



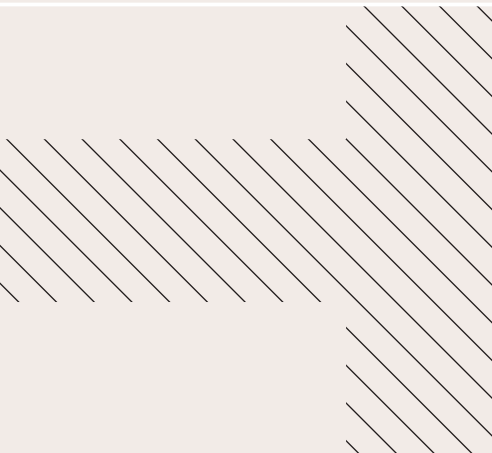
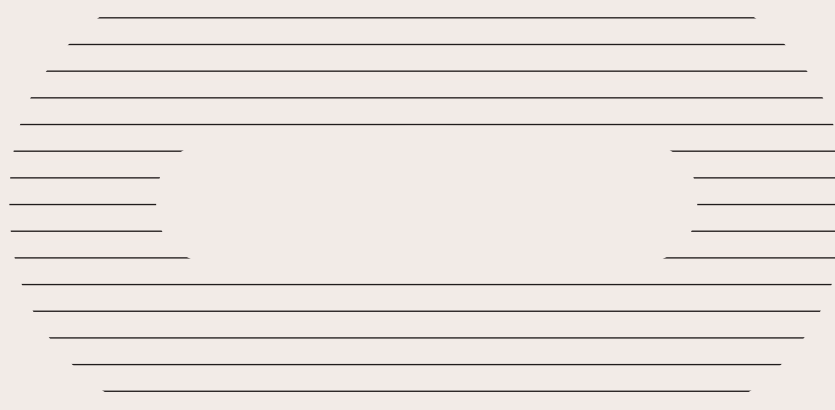
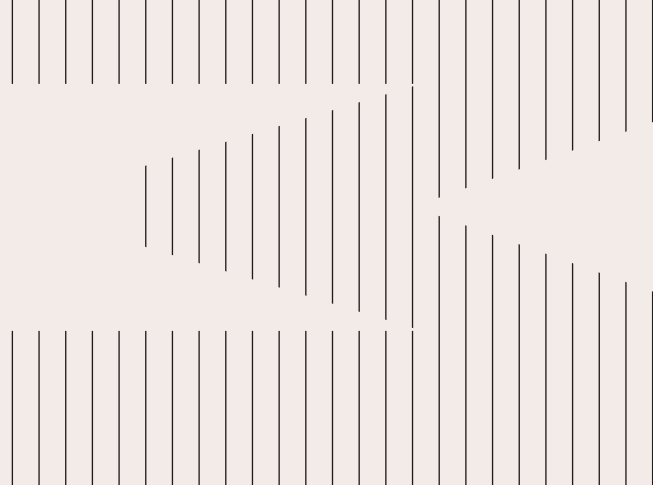
Most Kwai Chung Limited

毛記葵涌有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號: 1716



2021
ANNUAL REPORT 年報

CONTENT

| | |
|------------|---|
| 2 | Corporate Information |
| 3 | Chairman’s Statement |
| 5 | Management Discussion and Analysis |
| 12 | Biographical Details of Directors, Senior Management and Company Secretary |
| 17 | Corporate Governance Report |
| 30 | Report of the Directors |
| 44 | Independent Auditor’s Report |
| 49 | Consolidated Statement of Comprehensive Income |
| 50 | Consolidated Balance Sheet |
| 52 | Consolidated Statement of Changes in Equity |
| 53 | Consolidated Statement of Cash Flows |
| 54 | Notes to the Consolidated Financial Statements |
| 100 | Five-Year Financial Summary |

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Iu Kar Ho (*Chairman*)
Luk Ka Chun
Tsui Ka Ho

Independent Non-Executive Directors

Leung Wai Man
Ho Kwong Yu
Leung Ting Yuk

REGISTERED OFFICE

PO Box 309, Uglan House
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 5, 1/F, Block B
Tung Chun Industrial Building
11-13 Tai Yuen Street
Kwai Chung, New Territories
Hong Kong

COMPANY WEBSITE

www.mostkwaichung.com

COMPANY SECRETARY

Lo Tai On

AUTHORISED REPRESENTATIVES

Iu Kar Ho
Luk Ka Chun

STOCK CODE

1716

LEGAL ADVISORS

P.C. Woo & Co.
Room 1225, 12/F
Prince's Building
No. 10 Chater Road
Central, Hong Kong

AUDIT COMMITTEE

Ho Kwong Yu (*chairman*)
Leung Ting Yuk
Leung Wai Man

REMUNERATION COMMITTEE

Leung Ting Yuk (*chairman*)
Ho Kwong Yu
Leung Wai Man

NOMINATION COMMITTEE

Leung Ting Yuk (*chairman*)
Ho Kwong Yu
Leung Wai Man

PRINCIPAL SHARE REGISTRAR OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall, Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21/F, 148 Electric Road
North Point, Hong Kong

AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants and Registered Public
Interest Entity Auditor*
22nd Floor Prince's Building
Central, Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Most Kwai Chung Limited (the "Company", and together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Group for the year ended 31 March 2021 (the "Year").

The Group continues to provide integrated advertising and media services to customers which can be categorised into (i) digital media services; (ii) print media services; and (iii) other media services.

FINANCIAL PERFORMANCE

The Group's revenue for the Year was approximately HK\$59.1 million, recording a decrease of approximately 23.1% as compared with the revenue of approximately HK\$76.9 million in the preceding financial year. The decrease was mainly due to the decrease in revenue from the digital media services segment and other media services segment.

Profit before income tax of the Group decreased by approximately 33.8% to approximately HK\$9.9 million, when compared to approximately HK\$15.0 million in the previous financial year. The decrease was due to the decrease in profit from the digital media services segment and other media services segment.

During the Year, the performance of our digital media services, which contributed to approximately 79.4% of the total revenue, decreased when compared with that of the preceding financial year due to the economic downturn. For print media services, the segment revenue decreased when compared with that of the preceding financial year. For other media services, the segment revenue decreased when compared with that of the preceding financial year, which mainly resulted from a show held in 2020.

PROSPECTS

Under the current circumstances, the Group expects the advertising and media industry to remain challenging for the coming year.

The Group plans to extend the marketing channels to physical platform for the year ended 31 March 2022 to further promote brand awareness and strengthen the variety and content of the events.

USE OF PROCEEDS

We received net proceeds of approximately HK\$53.5 million from the listing (the "Listing") of shares of the Company (the "Shares") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On 17 March 2021, the Board resolved to change the use and allocation of the unutilised Actual Net Proceeds ("Change in Allocation of Proceeds"). For further details of the Change in Allocation of Proceeds and the reasons and benefits of such change, please refer to the announcement of the Company dated 17 March 2021. Up to 31 March 2021, HK\$25.25 million of the proceeds have been used.

CHAIRMAN'S STATEMENT

NOTE OF APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all of the business partners, customers, suppliers and the shareholders for their continuous support. I would also like to express my sincere appreciation to the Group's management and staff for their commitment and dedication.

Iu Kar Ho

Chairman and Executive Director

Hong Kong, 28 June 2021

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 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 third party social media platforms and (b) “TVMost” website and mobile application operated by the Group) (the “Digital Media Platforms”), third parties’ TV channels, the Internet, and physical advertising spaces; (ii) print media services which include sale 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 the provision of media management services and 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, the Internet and physical advertising spaces, subject to the needs of the customers.

Revenue from the digital media services decreased from approximately HK\$58.0 million for the year ended 31 March 2020 to approximately HK\$46.9 million for the Year, representing a decrease of approximately 19.1%. Segment profit before income tax was approximately HK\$3.0 million and HK\$2.8 million for the years ended 31 March 2020 and 2021 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 sales of books published by the Group.

Revenue from the print media services was approximately HK\$3.6 million and HK\$1.1 million for the years ended 31 March 2020 and 2021 respectively. Segment loss before income tax was approximately HK\$1.8 million for the Year (2020: segment profit before income tax of approximately HK\$23,000).

Other Media Services

Other media services represent events organisation and artistes management.

Revenue from the other media services was approximately HK\$15.3 million and HK\$11.1 million for the years ended 31 March 2020 and 2021 respectively. Segment profit before income tax was approximately HK\$11.2 million and HK\$5.1 million for the years ended 31 March 2020 and 2021 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

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 is not material. However, if the pandemic situation continues for an extended period, the Group’s business operations and financial results may be affected for the year ending 31 March 2022, possibly due to expected decline in revenue brought about by the overall economic downturn 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.

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by approximately HK\$17.8 million or 23.1% from approximately HK\$76.9 million for the year ended 31 March 2020 to approximately HK\$59.1 million for the Year. The decrease was mainly attributable to the decrease in revenue from the digital media services segment and 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 costs of production), print media services (including staff costs, cost of inventories, inventories 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\$37.4 million for the Year from approximately HK\$44.8 million for the year ended 31 March 2020, representing a decrease of approximately HK\$7.4 million or 16.5% during the Year.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately HK\$10.5 million or 32.6% from approximately HK\$32.2 million for the year ended 31 March 2020 to approximately HK\$21.7 million for the Year.

The overall gross profit margin of the Group was approximately 41.8% and 36.7% for the years ended 31 March 2020 and 2021, 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\$5.4 million and approximately HK\$4.0 million for the years ended 31 March 2020 and 2021 respectively, representing a decrease by approximately HK\$1.4 million or 25.9%.

Administrative Expenses

Administrative expenses of the Group decreased from approximately HK\$14.3 million for the year ended 31 March 2020 to approximately HK\$12.1 million for the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Income, net

Finance income, net mainly represented deposit bank interest income received. Approximately HK\$1.1 million and HK\$0.3 million were received by the Group for the years ended 31 March 2020 and 2021 respectively.

Profit before Income Tax

During the years ended 31 March 2020 and 2021, the profit before income tax were approximately HK\$15.0 million and HK\$9.9 million respectively.

Income Tax Expenses

The income tax expenses were approximately HK\$1.7 million and HK\$0.6 million for the years ended 31 March 2020 and 2021 respectively. The effective tax rate for the year ended 31 March 2020 was approximately 11.3%. For the Year, the Group recorded an effective tax rate of approximately 6.1%.

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 2020 and 2021, the Group had net current assets of approximately HK\$88.2 million and HK\$82.5 million, respectively, including cash and cash equivalents of approximately HK\$80.8 million and HK\$84.4 million respectively. The Group's current ratio (current assets divided by current liabilities) decreased from approximately 13.2 as at 31 March 2020 to approximately 8.2 as at 31 March 2021. Such decrease was mainly due to the increase in contract liabilities for the Year. The Group's gearing ratio as at 31 March 2020 and 2021 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 2021, the Group's gearing ratio was nil (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 of 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 31 March 2021, the Company had 270,000,000 Shares in issue. There has been no change in the capital structure of the Group since the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The share capital of the Company only comprises ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

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

INVESTMENTS

On 31 August 2020, a subsidiary of the Company and an independent third party incorporated Cafe de Jar Gor (2nd) Limited (“Cafe de Jar Gor (2nd)”). The subsidiary of the Company subscribed for 49% of equity interest in Cafe de Jar Gor (2nd) through payment of a consideration amounting to approximately HK\$1.5 million.

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 of the Company dated 16 March 2018 (the “Prospectus”) and the section headed “Comparison of Business Strategies with Actual Business Progress” in this report, 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 2021.

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 its foreign exchange exposure.

PLEDGE OF ASSETS

As at 31 March 2020 and 2021, none of the Group’s assets were pledged.

EMPLOYEES AND REMUNERATION POLICIES

The total number of full-time employees were 103 and 99 as at 31 March 2020 and 2021, 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 2020 and 2021, the Group’s total employee benefit expenses (including Directors’ emoluments) amounted to approximately HK\$32.2 million and HK\$25.7 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report.

| Business strategies as stated in the Prospectus | Actual business progress up to the date of this report |
|--|---|
| 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 events organisation during the Year. Although new sales executives and marketing staff were hired, it is expected that more sales executives and marketing staff will be hired for our growth of our digital media services. |
| Upgrade IT infrastructure and procure equipment with advanced technologies to facilitate production efficiency | Upgraded the internal IT system of the Group and procured new production equipment with advanced technologies. The upgrade of the TVMost website and mobile application will be fine-tuned from time to time 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 | Held six events in total in form of live performance since the Listing. |

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The Shares have been successfully listed on the Main Board of the Stock Exchange on the 28 March 2018 (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”). On 17 March 2021, the Board resolved to change the use and allocation of the unutilised Actual Net Proceeds (“Change in Allocation of Proceeds”). For further details of the Change in Allocation of Proceeds and the reasons and benefits of such change, please refer to the announcement of the Company dated 17 March 2021. The table below sets out an adjusted allocation and the actual use of the Actual Net Proceeds up to 31 March 2021.

| Use of Actual Net Proceeds | Original | Revised | Unutilised | Actual use of | Unutilised | Expected |
|--|---------------|---------------|---------------|---------------|--------------|------------------|
| | allocation of | allocation of | | the Actual | | |
| | Actual Net | Actual Net | amount after | Net Proceeds | as at | the application |
| | Proceeds | Proceeds | Change in | from Listing | 31 March | of the |
| | (as per the | after Change | Allocation of | Date to | 2021 | unutilised |
| | Interim | in Allocation | Proceeds | 31 March | | proceeds |
| | Report | of Proceeds | | 2021 | | |
| | 2020/21) | | | | | |
| | HK\$ million | HK\$ million | HK\$ million | HK\$ million | HK\$ million | |
| Pursue growth through mergers and acquisitions and/or strategic alliance | 15.19 | 5.35 | 5.35 | – | 5.35 | By 31 March 2023 |
| Expand the customer base and business operations through sales and marketing efforts | 11.72 | 10.70 | 2.87 | 7.96 | 2.74 | By 31 March 2023 |
| Upgrade IT infrastructure and procure equipment with advanced technologies to facilitate production efficiency | 11.13 | 2.68 | 1.36 | 1.53 | 1.15 | By 31 March 2023 |
| Strengthen the efforts in events organisation to further extend the Group's marketing channels | 10.11 | 16.05 | 5.94 | 10.11 | 5.94 | By 31 March 2023 |
| As working capital and for general corporate purposes | 5.35 | 18.72 | 13.37 | 5.65 | 13.07 | By 31 March 2023 |
| Total | 53.50 | 53.50 | 28.89 | 25.25 | 28.25 | |

As at 31 March 2021, all unutilised proceeds of approximately HK\$28.25 million have been deposited into banks in Hong Kong. The Group intends to apply the unutilised proceeds as shown above and expects to fully utilise such amount by 31 March 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

As for the pursuit of growth through mergers and acquisitions and/or strategic alliance, during the period since the Listing Date and up to 31 March 2021, the Group entered into preliminary discussions with, among others, a company principally engaged in movie production and a digital advertising and media company in respect of the potential acquisition of shares of such companies. As of the date of this report, all of such discussions were terminated and no formal agreement was entered into in this regard. Subsequent to 31 March 2021 and up to the date of this report, the Group was still in the process of identifying potential acquisition targets which are engaged in, among others, video productions, event marketing, digital advertising and media related services and/or technology development.

