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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 March	
	2019	2018
Revenue	**HK$100.5 million**	HK$86.7 million
Gross profit	**HK$38.2 million**	HK$44.5 million
Net profit	**HK$15.6 million**	HK$6.9 million
Basic earnings per share	**HK5.76 cents**	HK3.40 cents

RESULTS

The board (the "Board") of directors (the "Directors") of Most Kwai Chung Limited (the "Company") is pleased to present the consolidated audited results of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 March 2019 (the "Year"), together with the comparative figures for the previous financial year ended 31 March 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 March	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**100,481**	86,747
Cost of sales	*4*	**(62,266)**	(42,225)
Gross profit		**38,215**	44,522
Other income		**85**	13
Other loss		**–**	(4)
Selling and distribution expenses	*4*	**(7,149)**	(6,252)
Administrative expenses	*4*	**(14,232)**	(26,251)
Reversal of impairment losses on financial and contract assets, net	*7*	**478**	–
		17,397	12,028
Finance income		**633**	176
Share of profit of an associate		**57**	–
Profit before income tax		**18,087**	12,204
Income tax expenses	*5*	**(2,532)**	(5,287)
Profit and total comprehensive income attributable to owners of the Company for the year		**15,555**	6,917
Basic and diluted earnings per share for profit attributable to owners of the Company (Hong Kong cents)	*6*	**5.76**	3.40

CONSOLIDATED BALANCE SHEET

	Note	As at 31 March **2019** ***HK$'000***	 2018 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,406**	1,498
Deposits		**465**	393
Investment in an associate		**2,507**	–
		5,378	1,891
Current assets			
Inventories		**797**	856
Trade receivables	*7*	**13,791**	18,856
Prepayments, deposits and other receivables		**3,066**	1,665
Current income tax recoverable		**5,124**	5,662
Cash and cash equivalents		**88,361**	80,525
		111,139	107,564
Total assets		**116,517**	109,455
EQUITY			
Equity attributable to owners of the Company			
Share capital		**2,700**	2,700
Share premium		**67,028**	67,028
Reserves		**997**	997
Retained earnings		**28,253**	14,248
Total equity		**98,978**	84,973
LIABILITIES			
Non-current assets			
Deferred income tax liabilities		**140**	121
Current liabilities			
Trade payables	*8*	**680**	1,632
Other payables and accruals		**9,958**	18,150
Receipts in advance		**–**	2,214
Contract liabilities		**4,197**	–
Current income tax liabilities		**2,564**	2,365
		17,399	24,361
Total liabilities		**17,539**	24,482
Total equity and liabilities		**116,517**	109,455

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2019

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

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

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

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

The ultimate holding company of the Group is Blackpaper Limited, a company incorporated under the laws of British Virgin Islands (the "BVI") with limited liability on 7 June 2017 ("Blackpaper BVI"). The shareholders of Blackpaper BVI are Iu Kar Ho ("Mr. Iu"), Luk Ka Chun ("Mr. Luk") and Tsui Ka Ho ("Mr. Tsui") (together as the "Ultimate Shareholders") and each of the Ultimate Shareholders owns 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.

1.2 Reorganisation

In preparing for the Listing, the following reorganisation activities (the "Reorganisation") as reflected in the comparative financial information were carried out.

Prior to the incorporation of the Company and the completion of the Reorganisation, the Business was carried out through Blackpaper Limited, a company incorporated under the laws of Hong Kong with limited liability ("Blackpaper") and its subsidiaries, namely, Whitepaper Publishing Limited ("Whitepaper Publishing"), General Manager Management Limited ("General Manager"), TV Most Broadcasts Limited ("TV Most Broadcasts") and French Rotational Production Limited ("French Rotational") (the subsidiaries of Blackpaper collectively referred as to the "Subsidiaries").

