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Most Kwai Chung Limited

毛記葵涌有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1716)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2020**

FINANCIAL HIGHLIGHTS	Year ended 31 March	
	2020	2019
Revenue	HK\$76.9 million	HK\$100.5 million
Gross profit	HK\$32.2 million	HK\$38.2 million
Net profit	HK\$13.3 million	HK\$15.6 million
Basic earnings per share	HK4.93 cents	HK5.76 cents

RESULTS

The board (the “Board”) of directors (the “Directors”) of Most Kwai Chung Limited (the “Company”) is pleased to present the consolidated audited results of the Company and its subsidiaries (collectively as the “Group”) for the year ended 31 March 2020 (the “Year”), together with the comparative figures for the previous financial year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 March	
		2020	2019
		HK\$'000	HK\$'000
Revenue	3	76,908	100,481
Cost of sales	4	(44,758)	(62,266)
Gross profit		32,150	38,215
Other income		69	85
Selling and distribution expenses	4	(5,420)	(7,149)
Administrative expenses	4	(14,285)	(14,232)
(Provision of)/reversal of impairment losses on financial assets, net	7	(382)	478
		12,132	17,397
Finance income		1,088	633
Finance cost		(99)	–
Finance income, net		989	633
Share of profit of associates		1,894	57
Profit before income tax		15,015	18,087
Income tax expenses	5	(1,708)	(2,532)
Profit and total comprehensive income attributable to owners of the Company for the year		13,307	15,555
Basic and diluted earnings per share for profit attributable to owners of the Company (Hong Kong cents)	6	4.93	5.76

CONSOLIDATED BALANCE SHEET

		As at 31 March	
	<i>Note</i>	2020	2019
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,526	2,406
Right-of-use assets		2,126	–
Deposits		487	465
Investments in associates		6,982	2,507
		<u>11,121</u>	<u>5,378</u>
Current assets			
Inventories		628	797
Trade receivables	7	8,252	13,791
Prepayments, deposits and other receivables		1,513	3,066
Current income tax recoverable		4,230	5,124
Cash and cash equivalents		80,807	88,361
		<u>95,430</u>	<u>111,139</u>
Total assets		<u>106,551</u>	<u>116,517</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		2,700	2,700
Share premium		67,028	67,028
Other reserves		997	997
Retained earnings		27,520	28,253
Total equity		<u>98,245</u>	<u>98,978</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		971	–
Deferred income tax liabilities		93	140
		<u>1,064</u>	<u>140</u>
Current liabilities			
Trade payables	8	196	680
Lease liabilities		1,188	–
Amount due to an associate		980	–
Other payables and accruals		1,939	9,958
Contract liabilities		1,598	4,197
Current income tax liabilities		1,341	2,564
		<u>7,242</u>	<u>17,399</u>
Total liabilities		<u>8,306</u>	<u>17,539</u>
Total equity and liabilities		<u>106,551</u>	<u>116,517</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1 GENERAL INFORMATION

Most Kwai Chung Limited (the “Company”) was incorporated in the Cayman Islands on 8 June 2017 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company’s registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The ordinary shares of the Company (the “Shares”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company and the Group are principally engaged in the provision of digital media services, print media services and other media services which include events organisation and artistes management.

The ultimate holding company of the Group is Blackpaper Limited, a company incorporated under the laws of British Virgin Islands (the “BVI”) with limited liability (“Blackpaper BVI”). The shareholders of Blackpaper BVI are Iu Kar Ho (“Mr. Iu”), Luk Ka Chun (“Mr. Luk”) and Tsui Ka Ho (“Mr. Tsui”) (together as the “Ultimate Shareholders”) and each of the Ultimate Shareholders owns 33.33% equity interest in Blackpaper BVI.

These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Most Kwai Chung Limited and its subsidiaries.

