The following is the text of a report, prepared for the purpose of incorporation in this document, received from our Company's Reporting Accountants, [**REDACTED**]*, Certified Public Accountants, Hong Kong.*

[**REDACTED**]

The Directors

Medialink Group Limited
Guotai Junan Capital Limited

Dear Sirs,

We report on the historical financial information of Medialink Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-56, which comprises the combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 March 2016, 2017 and 2018, and the three months ended 30 June 2018 (the "Track Record Period"), and the combined statements of financial position of the Group as at 31 March 2016, 2017 and 2018 and 30 June 2018, and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-56 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 March 2016, 2017 and 2018 and 30 June 2018 and of the financial performance and cash flows of the Group for each of the Track Record Period in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the combined statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the three months ended 30 June 2017 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

[**REDACTED**]
Certified Public Accountants
Hong Kong
[Date]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 March			Three months ended 30 June	
	Notes	**2016**	**2017**	**2018**	**2017**	**2018**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
REVENUE	*6*	171,091	263,823	313,876	51,671	150,077
Cost of sales		(91,398)	(137,991)	(156,910)	(26,431)	(80,840)
Gross profit		79,693	125,832	156,966	25,240	69,237
Other income and gains, net	*6*	5,114	5,429	17,541	2,608	2,993
Selling and distribution expenses		(21,128)	(34,669)	(43,959)	(10,725)	(12,519)
General and administrative expenses		(12,252)	(17,071)	(24,869)	(5,986)	(6,104)
Other expenses, net		(6,777)	(16,828)	133	–	(970)
PROFIT BEFORE TAX	*7*	44,650	62,693	105,812	11,137	52,637
Income tax expense	*10*	(9,306)	(9,116)	(11,977)	(2,143)	(8,778)
PROFIT FOR THE YEAR/PERIOD		35,344	53,577	93,835	8,994	43,859
Attributable to:						
Owner of the parent		35,354	53,592	93,899	9,033	43,855
Non-controlling interests		(10)	(15)	(64)	(39)	4
		35,344	53,577	93,835	8,994	43,859

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 March			Three months ended 30 June	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
PROFIT FOR THE YEAR/PERIOD	35,344	53,577	93,835	8,994	43,859
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	(41)	348	(1,373)	327	487
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	35,303	53,925	92,462	9,321	44,346
Attributable to:					
Owner of the parent	35,313	53,940	92,526	9,360	44,342
Non-controlling interests	(10)	(15)	(64)	(39)	4
	35,303	53,925	92,462	9,321	44,346

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 30 June
	Notes	**2016**	**2017**	**2018**	**2018**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	9,733	8,620	8,388	8,014
Intangible assets	*14*	1,339	1,996	10,241	4,597
Prepayment and deposits	*17*	1,681	6	350	163
Total non-current assets		12,753	10,622	18,979	12,774
CURRENT ASSETS					
Licensed assets	*15*	72,702	84,623	107,824	96,069
Trade receivables	*16*	70,030	113,977	121,298	186,393
Prepayments, deposits and other receivables	*17*	1,108	3,733	2,735	3,813
Due from related parties	*26(b)*	7,810	4,658	5,280	7,488
Tax recoverable		–	2,530	870	756
Cash and cash equivalents	*18*	89,162	128,680	169,067	201,517
Total current assets		240,812	338,201	407,074	496,036
CURRENT LIABILITIES					
Trade payables	*19*	32,563	73,826	79,749	100,868
Accruals and other payables	*20*	9,712	20,264	33,309	38,847
Contract liabilities	*21*	17,799	11,270	25,865	34,753
Due to a shareholder	*26(b)*	82,998	83,473	34,477	34,185
Dividend payables		1,250	3,250	53,250	50,000
Tax payable		2,927	1,498	1,699	10,361
Total current liabilities		147,249	193,581	228,349	269,014
NET CURRENT ASSETS		93,563	144,620	178,725	227,022
Net assets		106,316	155,242	197,704	239,796
EQUITY					
Equity attributable to owner of the parent					
Issued capital	*22*	–	–	–	–
Reserves	*23*	106,326	155,267	197,793	239,796
		106,326	155,267	197,793	239,796
Non-controlling interests		(10)	(25)	(89)	–
Total equity		106,316	155,242	197,704	239,796

