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**Most Kwai Chung Limited**

**毛記葵涌有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1716)**

**DISCLOSEABLE TRANSACTION  
IN RELATION TO  
THE ACQUISITION OF 31% OF THE ISSUED SHARE CAPITAL OF  
THE TARGET COMPANY**

**Financial Adviser to the Company**



**雋匯國際金融有限公司**  
**Jun Hui International Finance Limited**

**THE ACQUISITION**

On 11 July 2024 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has agreed to acquire, and the Vendors have agreed to sell, the Sale Shares (representing an aggregate of 31% of the issued share capital of the Target Company) at the Consideration of HK\$2,908,152 in accordance with the terms and conditions of the Sale and Purchase Agreement.

As at the date of this announcement and prior to Completion, the Target Company is owned as to 37.5% by Vendor A, 37.5% by Vendor B, 5% by Vendor C and 20% by the Purchaser, respectively.

Completion took place immediately upon the signing of the Sale and Purchase Agreement. Upon Completion, the Target Company is owned as to 51% by the Purchaser, 22.97% by Vendor A, 22.97% by Vendor B and 3.06% by Vendor C, respectively. The Target Company then ceases to be an associate company of the Group and becomes an indirect non-wholly-owned subsidiary of the Company, and the financial results of the Target Company will be consolidated into the financial statements of the Group.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **THE ACQUISITION**

On 11 July 2024 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has agreed to acquire, and the Vendors have agreed to sell, the Sale Shares (representing an aggregate of 31% of the issued share capital of the Target Company) at the Consideration of HK\$2,908,152 in accordance with the terms and conditions of the Sale and Purchase Agreement.

## **THE SALE AND PURCHASE AGREEMENT**

The principal terms of the Sale and Purchase Agreement are set forth below:

### **Date**

11 July 2024

### **Parties**

- (i) the Purchaser;
- (ii) Vendor A;
- (iii) Vendor B; and
- (iv) Vendor C

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendors are Independent Third Parties.

### **Assets to be acquired**

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire, and the Vendors have agreed to sell the Sale Shares, representing an aggregate of 31% of the issued share capital of the Target Company. Accordingly, 14.53%, 14.53% and 1.94% of the issued share capital of the Target Company has been agreed to be acquired by the Purchaser from Vendor A, Vendor B and Vendor C, respectively.

As at the date of this announcement and prior to Completion, the Target Company is owned as to 37.5% by Vendor A, 37.5% by Vendor B, 5% by Vendor C and 20% by the Purchaser, respectively.

Further details of the Target Company are set forth under the section headed “Information on the Target Company and the Vendors — the Target Company” in this announcement.

### **Consideration**

Pursuant to the Sale and Purchase Agreement, the Consideration of HK2,908,152 shall be paid by the Purchaser to the Vendors by cash at Completion in the following manner:

- (i) HK\$1,363,196 shall be paid to Vendor A;
- (ii) HK\$1,363,196 shall be paid to Vendor B; and
- (iii) HK\$181,760 shall be paid to Vendor C.

As at the date of this announcement, the Consideration has been fully settled and funded by internal resources of the Company.

### **Basis of the Consideration**

The Consideration was determined between the Purchaser and the Vendors after arm’s length negotiations and on normal commercial terms, taking into account, among others, (i) the financial performance and business prospect of the Target Company; (ii) the appraised value for 31% equity interest in the Target Company as at 31 March 2024 of approximately HK\$3.1 million (the “**Valuation**”), which was prepared based on market approach as appraised by the Independent Valuer; and (iii) the reasons for and benefits of the Acquisition as set out in the section headed “Reasons for and benefits of the Acquisition” in this announcement. Based on the above, the Directors consider that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

### **Completion**

Pursuant to the Sale and Purchase Agreement, Completion took place immediately upon the signing of the Sale and Purchase Agreement. Upon Completion, the Target Company is owned as to 51% by the Purchaser, 22.97% by Vendor A, 22.97% by Vendor B and 3.06% by Vendor C, respectively. The Target Company then ceases to be an associate company of the Group and becomes an indirect non-wholly-owned subsidiary of the Company, and the financial results of the Target Company will be consolidated into the financial statements of the Group.

