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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2020	2019
Revenue	HK\$33.4 million	HK\$48.5 million
Gross profit	HK\$14.1 million	HK\$21.5 million
Net profit	HK\$10.9 million	HK\$8.8 million
Basic earnings per share	HK4.02 cents	HK3.25 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 2020 (the “Period”), together with the comparative figures for the six months ended 30 September 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

		For the six months ended	
		30 September	
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	5	33,412	48,537
Cost of sales	6	(19,271)	(27,006)
		<hr/>	<hr/>
Gross profit		14,141	21,531
Other income		–	6
Selling and distribution expenses	6	(1,912)	(2,937)
Administrative expenses	6	(5,589)	(8,539)
Reversal of/(provision of) impairment losses on of trade receivables	10	443	(750)
		<hr/>	<hr/>
		7,083	9,311
Finance income		282	484
Finance cost		(46)	–
		<hr/>	<hr/>
Finance income, net		236	484
Share of profit of associates		3,929	113
		<hr/>	<hr/>
Profit before income tax		11,248	9,908
Income tax expenses	7	(392)	(1,129)
		<hr/>	<hr/>
Profit and total comprehensive income attributable to owners of the Company for the period		10,856	8,779
		<hr/> <hr/>	<hr/> <hr/>
Basic and diluted earnings per share for profit attributable to owners of the Company (<i>Hong Kong cents</i>)	8	4.02	3.25
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2020

	<i>Note</i>	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		1,129	1,526
Right-of-use assets		1,456	2,126
Deposits		487	487
Investments in associates		8,701	6,982
		<u>11,773</u>	<u>11,121</u>
Current assets			
Inventories		778	628
Trade receivables	10	5,864	8,252
Prepayments, deposits and other receivables		2,547	1,513
Current income tax recoverable		1,218	4,230
Cash and cash equivalents		97,243	80,807
		<u>107,650</u>	<u>95,430</u>
Total assets		<u><u>119,423</u></u>	<u><u>106,551</u></u>
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		38,376	27,520
Total equity		<u><u>109,101</u></u>	<u><u>98,245</u></u>

		As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Liabilities			
Non-current liabilities			
Lease liabilities		561	971
Deferred income tax liabilities		67	93
		<u>628</u>	<u>1,064</u>
Current liabilities			
Trade payables	11	677	196
Lease liabilities		935	1,188
Amount due to an associate		980	980
Other payables and accruals	12	1,714	1,939
Contract liabilities		3,614	1,598
Current income tax liabilities		1,774	1,341
		<u>9,694</u>	<u>7,242</u>
Total liabilities		<u><u>10,322</u></u>	<u><u>8,306</u></u>
Total equity and liabilities		<u><u>119,423</u></u>	<u><u>106,551</u></u>

NOTES TO THE CONDENSED 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 ordinary shares of the Company (the “Shares”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 28 March 2018 (the “Listing”).

The Company is an investment holding company and its subsidiaries (collectively as the “Group”) are principally engaged in provision of digital media services, print media service 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 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 2020 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the adoption of new and amended standards as set out below.

Taxes on income for the six months ended 30 September 2020 are accrued using the tax rate that would be applicable to expected total annual earnings.

(i) New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 April 2020:

- Amendments to HKAS 1 and HKAS 8, “Definition of material”
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9, “Interest rate benchmark reform”
- Amendments to HKFRS 3, “Definition of a business”
- Conceptual Framework for Financial Reporting 2018, “Revised Conceptual Framework for Financial Reporting”

The 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.

(ii) New and amended standards and interpretations not yet adopted by the Group

Certain new and amended accounting standards and interpretations have been published that are not mandatory for 30 September 2020 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 16	Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts — cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to HKFRS 16	COVID-19-related rent concessions	1 June 2020
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Effective date to be determined
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 17	Insurance contracts	1 January 2023
Annual improvements	Annual improvements to HKFRSs 2018–2020 cycle	1 January 2022

None of these new standards and interpretations are expected to have a material impact on the Group’s consolidated financial statements.

4 ESTIMATES

The preparation of the condensed 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 condensed 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 2020.

5 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 sale of publications.