The principal steps involved in the Reorganisation are summarised below:

(i) Incorporation of Blackpaper BVI by the Ultimate Shareholders

On 7 June 2017, Blackpaper BVI was incorporated in the BVI and 1 share of US dollar ("US$") 1.00 was allotted and issued at par to each of the Ultimate Shareholders.

(ii) Incorporation of the Company by Blackpaper BVI

On 8 June 2017, the Company was incorporated in the Cayman Islands and 1 subscriber share of HK$0.01 of the Company was transferred at par to Blackpaper BVI.

On 23 June 2017, 8 shares of HK$0.01 each of the Company were allotted and issued at par to Blackpaper BVI. On the same day, 1 share of HK$0.01 of the Company was allotted and issued at par to Tronix Investment Limited ("Tronix Investment", an indirect wholly-owned subsidiary of One Media Group Limited which is listed on the Main Board of the Stock Exchange (Stock Code: 426)). Since then, the Company is owned by Blackpaper BVI and Tronix Investment as to 90% and 10% respectively.

(iii) Incorporation of Most Kwai Chung (BVI) Limited ("Most BVI") by the Company

On 9 June 2017, Most BVI was incorporated in the BVI. On 23 June 2017, 1 share of US$1.00 was allotted and issued at par to the Company. Since then, Most BVI is a direct wholly-owned subsidiary of the Company.

(iv) Incorporation of Number Eighteen Limited (incorporated in the BVI) ("Number Eighteen BVI"), General Productions Limited ("General Productions"), Most Multimedia Limited ("Most Multimedia") and Most Publishing Limited ("Most Publishing")

On 12 June 2017, Number Eighteen BVI, General Productions, Most Multimedia and Most Publishing were incorporated in the BVI. On 23 June 2017, 1 share of US$1.00 of Number Eighteen BVI, General Productions, Most Multimedia and Most Publishing was allotted and issued at par to Most BVI. Since then, Number Eighteen BVI, General Productions, Most Multimedia and Most Publishing are indirect wholly-owned subsidiaries of the Company.

(v) Acquisition of Number Eighteen Limited ("Number Eighteen") by Number Eighteen BVI

On 12 July 2017, Number Eighteen BVI acquired 100% equity interest in Number Eighteen from Blackpaper at a consideration of allotting and issuing 9 shares and 1 share of the Company to Blackpaper BVI and Tronix Investment, respectively. Since then, Number Eighteen is an indirect wholly- owned subsidiary of the Company.

(vi) Acquisitions of General Manager and French Rotational by General Productions

On 12 July 2017 and on 12 September 2017, General Productions acquired 100% equity interest in General Manager from Blackpaper at a consideration of allotting and issuing 9 shares and 1 share of the Company to Blackpaper BVI and Tronix Investment respectively. Since then, General Manager is an indirect wholly-owned subsidiary of the Company.

On 12 July 2017, General Productions acquired 100% equity interest in French Rotational from Blackpaper at a consideration of allotting and issuing 9 shares and 1 share of the Company to Blackpaper BVI and Tronix Investment respectively. Since then, French Rotational is an indirect wholly- owned subsidiary of the Company.

(vii) Acquisitions of TV Most Broadcasts and Blackpaper by Most Multimedia

On 12 July 2017, Most Multimedia acquired 100% equity interest in TV Most Broadcasts from Blackpaper at a consideration of allotting and issuing 9 shares and 1 share of the Company to Blackpaper BVI and Tronix Investment respectively. Since then, TV Most Broadcasts is an indirect wholly-owned subsidiary of the Company.

On 13 July 2017, Most Multimedia acquired 100% equity interest in Blackpaper from the Ultimate Shareholders and Tronix Investment at a consideration of allotting and issuing 9 shares and 1 share of the Company to Blackpaper BVI and Tronix Investment respectively. Since then, Blackpaper is an indirect wholly-owned subsidiary of the Company.