2.1 Basis of preparation

(i) *Compliance with HKFRSs and HKCO*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) *Historical cost convention*

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

(iii) *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019:

Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Venture
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC) Int-23	Uncertainty over Income Tax Treatments
Amendments to HKFRSs	Annual Improvements 2015–2017 Cycle

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019. This is disclosed in Note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contract	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 3	Definition of Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	1 January 2022
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform	1 January 2020

The Group is still assessing what the impact of the new standards, interpretations and amendments will be in the period of initial application. It is not yet in a position to state whether these new standards, interpretation and amendments will have a significant impact on the Group's results of operations and financial position.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 April 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5%.

(i) **Practical expedients applied**

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 April 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases; and
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) **Measurement of lease liabilities**

	2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	1,358
Discounted using lessee's incremental borrowing rate of at the date of initial application	1,305
(Less): short-term leases not recognised as a liability	(152)
	<hr/>
Lease liabilities recognised as at 1 April 2019	1,153
	<hr/> <hr/>
Of which are:	
Current lease liabilities	565
Non-current lease liabilities	588
	<hr/>
	1,153
	<hr/> <hr/>

(iii) **Measurement of right-of-use assets**

The associated right-of-use assets were measured at the amount equal to the lease liabilities as at 1 April 2019.

(iv) **Adjustments recognised in the consolidated balance sheet on 1 April 2019**

The change in accounting policy affected the following items in the consolidated balance sheet on 1 April 2019:

- Right-of-use assets — increase by HK\$1,153,000
- Lease liabilities — increase by HK\$1,153,000

There was no impact on retained earnings on 1 April 2019.

3 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (“CODM”) that are used for making strategic decisions. The CODM is identified as Executive Directors of the Company. The Executive Directors reviewed the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers the Group’s operation from a business perspective and determines that the Group has three reportable operating segments as follows:

Digital media services

Digital media services represent the provision of one-stop advertising solution packages under which the deliverables to customers are distributed on digital media platforms managed by the Group, third parties’ TV channels, internet and physical advertising spaces, subject to the needs of the customers.

Print media services

Print media services represent advertorial production and advertisement placement services and sale of publications including books and magazines.

Other media services

Other media services represent advertising income generated from (i) displaying customers’ advertisements and promoting their brands in events organised by the Group; (ii) sale of tickets of these events; and (iii) artistes management business, under which the Group’s contracted artistes appeared in advertisements produced and events organised by the Group, as well as third party customers.

The CODM assesses the performance of the operating segments based on a measure of revenue and profit before income tax. The segment information provided to the CODM for the reportable segments is as follows:

Year ended 31 March 2020

	Digital media services <i>HK\$’000</i>	Print media services <i>HK\$’000</i>	Other media services <i>HK\$’000</i>	Total <i>HK\$’000</i>
Revenue	58,004	3,593	17,315	78,912
Inter-segment transactions	–	–	(2,004)	(2,004)
Revenue from external customers	58,004	3,593	15,311	76,908
Segment profit before income tax	3,002	23	11,157	14,182
Unallocated expenses				(2,050)
Finance income, net				989
Share of profit of associates				1,894
Income tax expenses				(1,708)
Profit for the year				<u>13,307</u>
Other information:				
Depreciation of property, plant and equipment	401	596	–	997
Depreciation of right-of-use assets	467	694	–	1,161

Year ended 31 March 2019

	Digital media services <i>HK\$'000</i>	Print media services <i>HK\$'000</i>	Other media services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	87,303	3,850	14,651	105,804
Inter-segment transactions	<u>–</u>	<u>–</u>	<u>(5,323)</u>	<u>(5,323)</u>
Revenue from external customers	<u>87,303</u>	<u>3,850</u>	<u>9,328</u>	<u>100,481</u>
Segment profit/(loss) before income tax	<u>19,682</u>	<u>(48)</u>	<u>203</u>	19,837
Unallocated expenses				(2,440)
Finance income				633
Share of profit of an associate				57
Income tax expenses				<u>(2,532)</u>
Profit for the year				<u><u>15,555</u></u>
Other information:				
Depreciation of property, plant and equipment	<u>385</u>	<u>530</u>	<u>–</u>	<u>915</u>

All of the Group's activities are carried out in Hong Kong and all its assets and liabilities are located in Hong Kong. Accordingly, no analysis by geographical basis for the year ended 31 March 2020 is presented (2019: same).