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 2020

	Digital media services HK\$’000 (Unaudited)	Print media services HK\$’000 (Unaudited)	Other media services HK\$’000 (Unaudited)	Total HK\$’000 (Unaudited)
Revenue	21,685	678	12,928	35,291
Inter-segment transactions	–	–	(1,879)	(1,879)
Revenue from external customers	21,685	678	11,049	33,412
Segment profit/(loss) before income tax	4,345	(646)	5,224	8,923
Unallocated expenses				(1,840)
Finance income, net				236
Share of profit of associates				3,929
Income tax expenses				(392)
Profit for the period				10,856
Other information:				
Depreciation of property, plant and equipment	185	256	–	441
Depreciation of right-of-use assets	281	389	–	670

Six months ended 30 September 2019

	Digital media services <i>HK\$'000</i> (Unaudited)	Print media services <i>HK\$'000</i> (Unaudited)	Other media Services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue	39,645	3,481	6,986	50,112
Inter-segment transactions	–	–	(1,575)	(1,575)
Revenue from external customers	<u>39,645</u>	<u>3,481</u>	<u>5,411</u>	<u>48,537</u>
Segment profit before income tax	<u>7,044</u>	<u>526</u>	<u>3,794</u>	11,364
Unallocated expenses				(2,053)
Finance income				484
Share of profit of an associate				113
Income tax expenses				<u>(1,129)</u>
Profit for the period				<u><u>8,779</u></u>
Other information:				
Depreciation of property, plant and equipment	203	316	–	519
Depreciation of right-of-use assets	<u>177</u>	<u>275</u>	<u>–</u>	<u>452</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 period is presented (Six months ended 30 September 2019: same).

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

	For the six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
At a point of time:		
Media services income	21,517	39,769
Sales of books	678	3,481
Performance income	10,977	5,003
	<u>33,172</u>	<u>48,253</u>
Timing of revenue recognition		
Over time:		
Media services income	<u>240</u>	284
	<u>33,412</u>	<u>48,537</u>

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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of production	12,323	15,792
Cost of inventories	193	939
Inventory written off	14	263
Employee benefit expenses, including Directors' emoluments	11,322	17,382
Depreciation of property, plant and equipment	441	519
Depreciation of right-of-use assets	670	452
Lease expenses	39	153
Auditor's remuneration		
— Audit services	425	425
Professional fee	303	626
Royalties	44	166
Others	998	1,765
	<u>26,772</u>	<u>38,482</u>
Total cost of sales, selling and distribution expenses and administrative expenses	<u>26,772</u>	<u>38,482</u>

7 INCOME TAX EXPENSES

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax — Hong Kong	418	1,146
Deferred income tax	(26)	(17)
Income tax expenses	<u>392</u>	<u>1,129</u>

For the tax assessment for the six months ended 30 September 2020, Hong Kong profits tax is levied at progressive rate at 8.25% (Six months ended 30 September 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% (Six months ended 30 September 2019: 16.5%).

8 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	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to owners of the Company during the Period (<i>HK\$'000</i>)	<u>10,856</u>	<u>8,779</u>
Weighted average number of ordinary shares in issue	<u>270,000,000</u>	<u>270,000,000</u>
Basic earnings per share (<i>Hong Kong cents</i>)	<u>4.02</u>	<u>3.25</u>

(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.

9 DIVIDEND

The Board of Directors did not declare the payment of interim dividend for the Period (Six months ended 30 September 2019: nil).

10 TRADE RECEIVABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade receivables	6,875	9,706
Less: provision for impairment of trade receivables	<u>(1,011)</u>	<u>(1,454)</u>
	<u>5,864</u>	<u>8,252</u>

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 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Within 2 months	3,222	5,346
2 to 4 months	1,650	583
4 to 6 months	473	94
Over 6 months	1,530	3,683
	<u>6,875</u>	<u>9,706</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.

11 TRADE PAYABLES

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Trade payables	<u>677</u>	<u>196</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 dates, was as follow:

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Within 1 month	557	171
1 to 2 months	31	21
2 to 3 months	89	4
	<u>677</u>	<u>196</u>

12 OTHER PAYABLES AND ACCRUALS

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Other payables	114	143
Accruals	1,600	1,796
	<u>1,714</u>	<u>1,939</u>

The carrying amounts of other payables and accruals approximated their fair values. The carrying amounts of the other payables and accruals 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 sales of 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\$39.6 million for the six months ended 30 September 2019 to approximately HK\$21.7 million for the Period, representing a decrease of approximately 45.2%. Segment profit before income tax was approximately HK\$7.0 million and HK\$4.3 million for the six months ended 30 September 2019 and 2020 respectively. During the Period, 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 sales of books published by the Group.