(viii) Acquisition of Whitepaper Publishing by Most Publishing

On 12 July 2017, Most Publishing acquired 100% equity interest in Whitepaper Publishing from the Ultimate Shareholders at a consideration of HK$2,442.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Business had been and continues to be conducted by Blackpaper and the Subsidiaries, which are directly controlled by Blackpaper of which the Ultimate Shareholders and Tronix Investment held 90% and 10% equity interests respectively. Pursuant to the Reorganisation, Blackpaper and the Subsidiaries together with the Business were transferred to and held by the Company. The Company has not been involved in any business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Business with no change in management and the ultimate owners of the Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Business conducted by Blackpaper and the Subsidiaries and the historical financial information has been prepared and presented as a continuation of the consolidated financial statements of Blackpaper and the Subsidiaries, with the results, assets and liabilities recognised and measured at the carrying amounts of the Business under the consolidated financial statements for all periods presented.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied during years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Group's accounting policies.

The following are new standards and amendments to standards which have been issued but are not effective and have not been early adopted:

		Effective for annual periods beginning on or after
Annual improvement	Annual improvement 2015–2017 cycle (amendments)	1 January 2019
Amendments to HKAS 28	Long term interests in associates and joint venture	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	*Note*
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK (IFRIC) Int-23	Uncertainty over income tax treatments issued	1 January 2019

Note: The effective date was postponed indefinitely.

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management is in the process of assessing the impacts of these standards, amendments and interpretations to existing HKFRSs and set out below are the expected impacts on the Group's financial performance and position:

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases. The standard replaces HKAS 17 'Leases' and related interpretations. The Group is a lessee of office premises, and the lease is currently classified as an operating lease. The Group's future operating lease commitments, which are not reflected in the consolidated balance sheet, under non-cancellable operating was HK$1,358,000 as at 31 March 2019.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated balance sheet. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in right-of-use asset and an increase in financial liability in the consolidated balance sheet. This will affect related ratios, such as increase in debt to capital ratio. In the statement of comprehensive income, leases will be recognised in the future as depreciation and amortisation and will no longer be recorded as property rental and related expenses. Interest expense on the lease liability will be presented separately from depreciation and amortisation under finance costs. As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the financial year beginning on or after 1 January 2019, including the adjustment of prior years. It is expected that certain portion of these lease commitments will be required to be recognised in the consolidated balance sheet as right-of-use assets and lease liabilities.

As a result of the adoption of the new standard, there will be no operating lease commitment.

For lessors, the accounting stays almost the same. Although the standard provides guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), this does not impact the Group as there are no such arrangements in place.

The management of the Group is continuing to assess the specific magnitude of the adoption of HKFRS 16 to the relevant financial statement areas and will conduct a more detailed assessment on the impact as information become available closer to the planned initial date of the Group's financial year commencing 1 April 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 New and amended standards adopted by the Group

The below explains the impact of adoption of HKFRS 9 Financial Instruments ("HKFRS 9") and HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior period.

(i) Accounting policies applied from 1 April 2018

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

(a) HKFRS 9 Financial Instruments

Investments and other financial assets

Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, 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 other comprehensive income. 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.

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 or the financial asset. Transaction costs of financial asset carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payments 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 to classify the debt instruments:

(1) 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 revenue, using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the consolidated income statement.

(2) Fair value through other comprehensive income

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 other comprehensive income, 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 other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment expenses are presented as separate line item in the consolidated income statement.

(3) Fair value through profit or loss

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 in the period in which it arises.

Equity instruments

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

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

Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. 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 life time losses to be recognised from initial recognition of the receivables.

(b) HKFRS 15 Revenue from Contracts with Customers

Sales of goods

The Group is engaged in sales of periodicals and books. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customer has accepted the products, the collection of the related consideration is probable and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

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

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is ready due, before the Group recognises the related revenue.

Provision of services

The Group is engaged in provision of range of media and advertising services. Revenue from providing services is recognised in the accounting period in which the services are rendered which generally coincide when the underlying media or advertising contents have been published which the Group has present right to payment in regard of the provision of services.