The Group derives the following types of revenue and the timing of revenue recognition is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Timing of revenue recognition		
At a point of time:		
Media services income	57,432	88,048
Sales of periodicals and books	3,593	3,382
Printed advertising income	–	308
Performance income	<u>15,311</u>	<u>8,743</u>
	<u>76,336</u>	<u>100,481</u>
Timing of revenue recognition		
Over time:		
Media services income	<u>572</u>	–
	<u>76,908</u>	<u>100,481</u>

(i) Significant changes in contract liabilities:

Contract liabilities for receipts in advance from customers have decreased by HK\$2,599,000 (2019: increased by HK\$1,983,000) from prior year. The decrease in 2020 was mainly due to the fulfilment of the performance obligation in relation to an event, following by a lower level of receipt in advance from digital media services during the year.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period		
Media services and performance income contracts	<u>4,197</u>	<u>2,214</u>

All media services and performance income contracts are for periods of one year or less or are billed based on time incurred. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Cost of production	22,695	40,526
Cost of inventories	1,005	1,024
Inventories written off	345	223
Printing cost of magazines	–	331
Employee benefit expenses, including Directors' remunerations	32,243	34,138
Depreciation of property, plant and equipment	997	915
Depreciation of right-of-use assets	1,161	–
Lease expenses	152	1,170
Auditor's remuneration		
— Audit services	850	700
Professional fees	1,108	1,558
Royalties	314	398
Others	<u>3,593</u>	<u>2,664</u>
Total cost of sales, selling and distribution expenses and administrative expenses	<u>64,463</u>	<u>83,647</u>

5 INCOME TAX EXPENSES

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Current income tax — Hong Kong	1,755	2,564
Over provision for prior years	—	(51)
Deferred income tax	(47)	19
	<u>1,708</u>	<u>2,532</u>
Income tax expenses	<u>1,708</u>	<u>2,532</u>

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong standard rate of income tax as follows:

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Profit before income tax	15,015	18,087
Tax calculated at 16.5% (2019: 16.5%)	2,477	2,984
Tax effect of:		
Income not subject to tax	(179)	(105)
Expenses not deductible for tax purpose	422	23
Share of results of associates	(313)	(9)
Tax losses utilised	(455)	(85)
Over provision for prior years	—	(51)
One-off tax reduction	(79)	(60)
Tax concession under two-tiered profits rates regime	(165)	(165)
	<u>1,708</u>	<u>2,532</u>
Income tax expenses	<u>1,708</u>	<u>2,532</u>

For the tax assessment year ended 31 March 2020, Hong Kong profits tax is levied at progressive rate at 8.25% (2019: 8.25%) on the estimated assessable profits arising in or derived from Hong Kong for the year below HK\$2,000,000, and thereafter at a fixed rate at 16.5% (2019: 16.5%).

6 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue.

	Year ended 31 March	
	2020 HK\$'000	2019 HK\$'000
Profit attributable to owners of the Company during the year (HK\$'000)	13,307	15,555
Weighted average number of ordinary shares in issue	270,000,000	270,000,000
Basic earnings per share (Hong Kong cents)	<u>4.93</u>	<u>5.76</u>

(b) Diluted

The Company did not have any potential dilutive shares throughout the year. Accordingly, diluted earnings per share is the same as the basic earnings per share.

7 TRADE RECEIVABLES

	As at 31 March	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	9,706	14,863
Less: provision for impairment of trade receivables	(1,454)	(1,072)
	<u>8,252</u>	<u>13,791</u>

The carrying amounts of trade receivables approximated their fair values. The carrying amounts of the trade receivables were denominated in HK\$.

Credit terms ranged between 30 to 90 days were granted to our customers. The ageing analysis of trade receivables, based on invoice date, was as follows:

	As at 31 March	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 2 months	5,346	9,481
2 to 4 months	583	3,200
4 to 6 months	94	1,018
Over 6 months	3,683	1,164
	<u>9,706</u>	<u>14,863</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and the aging from billing.