Revenue from the print media services was approximately HK\$3.5 million and HK\$0.7 million for the six months ended 30 September 2019 and 2020 respectively. Segment loss before income tax was approximately HK\$0.6 million for the Period (six months ended 30 September 2019: segment profit of approximately HK\$0.5 million).

Other Media Services

Other media services represent events organisation and artistes management.

Revenue from the other media services was approximately HK\$5.4 million and HK\$11.0 million for the six months ended 30 September 2019 and 2020 respectively. Segment profit before income tax was approximately HK\$3.8 million and HK\$5.2 million for the six months ended 30 September 2019 and 2020 respectively.

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by approximately HK\$15.1 million or 31.1% from approximately HK\$48.5 million for the six months ended 30 September 2019 to approximately HK\$33.4 million for the Period. 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 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\$19.3 million for the Period from approximately HK\$27.0 million for the six months ended 30 September 2019, representing a decrease of approximately HK\$7.7 million or 28.5% during the Period.

Gross Profit and Gross Profit Margin

For the Period, the gross profit of the Group decreased by approximately HK\$7.4 million or 34.4% from approximately HK\$21.5 million for the six months ended 30 September 2019 to approximately HK\$14.1 million for the Period.

The overall gross profit margin of the Group was approximately 44.3% and 42.3% for the six months ended 30 September 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 was approximately HK\$2.9 million and HK\$1.9 million for the six months ended 30 September 2019 and 2020 respectively, representing a decrease by approximately HK\$1.0 million or 34.5%.

Administrative Expenses

Administrative expenses of the Group decreased from approximately HK\$8.5 million for the six months ended 30 September 2019 to approximately HK\$5.6 million for the Period.

Finance Income, net

Finance income, net represented deposit bank interest income received. Approximately HK\$0.5 million and HK\$0.2 million were received by the Group for the six months ended 30 September 2019 and 2020 respectively.

Profit before Income Tax

During the six months ended 30 September 2019 and 2020, the profit before income tax was approximately HK\$9.9 million and HK\$11.2 million respectively.

Income Tax Expenses

The income tax expenses were approximately HK\$1.1 million and HK\$0.4 million for the six months ended 30 September 2019 and 2020 respectively. The effective tax rate for the six months ended 30 September 2019 was approximately 11.4%. For the Period, the Group recorded an effective tax rate of approximately 3.5%.

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 2020 and 30 September 2020, the Group had net current assets of approximately HK\$88.2 million and HK\$98.0 million, respectively, including bank balances and cash of approximately HK\$80.8 million and HK\$97.2 million respectively. The Group's current ratio (current assets divided by current liabilities) decreased from approximately 13.2 times as at 31 March 2020 to approximately 11.1 times as at 30 September 2020. Such decrease was mainly due to the increase in contract liabilities for the Period. The Group's gearing ratio as at 31 March 2020 and 30 September 2020 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 2020, the Group's gearing ratio was nil (31 March 2020: 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.

CAPITAL STRUCTURE

As at 30 September 2020, 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

The Group did not make any material acquisitions or disposal of subsidiaries, associates or joint ventures during the Period.

SIGNIFICANT INVESTMENTS

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 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 2020 and 30 September 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 foreign currency hedging policy, but the Group’s management continuously monitors foreign exchange exposure.

PLEDGE OF ASSETS

As at 31 March 2020 and 30 September 2020, none of the Group’s assets were pledged.

EMPLOYEES AND REMUNERATION POLICIES

The total number of full-time employees were 103 and 95 as at 31 March 2020 and 30 September 2020, respectively. The Group’s employee benefit expenses mainly included salaries, discretionary bonuses, commission, medical insurance coverage, other staff benefits and contributions to retirement schemes. For the six months ended 30 September 2019 and 2020, the Group’s total employee benefit expenses (including Directors’ emoluments) amounted to approximately HK\$17.4 million and HK\$11.3 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.

INTERIM DIVIDEND

The Board does not declare payment of an interim dividend for the Period (Six months ended 30 September 2019: nil).

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 six months ended 30 September 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 Period and up to the date of this interim results announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPETING INTERESTS

During the Period and up to the date of this interim results announcement, 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 Group’s consolidated financial statements for the Period have not been audited by the auditor of the Company. 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, 26 November 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.