Some contracts include multiple elements with combination of types of service elements. The related type of services are accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices.

(ii) Impact of adoption

(a) Adoption of HKFRS 9

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting, which is not relevant to the Group for the year. The reclassification and the adjustments arising from the new impairment rules are therefore not reflected in the restated statement of financial position as at 31 March 2018, but are recognised in the opening statement of financial position on 1 April 2018.

The total impact on the Group's retained earnings due to classification and measurement of financial instruments as at 1 April 2018 is as follows:

	HK$'000
Opening retained earnings — HKAS 39	14,248
Increase in provision for trade receivables, net of tax	(1,550)
Adjustment to retained earnings from adoption of HKFRS 9	(1,550)
Opening retained earnings — HKFRS 9	12,698

Classification and measurement of financial instruments

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. All classes of financial assets and financial liabilities had the same carrying amounts in accordance with HKAS 39 and HKFRS 9 on 1 April 2018.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

Impairment of financial assets

The Group's significant financial assets which are subject to the new expected credit loss model include trade receivables. The Group was required to revise the impairment methodology under HKFRS 9 for these classes of financial assets.

While cash and cash equivalents and short-term bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For 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 losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. Future cash flows of each group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

Management has closely monitored the credit qualities and the collectability of the trade receivables. Trade receivables in dispute are assessed individually for impairment allowance and determined whether specific provisions are required. The adoption of the simplified expected credit loss approach under HKFRS 9 has resulted in an additional impairment loss of HK$1,550,000 for trade receivables as at 1 April 2018.

(b) Adoption of HKFRS 15

The Group has adopted HKFRS 15 from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 15, the Group has adopted the modified retrospective approach and comparatives figures have not been restated.

The accounting policies were changed to comply with HKFRS 15. HKFRS 15 replaces the provision of HKAS 18 "Revenue" ("HKAS 18") that relate to the recognition, classification and measurement of revenue and costs.

The impact on the Group's consolidated balance sheet by the application of HKFRS 15 as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 1 April 2018		
	As previously stated	**Reclassification under HKFRS 15**	**Restated**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated balance sheet (extract)			
Receipts in advance	2,214	–	–
Contract liabilities	–	2,214	2,214

The adoption of HKFRS 15 has no material impact to the Group's net assets as at 1 April 2018 and the consolidated results for the year ended 31 March 2019.

3 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker ("CODM") has been identified as the executive directors. 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 provision of one-stop advertising solution packages under which the deliverables to customers are distributed on digital media platforms managed by the Group, third parties' TV channels, internet and physical advertising spaces, subject to the needs of the customers.

Print media services

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

Other media services

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

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

Year ended 31 March 2019

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

Year ended 31 March 2018

	Digital media services *HK$'000*	Print media services *HK$'000*	Other media services *HK$'000*	Total *HK$'000*
Revenue	80,491	6,059	1,783	88,333
Inter-segment transactions	–	–	(1,586)	(1,586)
Revenue from external customers	80,491	6,059	197	86,747
Segment profit/(loss) before income tax	32,288	(3,316)	99	29,071
Unallocated expenses				(17,043)
Finance income				176
Income tax expenses				(5,287)
Profit for the year				6,917
Other information:				
Depreciation	221	384	–	605

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 2019 is presented (2018: same).

The Group derives the following types of revenue:

	2019	2018
	HK$'000	*HK$'000*
Timing of revenue recognition:		
At a point in time		
Media services income	**88,048**	78,903
Sales of periodicals and books	**3,382**	4,788
Printed advertising income	**308**	1,046
Performance income	**8,743**	2,010
	100,481	86,747

(i) Significant changes in contract liabilities:

Contract liabilities for receipt in advance have increased by HK$1,983,000 following the greater amount received from media service and performance income during the year. The increase in 2019 was mainly due to the negotiation of larger prepayments and an increase in overall contract activity.