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Notes	Attributable to owner of the parent							
		Issued capital	Merger reserve	Other reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
		HK$'000	*HK$'000 (note 23(a))*	*HK$'000 (note 23(b))*	*HK$'000 (note 23(c))*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2015		–	–	–	326	70,687	71,013	–	71,013
Profit/(loss) for the year		–	–	–	–	35,354	35,354	(10)	35,344
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations		–	–	–	(41)	–	(41)	–	(41)
Total comprehensive income/(loss) for the year		–	–	–	(41)	35,354	35,313	(10)	35,303
At 31 March 2016 and at 1 April 2016		–	–*	–*	285*	106,041*	106,326	(10)	106,316
Profit/(loss) for the year		–	–	–	–	53,592	53,592	(15)	53,577
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations		–	–	–	348	–	348	–	348
Total comprehensive income/(loss) for the year		–	–	–	348	53,592	53,940	(15)	53,925
Contribution from a shareholder		–	1	–	–	–	1	–	1
Dividends	*11*	–	–	–	–	(5,000)	(5,000)	–	(5,000)
At 31 March 2017 and at 1 April 2017		–	1*	–*	633*	154,633*	155,267	(25)	155,242
Profit/(loss) for the year		–	–	–	–	93,899	93,899	(64)	93,835
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations		–	–	–	(1,373)	–	(1,373)	–	(1,373)
Total comprehensive income/(loss) for the year		–	–	–	(1,373)	93,899	92,526	(64)	92,462
Dividends	*11*	–	–	–	–	(50,000)	(50,000)	–	(50,000)
At 31 March 2018		–	1*	–*	(740)*	198,532*	197,793	(89)	197,704

	Notes	Attributable to owner of the parent						Non-controlling interests	Total equity
		Issued capital	Merger reserve	Other reserve	Exchange fluctuation reserve	Retained profits	Total		
		HK$'000	HK$'000 (note 23(a))	HK$'000 (note 23(b))	HK$'000 (note 23(c))	HK$'000	HK$'000	HK$'000	HK$'000
(Unaudited)									
At 1 April 2017		–	1	–	633	154,633	155,267	(25)	155,242
Profit for the period		–	–	–	–	9,033	9,033	(39)	8,994
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations		–	–	–	327	–	327	–	327
Total comprehensive income for the period		–	–	–	327	9,033	9,360	(39)	9,321
At 30 June 2017		–	1*	–*	960*	163,666*	164,627	(64)	164,563
At 1 April 2018		–	1	–	(740)	198,532	197,793	(89)	197,704
Impact on the initial application of HKFRS 9	2.2	–	–	–	–	(2,254)	(2,254)	–	(2,254)
At 1 April 2018 (as adjusted)		–	1	–	(740)	196,278	195,539	(89)	195,450
Profit for the period		–	–	–	–	43,855	43,855	4	43,859
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations		–	–	–	487	–	487	–	487
Total comprehensive income for the period		–	–	–	487	43,855	44,342	4	44,346
Acquisition of non-controlling interests	26(a)	–	–	(85)	–	–	(85)	85	–
At 30 June 2018		–	1*	(85)*	(253)*	240,133*	239,796	–	239,796

* These reserve accounts comprise the combined reserves of HK$106,326,000, HK$155,267,000, HK$197,793,000, HK$164,627,000 and HK$239,796,000 in the combined statements of financial position as at 31 March 2016, 2017 and 2018, 30 June 2017 (unaudited) and 30 June 2018, respectively.

COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March 2016	2017	2018	Three months ended 30 June 2017	2018
		HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		44,650	62,693	105,812	11,137	52,637
Adjustments for:						
Interest income	6	(29)	(65)	(192)	(20)	(76)
Gain on disposal of items of property, plant and equipment	6	(82)	–	–	–	–
Depreciation	7	1,595	1,515	1,172	312	311
Amortisation of intangible assets	7	669	1,001	1,521	191	5,644
Impairment of intangible assets	7	–	–	857	–	–
Impairment of trade receivables	7	96	8,263	78	–	707
Reversal of impairment of trade receivables	7	–	(51)	(19)	–	–
Write-off of trade receivables	7	17	366	–	–	–
Write-off of items of property, plant and equipment	7	–	3	3	–	–
Write-down/(reversal of write-down) of licensed rights to net realisable value, net	7	6,067	(405)	(1,053)	–	263
		52,983	73,320	108,179	11,620	59,486
Decrease/(increase) in licensed assets		(29,786)	(11,495)	(22,127)	(41,566)	11,464
Increase in trade receivables		(23,916)	(52,545)	(7,153)	(15,872)	(68,215)
Decrease/(increase) in prepayments, deposits and other receivables		(1,083)	(2,315)	732	2,385	(970)
Decrease/(increase) in amounts due from related parties		(4,739)	3,346	(680)	(3,061)	(2,183)
Increase/(decrease) in trade payables		(4,944)	41,231	5,765	21,678	21,264
Increase in accruals and other payables		3,339	10,544	2,149	1,133	5,641
Increase/(decrease) in contract liabilities		7,677	(6,585)	14,469	(4,110)	8,981
Cash generated from/(used in) operations		(469)	55,501	101,334	(27,793)	35,468
Hong Kong profits tax paid		(21,962)	(13,022)	(10,098)	–	–
Net cash flows from/(used in) operating activities		(22,431)	42,479	91,236	(27,793)	35,468
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		29	65	192	20	76
Purchases of items of property, plant and equipment		(171)	(808)	(295)	–	(256)
Proceeds from disposal of items of property, plant and equipment		82	–	–	–	–
Prepayment for purchases of intangible assets		(1,428)	–	–	–	–
Purchases of intangible assets		–	(230)	(39)	–	–
Contribution from a shareholder		–	1	–	–	–
Net cash flows from/(used in) investing activities		(1,488)	(972)	(142)	20	(180)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid		(1,250)	(3,000)	–	–	(3,250)
Advance from a shareholder		3,056	609	760	–	16
Repayment to a shareholder		(15,179)	–	(49,755)	(281)	(289)
Net cash flows used in financing activities		(13,373)	(2,391)	(48,995)	(281)	(3,523)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(37,292)	39,116	42,099	(28,054)	31,765
Cash and cash equivalents at the beginning of the year/period		126,419	89,162	128,680	128,680	169,067
Effect of foreign exchange rate changes, net		35	402	(1,712)	(263)	685
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD		89,162	128,680	169,067	100,363	201,517
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	18	89,162	128,680	169,067	100,363	201,517

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Medialink Group Limited is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The principal place of business of the Company is located at Suite 1001, 10/F, Tower I, South Seas Centre, 75 Mody Road, Tsim Sha Tsui East, Hong Kong. In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is RLA Company Limited, which is incorporated in the British Virgin Islands ("BVI").

The Company is an investment holding company. During the Track Record Period, the Company's subsidiaries were involved in the following principal activities:

- media content distribution and investment in media content production
- brand licensing

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in "Reorganisation" in "History, Reorganisation and Corporate Structure" in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Medialink Animation International Limited *(notes (a) and (f))*	Hong Kong 11 August 2000	HK$2	–	100	Sub-licensing of brands; and provision of licensing agency services
Medialink Pacific Limited *(note (e))*	BVI 27 September 2000	United States dollar ("US$") 1	–	100	Inactive
Medialink Entertainment Limited *(note (a))*	Hong Kong 13 October 2000	HK$10	–	100	Distribution of licensed media content; sub-licensing of brands; theatrical release; and investment in media content production
Medialink (Far East) Limited *(note (a))*	Hong Kong 11 July 2001	HK$2	–	100	Sub-licensing of brands; and provision of licensing agency services
Medialink Brand Management Pte Limited *(note (e))*	Singapore 21 August 2006	Singapore dollar ("SGD") 10	–	100	Provision of licensing agency services