As for the expansion of the customer base and business operations through sales and marketing efforts, since the Group had been focusing on events organisation since the Listing Date and up to 31 March 2021, less emphasis had been placed on conducting marketing activities and campaigns, and the number of sales executives and marketing staff hired by the Group during the period was fewer than expected.

As for the upgrade of IT infrastructure and procurement of equipment with advanced technologies to facilitate production efficiency, the Company was still in discussion with various service providers in upgrading the TVMost website and mobile application as at the date of this report due to the rapid change of social media trends.

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 HK3.4 cents per Share for the Year (2020: HK4.8 cents), totaling approximately HK\$9.2 million based on a total of 270,000,000 Shares in issue as at the date of this report (2020: HK\$13 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, 19 August 2021, will be expected to be payable on or around Tuesday, 12 October 2021 to the shareholders whose names appear on the register of members of the Company on Friday, 27 August 2021.

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

Mr. Iu Kar Ho (姚家豪) (also known as Bu (阿 Bu)), aged 38, was appointed as Director on 8 June 2017 and was redesignated as an executive Director and appointed as the chairman of the Board on 22 June 2017. He is one of the founders of the Group and one of the controlling shareholders (as defined in the Listing Rules) of the Company (the “Controlling Shareholders”). Mr. Iu is primarily responsible for overall strategic management and the business operations. Mr. Iu is a director of Blackpaper Limited (“Blackpaper BVI”), a company which has an interest in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”).

Mr. Iu has over ten years of experience in the media and entertainment industry. He joined Commercial Radio Hong Kong which principally engages in radio broadcasting as a programme assistant since July 2006 and was mainly responsible for assisting in managing the operation of radio programmes. Mr. Iu was subsequently promoted to the position of disc jockey at Commercial Radio Hong Kong in April 2011 and hosted various radio programmes.

Mr. Iu left Commercial Radio Hong Kong in May 2013 and has been working in Blackpaper Limited (“Blackpaper HK”) as one of its directors on a full time basis since June 2013.

Mr. Iu graduated from the College of International Education of the Hong Kong Baptist University with an associate degree of arts in September 2006.

Mr. Luk Ka Chun (陸家俊) (also known as Chan Keung (陳強)), aged 37, was appointed as Director on 8 June 2017 and was redesignated as an executive Director on 22 June 2017. He is one of the founders of the Group and one of the Controlling Shareholders. Mr. Luk is primarily responsible for overall strategic management and the financial operations. Mr. Luk is a director of Blackpaper BVI, a company which has an interest in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

Mr. Luk has over ten years of experience in the media and entertainment industry. He joined Commercial Radio Hong Kong in May 2005 as a programme assistant and was mainly responsible for assisting in managing the operation of radio programmes. He started hosting radio programmes since July 2005 and was promoted to the position of disc jockey at Commercial Radio Hong Kong in April 2011. Mr. Luk left Commercial Radio Hong Kong in July 2011 and has been working in Blackpaper HK as one of its directors on a full time basis since August 2011. Mr. Luk has also been a columnist for newspapers since May 2010.

Mr. Luk obtained a degree of Bachelor of Science (Honours) in Environmental Science and Management from the City University of Hong Kong in November 2005.

Mr. Tsui Ka Ho (徐家豪) (also known as Lam Yat Hey (林日曦)), aged 40, was appointed as Director on 8 June 2017 and was redesignated an executive Director on 22 June 2017. He is one of the founders of the Group and one of the Controlling Shareholders. Mr. Tsui is primarily responsible for the overall strategic management and the business development. Mr. Tsui is a director of Blackpaper BVI, a company which has an interest in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Mr. Tsui has over ten years of experience in the media and entertainment industry. He worked in Commercial Radio Hong Kong and Commercial Radio Productions Limited (“Commercial Radio Productions”) and held various positions, namely multimedia production operator from July 2003 to August 2004, web administration executive from September 2004 to November 2005, creative assistant from December 2005 to September 2007 and creative director from October 2007 to May 2011. He was then mainly responsible for handling the production and operation of creative multimedia works. Mr. Tsui left Commercial Radio Hong Kong and Commercial Radio Productions in May 2011 and has been working in Blackpaper HK as one of its directors on a full time basis since June 2011. Mr. Tsui has also been a lyricist since 2007. He wrote columns for local newspapers, magazines and websites from 2011 to 2016. He has also authored various books since June 2012.

Mr. Tsui completed the Hong Kong Certificate of Education Examination in August 1998.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wai Man (梁偉文) (also known as Linxi (林夕)), aged 59, was appointed as independent non-executive Director on 2 March 2018. He is also a member of each of the Company’s audit committee (the “Audit Committee”), remuneration committee (the “Remuneration Committee”) and nomination committee (the “Nomination Committee”).

Mr. Leung has over 30 years of experience in the media and entertainment industry and is an accomplished lyricist, writer and columnist. He has been writing lyrics for Cantonese and Mandarin pop songs.

Mr. Leung received the Best Lyricist Award at the Ultimate Song Chart Awards Presentation from 1995 to 2003 and from 2006 to 2009. He was awarded the Golden Needle Award at the Top Ten Chinese Gold Songs Award Concert in 2008.

Mr. Leung graduated from the University of Hong Kong with a Bachelor of Arts degree in November 1984.

Mr. Ho Kwong Yu (何光宇), aged 35, was appointed as independent non-executive Director on 2 March 2018. Mr. Ho is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee.

Mr. Ho has over ten years of audit, accounting and financial management experience. He worked at Deloitte Touche Tohmatsu as an associate from January 2008 to September 2009, as a senior from October 2009 to September 2012 and as a manager from October 2012 to February 2015. From February 2015 to May 2015, he worked as an internal audit manager in Cosco Shipping International (Hong Kong) Co., Ltd. (Stock Code: 517) (formerly known as Cosco International Holdings Limited). From May 2015 to April 2017, he was the chief financial officer and company secretary of Creative China Holdings Limited (Stock Code: 8368) where he was responsible for accounting, financial management and company secretarial matters. Since April 2017, he has joined Space Group Holdings Limited (Stock Code: 2448) as the company secretary and chief financial officer where he is mainly responsible for overall management of financial matters and company secretarial matters. In July 2020, Mr. Ho was appointed as an executive director of Space Group Holdings Limited. In November 2018, Mr. Ho was appointed as an independent non-executive director of Sino Golf Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 361).

Mr. Ho graduated from the Chinese University of Hong Kong with a Bachelor of Business Administration degree in professional accountancy in December 2008. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Mr. Leung Ting Yuk (梁廷育), aged 46, was appointed as independent non-executive Director on 2 March 2018. Mr. Leung is also the chairman of each of the Nomination Committee and Remuneration Committee and a member of the Audit Committee.

Mr. Leung has over 19 years of audit, accounting, financial management and corporate finance experience. He worked at Grant Thornton as auditor-in-charge from November 2000 to January 2008. From January 2008 to May 2010, he worked as the chief financial officer of China Kangda Food Company Limited, listed on both the Main Board of the Stock Exchange (Stock Code: 834) and the Singapore Exchange Securities Trading Limited (Stock Code: P74) where he was mainly responsible for the preparation of financial statements as well as the review and development of effective financial policies and control procedures. From May 2010 to October 2012, he worked as the chief financial officer of China 33 Media Group Limited, listed on the GEM of the Stock Exchange (Stock Code: 8087). From October 2012 to February 2015, he worked as the chief financial officer and company secretary of ZMFY Automobile Glass Services Limited, listed on the GEM of the Stock Exchange (Stock Code: 8135) where he was mainly responsible for financial management, cost accounting and treasury. From September 2015 to October 2016, he worked as the chief financial officer of ASD International Holdings Limited. Since March 2017, he has joined S&R Group Limited as the chief financial officer. From May 2016 to January 2019, he was an independent non-executive director of Hang Tai Yue Group Holdings Limited, listed on the GEM of the Stock Exchange (Stock Code: 8081) (formerly known as Interactive Entertainment China Cultural Technology Investments Limited). He has been an independent non-executive director of Yanchang Petroleum International Limited, listed on the Main Board of the Stock Exchange (Stock Code: 346) since December 2009, and Xinyi Energy Holdings Limited, listed on the Main Board of the Stock Exchange (Stock Code: 3868) since November 2018.

Mr. Leung graduated from the University of Wollongong, Australia with a bachelor of commerce degree in accounting in September 2000. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2008 and CPA Australia since November 2000.

SENIOR MANAGEMENT

Mr. Yuen Kam Shing (元金盛), aged 35, is the head of art and design of the Group, and is responsible for the overall supervision of the art work of the Group. He and the art managers jointly lead the design team which is mainly responsible for creating and producing the artworks in the creative productions across different business segments.

Mr. Yuen has over ten years of experience in the artistic industry. He worked at the Skyhigh Department of Commercial Radio Productions as the Project Executive from August 2007 to January 2012 and was responsible for graphic design. He then joined Blackpaper HK as the art director in February 2012 and has been responsible for the management of the art and design department.

Mr. Yuen was awarded a higher diploma in printing and computer imaging by the Hong Kong Vocational Training Council in July 2006. He completed a distant learning course and was awarded bachelor of arts with honours in visual communication (time-based media) by the Birmingham City University (formerly known as the University of Central England in Birmingham) in July 2007.

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Ms. Leung Hoi Yui (梁海蕊), aged 38, is the general manager of the Group, and is responsible for overseeing of daily operation and corporate development of the Group.

Ms. Leung has over ten years of experience in the sales and event planning industry. She started working at Senasia Publication Group Limited (“Senasia”) as a marketing executive in August 2006 and was mainly responsible for book marketing and events organisation. She was promoted to be an assistant marketing manager in Senasia in April 2008. Ms. Leung left Senasia in August 2008 and joined Wide Connection Limited (“Wide Connection”) where she served as a senior marketing executive from August 2008 to May 2009 and as an advertising executive from June 2009 to February 2010. Her major responsibilities at Wide Connection included events organisation and media sales. From October 2010 to September 2012, she worked in OMNIMEDIA HK LIMITED as an assistant account manager and was further promoted to be the account manager in October 2011. She then worked in One Media Group Limited as a senior sales manager from October 2012 to March 2015. She has joined the Group since April 2015 as a senior sales manager and has been responsible for overall sales management. In November 2020, Ms. Leung was promoted to be the general manager of the Group.

Ms. Leung was awarded a bachelor of arts degree in journalism and mass communication from Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University) in July 2006.

Mr. Chui Cheung Lam (徐璋霖), aged 32, is the creative director of the Group, and is responsible for the overall supervision of the creative work of the Group. He, together with the creative manager, jointly lead the production team, which is mainly responsible for creating and producing advertisements and/or advertorial to be distributed on the Digital Media Platforms. In addition, he, together with the digital manager, assistant digital manager and publishing manager, jointly lead the editorial and publication team, which is mainly responsible for continuously updating creative content on the Digital Media Platforms (excluding the contracted artistes’ fan pages on third party social media platforms), creating content for the TVMost online programmes and assisting in publishing work for the print media and digital media services. The production team meets regularly to conceptualise ideas for the creative content. In large- scale and/or key projects, the executive Directors will also participate in the discussions.

Mr. Chui has eight years of experience in the creative media industry. He joined the Group in January 2013 as an editor and was mainly responsible for editing the 100 Most Magazine. He was promoted to be the assistant content manager in May 2014 and was mainly responsible for managing the editing of both 100 Most Magazine and Blackpaper Magazine. With the establishment of TVMost in May 2015, the focus of Mr. Chui’s work shifted to online content and advertisement production. He was promoted to be the content manager in May 2015 and further promoted to be the assistant creative director in May 2017. In April 2018, Mr. Chui was promoted to be the creative director of the Group.

Mr. Chui obtained a degree of bachelor of business administration with honours, with his major programme in integrated business administration, from the Chinese University of Hong Kong in December 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

COMPANY SECRETARY

Mr. Lo Tai On (羅泰安), aged 66, was appointed as the company secretary of the Company (the “Company Secretary”) on 10 July 2017. Mr. Lo is primarily responsible for overseeing the company secretarial matters of the Group.

Mr. Lo has over 28 years of experience in the field of company secretarial services. He is a director of Fair Wind Secretarial Services Limited, being a company that renders company secretarial services. He is also currently the company secretary of a number of companies listed on the Stock Exchange. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lo is not an employee of the Group, and Mr. Luk, the executive Director and authorised representative of the Company, who act as the principal channel of communication between the Stock Exchange and the Company, are the persons whom Mr. Lo contacts for the purpose of code provision F.1.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Company's corporate governance code is based on the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules. The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to ensure a quality board with transparency with accountability to shareholders.

The Company has complied with all code provisions in the CG Code during the Year.

The Board conducted at least four regular Board meetings a year and additional meetings will be held or resolutions in writing signed by all Directors in lieu of a meeting will be arranged as and when required. If a substantial shareholder of the Company or a Director has a conflict of interest in a transaction which the Board determines to be material, it is considered and dealt with by the Board at a duly convened Board meeting. Comprehensive information on matters to be discussed at the Board meeting will be supplied to the Directors in a timely manner to facilitate discussion and decision-making.

