cost of sales decreased by approximately HK\$122.9 million or 38.2% from approximately HK\$321.6 million in FP2023 to approximately HK\$198.7 million in FP2024, 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 mix during such periods.

Gross profit and gross profit margin

Gross profit decreased by approximately HK\$16.9 million or 44.0% from approximately HK\$38.4 million in FP2023 to approximately HK\$21.5 million in FP2024. The decrease in the gross profit was attributable to the decrease in the revenue generated from the distribution business of the Group. The Group’s overall gross profit margin has decreased from 10.7% in FP2023 to 9.8% in FP2024. The decrease in overall gross profit margin was primarily due to lower selling prices as a result of decrease in demand under weak economic environment.

Other income and other net losses

Other income and other net losses decreased by approximately HK\$0.3 million or 50% from approximately HK\$0.6 million in FP2023 to approximately HK\$0.3 million in FP2024. Such decrease in other income and other net losses in FP2024 as compared to FP2023 was mainly due to funding received in FP2023 under Technology Voucher Programme (“**TVP**”) launched by the Government of Hong Kong Special Administrative Region and no such funding was received in FP2024.

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 30 September 2024. In FP2023 and FP2024, net impairment loss under expected credit loss model amounted to approximately HK\$2.2 million and HK\$6.8 million respectively. The increase was primarily attributable to the increase in corporate default risk under the weak economic environment.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK\$0.4 million or 2.4% from approximately HK\$16.6 million in FP2023 to approximately HK\$17.0 million in FP2024. The increase was mainly attributable to an increase in commission expenses in SI solutions segment in FP2024.

Administrative expenses

Administrative expenses decreased by approximately HK\$1.8 million or 10.5% from approximately HK\$17.1 million in FP2023 to approximately HK\$15.3 million in FP2024. The decrease was mainly attributable to a decrease in legal and professional fees in FP2024.

Finance costs

Finance costs increased by approximately HK\$0.3 million or 17.6% from approximately HK\$1.7 million in FP2023 to approximately HK\$2.0 million in FP2024. The increase was mainly attributable to the increase in bank borrowings.

Income tax expenses

In FP2023 and FP2024, the income tax expenses and income tax credit were recorded approximately HK\$0.1 million and HK\$1.0 million, respectively. The change is due to the fact that the Group recorded a net loss in FP2024.

(Loss)/profit for the period

As a result of the foregoing, a loss of approximately HK\$18.2 million was recorded in FP2024 while a profit of approximately HK\$1.4 million was recorded in FP2023.

LIQUIDITY AND FINANCIAL RESOURCES

The Group funded its liquidity and capital requirements primarily through a combination of internally generated funds from its operating activities and bank borrowings. As at 30 September 2024, the Group's bank borrowings were approximately HK\$60.7 million (31 March 2024: approximately HK\$59.9 million), representing a slight increase of approximately HK\$0.8 million or 1.4%.

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\$57.7 million as at 31 March 2024 decreased to approximately HK\$57.3 million as at 30 September 2024.

The Group's total equity decreased from approximately HK\$193.9 million as at 31 March 2024 to approximately HK\$175.9 million as at 30 September 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 29.6% as at 31 March 2024 to approximately 32.7% as at 30 September 2024.

As at 30 September 2024, total lease liabilities amounted to approximately HK\$7.3 million (31 March 2024: approximately HK\$8.1 million), of which current lease liabilities amounted to approximately HK\$3.0 million (31 March 2024: approximately HK\$2.6 million) and non-current lease liabilities amounted to approximately HK\$4.3 million (31 March 2024: approximately HK\$5.5 million).

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

CAPITAL EXPENDITURES AND COMMITMENTS

For the six months ended 30 September 2024, the Group incurred HK\$0.1 million (FP2023: HK\$0.1 million) capital expenditures for additions of properties, plant and equipment and intangible assets. As at 30 September 2024, the Group did not have any capital commitments for the acquisition of property and equipment contracted but not provided for (31 March 2024: 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, a wholly-owned subsidiary of the Company, 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 the 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.

Save as set out above, to the best knowledge of the Board, (i) the Group was not involved in any legal proceeding pending or, threatened against the Group which could have a material adverse effect on the Group’s business or operations; and (ii) did not have any material contingent liabilities as at 30 September 2024.

PLEDGE OF ASSETS

As at 30 September 2024, the Group had bank deposits of approximately HK\$33.6 million (31 March 2024: HK\$37.5 million) and life insurance contracts for a director classified as financial assets at FVTPL of approximately HK\$11.3 million (31 March 2024: HK\$11.3 million) pledged to secure certain of the Group’s banking facilities. As at 30 September 2024, lease liabilities of approximately HK\$7.3 million (31 March 2024: HK\$8.1 million) were secured by rental deposits of approximately HK\$0.8 million (31 March 2024: 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 Chinese Renminbi. Most of the Group’s sales proceeds are received in Hong Kong dollars and approximately 29% of the Group’s purchases are denominated in USD. The Group did not enter into any derivative instrument to hedge against its foreign exchange exposure during the six months ended 30 September 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.

INTERIM DIVIDEND

The Directors do not recommend to declare any interim dividend for the six months ended 30 September 2024 (for the six months ended 30 September 2023: 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 30 September 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 six months ended 30 September 2024 and no future plan for material investments or capital assets as at 30 September 2024.

SIGNIFICANT INVESTMENTS

As at 30 September 2024, there was no significant investment held by the Group.

EMPLOYEES

As at 30 September 2024, the Group employed approximately 184 (31 March 2024: 180) employees. The Group adopts a remuneration policy which is commensurate with job nature, qualification and experience of employees. In addition to the provision of annual bonuses and employee related insurance benefits, discretionary bonuses are also rewarded to employees based on individual performance. The remuneration packages and policies are reviewed periodically. The Group also provides in-house and external training programs to its employees. The emoluments of the Directors are decided by the Board and the remuneration committee of the Company having regard to the Group's operating results, individual performance and comparable market statistics. The Group 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, Macau and Malaysia 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 FP2024 and, as at 30 September 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 30 September 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 30 September 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 Net Proceeds utilised as at 30 September 2024 (HK\$'million)	Approximate amount of unutilised Net Proceeds as at 30 September 2024 (HK\$'million)	Expected timeline of utilizing the remaining Net Proceeds
Expand the Group’s IT distribution business segment	36.5	36.5	—	—
Expand the Group’s SI solutions business segment	13.5	5.9	7.6	Expected to be fully utilised on or before 31 March 2025 (note (i))
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	2.0	0.9	Expected to be fully utilised on or before 31 March 2025 (note (ii))
General working capital	6.7	6.7	—	—
	<u>66.0</u>	<u>57.5</u>	<u>8.5</u>	

Notes:

- (i) 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.
- (ii) 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 six months ended 30 September 2024.

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 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 six months ended 30 September 2024. 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 six months ended 30 September 2024.

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 unaudited condensed consolidated financial statements and the interim results for the six months ended 30 September 2024.

PUBLICATION OF UNAUDITED INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim result announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.mttgholdings.com). The interim report of the Company for FP2024 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, 28 November 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 and Chen Yiliang as non-executive Directors, and Lam Chi Wing, Chung Anita Mei Yiu, Wu Ching Tung Grace and Lo Kwok Loong Sammy as independent non-executive Directors.