## **INFORMATION ON THE TARGET COMPANY AND THE VENDORS**

### **The Target Company**

The Target Company is a company incorporated in Hong Kong with limited liability. The Target Company is principally engaged in the provision of advertising and promotion services in Hong Kong.

As at the date of this announcement and prior to Completion, the Target Company is owned as to 37.5% by Vendor A, 37.5% by Vendor B, 5% by Vendor C and 20% by the Purchaser, respectively.

Set out below is a summary of the audited financial information of the Target Company from 4 April 2022 (i.e. the date of incorporation of the Target Company) to 31 March 2023 and for the year ended 31 March 2024, prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants:

	<b>From 4 April 2022 to 31 March 2023 <i>HK\$'000</i> (audited)</b>	<b>For the year ended 31 March 2024 <i>HK\$'000</i> (audited)</b>
Profit before taxation	245	2,042
Profit after taxation	230	1,876

The audited net asset value of the Target Company as at 31 March 2024 was approximately HK\$2.9 million.

### **The Vendors**

Vendor A is an individual residing in Hong Kong and a director of the Target Company.

Vendor B is an individual residing in Hong Kong and a director of the Target Company.

Vendor C is an individual residing in Hong Kong and an employee of the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendors are Independent Third Parties.

### **INFORMATION ON THE COMPANY AND THE PURCHASER**

#### **The Company**

The Company is a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange. The principal activity of the Company is investment holding and its major operating subsidiaries are principally engaged in the provision of digital media services, print media services and other media services which include events organisation and artistes management.

#### **The Purchaser**

The Purchaser is a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company. It is an investment holding company.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

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. Referring to the Company's annual results announcement dated 27 June 2024 for the year ended 31 March 2024, the Group aims to further promote the brand awareness and will continue placing effort in the digital media services segment to capture business opportunities brought by the digitalisation in the market.

The Target Company is principally engaged in the provision of advertising and promotion services in Hong Kong, which is in line with the Group's principal business. In view of the Target Company's financial performance and its key personnels' expertise in the advertising industry, the Directors consider that by acquiring the controlling stake of the Target Company, the Acquisition could provide synergy to the Group and benefit its market position in the advertising and media market, as well as broaden its customer base and revenue. The Directors are of the view that the Acquisition is in line with the Group's business strategy.

Based on the above, the Directors consider that the Acquisition contemplated by the Sale and Purchase Agreement is on normal commercial terms and the terms of the Sale and Purchase Agreement are fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## **VALUATION**

### **Major assumptions adopted in the Valuation**

The major assumptions of the Valuation are summarised as follows:

- there will be no major changes in the existing political, legal, economic conditions and taxation law in the jurisdiction where the Target Company currently operates or will operate, which will materially affect the revenue attributable to the Target Company and that the rates of tax payable will remain unchanged and all applicable laws and regulations will be complied with;
- the financial statements of the Target Company as provided to the Independent Valuer have been prepared in a manner which truly and accurately reflect the financial performance and financial position of the Target Company;
- the Target Company shall secure and retain competent management and key personnel to carry out and support its business operations;
- there are no other unpredictable and force majeure which will cause material adverse effect on the Target Company; and
- there will be no material changes in the Target Company's mode of business operation.

## **Methodology and multiple approach adopted in the Valuation**

The Independent Valuer considered three generally accepted valuation methodologies for the Valuation, being the market approach, the cost approach and the income approach, and considered the market approach as the most appropriate valuation approach for the Valuation as (i) it requires fewer subjective assumptions, which are not easily quantified or ascertained than the income approach; and (ii) compared to the cost approach, the market approach can better reflect the current market expectations of the relevant industry since the price multiples of comparable companies under the market approach were arrived from market consensus.