COMPOSITION OF THE BOARD

At the date of this report, the Board comprises three executive Directors and three independent non-executive Directors, the names and office of each of the member of the Board and the Board committees of the Company are as follows:

| Board members | Office |
|----------------------|------------------------------------|
| Iu Kar Ho | Chairman and executive Director |
| Luk Ka Chun | Executive Director |
| Tsui Ka Ho | Executive Director |
| Leung Wai Man | Independent non-executive Director |
| Ho Kwong Yu | Independent non-executive Director |
| Leung Ting Yuk | Independent non-executive Director |

Audit Committee members

Ho Kwong Yu (*chairman*)
Leung Ting Yuk
Leung Wai Man

Remuneration Committee members

Leung Ting Yuk (*chairman*)
Ho Kwong Yu
Leung Wai Man

Nomination Committee members

Leung Ting Yuk (*chairman*)
Ho Kwong Yu
Leung Wai Man

CORPORATE GOVERNANCE REPORT

The biographies of the Directors are set out in “Biographical Details of Directors, Senior Management and Company Secretary” on pages 12 to 16 of this annual report.

Each of the executive Directors has signed a service contract with the Company for a term of three years, commencing from 28 March 2021 (subject to termination in certain circumstances as stipulated in the relevant service contract).

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years, commencing from 28 March 2021 (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

All Directors are subject to retirement by rotation at least once every three years in accordance with the articles of association of the Company (the “Articles”).

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. A balanced composition of executive Directors and independent non-executive Directors is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the Listing Rules in having at least one of the independent non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise. There is no relationship among the members of the Board.

The appointment of Directors is to be recommended by the Remuneration Committee and the Nomination Committee and approved by the Board based on a formal written procedure and policy for the appointment of new Directors. When selecting potential candidates for the Directors, their skills, experience, expertise, devotion of time and absence of conflicts of interests are the key factors.

The daily operation and management of the business of the Group, among other matters, and the implementation of strategies are delegated to the executive Directors and senior management. They report periodically to the Board on their work and business decisions.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda for regular meetings. The chairman of the Board has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary.

With the assistance of the Company Secretary, the chairman of the Board seeks to ensure that all Directors are properly briefed on issues arising at the Board meetings and have received adequate and reliable information in a timely manner.

Notices of at least 14 days are given to the Directors for regular meetings, while the Board papers are sent to the Directors at least three days before the intended date of a Board or Board committee meeting. With respect to other meetings, the Directors are given as much notice as is reasonable and practicable in the circumstances. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles. The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of the Board meetings and meetings of the Board committees are kept at the registered office and are available for inspection at any time on reasonable notice by any Director.

CORPORATE GOVERNANCE REPORT

The Directors have full access to information of the Group and are able to obtain independent professional advice whenever they deem necessary. The Directors will be updated with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties from time to time. The Audit Committee, Nomination Committee and Remuneration Committee are provided with sufficient resources to perform their duties.

Minutes of Board meetings and of Board committee meetings should be recorded in sufficient detail and include the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft minutes are normally circulated to Directors or members of the relevant Board committees for comment within a reasonable time after each meeting.

Any material transaction, which involves a conflict of interests between a substantial shareholder or a Director and the Company, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the independent non-executive Directors. Directors are abstained from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

Responsibilities

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include (i) regular board meetings focusing on business strategy, operational issues and financial performance; (ii) monitoring the quality, timeliness, relevance and reliability of internal and external reporting; (iii) monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in connected transaction; and (iv) ensuing processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

Director's Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements of the Group are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group. In preparing the accounts for the Year, the Directors have, among other things:

- selected suitable accounting policies and applied them consistently;
- approved the adoption of all Hong Kong Financial Reporting Standards which are in conformity with the International Financial Reporting Standards;
- attended to the disclosure requirements under the Companies Ordinance (chapter 622 of the laws of Hong Kong); and
- made judgments and estimates that are prudent and reasonable and have prepared the accounts on the going concern basis.

The Directors confirm that, to the best of their knowledge, information and belief, and having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established set out in writing. Mr. Lu Kar Ho is the chairman of the Board and the Company has not appointed any chief executive. The duties and responsibilities of the chief executive are carried out by Mr. Lu Kar Ho, Mr. Luk Ka Chun and Mr. Tsui Ka Ho. The chairman of the Board provides leadership to the Board in terms of formulating policies and strategies, and discharges those duties set out in code provision A.2 of the CG Code.

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Selection of candidates for the Directors will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this annual report, the Board comprises six Directors. Three of the Directors are independent non-executive Directors and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity in terms of professional background and skills.

Board Meetings and General Meeting

During the Year, four meetings were held by the Board. The attendance record of each Director is set out below:

| Name of Board members | Number of attended meetings/Total number of meetings |
|--|---|
| <i>Executive Directors</i> | |
| Lu Kar Ho (<i>Chairman</i>) | 4/4 |
| Luk Ka Chun | 4/4 |
| Tsui Ka Ho | 3/4 |
| <i>Independent non-executive Directors</i> | |
| Leung Wai Man | 4/4 |
| Ho Kwong Yu | 4/4 |
| Leung Ting Yuk | 4/4 |

CORPORATE GOVERNANCE REPORT

The annual general meetings of the Company provide opportunities for the shareholders of the Company to meet and raise questions to our Directors, the management and the external auditors. The member of the Board and external auditors will attend the forthcoming AGM. The 2020 AGM was held on 20 August 2020 and the attendance record of each Director is set out below:

| Name of Board members | Number of attended AGM/Total number of AGM |
|--|---|
| <i>Executive Directors</i> | |
| Lu Kar Ho (<i>Chairman</i>) | 1/1 |
| Luk Ka Chun | 1/1 |
| Tsui Ka Ho | 0/1 |
| <i>Independent non-executive Directors</i> | |
| Leung Wai Man | 0/1 |
| Ho Kwong Yu | 1/1 |
| Leung Ting Yuk | 0/1 |

Delegation by the Board

The Board has reserved for its decision and consideration of issues in relation to (i) formulating the strategic objectives of the Group; (ii) considering and deciding the Group's significant operational and financial matters, including but not limited to substantial mergers and acquisitions and disposals; (iii) overseeing the Group's corporate governance practices; (iv) ensuring a risk management control system in place; (v) directing and monitoring senior management in pursuit of the Group's strategic objectives; and (vi) determining the remuneration packages of all Directors and the Group's senior management, including benefits in kind, pension rights and compensation payments for loss or termination of their office or appointment. Implementation and execution of Board policies and strategies and the daily administrative matters are delegated to the respective Board committees and the management team of the Company.

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities of each committee are described below. All committees have defined terms of reference which are no less exacting than those set out in the CG Code.

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 chairman of the Audit Committee is Mr. Ho Kwong Yu, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the Audit Committee include, but are not limited to, the following: (i) making recommendations to the Board on the appointment and removal of the external auditor; (ii) reviewing the half-yearly and annual financial statements of the Group and monitoring the integrity of such financial statements; (iii) overseeing the financial reporting system and internal control procedures; and (iv) reviewing the risk management and internal control systems of the Company.

CORPORATE GOVERNANCE REPORT

During the Year, three Audit Committee meetings were held to review, inter alia, the Company's interim and annual results, the internal control and risk management systems of the Group and the re-appointment of independent auditor of the Group. There was no disagreement between the Board and the Audit Committee on the selection and appointment of external auditors. The attendance record of each Committee member is set out below:

| Name of Board members | Number of attended meetings/Total number of meetings |
|--|---|
| <i>Independent non-executive Directors</i> | |
| Leung Wai Man | 3/3 |
| Ho Kwong Yu | 3/3 |
| Leung Ting Yuk | 3/3 |

The Company's financial statements for the Year have been reviewed by the Audit Committee. The Audit Committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been fully made.

Remuneration Committee

The Remuneration Committee was established with written terms of reference in compliance with paragraph B1 of the CG Code on 2 March 2018. The Remuneration Committee comprises three independent non-executive Directors, namely, Mr. Leung Ting Yuk, Mr. Ho Kwong Yu and Mr. Leung Wai Man. The chairman of the Remuneration Committee is Mr. Leung Ting Yuk.

The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) assessing the performance of executive Directors and senior management and making recommendations to the Board on the policy and structure for the remuneration of all the Directors and senior management; (ii) making recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policy; (iii) with delegated responsibility of determining the remuneration packages of individual executive Directors and senior management; and to make recommendations to the Board on the remuneration of the non-executive Directors and (iv) reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives from time to time.

CORPORATE GOVERNANCE REPORT

During the Year, one Remuneration committee meeting was held to review the remuneration package of the Directors and the senior management. The attendance record of each Committee member is set out below:

| Name of Board members | Number of attended meetings/Total number of meetings |
|--|---|
| <i>Independent non-executive Directors</i> | |
| Leung Wai Man | 1/1 |
| Ho Kwong Yu | 1/1 |
| Leung Ting Yuk | 1/1 |

Details of the directors' remuneration and five highest paid individuals for the Year as regarded to be disclosed pursuant to the CG Code are provided in note 8(b) and 28(a) to the consolidated financial statements.

During the Year, the remuneration of the senior management (other than Directors) is listed below by band:

| | Number of members of senior management |
|--------------------------------|---|
| HK\$ nil to HK\$1,000,000 | 2 |
| HK\$1,000,001 to HK\$1,500,000 | 1 |

Nomination Committee

The Nomination Committee was established with written terms of reference in compliance with paragraph A5 of the CG Code on 2 March 2018. The Nomination Committee comprises three independent non-executive Directors, namely Mr. Leung Ting Yuk, Mr. Ho Kwong Yu and Mr. Leung Wai Man. The chairman of the Nomination Committee is Mr. Leung Ting Yuk.

The primary functions of the Nomination Committee include, but are not limited to, the following: (i) reviewing the structure, size and composition of the Board; (ii) assessing the independence of the independent non-executive Directors; and (iii) making recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

CORPORATE GOVERNANCE REPORT

During the Year, one Nomination Committee meeting was held to (i) review and considered that the structure, size, diversity and composition of the Board; (ii) assess the independence of independent non-executive Directors; and (iii) recommend the re-appointment of Directors. The attendance record of each Committee member is set out below:

| Name of Board members | Number of attended meetings/Total number of meetings |
|--|---|
| <i>Independent non-executive Directors</i> | |
| Leung Wai Man | 1/1 |
| Ho Kwong Yu | 1/1 |
| Leung Ting Yuk | 1/1 |

The Nomination Committee will review the Board composition by considering the benefits of all aspects of diversity, including but not limited to those described under the heading of Board Diversity Policy in this annual report. The Board Diversity Policy shall be reviewed by the Nomination Committee, as appropriate, to ensure its effectiveness.

The Company has adopted a policy for the nomination of Directors, which sets out the procedures as well as the process and criteria for nomination and appointment of a new Director and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business.

The Nomination Committee should, upon receipt of the proposal on appointment of a new Director and his/her biographical information, evaluate such candidate based on the criteria as set out in the nomination policy to determine whether such candidate is qualified for directorship. If the process yields one or more desirable candidates, the Nomination Committee should rank them by order of preference based on the needs of the Company and reference check of each candidate. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable. For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee should evaluate such candidate based on the criteria as set out in the nomination policy to determine whether such candidate is qualified for directorship.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in paragraph D3 of the CG Code. As mentioned under the paragraph headed "Board Meetings and General Meetings" above, the Board has (i) reviewed the Company's practices on corporate governance during the Year, (ii) reviewed and monitored the training and continuous professional development of the Directors and senior management for the Year, (iii) reviewed and monitored the Company's practices on compliance with legal and regulatory requirements for the Year, (iv) reviewed and monitored the Company's corporate governance code and the code of conduct applicable to the Directors for the Year; and (v) reviewed the Company's corporate governance policies and the Company's compliance with the CG Code and disclosure in this report.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transaction by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). In response to the specific enquiry made by the Company, all Directors have confirmed that they had complied with the Model Code during the Year.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. The Directors are continually updated with business and market changes, and legal and regulatory developments to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memoranda, Board papers, and updates on corporate governance practices and director's responsibilities under the Listing Rules, applicable laws and other relevant statutory requirements.

Up to the date of this annual report, the current Board members participated in the following training programs:

| Name of Directors | Training on corporate governance, regulatory development and other relevant topics |
|--|---|
| <i>Executive Directors</i> | |
| Lu Kar Ho (Chairman) | ✓ |
| Luk Ka Chun | ✓ |
| Tsui Ka Ho | ✓ |
| <i>Independent non-executive Directors</i> | |
| Leung Wai Man | ✓ |
| Ho Kwong Yu | ✓ |
| Leung Ting Yuk | ✓ |

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance policies that cover directors' and officers' liabilities have been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group and, as at the date of this annual report, the Directors and officers of the Company are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers of the Company shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company has engaged and appointed Mr. Lo Tai On, a representative from an external secretarial services provider as the Company Secretary and his primary corporate contact person is Mr. Luk Ka Chun, an executive Director, for the purpose of code provision F.1.1 of the CG Code. The Company Secretary functions to ensure a good information flow within the Board and between the Board and senior management of the Company, to provide advice to the Board in relation to the Directors' obligations under the Listing Rules and applicable laws and regulations and to assist the Board in implementing the corporate governance practices. Mr. Lo Tai On, the Company Secretary, has attended not less than 15 hours of training as required under Rule 3.29 of the Listing Rules during the Year.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for monitoring the risk management and internal control systems of the Group on an ongoing basis and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. There is currently no internal audit function within the Group as the Group had engaged external professional to perform a review of its internal control and risk management systems for the Year to identify, evaluate, manage and rectify significant risks of the Group. The Company will review annually to consider setting up its internal audit department to perform internal audits for the Group.

The Board, through the Audit Committee, conducts an annual review of the adequacy and the effectiveness of the design and implementation of the risk management and internal control systems of the Group for the Year, which covers all material controls including financial, operational and compliance controls including but not limited to the Group's ability to cope with its business transformation and changing external environmental in terms of significant risks, the scope and quality of management's ongoing monitoring of risks and of the internal controls systems and results of internal audit work, the extent and frequency of communication of monitoring results to the Board in relation to the result of risk and internal control review, significant control failing or weakness having been identified and their related implications, and status of compliance with the Listing Rules. Such annual review is done with a view to ensure that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee would communicate any material issues to the Board.

Measures to enhance the risk management and internal control systems of the Group and to mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations, as well as the comments of the Audit Committee, the Board considers the internal control and risk management systems effective and adequate for the Year.

The Group strictly follows the requirements of the SFO and the Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable. Before inside information is fully disclosed to the public, such information is kept strictly confidential.