(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.

	2019	2018
		Restated
	HK$'000	*HK$'000*
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Media service and performance contracts	**2,214**	2,486

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

4 EXPENSES BY NATURE

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

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Cost of production	**40,526**	25,588
Cost of inventories	**1,024**	1,153
Inventory written off	**223**	–
Printing cost	**331**	1,193
Employee benefit expenses, including directors' emoluments	**34,138**	24,540
Depreciation	**915**	605
Operating lease payments	**1,170**	769
Auditor's remuneration		
— Audit services	**700**	800
Professional fee	**1,558**	41
Accounting service fee	**–**	1,200
Royalties	**398**	459
Listing expenses	**–**	16,243
Others	**2,664**	2,137
Total cost of sales, selling and distribution expenses and administrative expenses	**83,647**	74,728

5 INCOME TAX EXPENSES

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Current income tax — Hong Kong	**2,564**	5,250
Over provision for prior years	**(51)**	–
Deferred income tax	**19**	37
Income tax expenses	**2,532**	5,287

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

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

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

For the year, Hong Kong profits tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime.

6 EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Profit attributable to owners of the Company during the year	**15,555**	6,917
Weighted average number of ordinary shares in issue *(Note)*	**270,000,000**	203,239,726
Basic earnings per share *(Hong Kong cents)*	**5.76**	3.40

Note:

For the year ended 31 March 2018, the weighted average number of ordinary shares for such purpose has been retrospectively adjusted for the effects of the issue of Shares in connection with the Reorganisation and the capitalisation of shares.

(b) Diluted

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

7 TRADE RECEIVABLES

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**14,863**	18,856
Less: provision for impairment of trade receivables	**(1,072)**	–
	13,791	18,856

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

Credit term 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	
	2019	2018
	HK$'000	*HK$'000*
Within 2 months	**9,481**	9,780
2 to 4 months	**3,200**	4,250
4 to 6 months	**1,018**	2,407
Over 6 months	**1,164**	2,419
	14,863	18,856

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 2018	1,550
Reversal of provisions for impairment recognised during the year	(478)
As at 31 March 2019	1,072

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

8 TRADE PAYABLES

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
Trade payables	**680**	1,632

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

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

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
Within 1 months	**558**	790
1 to 2 months	**112**	510
2 to 3 months	**1**	241
Over 3 months	**9**	91
	680	1,632

9 DIVIDENDS

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Interim and special dividends declared and paid	–	22,000

Dividends during the year ended 31 March 2018 represented dividends declared by a subsidiary now comprising the Group to the then owners of a subsidiary for the year ended 31 March 2018. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this announcement.

On 24 June 2019, the Board has recommended payment of a final dividends of HK5.2 cents per each ordinary share for the year ended 31 March 2019 to its shareholders with an aggregate amounts of approximately HK$14.0 million (2018: nil), subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Digital Media Services

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

Revenue from the digital media services increased from approximately HK$80.5 million for the year ended 31 March 2018 to approximately HK$87.3 million for the Year, representing an increase of approximately 8.4%. Segment profit before income tax was approximately HK$32.3 million and HK$19.7 million for the years ended 31 March 2018 and 2019 respectively. During the Year, the Group has continued placing effort in the digital media services segment to capture business opportunities brought by the digitalisation in the market.

Print Media Services

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

Revenue from the print media services was approximately HK$6.1 million and HK$3.9 million for the years ended 31 March 2018 and 2019 respectively. Segment loss before income tax was approximately HK$3.3 million and HK$48,000 for the years ended 31 March 2018 and 2019 respectively. Such loss was mainly due to the change of consumers' preference from print to digital media in general, which led to the decreased segment revenue of the print media services for the Year. In addition, along with the reduced sales of publications, revenue derived from the advertorial production and advertisement placement also decreased.

Other Media Services

Other media services represent events organisation and artistes management.