Under the market approach, the Independent Valuer considered three commonly used multiples for the Valuation, being the price to earnings (“**P/E**”) multiple, price to book (“**P/B**”) multiple and price to sale (“**P/S**”) multiple. As advised by the Independent Valuer, when a company operates at its normal earnings level such as the Target Company, the use of P/B and P/S multiples may not be an effective measure of the earnings capability of the company as it does not account for the profitability of the business, and fails to reflect the true earnings power and value of the business. Further, P/B multiple is typically applied for valuing asset-based business or company, and P/S multiple is commonly used in the valuation of companies which do not have profits. The Independent Valuer considered that P/E multiple can appropriately reflect the going concern of the Target Company and earnings shall be considered as the primary determinant of the value of a company. Given the foregoing and that the earnings of the Target Company for the latest financial year reported at its normal earnings level (i.e. without the incurrence of material one-off item), the Independent Valuer considered that adopting P/E multiple for the Valuation is fair and reasonable and is in line with the market practice.

## **Key inputs and assumptions in the Valuation**

To appraise the fair value of the Target Company, the Independent Valuer adopted the P/E multiple for the Valuation. The mean of P/E multiples of the comparable companies of the Valuation (the “**Comparable Companies**”) of approximately 9.16 times is multiplied by the net profit of the Target Company for the year ended 31 March 2024 of approximately HK\$1.9 million, and a discount for lack of marketability (the “**DLOM**”) of 42.7% is applied. As advised by the Independent Valuer, mean is adopted for the Valuation as it is commonly adopted and takes into account of all the values of the Comparable Companies and it is preferred when the data distribution is symmetrical as it accurately reflects the central tendency of all values. Details of the Comparable Companies and the DLOM are set forth below.

### *Comparable Companies*

As sourced from Bloomberg, on a best effort basis, the Independent Valuer has identified an exhaustive list of four Comparable Companies based on the following selection criteria:

- the Comparable Companies shall be listed on the Stock Exchange;
- the Comparable Companies shall be in the same industry as the Target Company (i.e. advertising and/or digital marketing industry);

- the Comparable Companies shall have positive earnings so to infer meaningful multiples for comparison; and
- the Comparable Companies shall have more than 65% of its revenue generated from provision of marketing, advertising and promotion services in Hong Kong and/or the People’s Republic of China (the “**PRC**”).

The principal business activities and the P/E multiples of the Comparable Companies are set out in the table below for illustration purpose only:

<b>Company name</b>	<b>Stock code</b>	<b>Principal business activities</b>	<b>P/E multiples (times)</b>
Hypebeast Limited	150.HK	Hypebeast Limited, through its subsidiaries, operates as a digital media company in Hong Kong, the United States, the PRC, and internationally. It operates through media and e-commerce and retail segments. The company produces and distributes youth focused digital content, which includes fashion, lifestyle, technology, art and entertainment, culture, and music to its visitors and followers, as well as offers agency services. It also engages in online retail of third-party branded clothing, shoes, accessories, homeware, and lifestyle goods on its e-commerce platform; provision of advertising spaces; and publication of magazines.	8.57
New Media Lab Limited	1284.HK	New Media Lab Limited provides integrated advertising solutions to multinational brand owners, advertising agencies, and small to medium enterprises primarily through its digital media platforms in Hong Kong.	11.57
Uju Holding Limited	1948.HK	Uju Holding Limited, together with its subsidiaries, provides digital marketing services and live-streaming e-commerce in the PRC. It offers online marketing solutions, including traffic acquisition from media platforms, content production, big data analysis, and advertising campaign optimization, as well as advertisement distribution services. The company is also involved in provision of online short video marketing solutions; live-streaming e-commerce services; and sales of goods on online media platforms.	8.90