Movement in the provision for impairment of trade receivables that are assessed for impairment are as follows:

	<i>HK\$'000</i>
As at 1 April 2018	1,550
Reversal of provisions for impairment recognised during the year	<u>(478)</u>
As at 31 March 2019 and 1 April 2019	1,072
Provision for impairment recognised during the year	<u>382</u>
As at 31 March 2020	<u>1,454</u>

The maximum exposure to credit risk is the carrying amounts of trade receivables. The Group does not hold any collateral as security.

8 TRADE PAYABLES

	As at 31 March	
	2020	2019
	HK\$'000	HK\$'000
Trade payables	<u>196</u>	<u>680</u>

The carrying amounts of trade payables approximated their fair values. The carrying amounts of the trade payables are denominated in HK\$.

The ageing analysis of trade payables, based on invoice date, was as follow:

	As at 31 March	
	2020	2019
	HK\$'000	HK\$'000
Within 1 month	171	558
1 to 2 months	21	112
2 to 3 months	4	1
Over 3 months	<u>-</u>	<u>9</u>
	<u>196</u>	<u>680</u>

9 DIVIDENDS

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Final dividend for the year ended 31 March 2019 of HK5.2 cents per share declared and paid (2019: nil)	<u>14,040</u>	<u>-</u>

The Board has recommended the payment of a final dividend of HK4.8 cents per share for the year ended 31 March 2020, totaling approximately HK\$12,960,000 based on a total 270,000,000 shares in issue as at 31 March 2020. The proposed final dividend will be subject to approval by the shareholders of the Company at the forthcoming annual general meeting. The financial statements for the year do not reflect them as dividends payable.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group provides integrated advertising and media services to customers which can be categorised into (i) digital media services under which the Group provides a one-stop advertising solution package to the customers, with different types of advertisements including video, online banner, newsfeed and advertorial, through various distribution channels including the digital media platforms (which include (a) the respective fan pages of “100 Most” (100毛), “TVMost” (毛記電視) and the Group’s contracted artistes on the third party social media platforms and (b) “TVMost” website and mobile application operated by the Group) (the “Digital Media Platforms”), third parties’ TV channels, Internet, and physical advertising spaces; (ii) print media services which include (a) advertorial production and advertisement placement services in the 100 Most Magazine and (b) sale of publications, including 100 Most Magazine (print format ceased on 12 July 2018) and the book publications; and (iii) other media services which include events organisation and artistes management.

Digital Media Services

Digital media services represent provision of one-stop advertising solution package under which the deliverables to the customers are distributed on the Digital Media Platforms and other platforms, such as third parties’ TV channels, Internet and physical advertising spaces, subject to the needs of the customers.

Revenue from the digital media services decreased from approximately HK\$87.3 million for the year ended 31 March 2019 to approximately HK\$58.0 million for the Year, representing a decrease of approximately 33.6%. Segment profit before income tax was approximately HK\$19.7 million and HK\$3.0 million for the years ended 31 March 2019 and 2020 respectively. During the Year, the segment profit before income tax decreased due to the economic downturn. However, the Group has continued placing effort in the digital media services segment to capture business opportunities brought by the digitalisation in the market.

Print Media Services

Print media services segment comprises (a) advertorial production and advertisement placement services and (b) sale of publications including 100 Most Magazine (print format ceased on 12 July 2018) and books published by the Group.

Revenue from the print media services was approximately HK\$3.9 million and HK\$3.6 million for the years ended 31 March 2019 and 2020 respectively. Segment profit before income tax was approximately HK\$23,000 for the Year (2019: segment loss before income tax of approximately HK\$48,000).

Other Media Services

Other media services represent events organisation and artistes management.

Revenue from the other media services was approximately HK\$9.3 million and HK\$15.3 million for the years ended 31 March 2019 and 2020 respectively. Segment profit before income tax was approximately HK\$0.2 million and HK\$11.2 million for the years ended 31 March 2019 and 2020 respectively.