Revenue from the other media services was approximately HK$0.2 million and HK$9.3 million for the years ended 31 March 2018 and 2019 respectively. Segment profit before income tax was approximately HK$0.1 million and HK$0.2 million for the years ended 31 March 2018 and 2019 respectively.

Financial Review

Revenue

Revenue of the Group increased by approximately HK$13.8 million or 15.9% from approximately HK$86.7 million for the year ended 31 March 2018 to approximately HK$100.5 million for the Year. The increase was mainly attributable to the increase in revenue from digital media services and other media services segments.

Cost of Sales

The Group's cost of sales comprises direct cost incurred for the digital media services (including staff costs and production costs), print media services (including staff costs, printing costs, cost of inventories, inventory written-off, royalties and other production costs) and other media services (including staff costs and other costs incurred during organisation of events). The cost of sales increased to approximately HK$62.3 million for the Year from approximately HK$42.2 million for the year ended 31 March 2018, representing an increase of approximately HK$20.1 million or 47.6% during the Year. The increase in cost of sales was mainly due to the increase of production costs which include fees paid to third party production houses, artistes, a social media platform for boosting the original newsfeeds on such platform, and costs for preparing production props, etc.

Gross Profit and Gross Profit Margin

For the Year, the gross profit of the Group decreased by approximately HK$6.3 million or 14.2% from approximately HK$44.5 million for the year ended 31 March 2018 to approximately HK$38.2 million.

The overall gross profit margin of the Group was approximately 51.3% and 38.0% for the years ended 31 March 2018 and 2019, 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 increased moderately from approximately HK$6.3 million to HK$7.1 million for the years ended 31 March 2018 and 2019 respectively, representing an increase of 12.7%.

Administrative Expenses

Administrative expenses of the Group decreased from approximately HK$26.3 million for the year ended 31 March 2018 to approximately HK$14.2 million for the Year. Such decrease was primarily attributable to the absence of non-recurring listing expenses incurred for the Listing.

Finance Income

Finance income represented deposit bank interest income received. Approximately HK$176,000 and HK$633,000 were received by the Group for the year ended 31 March 2018 and 2019 respectively.

Profit before Income Tax

During the years ended 31 March 2018 and 2019, the profit before income tax was approximately HK$12.2 million and HK$18.1 million respectively. The increase in the profit before income tax was mainly due to the absence of non-recurring listing expenses incurred for the Listing during the Year.

Income Tax Expenses

The income tax expenses were approximately HK$5.3 million and HK$2.5 million for the years ended 31 March 2018 and 2019 respectively. The effective tax rate for the year ended 31 March 2018 was approximately 43.4%. For the Year, the Group recorded an effective tax rate of approximately 13.8% principally resulted from the absence of the tax effect from expenses not deductible for tax purpose for the year ended 31 March 2018 which significantly decreased the effective tax rate during the Year.

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

Liquidity and Financial Resources

During the Year, the Group's operation and capital requirements were financed principally through the operating activities. As at 31 March 2018 and 2019, the Group had net current assets of approximately HK$83.2 million and HK$93.7 million, respectively, including bank balances and cash of approximately HK$80.5 million and HK$88.4 million respectively. The Group's current ratio (current assets divided by current liabilities) increased from approximately 4.4 as at 31 March 2018 to approximately 6.4 as at 31 March 2019. Such increase was mainly due to a decrease in other payables and accruals. The Group's gearing ratio as at 31 March 2018 and 2019 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 2019, the Group's gearing ratio was nil (2018: nil).

Treasury Policies

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

Commitments

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

The Group's operating lease commitments amounted to approximately HK$1.8 million and HK$1.4 million as at 31 March 2018 and 2019 respectively.

Capital Structure

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

As at 31 March 2019, the Company had 270,000,000 Shares in issue.