CORPORATE GOVERNANCE REPORT

The handling and dissemination of inside information of the Group is strictly controlled and remains confidential including but not limited by the following ways:

- Restrict access to inside information to a limited number of employees on a need-to-know basis;
- Reminder to employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality;
- Ensure appropriate confidentiality agreements are in place when the Group enters into significant negotiations or dealings with third parties;
- Inside information is handled and communicated by designated persons to independent third party; and
- The board and the senior management review the safety measures regularly to ensure inside information is properly handled and disseminated.

The Board considered the procedures and measures in relation to the handling and dissemination of the inside information to be effective and adequate.

AUDITOR'S REMUNERATION AND RESPONSIBILITIES

The Company has appointed PricewaterhouseCoopers as the auditor of the Group. For the Year, PricewaterhouseCoopers received HK\$0.9 million for audit services. The reporting responsibilities of PricewaterhouseCoopers are set out in the Independent Auditor's Report on pages 44 to 48 of this annual report. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the Year.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy") on payment of dividends. Under the Companies Law of Cayman Islands and the Articles, dividends may be paid out of the profits of the Company, or subject to solvency of the Company, out of sums standing to the credit of the share premium account of the Company. However, no dividend shall exceed the amount recommended by Directors.

Declaration and recommendation of payment of dividends of the Company is subject to the approval of the Directors of the Company, depending on results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the Directors of the Company may consider relevant from time to time. Any future declaration, recommendation and payment of dividends of the Company may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of the Directors. The Company does not have any predetermined dividend payout ratio.

CORPORATE GOVERNANCE REPORT

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with its shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The disclosure of the Group's information in a reasonable and timely manner by the Board is to facilitate the shareholders as well as the investors to have a better understanding of the business performance, operations and strategies of the Group. The Company's website at www.mostkwaichung.com allows the potential and existing investors as well as the public to get access to and acquire the Company's up-to-date corporate and financial information.

Shareholders are provided with contact details of the Company, such as email address and postal address, in order to enable them to make any queries that they may have with respect to the Company.

They can also send their enquiries to the Board through these means. The contact details of the Company are provided in this annual report, the "Corporate Information" section of this annual report and the Company's website.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns that they may have with the Board or the management directly. Board members and appropriate senior officers of the Group are available at the meetings to answer any questions raised by shareholders.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

To safeguard shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Besides, pursuant to article 12.3 of the Articles, the Directors may, whenever they think fit, convene a general meeting, and general meetings shall also be convened on such requisition, or in default, may be convened by such requisitionists. If any time there are not within Hong Kong sufficient Directors capable of acting to form a quorum, any Director or any two or more members of the Company representing at least 10% of the total voting rights of all members having a right to vote at general meetings, may convene a general meeting in the same manner as nearly as possible, as that in which meetings may be convened by the Directors.

Shareholders may send written enquiries to the Company or put forward any enquiries and proposals to the Board and put forward proposals at shareholders' meetings. The contact details are as follows:

Board of Directors
Most Kwai Chung Limited
Address: Unit 5, 1/F, Block B,
Tung Chun Industrial Building,
11-13 Tai Yuen Street, Kwai Chung,
New Territories,
Hong Kong
Email address: ir@mostkwaichung.com

To put forward proposals at an AGM or a general meeting, the shareholders shall submit a written notice of those proposals with detailed contact information to the Board at the Company's principal place of business in Hong Kong.

CORPORATE GOVERNANCE REPORT

The request will be verified with the Company's branch share registrar in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the proposed resolution in the agenda for the general meeting.

Moreover, the notice period concerning the notice to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to article 12.3 of the Articles:

- (a) for an AGM, it shall be called by notice in writing of at least twenty-one clear days (or such longer period as may be required by the Listing Rules); and
- (b) for a general meeting other than an AGM, it shall be called by notice in writing of at least fourteen clear days (or such longer period as may be required by the Listing Rules),

shall be given in the manner mentioned in the articles of association to all members, to the Directors and to the auditors.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company's principal place of business in Hong Kong and provide their full names, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CONSTITUTIONAL DOCUMENTS

The Company adopted an amended and restated memorandum and articles of association (the "Amended and Restated M&A") on 2 March 2018 and the Amended and Restated M&A took effect on the date on which the Shares are listed on the Stock Exchange. Since the Listing Date and up to 31 March 2021, no amendment was made to the constitutional documents of the Company.

REPORT OF THE DIRECTORS

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The major subsidiaries of the Company are providing integrated advertising and media services to customers.

RESULTS AND DIVIDEND

Details of the audited consolidated results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 49 of this annual report.

The Board has recommended the payment of a final dividend of HK3.4 cents per Share for the Year, totaling approximately HK\$9.2 million based on a total of 270,000,000 Shares in issue as at the date of this annual report (2020: HK\$13 million).

The proposed final dividend, subject to approval of the shareholders of the Company at the AGM to be held on Thursday, 19 August 2021, will be expected to be payable on or around Tuesday, 12 October 2021 to the shareholders whose names appear on the register of members of the Company on Friday, 27 August 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Thursday, 19 August 2021, the register of members of the Company will be closed from Friday, 13 August 2021 to Thursday, 19 August 2021, 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, 12 August 2021.

To ascertain shareholders' entitlements to the final dividend, the register of members of the Company will be closed from Thursday, 26 August 2021 to Friday, 27 August 2021, 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, 25 August 2021.

BUSINESS REVIEW

A discussion and analysis of the Group's performance during the Year is set out in the section headed "Management Discussion and Analysis" of this annual report and the key factors affecting its results and financial position, and the information on the compliance with laws and regulations, environmental policy and relationships with stakeholders are set out in this report of the Directors. Furthermore, a fair review of, and an indication of likely future development in the Group's business, are set out in the sections headed "Chairman's Statement" of this annual report.

REPORT OF THE DIRECTORS

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operation, business and prospects as a going concern may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group relating to its businesses:

- The Group has a complex integrated business model. The operating results depend on the interplay of the services and creative content offerings and the successful adaptation to the rapid changing customer preferences and technological development in the advertising and media industry.
- The Group heavily relies on social media platforms for publication of the creative content which are considered as the advertisement distribution platforms among the customers and any decline in usage of such social media platforms may materially affect our results of operations.
- The Group's business is highly sensitive to changing viewer preferences.
- If the Group fails to keep up with the rapidly changing technologies, the Group could lose the customers and the business and results of operations could be adversely affected.
- If the Group fails to attract, recruit or retain its key personnel including the executive Directors, senior management and other key employees, the ongoing operations and growth could be affected.
- The Group's business depends on the strong brand names and any unfavourable customer feedback or negative publicity could adversely affect the brands.
- The Group's business model is generally project-based and the Group generally does not enter into long term agreements with most of the customers. If the Group fails to retain existing customers or attract new customers, the results of operations could be materially affected.
- Decrease in demand for the print media services may cause the revenue to decline and the business and results of operations may be materially and adversely affected.
- Successful implementation of the business strategies and future plans are subject to uncertainties.
- The Group's business solely operates in a single geographical market and any adverse economic, social and/or political development affecting the market may have a material adverse impact on the operations.
- The Group is exposed to credit risk under the business operations, and any material payment delays or defaults by the customers may negatively affect the business, financial position and results of operations.
- Most of the agreements with the Group's contracted artistes will expire in 2020 and 2021, any failure to renew their contracts will materially affect the performance and operations.
- Any unauthorised use of the brand names or any other intellectual property rights by the competitors or third parties, and the expenses incurred in protecting such intellectual property rights, may adversely affect the business reputation and financial performance.
- The organisation of events involves risks that may result in accidents, which in turn may have a material adverse effect on the financial conditions and results of operations.

REPORT OF THE DIRECTORS

- The Group relies on analysing system from social media platforms to analyse the performance and to plan for the advertising strategies, any failure or malfunction of the system will affect the performance and operations.
- The Group may experience breakdowns in the IT systems that could damage the customer relations and expose the Group to liability.
- If the Group experiences information and technological system failures, the business operations could be significantly disrupted.

For other risks and uncertainties that the Group faces, please refer to the section headed “Risk Factors” in the Prospectus.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 100 of this annual report. This summary does not form part of the consolidated financial statements.

SUBSIDIARIES

Details (including the principal activities) of the Company’s principal subsidiaries as at 31 March 2021 are set out in note 13 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 12(a) to the consolidated financial statements.

DONATIONS

No donation was made by the Group during the Year. (2020: HK\$1.3 million).

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2021, the Company’s distributable reserves available for distribution to shareholders in accordance with statutory provision applicable in the Cayman Islands is approximately HK\$67.2 million (2020: HK\$67.1 million).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders unless otherwise required by the Stock Exchange.

SHARE CAPITAL AND EQUITY-LINKED AGREEMENT

Details of the movements in share capital of the Company during the Year are set out in note 20(a) to the consolidated financial statements. Please also refer to “Capital Structure” in the “Management Discussion and Analysis” of this annual report.

The Company did not enter into any equity-linked agreement during the Year.

REPORT OF THE DIRECTORS

DIRECTORS

During the Year and thereafter up to the date of this annual report, the Directors are named as follows:

Executive Directors

Lu Kar Ho (*Chairman*)
Luk Ka Chun
Tsui Ka Ho

Independent non-executive Directors

Leung Wai Man
Ho Kwong Yu
Leung Ting Yuk

Pursuant to article 16.18 of the Articles, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Accordingly, Mr. Luk Ka Chun and Mr. Leung Ting Yuk will retire by rotation pursuant to article 16.18 of the Articles, and being eligible, will offer themselves for re-election as Directors at the forthcoming AGM.

During the year and up to the date of this report, Mr. Lu Kar Ho, Mr. Luk Ka Chun and Mr. Tsui Ka Ho are also directors in the subsidiaries of the Company incorporated in Hong Kong.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules as at the date of this annual report and considered all the independent non-executive Directors to be independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 12 to 16 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has signed a service contract with the Company for a term of three years, commencing from 28 March 2021 (subject to termination in certain circumstances as stipulated in the relevant service contract).

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years, commencing from 28 March 2021 (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract or letter of appointment with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in notes 25(b) and 27(e) to the financial statements, no transactions, arrangements and contracts of significance in relation to the business of the Group to which the Company, or its holding company, or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year, nor was there any transaction, arrangement or contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries for the Year. There was also no contract of significance between the Company or one of the subsidiaries and the Controlling Shareholders or any of their subsidiaries.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries was entered into or existed during the Year with any person who is not a Director or any person engaged in the full-time employment of the Company.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors on a named basis during the Year are set out in note 27(a) to the consolidated financial statements. During the Year, no emoluments were paid by the Group to any Director as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments during the Year.

EMOLUMENT POLICY

Under the emolument policy of the Company, the Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment, responsibilities and performance of the Directors and senior management, as the case may be, in assessing the amount of remuneration payable to the Directors and members of the senior management. The Remuneration Committee will periodically review the compensation levels of the key executives. Based on the performance and the executives' respective contribution to the Group, the Remuneration Committee may, within the aggregate remuneration amount having been approved in a shareholders' meeting, make recommendations to the Board as to salary increases or payment of discretionary bonuses.

The Company provides a comprehensive benefit package for all employees as well as career development opportunities. This includes retirement schemes, medical insurance, other insurances, in-house training, on-the job training, external seminars and programs organised by professional bodies and educational institutions.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors shall be indemnified out of the assets of the Company against any liability, loss or expenditure incurred by him in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to be done or alleged to have been done or omitted to be done by him as a Director.

During the Year, appropriate insurance policies that covered directors' and officers' liabilities were in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

As at 31 March 2021, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 of the Listing Rules, were as follows:

| Name of Directors | Nature of interest | Number of Shares held | Percentage of shareholding in the Company's issued share capital |
|-----------------------------|--------------------------------------|-----------------------------|--|
| Mr. lu Kar Ho ("Mr. lu") | Interest in a controlled corporation | 182,250,000 (L) (Note 2) | 67.5% |
| Mr. Luk Ka Chun ("Mr. Luk") | Interest in a controlled corporation | 182,250,000 (L) (Note 2) | 67.5% |
| Mr. Tsui Ka Ho ("Mr. Tsui") | Interest in a controlled corporation | 182,250,000 (L) (Note 2) | 67.5% |

Notes:

(1) The letter "L" denotes a long position in the Shares

(2) These Shares are held by Blackpaper BVI. Blackpaper BVI is legally and beneficially owned equally amongst Mr. lu, Mr. Luk and Mr. Tsui. Each of Mr. lu, Mr. Luk and Mr. Tsui is deemed to be interested in the 182,250,000 Shares held by Blackpaper BVI under to the SFO.

Save as disclosed above, as at 31 March 2021, none of the Directors nor chief executive of the Company has registered any interest and short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under the paragraphs headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any specified undertaking of the Company or any other associated corporations" above, at no time during the Year were any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or the chief executive of the Company or any of their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS OF THE COMPANY AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

So far as the Directors are aware, as at 31 March 2021, the following persons (not being Directors or chief executive of the Company) have or are deemed or taken to have an interest or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

| Name of shareholders | Nature of interests | Number of Shares held | Percentage of shareholding in the Company's issued share capital |
|-------------------------|---------------------|-----------------------------|--|
| Blackpaper BVI | Beneficial owner | 182,250,000 (L) (Note 2) | 67.5% |
| Ms. Choi Ming Lai Dejay | Interest of spouse | 182,250,000 (L) (Note 3) | 67.5% |

Notes:

- (1) The letter "L" denotes a long position in the Shares
- (2) Blackpaper BVI is legally and beneficially owned equally amongst Mr. Lu, Mr. Luk and Mr. Tsui. Each of Mr. Lu, Mr. Luk and Mr. Tsui is deemed to be interested in the 182,250,000 Shares held by Blackpaper BVI under the SFO.
- (3) Ms. Choi Ming Lai Dejay is the spouse of Mr. Tsui and is therefore deemed to be interested in the same number of Shares in which Mr. Tsui is interested under the SFO.

Save as disclosed above, as at 31 March 2021, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SHAREHOLDERS' INTERESTS IN SECURITIES OF SIGNIFICANCE

Other than the interests disclosed above in respect of the substantial shareholders, as at 31 March 2021, no other person is individually or collectively entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales for the Year generated from the Group's major customers is as follows:

| | |
|--------------------------|-------|
| — The largest customer | 9.7% |
| — Five largest customers | 18.1% |

The total sales of the Group from five largest customers for the Year did not exceed 30%.