Financial Review

Revenue

Revenue of the Group decreased by approximately HK\$23.6 million or 23.5% from approximately HK\$100.5 million for the year ended 31 March 2019 to approximately HK\$76.9 million for the Year. The decrease was mainly attributable to the decrease in revenue from digital media services segment.

Cost of Sales

The Group's cost of sales comprises direct cost incurred for the digital media services (including staff costs and costs of production), print media services (including staff costs, printing costs of magazines, cost of inventories, inventories written off, royalties and other production costs) and other media services (including staff costs and other costs incurred for the organisation of events). The cost of sales decreased to approximately HK\$44.8 million for the Year from approximately HK\$62.3 million for the year ended 31 March 2019, representing a decrease of approximately HK\$17.5 million or 28.1% during the Year. The decrease in cost of sales was mainly due to the decrease of production costs which include fees paid to third party production houses, artistes, a social media platform for boosting the original newsfeeds on such platform, and costs for preparing production props and etc.

Gross Profit and Gross Profit Margin

For the Year, the gross profit of the Group decreased by approximately HK\$6.0 million or 15.8% from approximately HK\$38.2 million for the year ended 31 March 2019 to approximately HK\$32.2 million.

The overall gross profit margin of the Group was approximately 38.0% and 41.8% for the years ended 31 March 2019 and 2020, respectively.

Selling and Distribution Expenses

Selling and distribution expenses mainly consist of staff costs, advertising and promotion expenses and others. Selling and distribution expenses of the Group decreased by approximately HK\$1.7 million or 23.9% from approximately HK\$7.1 million for the year ended 31 March 2019 to approximately HK\$5.4 million.

Administrative Expenses

Administrative expenses of the Group increased from approximately HK\$14.2 million for the year ended 31 March 2019 to approximately HK\$14.3 million for the Year.

Finance Income, net

Finance income, net represented interest income received on bank deposits. Approximately HK\$0.6 million and HK\$1.1 million were received by the Group for the years ended 31 March 2019 and 2020 respectively.

Profit before Income Tax

During the years ended 31 March 2019 and 2020, the profit before income tax were approximately HK\$18.1 million and HK\$15.0 million respectively. The decrease in the profit before income tax was mainly due to the decrease in revenue from the digital media services segment during the Year.

Income Tax Expenses

The income tax expenses were approximately HK\$2.5 million and HK\$1.7 million for the years ended 31 March 2019 and 2020 respectively. The effective tax rate for the year ended 31 March 2019 was approximately 13.8%. For the Year, the Group recorded an effective tax rate of approximately 11.3%.

Liquidity and Financial Resources

During the Year, the Group's operation and capital requirements were financed principally through the operating activities. As at 31 March 2019 and 2020, the Group had net current assets of approximately HK\$93.7 million and HK\$88.2 million, respectively, including cash and cash equivalents of approximately HK\$88.4 million and HK\$80.8 million respectively. The Group's current ratio (current assets divided by current liabilities) increased from approximately 6.4 as at 31 March 2019 to approximately 13.2 as at 31 March 2020. Such increase was mainly due to a decrease in other payable and accruals. The Group's gearing ratio as at 31 March 2019 and 2020 was calculated based on the total debt divided by the total equity as at the respective dates and multiplied by 100%. As at 31 March 2020, the Group's gearing ratio was nil (2019: nil).

Treasury Policies

The Group adopts prudent treasury policies. The Group's management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade receivable by taking into account the market conditions, customers' profiles and contractual terms to ensure that adequate impairment is made for irrecoverable amounts. On top of these ongoing credit evaluations, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Commitments

The Group's operating lease commitments are related to the office premises.

The Group's operating lease commitments amounted to approximately HK\$1.4 million as at 31 March 2019. The Group leases offices under non-cancellable operating lease agreements. The leases terms are between 2 to 3 years. From 1 April 2019, the Group has recognised right-of-use assets for these leases, except for short-term leases.

As at 31 March 2019 and 2020, the Group had no capital commitments.

Capital Structure

The Shares were successfully listed on the Main Board of the Stock Exchange on 28 March 2018 (the "Listing Date"). There has been no change in the capital structure of the Group since Listing. The share capital of the Company only comprises ordinary shares.