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Medialink (Asia) Limited *(note (e))*	Samoa 2 October 2009	US$1	–	100	Investment holding
羚邦星藝文化發展(上海)有限公司 Medialink (Shanghai) Co., Limited* *(note (d))*	People's Republic of China ("PRC")/ Mainland China 14 September 2012	US$850,000	–	100	Provision of sales, marketing and administrative support services to group companies
Whateversmiles Limited *(notes (b) and (f))*	Hong Kong 4 December 2015	HK$100	–	100	Investment holding and investment in media content production
Medialink Holdings Limited *(note (c))*	Hong Kong 29 July 2016	HK$1,000	–	100	Investment holding
Whateversmiles 株式會社 *(note (e))*	Japan 3 April 2017	Japanese Yen ("JPY") 5,000,000	–	100	Investment in media content production
Medialink Entertainment Holdings Limited *(note (e))*	BVI 13 November 2018	US$1	100	–	Investment holding
Medialink Licensing Holdings Limited *(note (e))*	BVI 13 November 2018	US$1	100	–	Investment holding
Medialink Investment Holdings Limited *(note (e))*	BVI 13 November 2018	US$1	100	–	Investment holding

* *For identification purpose only.*

Notes:

(a) The statutory financial statements of these entities for the years ended 31 March 2016 and 2017 prepared under Hong Kong Small and Medium-sized Entity Financial Reporting Standard ("**SME-FRS**") were audited by Crowe Horwath (HK) CPA Limited, certified public accountants registered in Hong Kong and those for the year ended 31 March 2018 prepared under Hong Kong Financial Reporting Standards were audited by Ernst & Young, Hong Kong.

(b) The statutory financial statements of the entity for the period from 4 December 2015 (date of incorporation) to 31 March 2017 prepared under SME-FRS were audited by Crowe Horwath (HK) CPA Limited and those for the year ended 31 March 2018 prepared under Hong Kong Financial Reporting Standards were audited by Ernst & Young, Hong Kong.

(c) The statutory financial statements of the entity for the period from 29 July 2016 (date of incorporation) to 31 March 2017 and year ended 31 March 2018 prepared under HKFRSs were audited by Ernst & Young, Hong Kong.

(d) The entity is registered as a wholly-foreign-owned enterprise under PRC laws. The statutory financial statements for the years ended 31 December 2015 and 2016 prepared under PRC Generally Accepted Accounting Principles were audited by 上海諮實會計師事務所, certified public accountants registered in the PRC, and those for the year ended 31 December 2017 prepared under PRC Generally Accepted Accounting Principles were audited by上海戴柯榮會計師事務所有限公司, certified public accountants registered in the PRC.

(e) No statutory financial statements have been prepared for these entities for the years ended 31 March 2016, 2017 and 2018 (or since the date of incorporation, where later than the beginning of the Track Record Period) as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

(f) On 27 June 2018 and 27 August 2018, the Group acquired a 15% equity interest in Whateversmiles Limited and the entire equity interest in Medialink Animation International Limited, respectively. Further details of the transactions are set out in notes 26(a) and 30(a) to the Historical Financial Information, respectively.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Document, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Track Record Period on 26 November 2018. The companies now comprising the Group (except for Medialink Animation International Limited as further detailed in note 30(a) to the Historical Financial Information) were under the common control of Ms. Lovinia Chiu (the "Controlling Shareholder") before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period or since the date when the respective subsidiaries first came under the common control of the Controlling Shareholder, whichever is later.

The combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Track Record Period and the three months ended 30 June 2017 include the results and cash flows of all companies now comprising the Group (except for Medialink Animation International Limited) from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholder, where this is a shorter period. The combined statements of financial position of the Group as at 31 March 2016, 2017 and 2018 and 30 June 2018 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries held by parties other than the Controlling Shareholder, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 April 2018, together with the relevant transitional provisions, have been consistently applied by the Group in the preparation of the Historical Financial Information throughout the Track Record Period and in the period covered by the Interim Comparative Financial Information, except for HKFRS 9 *Financial Instruments* ("HKFRS 9") which is adopted by the Group from 1 April 2018 as the standard does not allow the use of hindsight if it is adopted retrospectively.