The percentage of cost of sales for the Year attributable to the Group's major suppliers is as follows:

| | |
|--------------------------|-------|
| — The largest supplier | 11.0% |
| — Five largest suppliers | 19.6% |

The total cost of sales of the Group from the five largest suppliers did not exceed 30%.

None of the Directors, their close associates (as defined in the Listing Rules) or any shareholder (which to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or its five largest suppliers for the Year.

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.

COMPETING INTERESTS

During the Year and up to the date of this annual report, 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

The Company confirms that the deed of non-competition (the "Deed") of each of Blackpaper BVI, Mr. Iu, Mr. Luk and Mr. Tsui, details of which were set out in the Prospectus, has been fully complied with and enforced since the Listing Date and up to 31 March 2021. The Company has obtained (i) an annual written confirmation from each of the Controlling Shareholders in relation to their compliance with the terms of the Deed during the Year; and (ii) the consent (from each of the Controlling Shareholders) to refer to the said confirmation. The independent non-executive Directors have reviewed the undertakings under the Deed and evaluated the effective implementation of the Deed during the year. The Board also confirms that there are no other matters in relation to the aforesaid undertaking which should be brought to the attention of the shareholders and the potential investors of the Group.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by the written resolutions of all the shareholder passed on 2 March 2018. The following summary does not form, nor is intended to be, part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

As at 31 March 2021, no share option was granted, exercised, lapsed or cancelled under the Share Option Scheme of the Company.

(a) Purpose

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors believe the Share Option Scheme will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(b) Who may join

The Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who the Board considers, in its sole discretion, have contributed or will contribute to the Group, to take up options to subscribe for Shares (collectively the “Eligible Participants”):

- (i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of the Group; and
- (ii) any advisers, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

For the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise so determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by the Directors from time to time on the basis of the Directors’ opinion as to the participant’s contribution to the development and growth of the Group.

REPORT OF THE DIRECTORS

(c) Maximum number of Shares

- (i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.
- (ii) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 10% of the aggregate of the Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, and such 10% limit represents 27,000,000 Shares (the “General Scheme Limit”).
- (iii) Subject to paragraph (i) above and without prejudice to paragraph (iv) below, the Company may issue a circular to its shareholders and seek approval of its shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of the Group shall not exceed 10% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to its shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (iv) Subject to paragraph (i) above and without prejudice to paragraph (iii) above, the Company may seek separate shareholders’ approval in a general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (iii) above to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its shareholders containing a general description of the identified participants, the number and terms of options to be granted, the purpose of granting options to the identified participants with an explanation as to how the terms of the options serve such purpose and all other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

The total number of shares available for issue under the Share Option Scheme was 27,000,000, representing 10% of the issued share capital of the Company as at the date of this annual report.

(d) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the “Individual Limit”). Any further grant of options to a participant in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the shareholders and the shareholders’ approval in general meeting of the Company with such participant and his close associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before shareholders’ approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rules.

REPORT OF THE DIRECTORS

(e) Grant of options to connected persons

- (i) Any grant of options under the Share Option Scheme to any Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).
- (ii) Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (1) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
 - (2) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of each grant, in excess of HK\$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange);

such further grant of options must be approved by the shareholders in a general meeting. The Company must send a circular to its shareholders no later than the date on which the Company gives notice of the general meeting to approve the Share Option Scheme. The grantees, their associates and all core connected persons of the Company must abstain from voting at such general meeting, except that they may vote against the relevant resolution at the general meeting provided that any of their intention to do so has been stated in the circular to be sent to the shareholders in connection therewith. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by the shareholders in a general meeting.

(f) Time of acceptance and exercise of option

An option may be accepted by a participant to whom the offer is made within 5 business days from the date on which the letter containing the offer is delivered to that participant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than ten years from the date of grant of the option subject to the provisions for early termination under the Share Option Scheme. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

REPORT OF THE DIRECTORS

(g) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Share Offer shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and (iii) the nominal value of a Share on the date of grant. A nominal consideration of HK\$1 is payable upon acceptance of the grant of an option.

(h) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme is adopted. No share options were granted since the adoption of the Share Option Scheme and there are no outstanding share options at the end of the Year.

AUDIT COMMITTEE REVIEW

The audited consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Listing Rules and legal requirements, and adequate disclosures have been made.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the Year are set out in note 25 to the consolidated financial statements in this annual report. Upon Listing, certain related party transactions set out in note 25(b) to the consolidated financial statements are regarded as continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of such transactions are set out in the section headed "Connected Transactions" in the Prospectus. As disclosed in the Prospectus, such transactions constitute de minimus continuing connected transactions of the Company as from the Listing Date and are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

From the information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public at all times during the Year and up to the date of this annual report.

TAX RELIEF

The Company is not aware of any relief from taxation to which the shareholders are entitled by reason of their holding of the Shares.

REPORT OF THE DIRECTORS

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to implementing good corporate governance practices. Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 17 to 29 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and that the risks of non-compliance with such requirements. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Group has complied with all relevant laws and regulations in Hong Kong in all material respects during the Year.

The Group also complies with the requirements under the Listing Rules and the SFO for the disclosure of information and corporate governance.

ENVIRONMENTAL POLICY

Due to the business nature of the Group, no pollutant is produced, emitted or discharged during the course of provision of print, digital and other media services. The Group recognises its responsibility to protect the environment. As such, the Group has taken measures to facilitate the environmental-friendliness of our workplace by encouraging a recycling culture within the Group. For further details on the Group's environmental measures and performance, please refer to the Group's ESG report to be published in due course.

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises employees as one of the valuable assets of the Group and the Group strictly complies with the labour laws and regulations in Hong Kong and regularly reviews the existing staff benefits for improvement. The Group provides good quality services to the customers and maintains a good relationship with them. The Group is able to establish trusting and long-standing business relationships with the major customers. The Group also maintains effective communication and develops long-term and stable relationships with its suppliers. During the Year, there was no material dispute or disagreement between the Group and its customers or suppliers.

THE FORTHCOMING ANNUAL GENERAL MEETING

The forthcoming AGM of the Company will be held at Hotel Ease, Meeting Room, 2/F, 15–19 Chun Pin Street, Kwai Chung, Kowloon, Hong Kong on Thursday, 19 August 2021 at 11:00 a.m. and the notice convening such meeting will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

REPORT OF THE DIRECTORS

INDEPENDENT AUDITOR

The consolidated financial statements for the Year have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. The Board has taken the Audit Committee's recommendation that a resolution for their re-appointment as independent auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Iu Kar Ho

Chairman and executive Director

Hong Kong, 28 June 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Most Kwai Chung Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Most Kwai Chung Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 49 to 99, which comprise:

- the consolidated balance sheet as at 31 March 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to impairment assessment of trade receivables.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| <p>Impairment assessment of trade receivables</p> <p>Refer to Note 3.1(i)(b), Note 4.1(a) and Note 19 to the consolidated financial statements.</p> <p>As at 31 March 2021, the Group had trade receivables of approximately HK\$6,569,000 net of provision of HK\$914,000, representing 6% of the Group's total assets.</p> <p>In general, the credit terms granted by the Group to the customers ranged between 30 to 90 days (2020: 30 to 90 days). Management performed periodic assessment on the impairment of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customer's ability to repay the outstanding balances in order to estimate the expected credit losses ("ECL") for the impairment assessment.</p> <p>We focused on this area due to the impairment assessment of trade receivables under the ECL model involved the use of assumptions which are judgemental in nature and the calculation is subject to a higher degree of estimation uncertainty among the different accounting estimates applied by management in the preparation of the financial statements.</p> | <p>Our procedures in relation to management's impairment assessment of trade receivables as at 31 March 2021 included:</p> <ul style="list-style-type: none">• Understanding and evaluating management's internal control and process of impairment assessment of trade receivables, assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, and tested management's assessment on identifying impairment indicators of debtors and methodology of expected credit loss computation of trade receivables;• Evaluating the outcome of prior period impairment assessment of trade receivables to assess the effectiveness of management's estimation process;• Inquiring of management regarding the status of each of the material trade receivables past due as at year end and the Group's ongoing business relationships with the relevant customers, and collaborating these information with the relevant settlement and trade records;• Tested, on a sample basis, the accuracy of trade receivables ageing report as at year end;• Assessing the appropriateness of the expected credit loss provisioning methodology, examining the underlying key data inputs such as monthly ageing profile of trade receivables balances on a sample basis to assess the accuracy and completeness of historical data and challenging the forward looking information used to determine the adjustment made to historical loss rate in order to calculate the expected credit losses. |

Based on the results of the procedures performed, we found the management judgement and estimates used in the impairment assessment of trade receivables to be supported by available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The Directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Wai Ching.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 June 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Year ended 31 March | |
|---|------|---------------------|------------------|
| | | 2021 HK\$'000 | 2020 HK\$'000 |
| Revenue | 5 | 59,108 | 76,908 |
| Cost of sales | 6 | (37,396) | (44,758) |
| Gross profit | | 21,712 | 32,150 |
| Other income | 7 | 6 | 69 |
| Selling and distribution expenses | 6 | (4,008) | (5,420) |
| Administrative expenses | 6 | (12,116) | (14,285) |
| Reversal/(provision) of impairment losses on financial assets, net | 19 | 540 | (382) |
| | | 6,134 | 12,132 |
| Finance income | 9 | 299 | 1,088 |
| Finance cost | 9 | (97) | (99) |
| Finance income, net | 9 | 202 | 989 |
| Share of profit of associates, net | 14 | 3,600 | 1,894 |
| Profit before income tax | | 9,936 | 15,015 |
| Income tax expenses | 10 | (593) | (1,708) |
| Profit and total comprehensive income attributable to owners of the Company for the year | | 9,343 | 13,307 |
| Basic and diluted earnings per share for profit attributable to owners of the Company (Hong Kong cents) | 11 | 3.46 | 4.93 |

The notes on pages 54 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

| | Note | As at 31 March | |
|---|-------|------------------|------------------|
| | | 2021 HK\$'000 | 2020 HK\$'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12(a) | 1,007 | 1,526 |
| Right-of-use assets | 12(b) | 1,670 | 2,126 |
| Deposits | 16 | 276 | 487 |
| Investments in associates | 14 | 9,842 | 6,982 |
| | | 12,795 | 11,121 |
| Current assets | | | |
| Inventories | 17 | 745 | 628 |
| Trade receivables | 19 | 6,569 | 8,252 |
| Prepayments and deposits | 16 | 1,933 | 1,513 |
| Current income tax recoverable | | 431 | 4,230 |
| Cash and cash equivalents | 18 | 84,356 | 80,807 |
| | | 94,034 | 95,430 |
| Total assets | | 106,829 | 106,551 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 20(a) | 2,700 | 2,700 |
| Share premium | 20(a) | 67,028 | 67,028 |
| Other reserves | 20(b) | 997 | 997 |
| Retained earnings | | 23,903 | 27,520 |
| Total equity | | 94,628 | 98,245 |

The notes on pages 54 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

| | | As at 31 March | |
|-------------------------------------|---------------|------------------|------------------|
| | Note | 2021 HK\$'000 | 2020 HK\$'000 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Lease liabilities | 12(b) | 647 | 971 |
| Deferred income tax liabilities | 23 | 52 | 93 |
| | | 699 | 1,064 |
| Current liabilities | | | |
| Trade payables | 21 | 616 | 196 |
| Lease liabilities | 12(b) | 1,069 | 1,188 |
| Amount due to an associate | 25(a) | 1,489 | 980 |
| Other payables and accruals | 22 | 2,459 | 1,939 |
| Contract liabilities | 5(i) and (ii) | 3,908 | 1,598 |
| Current income tax liabilities | | 1,961 | 1,341 |
| | | 11,502 | 7,242 |
| Total liabilities | | 12,201 | 8,306 |
| Total equity and liabilities | | 106,829 | 106,551 |

The consolidated financial statements on pages 49 to 99 were approved for issue by the Board of Directors on 28 June 2021 and were signed on its behalf.

Iu Kar Ho
Executive Director

Luk Ka Chun
Executive Director

The notes on pages 54 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Note | Attributable to owners of the Company | | | | |
|--------------------------------------|------|---------------------------------------|---------------------------|----------------------------|-------------------------------|--------------------------|
| | | Share capital HK\$'000 | Share premium HK\$'000 | Other reserves HK\$'000 | Retained earnings HK\$'000 | Total equity HK\$'000 |
| Balance as at 1 April 2019 | | 2,700 | 67,028 | 997 | 28,253 | 98,978 |
| Profit for the year | | - | - | - | 13,307 | 13,307 |
| Total comprehensive income | | - | - | - | 13,307 | 13,307 |
| Transaction with owners | | | | | | |
| Dividends | 26 | - | - | - | (14,040) | (14,040) |
| Total transaction with owners | | - | - | - | (14,040) | (14,040) |
| Balance as at 31 March 2020 | | 2,700 | 67,028 | 997 | 27,520 | 98,245 |
| Balance as at 1 April 2020 | | 2,700 | 67,028 | 997 | 27,520 | 98,245 |
| Profit for the year | | - | - | - | 9,343 | 9,343 |
| Total comprehensive income | | - | - | - | 9,343 | 9,343 |
| Transaction with owners | | | | | | |
| Dividends | 26 | - | - | - | (12,960) | (12,960) |
| Total transaction with owners | | - | - | - | (12,960) | (12,960) |
| Balance as at 31 March 2021 | | 2,700 | 67,028 | 997 | 23,903 | 94,628 |

The notes on pages 54 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Year ended 31 March | |
|---|-------|---------------------|------------------|
| | | 2021 HK\$'000 | 2020 HK\$'000 |
| Cash flows from operating activities | | | |
| Cash generated from operations | 24(a) | 12,876 | 10,427 |
| Income tax refund/(paid), net | | 3,882 | (2,084) |
| Net cash generated from operating activities | | 16,758 | 8,343 |
| Cash flows from investing activities | | | |
| Interest received | 9 | 299 | 1,088 |
| Capital injection into and acquisition of associates | 14 | (961) | (1,601) |
| Dividends received from associates | | 2,210 | – |
| Purchase of property, plant and equipment | 12(a) | (307) | (117) |
| Net cash generated from/(used in) investing activities | | 1,241 | (630) |
| Cash flows from financing activities | | | |
| Dividends paid | 26 | (12,960) | (14,040) |
| Principle element of lease payments | 24(b) | (1,393) | (1,128) |
| Interest element of lease payments | 24(b) | (97) | (99) |
| Net cash used in financing activities | | (14,450) | (15,267) |
| Net increase/(decrease) in cash and cash equivalents | | 3,549 | (7,554) |
| Cash and cash equivalents at beginning of the year | | 80,807 | 88,361 |
| Cash and cash equivalents at end of the year | 18 | 84,356 | 80,807 |

The notes on pages 54 to 99 are an integral part of these consolidated financial statements.

