Most Kwai Chung Limited
毛記葵涌有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1716)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2019	2018
Revenue	**HK$48.5 million**	HK$48.1 million
Gross profit	**HK$21.5 million**	HK$20.8 million
Net profit	**HK$8.8 million**	HK$8.9 million
Basic earnings per share	**HK3.25 cents**	HK3.29 cents

RESULTS

The board (the "Board") of directors (the "Directors") of Most Kwai Chung Limited (the "Company") is pleased to present the consolidated unaudited results of the Company and its subsidiaries (collectively as the "Group") for the six months ended 30 September 2019 (the "Period"), together with the comparative figures for the six months ended 30 September 2018, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		For the six months ended 30 September	
		2019	2018
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**48,537**	48,103
Cost of sales	*6*	**(27,006)**	(27,291)
Gross profit		**21,531**	20,812
Other income	*7*	**6**	9
Other gain	*8*	**–**	307
Selling and distribution expenses	*6*	**(2,937)**	(3,493)
Administrative expenses	*6*	**(8,539)**	(7,654)
Provision for impairment of trade receivables	*12*	**(750)**	–
		9,311	9,981
Finance income		**484**	172
Share of profit of an associate		**113**	–
Profit before income tax		**9,908**	10,153
Income tax expenses	*9*	**(1,129)**	(1,276)
Profit and total comprehensive income attributable to owners of the Company for the period		**8,779**	8,877
Basic and diluted earnings per share for profit attributable to owners of the Company *(Hong Kong cents)*	*10*	**3.25**	3.29

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2019

	Note	As at 30 September 2019 HK$'000 (Unaudited)	As at 31 March 2019 HK$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**1,970**	2,406
Right of use assets		**2,697**	–
Deposits		**487**	465
Investment in an associate		**2,620**	2,507
		7,774	5,378
Current assets			
Inventories		**669**	797
Trade receivables	*12*	**17,295**	13,791
Prepayments and deposits and other receivables		**3,091**	3,066
Current income tax recoverables		**5,124**	5,124
Cash and cash equivalents		**97,939**	88,361
		124,118	111,139
Total assets		**131,892**	116,517
Equity			
Equity attributable to owners of the Company			
Share capital		**2,700**	2,700
Share premium		**67,028**	67,028
Reserves		**997**	997
Retained earnings		**37,484**	28,253
Total equity		**108,209**	98,978
Liabilities			
Non-current liabilities			
Lease liabilities		**2,263**	–
Deferred income tax liabilities		**122**	140
		2,385	140
Current liabilities			
Trade payables	*13*	**221**	680
Other payables and accruals	*14*	**15,691**	9,958
Contract liabilities		**1,676**	4,197
Current income tax liabilities		**3,710**	2,564
		21,298	17,399
Total liabilities		**23,683**	17,539
Total equity and liabilities		**131,892**	116,517

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Company is an investment holding company and its subsidiaries (collectively as the "Group") are principally engaged in provision of creative multi-media services, advertising service and sale of periodicals and books (the "Business").

The ordinary shares of the Company (the "Shares") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 March 2018 (the "Listing").

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 on 7 June 2017 ("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 approximately 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 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2019 has 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") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2019, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

HKFRS 16	Leases

(a) New and amended standards adopted by the Group

The below explains the impact of adoption of HKFRS 16 Leases ("HKFRS 16") on the Group's interim condensed consolidated financial information and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different from those applied in prior period.

(i) Accounting policies applied from 1 January 2019

The changes in the accounting policies and the effects of the resulting changes are summarised below:

(a) HKFRS 16 Leases

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional 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 5.13%.

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;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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) Impact on the interim condensed consolidated financial information

The adoption of HKFRS 16 did not have any material impact on the Group's interim condensed consolidated financial information.

(iii) Impact of adoption

(a) Adoption of HKFRS 16

Measurement of lease liabilities

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	**1,358**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**1,171**
Less: short-term leases not recognised as a liability	**(266)**
Lease liability recognised as at 1 April 2019	**905**
Of which are:	
Current lease liabilities	**571**
Non-current lease liabilities	**334**
	905

Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019.