The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group has adopted HKFRS 9 from 1 April 2018. The Group recognised transition adjustments against the opening balance of equity at 1 April 2018 and has not restated prior years' financial information. Therefore, the financial information from 1 April 2016 to 31 March 2018 which is reported under HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39") is not comparable to the information presented for the three months ended 30 June 2018. The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the Group's financial instruments. The impacts arising from the adoption of HKFRS 9 relate to the impairment requirements.

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group has applied the simplified approach and recorded lifetime expected credit losses of trade receivables both on a specific and collective basis according to management's assessment of the recoverability of an individual receivable. Differences arising from the adoption of HKFRS 9 have been recognised directly in retained profits as of 1 April 2018 and the affected financial statements items are disclosed below:

Combined Statement of Financial Position	**Closing balance at 31 March 2018 (under HKAS 39)**	**Restatement adjustment on adoption of HKFRS 9**	**Opening balance at 1 April 2018 (under HKFRS 9)**
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Trade receivables	121,298	(2,254)	119,044
Equity			
Reserves	197,793	(2,254)	195,539

The reconciliation of the ending impairment allowances in accordance with HKAS 39 to the opening loss allowances determined in accordance with HKFRS 9 is set out in note 16.

The Historical Financial Information has been prepared under the historical cost convention.

3.1 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in the Historical Financial Information:

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements to 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17.

Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 April 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 25 to the Historical Financial Information, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$2,482,000 as at 30 June 2018. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights-of-use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of combination and business combinations

This Historical Financial Information includes the financial statements of the Company and its subsidiaries now comprising the Group for the Track Record Period and the three months ended 30 June 2017. As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using merger accounting.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Except for the common control combination as mentioned above, the results of subsidiaries are combined from the date of acquisition, being the date on which the Group obtains control, and continue to be combined until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on combination in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets and liabilities.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than licensed rights and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write-off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold properties	5% to 10%
Leasehold improvements	Over the shorter of the lease terms and 33⅓%
Furniture, fixtures and equipment	20% to 33⅓%
Computer equipment	30% to 33⅓%
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Programme rights and computer software are stated at cost less any impairment losses. Programme rights are amortised based on the proportion of actual income earned during the year to the total estimated income. The computer software is amortised on a straight-line basis over its estimated useful life of 5 years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Before 1 April 2018, financial assets are classified, at initial recognition, as loans and receivables.

From 1 April 2018, financial assets are classified, at initial recognition, as financial assets at fair value either through other comprehensive income or through profit or loss and financial assets at amortised cost. The Group determines the classification of its financial assets at initial recognition.

Subsequent measurement of debt instruments

Before 1 April 2018, loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are included in profit or loss.

From 1 April 2018, 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. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in profit or loss using the effective interest rate method.

- 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 flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("OCI"). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains or 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. Interest income from these financial assets is recognised to profit or loss using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises. Interest income from these financial assets is included in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's combined statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (Policy applicable before 1 April 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Impairment of financial assets (Policy applicable from 1 April 2018)

The Group recognises a loss allowance for expected credit losses ("ECLs") on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables and deposits, an amount due from a shareholder, and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instruments.

Lifetime ECLs represent the ECLs that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events that are possible within 12 months after the reporting date.

The Group always recognises lifetime ECLs for trade receivables and measures the lifetime ECLs on a specific basis according to management's assessment of the recoverability of an individual receivable. Management considers the number of days that an individual receivable is outstanding, historical experience and forward-looking information to determine the recoverability of the trade receivable.

All other financial instruments are subject to impairment under the general approach and they are classified within the following stages for the measurement of ECLs.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Significant increase in credit risk

In assessing whether the credit risk on financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligation;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligation.

Despite the aforementioned, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if: (i) it has a low risk of default (i.e., no default history); (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

Based on historical experience, the Group considers that default has occurred and additional credit risk mitigating measures will be taken when the instrument is more than one year past due. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Measurement and recognition of ECLs

The measurement of ECLs is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, ECLs are estimated as the difference between the total of contractual cash flows that are due to the Group in accordance with the contracts and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost of the financial asset.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedure, taking into account legal advice where appropriate. Any recoveries made are recognised directly in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the combined statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Licensed assets

Licensed assets relate to media content distribution rights and brand sub-licensing rights (collectively "licensed rights") granted by licensors to the Group over a definitive licence period.