As at 31 March 2020, the Company had 270,000,000 shares in issue.

Acquisitions or Disposal of Subsidiaries, Associates or Joint Ventures

On 2 October 2019, a subsidiary of the Company acquired 37% of the issued share capital of Uuush Group Limited at a consideration of approximately HK\$1.1 million.

Save as disclosed herein, the Group did not make any acquisitions or disposal of subsidiaries, associates, or joint ventures.

Investments

On 6 November 2019, a subsidiary of the Company and an independent third party incorporated Café de Jar Gor Limited ("Café de Jar Gor"). The subsidiary of the Company invested approximately HK\$1.5 million in Café de Jar Gor, representing 49% equity interest of Café de Jar Gor.

Save as disclosed herein, during the Year, the Group did not make any investments.

Future Plans for Material Investments and Capital Assets

Save as those disclosed under the section headed “Business — Business Strategies” in the Prospectus and the section headed “Comparison of Business Strategies with Actual Business Progress” in this announcement, the Group currently has no other plan for material investments and capital assets.

Contingent Liabilities

The Group did not have material contingent liabilities as at 31 March 2019 and 2020.

Foreign Exchange Exposure

The Group operates in Hong Kong and all of the Group’s transactions and cash and cash equivalents are denominated in Hong Kong dollars. The Directors consider that the Group is not subject to foreign exchange risk. Currently, the Group does not have a foreign currency hedging policy, but the Group’s management continuously monitors foreign exchange exposure.

Pledge of Assets

As at 31 March 2019 and 2020, none of the Group’s assets were pledged.

Employees and Remuneration Policies

The total number of full-time employees were 110 and 103 as at 31 March 2019 and 2020 respectively. The Group’s employee benefit expenses mainly included salaries, discretionary bonuses, commissions, medical insurance coverage, other staff benefits and contributions to retirement schemes. For the years ended 31 March 2019 and 2020, the Group’s total employee benefit expenses (including Directors’ emoluments) amounted to approximately HK\$34.1 million and HK\$32.2 million, respectively.

Remuneration is determined generally with reference to the qualification, experience and work performance of the relevant employee, whereas the payment of discretionary bonus is generally subject to work performance of the relevant employee, the financial performance of the Group in that particular year and general market conditions.

Comparison of Business Strategies with Actual Business Progress

The following sets out a comparison of the business strategies as stated in the Prospectus with the Group's actual business progress for the Year and up to the date of this announcement.

Business strategies as stated in the Prospectus

Actual business progress up to the date of this announcement

Pursue growth through mergers and acquisitions and/or strategic alliance

Identifying potential acquisition targets which are engaged in, among others, video productions, event marketing, digital advertising and media related services and/or technology development.

Expand the customer base and business operations through sales and marketing efforts

Hired additional sales executives to support the business growth in digital media services segment.

Recruited marketing staff to assist in conducting pitching activities to build up and strengthen relationship with a broader customer base.

The Company focused in event organisation during the Year. Although new sales executives and marketing staff were hired, it is expected that more new sales executives and marketing staff will be hired for our growth of our digital media services.

Planned to invite selected key opinion leaders, advertising agencies and/or experts from different industries in Hong Kong to deliver seminars and training programmes relating to the business, operation and/or market development to the staff so as to keep the staff abreast so as to the latest market knowledge on a regular basis.

Upgrade IT infrastructure and procure equipment with advanced technologies to facilitate production efficiency

Internal IT system of the Group and new production equipment with advanced technologies has been upgraded and procured. Upgrading of the TVMost website and mobile application will be fine-tuning due to rapid change of social media trends. As a result, services provider for upgrading the website and mobile application is under selection.

Strengthen the efforts in events organisation to further extend the Group's marketing channels

Recruited a new staff who have experience in events organisation.

Held five events in total in form of live performance the years ended 31 March 2019 and 2020.