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 from time to time) of the Cayman Islands. The address of the Company’s registered office is PO Box 309, Uglan 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 is 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 Lu Kar Ho (“Mr. Lu”), 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 to the standards for the first time for their annual reporting period commencing 1 April 2020:

| | |
|--|--|
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKAS 39, HKFRS 7 and HKFRS 9 | Interest Rate Benchmark Reform — Phase 1 |
| 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(iv) New standards and interpretations not yet adopted

Certain new accounting standards, interpretations guidelines and amendments to the standards 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 |
|---|--|--|
| HKFRS 17 | Insurance Contract | 1 January 2023 |
| 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 HKAS 1 | Classification of Liabilities as Current or Non-Current | 1 January 2023 |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions | 1 June 2020 |
| Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform — Phase 2 | 1 January 2021 |
| Amendments to Annual Improvements Project | Annual Improvements to HKFRSs 2018–2020 | 1 January 2022 |
| Amendments to HKFRS 3, HKAS 16 and HKAS 37 | Narrow-scope amendments | 1 January 2022 |
| Amendments to Accounting Guideline 5 | Merger Accounting for Common Control Combinations | 1 January 2022 |
| Hong Kong Interpretation 5 (2020) | Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 January 2023 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

(i) Consolidation *(Continued)*

(a) Business combination *(Continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries now comprising the Group have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(ii) Separate financial statements

Investment in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates

Associates are entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

2.4 Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in consolidated statement of comprehensive income, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.21.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment *(Continued)*

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

| | |
|------------------------|---|
| Computer equipment | 5 years |
| Furniture and fixtures | 5 years |
| Office equipment | 3 years |
| Leasehold improvements | 3 years or over the unexpired period of the lease, whichever is shorter |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property, plant and equipment that are not ready to use are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Property, plant and equipment that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated statement of comprehensive income.

2.7 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Financial assets *(Continued)*

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair values plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flow represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented as separate line item in the consolidated statement of comprehensive income.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Financial assets *(Continued)*

(iii) Measurement *(Continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition or the investment. Dividends from such investments continue to be recognised in consolidated statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal if impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(i)(b) and Note 19 for further details.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.10 Inventories

Inventories comprise merchandise held for direct sales and are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities.

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling price. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service. Specific criteria where revenue is recognised are described below.

A receivable is recognised when the products are delivered and the customers accept the products, as this is the point in time that the consideration is unconditional because only the passage of the time is required before the payment is due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Revenue recognition *(Continued)*

The Group has primarily the following types of revenues:

(i) Media services and media management services income

Media services income is recognised when the services are rendered or on the date of the relevant production is published or delivered.

(ii) Sales of books

Revenue from sales of books, net of trade discounts and returns, is recognised on the transfer of control of books to the customers, which generally coincides with the date of delivery.

(iii) Printed and online advertising income

Printed advertising income, net of trade discounts, is recognised when the printed advertising is published or delivered.

(iv) Performance income

Performance income is recognised when the services are rendered.

(v) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.17 Employee benefits

(i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Pursuant to the government regulations in Hong Kong, the Group is required to contribute an amount to certain retirement benefit schemes based on approximately 5% of the wages for the year of those employees subject to a statutory cap. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Employee benefits *(Continued)*

(ii) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.18 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Leases *(Continued)*

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.20 Government grants

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received and, the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.21 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose itself to a variety of financial risks: credit risk, liquidity risk and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management according to the policies of the Group. Financial risks are identified and evaluated in close co-operation within the Group's business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(i) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents (deposits with banks), other receivables and trade receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

(a) Risk management

The Group has policies in place to ensure that sales are made to reputable and creditworthy customers with an appropriate financial strength, credit history and an appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group reviews regularly the authorisation of credit limits to individual customers and recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2021, there was no customers (2020: same) which individually contributed over 10% of the Group's trade receivables. The major debtors of the Group are reputable organisations and with no history of default. Management considers that the credit risk is limited in this regard.

(b) Impairment of financial assets

Cash and cash equivalents

In respect of deposits with banks, the credit risk is considered to be low as the Group mainly placed with reputable banks with no defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be insignificant after considering forward-looking information.

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision of all trade receivables. The Group recognised lifetime expected credit loss for trade receivables carried at amortised cost based on either individually customers who are long overdue with significant amounts or known insolvencies or non-response to collection activities, or collectively assessing them for likelihood of recovery based on ageing of the balances with similar risk characteristics taking into account the forward looking information.

The expected loss rates are based on the historical monthly outstanding balances of trade receivables of 12 months before 31 March 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and unemployment rate of Hong Kong in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

(b) Impairment of financial assets *(Continued)*

Trade receivables *(Continued)*

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, failure of a debtor to engage in a repayment plan with the Group, and failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

On that basis, the loss allowance as at 31 March 2021 and 31 March 2020 was determined as follows for trade receivables:

| As at 31 March 2021 | Lifetime expected loss rate % | Gross carrying amount HK\$'000 | Lifetime expected credit loss HK\$'000 | Net carrying amount HK\$'000 |
|------------------------------|--|---|---|---------------------------------------|
| Collective assessment | | | | |
| Current | 0.11 | 1,874 | (2) | 1,872 |
| Within 2 months | 0.2 | 2,547 | (5) | 2,542 |
| 2 to 4 months | 0.49 | 1,192 | (5) | 1,187 |
| 4 to 6 months | 1.01 | 845 | (8) | 837 |
| 6 to 8 months | 2.17 | 65 | (1) | 64 |
| 8 to 10 months | 3.96 | – | – | – |
| 10 to 12 months | 20.24 | 84 | (17) | 67 |
| Over 12 months | 100 | 876 | (876) | – |
| | | 7,483 | (914) | 6,569 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

(b) Impairment of financial assets *(Continued)*

Trade receivables *(Continued)*

| As at 31 March 2020 | Lifetime expected loss rate % | Gross carrying amount HK\$'000 | Lifetime expected credit loss HK\$'000 | Net carrying amount HK\$'000 |
|------------------------------|--|---|---|---------------------------------------|
| Collective assessment | | | | |
| Current | 0.21 | 2,828 | (6) | 2,822 |
| Within 2 months | 0.41 | 2,419 | (10) | 2,409 |
| 2 to 4 months | 1.38 | 579 | (8) | 571 |
| 4 to 6 months | 4.02 | 174 | (7) | 167 |
| 6 to 8 months | 11.85 | 869 | (103) | 766 |
| 8 to 10 months | 13.45 | 1,145 | (154) | 991 |
| 10 to 12 months | 15.02 | 619 | (93) | 526 |
| Over 12 months | 100.00 | 1,073 | (1,073) | – |
| | | 9,706 | (1,454) | 8,252 |

Other financial assets at amortised cost

The Group has policies in place to monitor the credit exposure of the relevant parties. The Group will assess the financial capabilities of the counterparties including its repayment histories, and its abilities to obtain financial support when necessary. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The Directors are of the opinion that the credit risk of these receivables is low due to sound collection history of the receivables due from them. Therefore, expected credit loss rate of these financial assets is assessed to be insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(ii) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents. The Group maintains its liquidity mainly through funding generated from the daily operation and funding from shareholders.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of consolidated balance sheet to the contractual maturity date. The amounts disclosed in the table at the contractual undiscounted cash flows.

| | Within 1 year HK\$'000 | Between 1 to 2 years HK\$'000 | Between 2 to 5 years HK\$'000 | Total contractual cash flow HK\$'000 | Carrying amount HK\$'000 |
|-----------------------------|---------------------------|-------------------------------------|-------------------------------------|---|--------------------------------|
| As at 31 March 2021 | | | | | |
| Trade payables | 616 | – | – | 616 | 616 |
| Other payables and accruals | 809 | – | – | 809 | 809 |
| Lease liabilities | 1,072 | 706 | 176 | 1,954 | 1,716 |
| Amount due to an associate | 1,489 | – | – | 1,489 | 1,489 |
| | 3,986 | 706 | 176 | 4,868 | 4,630 |
| As at 31 March 2020 | | | | | |
| Trade payables | 196 | – | – | 196 | 196 |
| Other payables and accruals | 660 | – | – | 660 | 660 |
| Lease liabilities | 1,264 | 1,001 | – | 2,265 | 2,159 |
| Amount due to an associate | 980 | – | – | 980 | 980 |
| | 3,100 | 1,001 | – | 4,101 | 3,995 |

(iii) Interest rate risk

The Group's interest rate risk arises primarily from cash at banks. The Group currently does not hedge its exposure to cash flow and fair value interest rate risk. The Group analyses its interest rate exposure on a regular basis and will consider the interest rate exposure when enter into any financing, renewal of existing positions and alternative financing transactions. As at 31 March 2021, the Group's interest rate risk is insignificant, no sensitivity analysis is performed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, and sell assets to reduce debt or funding from shareholders.

As at 31 March 2021 and 2020, the Group had no borrowings from bank and other financial institutions.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets, including trade receivables, deposits and cash and cash equivalents; and the Group's financial liabilities, including trade payables, other payables and accruals and lease liabilities approximate their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Critical accounting judgements

(a) Impairment of receivables

The loss allowance for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses significant judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(i)(b).

(b) Income taxes

The Group is subject to income tax in Hong Kong. Judgement is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 media management services and 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 books published by the Group.

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 2021

| | Digital media services HK\$’000 | Print media services HK\$’000 | Other media services HK\$’000 | Total HK\$’000 |
|---|------------------------------------|----------------------------------|----------------------------------|-------------------|
| Revenue | 46,952 | 1,061 | 15,069 | 63,082 |
| Inter-segment transactions | (15) | – | (3,959) | (3,974) |
| Revenue from external customers | 46,937 | 1,061 | 11,110 | 59,108 |
| Segment profit/(loss) before income tax | 2,842 | (1,779) | 5,084 | 6,147 |
| Unallocated expenses | | | | (13) |
| Finance income, net | | | | 202 |
| Share of profit of associates, net | | | | 3,600 |
| Income tax expenses | | | | (593) |
| Profit for the year | | | | 9,343 |
| Other information: | | | | |
| Depreciation of property, plant and equipment | 341 | 485 | – | 826 |
| Depreciation of right-of-use assets | 1,309 | – | – | 1,309 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Year ended 31 March 2020

| | Digital media services HK\$'000 | Print media services HK\$'000 | Other media services HK\$'000 | Total HK\$'000 |
|--|---------------------------------------|-------------------------------------|-------------------------------------|-------------------|
| 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 | | | | 989 |
| Share of profit of an associate | | | | 1,894 |
| Income tax expenses | | | | (1,708) |
| Profit for the year | | | | 13,307 |
| Other information: | | | | |
| Depreciation of property, plant and equipment | 401 | 596 | – | 997 |
| Depreciation of right-of-use assets | 467 | 694 | – | 1,161 |

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 2021 is presented (2020: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

| | 2021 HK\$'000 | 2020 HK\$'000 |
|-------------------------------|------------------|------------------|
| Timing of revenue recognition | | |
| At a point of time: | | |
| Media services income | 46,526 | 57,432 |
| Sales of books | 1,061 | 3,593 |
| Performance income | 11,110 | 15,311 |
| | 58,697 | 76,336 |
| Timing of revenue recognition | | |
| Over time: | | |
| Media services income | 411 | 572 |
| | 59,108 | 76,908 |

(i) Significant changes in contract liabilities:

Contract liabilities for receipts in advance from customers have increased by HK\$2,310,000 (2020: decreased by HK\$2,599,000) from prior year. The increase in 2021 was mainly due to new customers commitment from digital media services. 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 | |
|---|---------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Revenue recognised that was included in the contract liabilities balance at the beginning of the period | | |
| Media services and performance income contracts | 1,521 | 4,197 |

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 EXPENSES BY NATURE

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

| | Year ended 31 March | |
|--|---------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Cost of production | 21,554 | 22,695 |
| Cost of inventories | 366 | 1,005 |
| Inventories written-off | 177 | 345 |
| Employee benefit expenses, including Directors' remunerations | 25,669 | 32,243 |
| Depreciation of property, plant and equipment | 826 | 997 |
| Depreciation of right-of-use assets | 1,309 | 1,161 |
| Lease expenses | – | 152 |
| Auditor's remuneration | | |
| — Audit services | 930 | 850 |
| Professional fees | 928 | 1,108 |
| Royalties | 63 | 314 |
| Others | 1,698 | 3,593 |
| Total cost of sales, selling and distribution expenses and administrative expenses | 53,520 | 64,463 |

7 OTHER INCOME

| | Year ended 31 March | |
|---------------------------|---------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Disposal of wastage books | 6 | 69 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATIONS)

| | Year ended 31 March | |
|--|---------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Wages and salaries (<i>Note</i>) | 21,689 | 27,842 |
| Bonus and commissions | 2,434 | 2,810 |
| Pension costs — defined contribution plans (<i>Note a</i>) | 1,166 | 1,247 |
| Welfare and other expenses | 380 | 344 |
| | 25,669 | 32,243 |

Note: Government grants have been received by the Group from the Anti-epidemic Fund set up by the HKSAR Government under the Employment Support Scheme (the "ESS Scheme"). The ESS Scheme is eligible for all employers who have been making Mandatory Provident Fund ("MPF") contribution.

During the year ended 31 March 2021, the Group has recognised HK\$5,280,000 (2020: Nil) in relation to these grants as deductions in its staff costs in the consolidated statement of comprehensive income.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the defined contribution payments as disclosed above.