<b>Company name</b>	<b>Stock code</b>	<b>Principal business activities</b>	<b>P/E multiples (times)</b>
Many Idea Cloud Holdings Limited	6696.HK	Many Idea Cloud Holdings Limited provides content and digital marketing services, public relations event planning services, media advertising services, and software as a service in the PRC. It also offers interactive marketing services.	7.59
<b>Mean of P/E multiples</b>			<b>9.16</b>

### *DLOM*

The Independent Valuer adopted the DLOM of 42.7% with reference to the Stout Restricted Stock Study Companion Guide 2023. The adoption of the DLOM is because ownership interests in closely-held companies are typically not readily marketable compared to similar interest in publicly listed companies, and therefore, a share of stock in a privately-held company is usually worth less than an otherwise comparable share in a publicly held company.

The Board is satisfied that (i) the Independent Valuer has the necessary professional qualifications and relevant experience to perform the valuations of the Target Company; (ii) the scope of work carried out by the Independent Valuer is appropriate for the relevant assessments; and (iii) the valuation assumptions, approach and methodologies adopted by the Independent Valuer for the relevant assessments are fair and reasonable. As such, the Board considers that the Valuation is fair and reasonable, and hence reliable as a basis for determining the Consideration.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of the Sale Shares from the Vendors by the Purchaser pursuant to terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“BVI”	British Virgin Islands



“Company”	Most Kwai Chung Limited (毛記葵涌有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1716)
“Completion”	completion of the Acquisition pursuant to the terms and conditions under the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration of the Sale Shares of HK\$2,908,152 pursuant to the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons (as defined under the Listing Rules)
“Independent Valuer”	Stirling Appraisals Limited, an independent professional valuer engaged by the Company for the purpose of the Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Most Company C Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 11 July 2024 entered into among, Vendor A, Vendor B, Vendor C and the Purchaser in respect of the Acquisition
“Sale Shares”	collectively, Sale Shares A, Sale Shares B and Sale Shares C, an aggregate of 310,000 shares and representing 31% of the issued share capital of the Target Company as at the date of this announcement
“Sale Shares A”	145,300 shares of the Target Company, which are beneficially owned by Vendor A, representing 14.53% of the issued share capital of the Target Company as at the date of this announcement and prior to Completion

“Sale Shares B”	145,300 shares of the Target Company, which are beneficially owned by Vendor B, representing 14.53% of the issued share capital of the Target Company as at the date of this announcement and prior to Completion
“Sale Shares C”	19,400 shares of the Target Company, which are beneficially owned by Vendor C, representing 1.94% of the issued share capital of the Target Company as at the date of this announcement and prior to Completion
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	To Be Honest Limited, a company incorporated in Hong Kong with limited liability, which is owned as to as to 37.5% by Vendor A, 37.5% by Vendor B, 5% by Vendor C and 20% by the Purchaser, respectively as at the date of this announcement and prior to Completion
“Valuation Report”	the valuation report dated 11 July 2024 on 31% equity interest in the Target Company as at 31 March 2024 prepared by the Independent Valuer
“Vendors”	collectively, Vendor A, Vendor B and Vendor C
“Vendor A”	Ms. Ng Sin Yi (伍倩怡), an Independent Third Party
“Vendor B”	Mr. Cheung Cho Sing (章楚昇), an Independent Third Party
“Vendor C”	Mr. Wong Ying Wai (黃英偉), an Independent Third Party
“%”	per cent.

By order of the Board  
**Most Kwai Chung Limited**  
**Iu Kar Ho**  
*Chairman and executive Director*

Hong Kong, 11 July 2024

*As at the date of this announcement, the Board comprises Mr. Iu Kar Ho (Chairman) and Mr. Luk Ka Chun, being the executive Directors; and Mr. Leung Wai Man, Mr. Ho Kwong Yu and Mr. Leung Ting Yuk, being the independent non-executive Directors.*