Adjustments recognised in the balance sheet on 1 April 2019

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

- right-of-use assets — increase by HK$905,000.

- lease liabilities — increase by HK$905,000.

The net impact on retained earnings on 1 April 2019 was nil.

Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019.

5 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker ("CODM") has been identified as the executive Directors. The executive Directors review the Group's internal reporting in order to assess performance and allocate resources. The 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 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:

Six months ended 30 September 2019

	Digital media services *HK$'000* **(Unaudited)**	**Print media services** *HK$'000* **(Unaudited)**	**Other media services** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Revenue	**39,645**	**3,481**	**6,986**	**50,112**
Inter-segment transactions	**–**	**–**	**(1,575)**	**(1,575)**
Revenue from external customers	**39,645**	**3,481**	**5,411**	**48,537**
Segment profit before income tax	**7,044**	**526**	**3,794**	**11,364**
Unallocated expenses				**(2,053)**
Finance income				**484**
Share of profit of an associate				**113**
Income tax expenses				**(1,129)**
Profit for the period				**8,779**
Other information:				
Depreciation	**203**	**316**	**–**	**519**

Six months ended 30 September 2018

	Digital media services *HK$'000* (Unaudited)	Print media services *HK$'000* (Unaudited)	Other media Services *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue	41,409	3,455	6,205	51,069
Inter-segment transactions	–	–	(2,966)	(2,966)
Revenue from external customers	41,409	3,455	3,239	48,103
Segment profit/(loss) before income tax	10,191	(171)	1,548	11,568
Unallocated expenses				(1,894)
Finance income				172
Income tax expenses				(1,276)
Profit for the period				8,570
Other information:				
Depreciation	184	240	–	424

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 period is presented (Six months ended 30 September 2018: same).

The Group derives the following types of revenue:

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Media services income	**40,053**	41,535
Sales of periodicals and books	**3,481**	3,147
Printed advertising income	**–**	308
Performance income	**5,003**	3,113
Total revenue	**48,537**	48,103

6 EXPENSES BY NATURE

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

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of production	**15,792**	15,982
Cost of inventories	**939**	1,047
Inventory written off	**263**	506
Printing cost	**–**	331
Employee benefit expenses, including Directors' emoluments	**17,382**	16,989
Depreciation	**519**	424
Operating lease payments	**153**	563
Rent expense — Depreciation of right of use assets	**452**	–
Rent expense — Interest of base liabilities	**43**	–
Auditor's remuneration		
— Audit services	**425**	300
Professional fee	**626**	1,286
Royalties	**166**	283
Others	**1,722**	727
Total cost of sales, selling and distribution expenses and administrative expenses	**38,482**	38,438

7 OTHER INCOME

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Disposal of wastage book	**6**	9

8 OTHER GAIN

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reversal of provision for impairment of trade receivables	**–**	307

9 INCOME TAX EXPENSES

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax — Hong Kong	**1,146**	1,232
Deferred income tax	**(17)**	44
Income tax expenses	**1,129**	1,276

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime.

The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25% and profits above HK$2 million will be taxed at 16.5%.

For the six months ended 30 September 2019 (the "Period") and the six months ended 30 September 2018, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime.

10 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.

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company during the period (*HK$'000*)	**8,779**	8,877
Weighted average number of ordinary shares in issue	**270,000,000**	270,000,000
Basic earnings per share *(Hong Kong cents)*	**3.25**	3.29

(b) Diluted

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

11 DIVIDENDS

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim and special dividends declared	**–**	–

The Board of Directors did not recommend the payment of interim dividend for the Period (Six months ended 30 September 2018: nil).