(a) Pensions — defined contribution plans

No forfeited contribution is available to reduce the contribution payable in future year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three Directors for the year ended 31 March 2021 (2020: three), whose emoluments are reflected in the analysis presented in Note 27. The emoluments payable to the remaining two individuals for the year ended 31 March 2021 are as follows (2020: two):

| | Year ended 31 March | |
|--|---------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Wages and salaries | 643 | 605 |
| Bonus and commissions | 1,091 | 1,958 |
| Pension costs — defined contribution plans | 36 | 36 |
| | 1,770 | 2,599 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATIONS) *(Continued)*

(b) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

| | Number of individuals | |
|-----------------------------|-----------------------|----------|
| | Year ended 31 March | |
| | 2021 | 2020 |
| Emolument bands | | |
| HK\$nil–HK\$1,000,000 | 1 | – |
| HK\$1,000,001–HK\$1,500,000 | 1 | 2 |
| | 2 | 2 |

During the year ended 31 March 2021, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2020: nil).

9 FINANCE INCOME, NET

| | Year ended 31 March | |
|--|---------------------|------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Finance income | | |
| Bank interest income | 299 | 1,088 |
| Finance cost | | |
| Finance cost related to leases liabilities <i>(Note 12(b))</i> | (97) | (99) |
| Finance income, net | 202 | 989 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX EXPENSES

| | Year ended 31 March | |
|--------------------------------|---------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Current income tax — Hong Kong | 636 | 1,755 |
| Over provision for prior years | (2) | — |
| Deferred income tax | (41) | (47) |
| Income tax expenses | 593 | 1,708 |

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 | |
|--|---------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Profit before income tax | 9,936 | 15,015 |
| Tax calculated at 16.5% (2020: 16.5%) | 1,639 | 2,477 |
| Tax effect of: | | |
| Income not subject to tax | (920) | (179) |
| Expenses not deductible for tax purpose | 675 | 422 |
| Share of results of associates | (594) | (313) |
| Tax losses utilised | — | (455) |
| Over provision for prior years | (2) | — |
| One-off tax reduction | (40) | (79) |
| Tax concession under two-tiered profits rates regime | (165) | (165) |
| Income tax expenses | 593 | 1,708 |

For the tax assessment year ended 31 March 2021, Hong Kong profits tax of a subsidiary is levied at progressive rate at 8.25% (2020: 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% (2020: 16.5%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 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 | |
|---|---------------------|-------------|
| | 2021 | 2020 |
| Profit attributable to owners of the Company during the year (HK\$'000) | 9,343 | 13,307 |
| Weighted average number of ordinary shares in issue | 270,000,000 | 270,000,000 |
| Basic earnings per share (Hong Kong cents) | 3.46 | 4.93 |

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12(a) PROPERTY, PLANT AND EQUIPMENT

| | Computer equipment HK\$'000 | Furniture and fixtures HK\$'000 | Office equipment HK\$'000 | Leasehold improvements HK\$'000 | Total HK\$'000 |
|---------------------------------|-----------------------------------|---------------------------------------|---------------------------------|---------------------------------------|-------------------|
| As at 1 April 2019 | | | | | |
| Cost | 2,090 | 262 | 844 | 1,718 | 4,914 |
| Accumulated depreciation | (946) | (194) | (419) | (949) | (2,508) |
| Net book amount | 1,144 | 68 | 425 | 769 | 2,406 |
| Year ended 31 March 2020 | | | | | |
| Opening net book amount | 1,144 | 68 | 425 | 769 | 2,406 |
| Additions | 116 | – | 1 | – | 117 |
| Depreciation (Note 6) | (402) | (51) | (215) | (329) | (997) |
| Closing net book amount | 858 | 17 | 211 | 440 | 1,526 |
| As at 1 April 2020 | | | | | |
| Cost | 2,206 | 262 | 845 | 1,718 | 5,031 |
| Accumulated depreciation | (1,348) | (245) | (634) | (1,278) | (3,505) |
| Net book amount | 858 | 17 | 211 | 440 | 1,526 |
| Year ended 31 March 2021 | | | | | |
| Opening net book amount | 858 | 17 | 211 | 440 | 1,526 |
| Additions | 267 | – | 40 | – | 307 |
| Depreciation (Note 6) | (348) | (17) | (161) | (300) | (826) |
| Closing net book amount | 777 | – | 90 | 140 | 1,007 |
| As at 31 March 2021 | | | | | |
| Cost | 2,473 | 262 | 885 | 1,718 | 5,338 |
| Accumulated depreciation | (1,696) | (262) | (795) | (1,578) | (4,331) |
| Net book amount | 777 | – | 90 | 140 | 1,007 |

All depreciation during the year ended 31 March 2021 was charged to administrative expenses (2020: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12(b) RIGHT-OF-USE ASSETS AND LEASES LIABILITIES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

| | Year ended 31 March | |
|---------------------|---------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Right-of-use assets | | |
| Office premises | 1,670 | 2,126 |
| Lease liabilities | | |
| Current | 1,069 | 1,188 |
| Non-current | 647 | 971 |
| | 1,716 | 2,159 |

Additions to the right-of-use assets during the 2021 financial year were 853,000 (2020: HK\$2,134,000).

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

| | Note | Year ended 31 March | |
|---|------|---------------------|------------------|
| | | 2021 HK\$'000 | 2020 HK\$'000 |
| Depreciation charge of right-of-use assets | | | |
| Office premises | 6 | (1,309) | (1,161) |
| Finance cost related to lease liabilities | 9 | (97) | (99) |
| Expenses relating to leases short-term assets | 6 | – | (152) |

The total cash outflow for leases in 2021 was HK\$1,490,000 (2020: HK\$1,379,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12(b) RIGHT-OF-USE ASSETS AND LEASES LIABILITIES *(Continued)*

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices premises. Rental contracts are typically made for fixed periods of 2 to 4 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the rental deposits in the leased assets that are held by the lessor. Leased assets were not be used as security for borrowing purposes.

(iv) There are no variable lease payments contained in the leases.

(v) There are no extension and termination options contained in the leases.

13 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 March 2021:

| Name of subsidiaries | Place and date of incorporation | Issued and fully paid capital | Attributable equity interest of the Group as at 31 March | | Principal activities/ place of operation |
|--------------------------------------|---------------------------------|-------------------------------|--|------|--|
| | | | 2021 | 2020 | |
| Indirectly owned: | | | | | |
| Blackpaper Limited | Hong Kong, 30 November 2010 | HK\$1,000,009 | 100% | 100% | Provision of creative multimedia services and advertising campaign and publication of periodicals and books, Hong Kong |
| Whitepaper Publishing Limited | Hong Kong, 2 December 2013 | HK\$3 | 100% | 100% | Publication of books, Hong Kong |
| General Manager Management Limited | Hong Kong, 20 August 2014 | HK\$3 | 100% | 100% | Provision of artistes management and creative multimedia services, Hong Kong |
| TV Most Broadcasts Limited | Hong Kong, 16 March 2015 | HK\$1 | 100% | 100% | Provision of creative multimedia services and advertising campaign, Hong Kong |
| French Rotational Production Limited | Hong Kong, 24 March 2017 | HK\$1 | 100% | 100% | Provision of advertising and promotion service, Hong Kong |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INVESTMENTS IN ASSOCIATES

Set out below are the associates of the Group as at 31 March 2021. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The place of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

| Name of entity | Place of business/ country of incorporation | Nature of principal activities | Measurement method | % of ownership interest | | Carrying amount | |
|---|--|--|--------------------|-------------------------|------|-----------------|----------|
| | | | | 2021 | 2020 | 2021 | 2020 |
| | | | | % | % | HK\$'000 | HK\$'000 |
| Jar Gor 1996 Limited ("Jar Gor 1996") (Note (a)) | Hong Kong | Operation of chain snack stalls in Hong Kong | Equity method | 49 | 49 | 3,369 | 3,977 |
| Café de Jar Gor Limited ("Café de Jar Gor") (Note (b)) | Hong Kong | Operation of restaurant in Hong Kong | Equity method | 49 | 49 | 3,167 | 1,591 |
| #Café de Jar Gor (2nd) Limited ("Café 2nd") (Note (c)) and (Note (e)) | Hong Kong | Operation of restaurant in Hong Kong | Equity method | 49 | – | 1,422 | – |
| Uuush Group Limited ("Uuush Group") (Note (d)) | Hong Kong | Provision of physiotherapy services | Equity method | 37 | 37 | 1,884 | 1,414 |

All of the entities listed above are private companies and there is no quoted market price available for their shares.

There are no contingent liabilities relating to the Group's interests in associates.

Notes:

- (a) On 31 December 2018, a subsidiary of the Group entered into a sale and purchase agreement with independent third parties (the "2018 Vendors") pursuant to which the 2018 Vendors agreed to sell, and the subsidiary of the Group agreed to purchase, 49% of the entire interest of Jar Gor 1996 at a consideration of HK\$2,450,000.
- (b) On 6 November 2019, a subsidiary of the Group and an independent third party, incorporated Café de Jar Gor with a total investment cost of HK\$3,000,000 and they hold 49% and 51% equity interest of Café de Jar Gor respectively.
- (c) On 31 August 2020, a subsidiary of the Group and an independent third party, incorporated Café de Jar Gor (2nd) with a total investment cost of HK\$3,000,000 and they hold 49% and 51% equity interest of Café de Jar Gor respectively.
- (d) On 2 October 2019, a subsidiary of the Group entered into a sale and purchase agreement with independent third parties (the "2019 Vendors") pursuant to which the 2019 Vendors agreed to sell, and the subsidiary of the Group agreed to purchase 37% of the entire equity interest of Uuush Group with a consideration of approximately HK\$1,111,000.
- (e) No comparative figures were presented as the associate was incorporated in 31 August 2020.

Immaterial to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INVESTMENTS IN ASSOCIATES *(Continued)*

As at 31 March 2021, total current assets, non-current assets, current liabilities and non-current liabilities of the first material associate to the Group amounted to HK\$6,374,000 (2020: HK\$7,762,000), HK\$2,335,000 (2020: HK\$6,449,000), HK\$1,569,000 (2020: HK\$5,674,000) and HK\$1,222,000 (2020: HK\$1,376,000) respectively.

As at 31 March 2021, the Group's carrying amount of the first material associate represented 49% (2020: 49%) equity interest in the closing net assets of HK\$5,918,000 (2020: HK\$7,161,000), which is HK\$2,900,000 (2020: HK\$3,509,000) and goodwill of HK\$468,000 (2020: HK\$468,000), totalling HK\$3,368,000 (2020: HK\$3,977,000).

For the year ended 31 March 2021, the revenue and profit and other comprehensive income contributed to the owners of the first material associate amounted to HK\$22,012,000 (2020: HK\$27,193,000) and HK\$1,758,000 (2020: HK\$3,000,000) respectively. Dividend received from the first material associate amounted to HK\$1,470,000 for the year ended 31 March 2021 (2020: Nil).

As at 31 March 2021, total current assets, non-current assets, current liabilities and non-current liabilities of the second material associate to the Group amounted to HK\$6,927,000 (2020: HK\$4,788,000), HK\$2,868,000 (2020: HK\$4,451,000), HK\$3,331,000 (2020: HK\$5,994,000) and Nil (2020: Nil) respectively.

As at 31 March 2021, the Group's carrying amount of the second material associate represented 49% (2020: 49%) equity interest in the closing net assets of HK\$6,464,000 (2020: HK\$3,248,000), which is HK\$3,167,000 (2020: HK\$1,591,000).

For the year ended 31 March 2021, the revenue and profit and other comprehensive income contributed to the owners of the second material associate amounted to HK\$22,823,000 (2020: HK\$4,434,000) and HK\$3,216,000 (2020: HK\$248,000) respectively.

As at 31 March 2021, total current assets, non-current assets, current liabilities and non-current liabilities of the third material associate to the Group amounted to HK\$6,635,000 (2020: HK\$2,450,000), HK\$1,375,000 (2020: HK\$3,212,000), HK\$919,000 (2020: HK\$1,841,000) and Nil (2020: Nil) respectively.

As at 31 March 2021, the Group's carrying amount of the third material associate represented 37% (2020: 37%) equity interest in the closing net assets of HK\$5,091,000 (2020: HK\$3,822,000), which is HK\$1,884,000 (2020: HK\$1,194,000).

For the year ended 31 March 2021, the revenue and profit and other comprehensive income contributed to the owners of the third material associate amounted to HK\$7,250,000 (2020: HK\$6,010,000) and HK\$3,269,000 (2020: HK\$819,000) respectively. Dividend received from the third material associate amounted to HK\$740,000 for the year ended 31 March 2021.

For the year ended 31 March 2021, the Group's share of loss and other comprehensive loss of the immaterial associate in amounted to HK\$48,000. As the immaterial associate were newly incorporated during the year, no comparative figures were shown for the year ended 31 March 2020.

During the year ended 31 March 2021, no provision for impairment with respect to the investments in associates was recognised in the consolidated statement of comprehensive income (2020: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 FINANCIAL INSTRUMENTS BY CATEGORY

| | As at 31 March | |
|---|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Financial assets at amortised cost | | |
| Trade receivables (Note 19) | 6,569 | 8,252 |
| Deposits and other receivables | 525 | 538 |
| Cash and cash equivalents (Note 18) | 84,356 | 80,807 |
| | 91,450 | 89,597 |

| | As at 31 March | |
|--|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Financial liabilities at amortised cost | | |
| Trade payables (Note 21) | 616 | 196 |
| Amounts due to associates | 1,489 | 980 |
| Other payables and accruals | 809 | 660 |
| Lease liabilities (Note 12(b)) | 1,716 | 2,159 |
| | 4,630 | 3,995 |

16 PREPAYMENTS AND DEPOSITS

| | As at 31 March | |
|----------------------------|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Current portion | | |
| Prepayments | 1,882 | 1,462 |
| Deposits | 51 | 51 |
| | 1,933 | 1,513 |
| Non-current portion | | |
| Deposits | 276 | 487 |
| | 276 | 487 |
| | 2,209 | 2,000 |

As at 31 March 2021, the carrying amounts of deposits approximated their fair values (2020: same). The carrying amounts of the deposits and other receivables were denominated in HK\$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVENTORIES

| | As at 31 March | |
|---------------------|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Books held for sale | 745 | 628 |

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$366,000 for the year ended 31 March 2021 (2020: HK\$1,005,000).

Inventories written off amounted to HK\$177,000 and recognised in cost of sales for the year ended 31 March 2021 (2020: HK\$345,000).