Use of Proceeds

The Shares have been successfully listed on the Main Board of the Stock Exchange on the Listing Date. The actual net proceeds from the Listing, after deducting commission and expenses in connection with the Listing, were approximately HK\$53.5 million (the “Actual Net Proceeds”). The table below sets out an adjusted allocation and the actual use of the Actual Net Proceeds up to 31 March 2020.

Business strategies as set out in the Prospectus	Actual Net Proceeds HK\$ million	Actual use of the Actual Net Proceeds from Listing date to 31 March 2020 HK\$ million
Pursue growth through mergers and acquisitions and/or strategic alliance	15.19	–
Expand the customer base and business operations through sales and marketing efforts	11.72	6.41
Upgrade IT infrastructure and procure equipment with advanced technologies to facilitate production efficiency	11.13	1.23
Strengthen the efforts in events organisation to further extend the Group’s marketing channels	10.11	10.11
As working capital and for general corporate purposes	5.35	5.35
Total	<u>53.50</u>	<u>23.10</u>

Future Prospects

The Group faces competition from other multinational media service players and also a large number of small and medium sized companies in the online advertising industry in Hong Kong in terms of brand recognition, quality of services, effectiveness of sales and marketing efforts, creativity in design and content, price, strategic relationships with customers and suppliers and retention of staff. In view of this challenging market condition, the Group is committed to keep up with changing technologies in the execution of engagements in order to ensure sustainable competitiveness.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK4.8 cents per Share for the Year (2019: HK5.2 cents), totaling approximately HK\$13 million based on a total of 270,000,000 Shares in issue as at the date of this announcement (2019: HK\$14 million). The proposed final dividend, subject to approval of the shareholders of the Company at the Annual General Meeting (“AGM”) to be held on Thursday, 20 August 2020, will be expected to be payable on or around Tuesday, 6 October 2020 to the shareholders whose name appear on the register of members of the Company on Friday, 28 August 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Thursday, 20 August 2020, the register of members of the Company will be closed from Friday, 14 August 2020 to Thursday, 20 August 2020, both dates inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Thursday, 13 August 2020.

To ascertain shareholders' entitlements to the final dividend, the register of members of the Company will be closed from Thursday, 27 August 2020 to Friday, 28 August 2020, both days inclusive. In order to qualify for the final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 26 August 2020.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across Hong Kong. Based on the assessment performed by the management, the impact of the COVID-19 outbreak to the Group's businesses for the year ended 31 March 2020 is not material. If the situation continues for an extended period, the Group's business operations and financial results may be affected for the year ending 31 March 2021, possibly due to expected decline in revenue whose impact would be partly offset by the expected reduction in revenue related costs. Management is yet to be able to estimate the overall impact to the financial performance and position of the Group. Nonetheless, the Group will pay close attention to the development of the COVID-19 outbreak and continuously manage relevant resources and adjust its purchase and production activities in a timely manner to mitigate the potential adverse impact.

Save as disclosed herein, there are no significant events affecting the Group after the Year and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with code provisions (the "Code Provisions") as set out under the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The Company has complied with all the Code Provisions of the CG Code throughout the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors’ securities transactions. The Company has made specific enquiry of all Directors and the relevant employees regarding any non-compliance with the Model Code and they have all confirmed that they had fully complied with the required standard set out in the Model Code throughout the Year.

AUDIT COMMITTEE

The Audit Committee was established on 2 March 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. Ho Kwong Yu, Mr. Leung Wai Man and Mr. Leung Ting Yuk.

The Audit Committee has reviewed the Group’s audited consolidated financial statements for the Year.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company’s website at www.mostkwaichung.com. The annual report of the Company will be dispatched to the shareholders of the Company and published on above websites in due course.

By order of the Board of
Most Kwai Chung Limited
Iu Kar Ho
Chairman

Hong Kong, 29 June 2020

As at the date of this announcement, the Board comprises Mr. Iu Kar Ho, Mr. Luk Ka Chun and Mr. Tsui Ka Ho as executive Directors, and Mr. Leung Wai Man, Mr. Ho Kwong Yu and Mr. Leung Ting Yuk as independent non-executive Directors.