12 TRADE RECEIVABLES

	As at 30 September 2019 *HK$'000* **(Unaudited)**	As at 31 March 2019 *HK$'000* (Audited)
Trade receivables	**19,117**	14,863
Less: provision for impairment of trade receivables	**(1,822)**	(1,072)
	17,295	13,791

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

Credit period ranging 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 30 September 2019 *HK$'000* **(Unaudited)**	As at 31 March 2019 *HK$'000* (Audited)
Within 2 months	**9,960**	9,481
2 to 4 months	**5,114**	3,200
4 to 6 months	**2,172**	1,018
Over 6 months	**1,871**	1,164
	19,117	14,863

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:

	HK$'000
As at 1 April 2019	1,072
Provisions for impairment recognised during the period	750
As at 30 September 2019	1,822

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

13 TRADE PAYABLES

	As at 30 September 2019 *HK$'000* (Unaudited)	As at 31 March 2019 *HK$'000* (Audited)
Trade payables	**221**	680

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 dates, was as follow:

	As at 30 September 2019 *HK$'000* (Unaudited)	As at 31 March 2019 *HK$'000* (Audited)
Within 1 month	**127**	558
1 to 2 months	**–**	112
2 to 3 months	**38**	1
Over 3 months	**56**	9
	221	680

14 OTHER PAYABLES AND ACCRUALS

	As at 30 September 2019 *HK$'000* (Unaudited)	As at 31 March 2019 *HK$'000* (Audited)
Other payables	**9,692**	4,504
Accruals	**5,999**	5,454
	15,691	9,958

The carrying amounts of other payables approximated their fair values. They were unsecured, interest free and repayable on demand. The carrying amounts of the other payables were denominated in HK$.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

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 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. Under the current circumstances, the Group expects the prospects of the advertising and media industry to remain challenging for the coming year. The Group aims to further promote the brand awareness and strengthen the variety and content of the events organised by the Group in the future.

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$41.4 million for the six months ended 30 September 2018 to approximately HK$39.6 million for the Period, representing a decrease of approximately 4.3%. Segment profit before income tax was approximately HK$10.2 million and HK$7.0 million for the six months ended 30 September 2018 and 2019 respectively. The performance of the Digital Media Services remained stable during the Period. The Group will continue 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$3.5 million and HK$3.5 million for the six months ended 30 September 2018 and 2019 respectively. Segment profit before income tax was approximately HK$0.5 million for the Period (six months ended 30 September 2018: segment loss of approximately HK$0.2 million). The decrease of the segment loss was due to the modification of 100 Most Magazine from print into digital format.

Other Media Services

Other media services represent events organisation and artistes management.

Revenue from the other media services was approximately HK$3.2 million and HK$5.4 million for the six months ended 30 September 2018 and 2019 respectively. Segment profit before income tax was approximately HK$1.5 million and HK$3.8 million for the six months ended 30 September 2018 and 2019 respectively.

Financial Review

Revenue

Revenue of the Group increased slightly by approximately HK$0.4 million or 0.8% from approximately HK$48.1 million for the six months ended 30 September 2018 to approximately HK$48.5 million for the Period. The increase was mainly attributable to the increase in revenue from other 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 production costs), print media services (including staff costs, printing costs, cost of inventories, inventory written-off, royalties and other production costs) and other media services (including staff costs and other costs incurred during organisation of events). The cost of sales decreased to approximately HK$27.0 million for the Period from approximately HK$27.3 million for the six months ended 30 September 2018, representing a decrease of approximately HK$0.3 million or 1.1% during the Period.

Gross profit and gross profit margin

For the Period, the gross profit of the Group increased by approximately HK$0.7 million or 3.4% from approximately HK$20.8 million for the six months ended 30 September 2018 to approximately HK$21.5 million for the Period.

The overall gross profit margin of the Group was approximately 43.3% and 44.3% for the six months ended 30 September 2018 and 2019, respectively.

Other income

Other income mainly represents disposal of wastage books under the publication business and others. Other income of the Group decreased by approximately HK$3,000 or 33.3% from approximately HK$9,000 for the six months ended 30 September 2018 to approximately HK$6,000 for the Period.

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 was approximately HK$3.5 million and HK$2.9 million for the six months ended 30 September 2018 and 2019 respectively, representing a decrease by approximately HK$0.6 million or 17.1%.

Administrative expenses

Administrative expenses of the Group increased from approximately HK$7.7 million for the six months ended 30 September 2018 to approximately HK$8.5 million for the Period.

Finance income

Finance income represented deposit bank interest income received. Approximately HK$0.2 million and HK$0.5 million were received by the Group for the six months ended 30 September 2018 and 2019 respectively.