18 CASH AND CASH EQUIVALENTS

| | As at 31 March | |
|---------------------------------|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Cash at banks | 84,334 | 80,760 |
| Cash on hand | 22 | 47 |
| Cash and cash equivalents | 84,356 | 80,807 |
| Maximum exposure to credit risk | 84,334 | 80,760 |

Cash at banks earned interest at floating rates based on daily bank deposits rate. The carrying amounts of cash and cash equivalents approximated their fair values. The carrying amounts of the cash and cash equivalents were denominated in HK\$.

19 TRADE RECEIVABLES

| | As at 31 March | |
|---|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Trade receivables | 7,483 | 9,706 |
| Less: provision for impairment of trade receivables | (914) | (1,454) |
| | 6,569 | 8,252 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 TRADE RECEIVABLES *(Continued)*

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 | |
|-----------------|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Within 2 months | 3,432 | 5,346 |
| 2 to 4 months | 1,885 | 583 |
| 4 to 6 months | 1,140 | 94 |
| Over 6 months | 1,026 | 3,683 |
| | 7,483 | 9,706 |

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 year | 382 |
| As at 31 March 2020 and 1 April 2020 | 1,454 |
| Reversal of provision of impairment recognised during the year | (540) |
| As at 31 March 2021 | 914 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20(a) SHARE CAPITAL AND SHARE PREMIUM

Authorised share capital:

| | Number of shares | Nominal value of ordinary shares HK\$'000 |
|---|---------------------|---|
| At 1 April 2019, 31 March 2020 and 2021 | 380,000,000 | 3,800 |

Ordinary shares, issued and fully paid:

| | Number of shares | Nominal value of ordinary shares HK\$'000 | Share premium HK\$'000 |
|---|---------------------|---|------------------------------|
| At 1 April 2019, 31 March 2020 and 2021 | 270,000,000 | 2,700 | 67,028 |

20(b) OTHER RESERVES

Other reserves of the Group represent the difference of the combined share capital of the subsidiaries acquired by the Company over the nominal value of the shares issued by the Company in exchange thereof pursuant to the reorganisation completed before the listing of the ordinary shares of the Company.

21 TRADE PAYABLES

| | As at 31 March | |
|----------------|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Trade payables | 616 | 196 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE PAYABLES (Continued)

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

| | As at 31 March | |
|----------------|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Within 1 month | 342 | 171 |
| 1 to 2 months | 183 | 21 |
| 2 to 3 months | 84 | 4 |
| Over 3 months | 7 | – |
| | 616 | 196 |

22 OTHER PAYABLES AND ACCRUALS

| | As at 31 March | |
|----------------|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Other payables | 321 | 143 |
| Accruals | 2,138 | 1,796 |
| | 2,459 | 1,939 |

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\$.

23 DEFERRED INCOME TAX

The gross movement on the deferred income tax account is as follows:

| | As at 31 March | |
|--|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Accelerated tax depreciation | | |
| As at beginning of year | 93 | 140 |
| Credited to consolidated statement of comprehensive income (Note 10) | (41) | (47) |
| As at end of year | 52 | 93 |

As at 31 March 2021 and 2020, the Group has no material unrecognised deferred tax impact nor unused tax losses that can be carried forward to offset against future taxable income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax for the year to cash generated from operations

| | As at 31 March | |
|---|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Profit before income tax | 9,936 | 15,015 |
| Adjustments for: | | |
| Finance income (<i>Note 9</i>) | (299) | (1,088) |
| Depreciation of property, plant and equipment (<i>Note 12(a)</i>) | 826 | 997 |
| Depreciation of right-of-use assets (<i>Note 12(b)</i>) | 1,309 | 1,161 |
| Inventories written off (<i>Note 6</i>) | 177 | 345 |
| (Reversal)/provision of impairment losses on financial and contract assets, net (<i>Note 19</i>) | (540) | 382 |
| Share of profit of associates, net | (3,600) | (1,894) |
| Finance cost related to lease liabilities (<i>Note 9</i>) | 97 | 99 |
| | 7,906 | 15,017 |
| Changes in working capital: | | |
| – Inventories | (294) | (176) |
| – Trade receivables | 2,223 | 5,157 |
| – Prepayments, deposits and other receivables | (209) | 1,531 |
| – Trade payables | 420 | (484) |
| – Other payables and accruals | 520 | (8,019) |
| – Contract liabilities | 2,310 | (2,599) |
| Cash generated from operations | 12,876 | 10,427 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 CASH GENERATED FROM OPERATIONS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities:

| | Lease liabilities HK\$'000 |
|---|--------------------------------------|
| As at 1 April 2019 | 1,153 |
| Additions | 2,134 |
| Finance cost related to lease liabilities | 99 |
| Cash flows | (1,227) |
| As at 31 March 2020 and 1 April 2020 | 2,159 |
| Additions | 853 |
| Finance cost related to lease liabilities | 97 |
| Cash flows | (1,393) |
| At 31 March 2021 | 1,716 |

(c) Significant non-cash transaction:

Investment cost of HK\$1,489,000 payable to Café de Jar Gor remained unsettled as at 31 March 2021 (Note 25(a)).

25 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The ultimate holding company and the Ultimate Shareholders are disclosed in Note 1. Major related parties that had transactions and balances with the Group were as follows:

| Related parties | Relationship with the Group As at 31 March 2021 |
|------------------------|--|
| Mr. Iu Kar Ho | Executive Director |
| Mr. Luk Ka Chun | Executive Director |
| Mr. Tsui Ka Ho | Executive Director |
| Jar Gor 1996 | Associate |
| Café de Jar Gor | Associate |
| Café de Jar Gor (2nd) | Associate |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Balances with related parties

| | As at 31 March | |
|-----------------------------------|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Trade receivables with associates | | |
| Jar Gor 1996 | 5 | 10 |
| Café de Jar Gor | 5 | 11 |
| Café de Jar Gor (2nd) | 5 | – |
| | 15 | 21 |
| Amount due to an associate | | |
| Café de Jar Gor <i>(Note i)</i> | 1,489 | 980 |

Note:

- (i) The balance was non-trade in nature, unsecured, interest-free and repayable on demand.

(b) Transactions with related parties

Save as disclosed elsewhere in these financial statements, the following transactions were carried out with related parties:

| | Year ended 31 March | |
|-------------------------------------|---------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Digital media service income | | |
| Jar Gor 1996 | 115 | 120 |
| Café de Jar Gor | 175 | 20 |
| Café de Jar Gor (2nd) | 35 | – |
| | 325 | 140 |
| Royalty expenses | | |
| Mr. lu Kar Ho | – | (1) |
| Mr. Luk Ka Chun | – | – |
| Mr. Tsui Ka Ho | (6) | (6) |
| | (6) | (7) |

Note:

The pricing of all the above transactions was determined based on mutual negotiation and agreement between the Group and the respective related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management compensation

Key management includes Directors and top management. The compensation paid or payable to key management for employee services is shown below:

| | Year ended 31 March | |
|---|---------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Wages and salaries | 6,675 | 5,597 |
| Bonus | 73 | 96 |
| Commissions | 593 | 967 |
| Pension costs — defined contribution plan | 108 | 108 |
| | 7,449 | 6,768 |

26 DIVIDENDS

| | Year ended 31 March | |
|--|---------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Final dividend for the year ended 31 March 2020 of HK\$4.8 cents per share declared and paid (2019: HK\$5.2 cents per share) | 12,960 | 14,040 |

The Board has recommended the payment of a final dividend of HK\$3.4 cents per share for the year ended 31 March 2021, totalling approximately HK\$9,180,000 based on a total 270,000,000 shares in issue as at 31 March 2021. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' remuneration

The remuneration of every Director is set out below:

| Name of Director | Directors' fees HK\$'000 | Salaries HK\$'000 | Discretionary bonus HK\$'000 | Employer's contribution to pension scheme HK\$'000 | Total HK\$'000 |
|-------------------------------------|-----------------------------|----------------------|---------------------------------|---|-------------------|
| Year ended 31 March 2021 | | | | | |
| Executive Directors | | | | | |
| – Mr. Iu Kar Ho | – | 1,344 | – | 18 | 1,362 |
| – Mr. Luk Ka Chun | – | 1,344 | – | 18 | 1,362 |
| – Mr. Tsui Ka Ho | – | 2,344 | – | 18 | 2,362 |
| Independent Non-Executive Directors | | | | | |
| – Mr. Ho Kwong Yu | 150 | – | – | – | 150 |
| – Mr. Leung Ting Yuk | 150 | – | – | – | 150 |
| – Mr. Leung Wai Man | 150 | – | – | – | 150 |
| | 450 | 5,032 | – | 54 | 5,536 |

| Name of Director | Directors' fees HK\$'000 | Salaries HK\$'000 | Discretionary bonus HK\$'000 | Employer's contribution to pension scheme HK\$'000 | Total HK\$'000 |
|-------------------------------------|-----------------------------|----------------------|---------------------------------|---|-------------------|
| Year ended 31 March 2020 | | | | | |
| Executive Directors | | | | | |
| – Mr. Iu Kar Ho | – | 1,344 | – | 18 | 1,362 |
| – Mr. Luk Ka Chun | – | 1,344 | – | 18 | 1,362 |
| – Mr. Tsui Ka Ho | – | 1,344 | – | 18 | 1,362 |
| Independent Non-Executive Directors | | | | | |
| – Mr. Ho Kwong Yu | 150 | – | – | – | 150 |
| – Mr. Leung Ting Yuk | 150 | – | – | – | 150 |
| – Mr. Leung Wai Man | 150 | – | – | – | 150 |
| | 450 | 4,032 | – | 54 | 4,536 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' remuneration *(Continued)*

Mr. Lu, Mr. Luk and Mr. Tsui were appointed as Executive Directors of the Company on 8 June 2017. They were also the Directors of certain subsidiaries of the Company and/or employees of the Group during the year ended 31 March 2021 (2020: same).

During the year ended 31 March 2021, none of the Directors of the Company (i) received or paid any remuneration in respect of accepting office; (ii) received or paid emoluments in respect of services in connection with the management of the affairs of the Company or its subsidiary undertaking; and (iii) waived or has agreed to waive any emolument (2020: same).

(b) Directors' retirement benefits and termination benefits

During the year ended 31 March 2021, no emoluments, retirement benefits, payments or benefits in respect of termination of Directors' services were paid or made, directly or indirectly, to the Directors; nor are any payable (2020: nil).

(c) Consideration provided to third parties for making available Directors' services

During the year ended 31 March 2021, no consideration was provided to third parties for making available Directors' services (2020: nil).

(d) Information about loans, quasi-loans and other dealings in favor of Directors, controlled bodies corporate by and connected entities with such Directors

During the year ended 31 March 2021, there are no loans, quasi-loans or other dealings in favor of the Directors, their controlled bodies corporate and connected entities (2020: nil).

(e) Directors' material interests in transactions, arrangements or contracts

Except for disclosed in Notes 25(a) and 25(b), no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2021 or at any time during the year (2020: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY

| | Note | As at 31 March | |
|---|-------|------------------|------------------|
| | | 2021 HK\$'000 | 2020 HK\$'000 |
| ASSETS | | | |
| Non-current asset | | | |
| Investment in a subsidiary | 13 | 14,444 | 14,444 |
| Current assets | | | |
| Amounts due from subsidiaries | | 69,686 | 69,626 |
| Cash and cash equivalents | | 197 | 171 |
| | | 69,883 | 69,797 |
| Total assets | | 84,327 | 84,241 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 20(a) | 2,700 | 2,700 |
| Share premium | 20(a) | 67,028 | 67,028 |
| Reserves (Note (a)) | | 14,599 | 14,513 |
| Total equity | | 84,327 | 84,241 |
| LIABILITIES | | | |
| Total liabilities | | – | – |
| Total equity and liabilities | | 84,327 | 84,241 |

The balance sheet of the Company was approved for issue by the Board of Directors on 28 June 2021 and was signed on its behalf.

Iu Kar Ho
Executive Director

Luk Ka Chun
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY *(Continued)*

(a) Reserves movement of the Company

| | Other reserves HK\$'000 | (Accumulated losses)/ Retained earnings HK\$'000 | Total HK\$'000 |
|-----------------------------|-------------------------------|--|-------------------|
| Balance as at 1 April 2019 | 14,444 | (1,238) | 13,206 |
| Profit for the year | – | 15,347 | 15,347 |
| Dividends paid | – | (14,040) | (14,040) |
| Balance as at 31 March 2020 | 14,444 | 69 | 14,513 |
| Balance as at 1 April 2020 | 14,444 | 69 | 14,513 |
| Profit for the year | – | 13,046 | 13,046 |
| Dividends paid | – | (12,960) | (12,960) |
| Balance as at 31 March 2021 | 14,444 | 155 | 14,599 |

Note: The investment in a subsidiary was accounted for using the net asset value at the date of the reorganisation. The difference between the net asset value and the nominal value of issued share capital for the acquisition amounted to approximately HK\$14,444,000 was credited as other reserves.

FIVE-YEAR FINANCIAL SUMMARY

The results of the Group for the last five financial years are as follows:

| | For the year ended 31 March | | | | |
|---|-----------------------------|------------------|------------------|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 | 2017 HK\$'000 |
| Revenue | 59,108 | 76,908 | 100,481 | 86,747 | 95,228 |
| Profit and total comprehensive income attributable to the owners of the Company for the year | 9,343 | 13,307 | 15,555 | 6,917 | 36,263 |
| Basic and diluted earnings per share for profit attributable to owners of the Company (Hong Kong cents) | 3.46 | 4.93 | 5.76 | 3.40 | 17.91 |

The assets and liabilities of the Group for the last five financial years are as follows:

| | As at 31 March | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 | 2017 HK\$'000 |
| Property, plant and equipment | 1,007 | 1,526 | 2,406 | 1,498 | 1,243 |
| Current assets | 94,034 | 95,430 | 111,139 | 107,564 | 39,077 |
| Current liabilities | (11,502) | (7,242) | (17,399) | (24,361) | (10,065) |
| Net current assets | 82,532 | 88,188 | 93,740 | 83,203 | 29,012 |
| Total assets less current liabilities | 95,327 | 99,309 | 99,118 | 85,094 | 30,415 |
| Deferred income tax liabilities | (52) | (93) | (140) | (121) | (84) |
| Non-current lease liabilities | (647) | (971) | – | – | – |
| Capital and reserves attributable to the owners of the Company | 94,628 | 98,245 | 98,978 | 84,973 | 30,331 |

毛