Material Acquisitions or Disposal of Subsidiaries, Associates or Joint Ventures

On 31 December 2018, a subsidiary of the Company acquired 49% of the issued share capital of Jar Gor 1996 Limited at a consideration of approximately HK$2.5 million. Save as disclosed herein, the Group did not make any material acquisitions or disposal of subsidiaries, associates or joint ventures.

Significant Investments

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

Future Plans for Material Investments and Capital Assets

Save as those disclosed under the section headed "Business — Business Strategies" in the Prospectus, the Group currently has no other plan for material investments and capital assets.

Contingent Liabilities

The Group did not have material contingent liabilities as at 31 March 2018 and 2019.

Foreign Exchange Exposure

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

Pledge of Assets

As at 31 March 2018 and 2019, none of the Group's assets were pledged.

Employees and Remuneration Policies

The total number of full-time employees were 94 and 110 as at 31 March 2018 and 2019, 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 2018 and 2019, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK$24.5 million and HK$34.1 million, respectively.

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

Comparison of Business Strategies with Actual Business Progress

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

Business strategies as stated in the Prospectus	Actual business progress up to the date of this announcement
Pursue growth through mergers and acquisitions and/or strategic alliance	Identifying potential acquisition targets which are engaged in, among others, video productions, event marketing, digital advertising and media related services and/or technology development.
Expand the customer base and business operations through sales and marketing efforts	Hired additional sales executives to support the business growth in digital media services segment. Recruited marketing staff to assist in conducting pitching activities to build up and strengthen relationship with a broader customer base. The Company focused in event organisation during the Year. Although new sales executives and marketing staff were hired, it is expected that more new sales executives and marketing staff will be hired for our growth of our digital media services. Planned to invite selected key opinion leaders, advertising agencies and/or experts from different industries in Hong Kong to deliver seminars and training programmes relating to the business, operation and/or market development to the staff so as to keep the staff abreast of the latest market knowledge on a regular basis.
Upgrade IT infrastructure and procure equipment with advanced technologies to facilitate production efficiency	Internal IT system of the Group and new production equipment with advanced technologies has been upgraded and procured. Upgrading of the TVMost website and mobile application will be fine-tuning due to rapid change of social media trends. As a result, services provider for upgrading the website and mobile application is under selection.
Strengthen the efforts in events organisation to further extend the Group's marketing channels	Recruited a new staff who have experience in events organisation. Held three events in form of live performance.

Use of Proceeds

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

Business strategies as set out in the Prospectus	The Actual Net Proceeds	Actual use of the Actual Net Proceeds For the Year
	HK$ million	*HK$ million*
Pursue growth through mergers and acquisitions and/or strategic alliance	15.19	–
Expand the customer base and business operations through sales and marketing efforts	11.72	1.80
Upgrade IT infrastructure and procure equipment with advanced technologies to facilitate production efficiency	11.13	0.99
Strengthen the efforts in events organisation to further extend the Group's marketing channels	10.11	7.88
As working capital and for general corporate purposes	5.35	–
Total	53.50	10.67

Future Prospects

The Group faces competition from other multinational media service players and also a large number of small and medium sized companies operating 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.

DIVIDENDS

The Board has recommended the payment of a final dividend of HK5.2 cents per Share for the Year, totaling approximately HK$14.0 million based on a total of 270,000,000 Shares in issue as at the date of this announcement. (2018: Nil)

The proposed final dividend, subject to approval of the shareholders of the Company at the AGM to be held on Thursday, 8 August 2019, will be expected to be payable on or around Friday, 6 December 2019 to the shareholders whose name appear on the register of members of the Company on Friday, 16 August 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Thursday, 8 August 2019, the register of members of the Company will be closed from Friday, 2 August 2019 to Thursday, 8 August 2019, 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, 1 August 2019.

To ascertain shareholders' entitlements to the final dividend, the register of members of the Company will be closed from Thursday, 15 August 2019 to Friday, 16 August 2019, 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, 14 August 2019.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

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

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

Hong Kong, 24 June 2019

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