Profit before income tax

During the six months ended 30 September 2018 and 2019, the profit before income tax was approximately HK$10.2 million and HK$9.9 million respectively.

Income tax expenses

The income tax expenses were approximately HK$1.3 million and HK$1.1 million for the six months ended 30 September 2018 and 2019 respectively. The effective tax rate for the six months ended 30 September 2018 was approximately 12.6%. For the Period, the Group recorded an effective tax rate of approximately 11.4%.

The Group was not subject to taxation in jurisdictions other than Hong Kong, nor falls into any preferential tax treatment or scheme or enjoy any tax benefit in Hong Kong during the Period. During the Period, the Group had fulfilled all the income tax obligations and did not have any unresolved income tax issues or disputes with the relevant tax authorities.

Liquidity and Financial Resources

During the Period, the Group's operation and capital requirements were financed principally through the operating activities. As at 31 March 2019 and 30 September 2019, the Group had net current assets of approximately HK$93.7 million and HK$102.8 million, respectively, including bank balances and cash of approximately HK$88.4 million and HK$97.9 million respectively. The Group's current ratio (current assets divided by current liabilities) decreased from approximately 6.4 times as at 31 March 2019 to approximately 5.8 times as at 30 September 2019. Such decrease was mainly due to the increase in pre-sale ticket income for the show of the Group held in December 2019 in other payable and accruals for the Period. The Group's gearing ratio as at 31 March 2019 and 30 September 2019 was calculated based on the total debt divided by the total equity as at the respective dates and multiplied by 100%. As at 30 September 2019, the Group's gearing ratio was nil (31 March 2019: nil).

Treasury Policies

The Group adopts prudent treasury policies. The Group 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 provision for 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 and HK$3.0 million as at 31 March 2019 and 30 September 2019 respectively.

Capital Structure

As at 30 September 2019, the Company had 270,000,000 Shares in issue. There has been no change in the capital structure of the Group since the Listing. The share capital of the Company only comprises ordinary shares.

Material Acquisitions or Disposal of Subsidiaries, Associates or Joint Ventures

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 material acquisitions or disposal of subsidiaries, associates or joint ventures.

Significant Investments

Save as disclosed herein, during the Period, the Group did not hold any significant investments.

Future Plans for Material Investments and Capital Assets

Save as those disclosed under the section headed "Business — Business Strategies" in the Prospectus, 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 30 September 2019.

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 foreign currency hedging policy, but the Group's management continuously monitors foreign exchange exposure.

Pledge of Assets

As at 31 March 2019 and 30 September 2019, none of the Group's assets were pledged.

Employees and Remuneration Policies

The total number of full-time employees were 106 and 106 as at 31 March 2019 and 30 September 2019, respectively. The Group's employee benefit expenses mainly included salaries, discretionary bonuses, medical insurance coverage, other staff benefits and contributions to retirement schemes. For the six months ended 30 September 2018 and 2019, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK$17.0 million and HK$17.2 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.

Dividend

The Board does not recommend payment of an interim dividend for the Period (Six months ended 30 September 2018: nil).

Significant Events after the Reporting Period

There are no significant events affecting the Group after the Period and up to the date of this announcement.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Competing Business

During the Period, none of the Directors or the Controlling Shareholders or substantial shareholders (as defined in the Listing Rules) of the Company or their respective close associates (as defined in the Listing Rules) were considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group.

Non-Competition Undertaking

A deed of non-competition was entered into by Blackpaper BVI, Mr. Iu, Mr. Luk and Mr. Tsui in favour of the Company, details of which were set out in the Prospectus.

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 Listing Rules. During the Period, the Company has complied with all the Code Provisions of the CG Code.

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 during the Period and they have all confirmed that they had fully complied with the required standard set out in the Model Code.

Audit Committee

The Company has set up an Audit Committee 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 consists of Mr. Ho Kwong Yu, Mr. Leung Ting Yuk and Mr. Leung Wai Man. Currently, Mr. Ho Kwong Yu is the chairman of the Audit Committee.

The Audit Committee has reviewed the Group's unaudited consolidated financial statements for the Period.

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 interim 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 and Executive Director

Hong Kong, 25 November 2019

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.