Licensed rights are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

When the Group has signed the licensing agreements and when the licence period has yet to begin, these acquisition costs are recorded as prepayments included in "Licensed assets".

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is recognised in profit or loss.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contracts.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries/jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue from contracts with customers

Revenue is recognised when the Group has fulfilled the obligations stated in the contracts, and when the Group has transferred control over relative goods or services to the customer, on the following bases:

Media content distribution

The Group distributes media content including animation series, variety shows, drama series, animated and live-action feature films and other video content, which are licensed from third party media content licensors, to customers. Content licensing agreements are entered into with the media content licensors which have definitive licence periods and give the Group the rights to sub-licence the right of use of the media content to other third parties. The Group then enters into content sub-licensing agreements with customers for a period that falls within the original licence period with the licensors, pursuant to which the Group will grant exclusive or non-exclusive rights to use the media content (sub-licensed from the media content licensors) in certain territories.

As the Group takes the primarily responsibilities of content sub-licensing arrangements, including selecting the customers, providing the media content, and controlling specifications of the content sub-licensing arrangements, including the pricing and territories of distribution, it considers itself as a principal in such arrangements. Accordingly, revenue is recognised on a gross basis, which is the amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring the promised media content to customers. The relevant amounts to be paid to the media content licensors as stated in the content licensing agreements are recorded in cost of sales.

(a) Distribution of licensed media content

The Group recognises revenue from the distribution of media content at the point in time when all the following criteria are met: (i) persuasive evidence of a sub-licensing arrangement with a customer exists; (ii) the media content have been delivered or have been made available for the customer's right to use and there is no requirement for significant continued performance by the Group; (iii) the sub-licensing period of the arrangement has begun and the customer can begin its exploitation of the media content; and (iv) collectability of the sub-licensing fee is reasonably assured.

(b) Theatrical release income

Income from theatrical release represents the Group's share of box office sales from films exhibited in movie theatres, after the deduction of direct taxes and charges in relation to the exhibition. The Group's share of income is determined in accordance with the sharing ratio mutually agreed between the Group and the movie theatres.

Income from theatrical release is recognised at the point in time when all the following criteria are met: (i) the films are exhibited in movie theatres; (ii) the amount of income can be measured reliably; and (iii) the collectability of the entitled proceeds is reasonably assured.

Brand licensing

The Group obtains various rights to use third-party owned brands, which may include certain merchandising rights, location-based entertainment rights and promotion rights, and generates revenue by either sub-licensing the use of these brands to customers or acting as agent for the brand licensors.

(a) Sub-licensing of brands

Brand licensing agreements are entered into with the brand licensors which have definitive licensing periods and give the Group the rights to sub-licence the brands to other third parties. The Group then enters into brand sub-licensing agreements with customers for a period that falls within the original licence period with the licensors, pursuant to which the Group will grant non-exclusive rights for the customers to access the brands for the categories of products or consumer promotions and activities as stipulated in the sub-licensing agreements. The Group receives fixed and non-refundable amounts or minimum guarantees in advance from the licensees and recognises the amounts over the sub-licensing periods as stipulated in the relevant agreements with the licensees. In addition, the Group also earns additional sales-based royalty when cumulative royalty are in excess of the minimum guarantees and these additional royalty are recognised as revenue when the minimum guarantees are exceeded on a cumulative basis.

As the Group takes the primarily responsibilities of the brand sub-licensing arrangement, including selecting the customers and controlling the specifications of the brand sub-licensing arrangement, including the pricing and territories of distribution, it considers itself as a principal in such arrangements. Accordingly, revenue is recognised on a gross basis, which is the amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring the promised right of use to a customer. The relevant royalty to be paid to the brand licensors as stated in the brand licensing agreements are recorded in cost of sales.

(b) Provision of licensing agency services

The Group also provides integrated licensing agency services to licensors in return for agency service fees which are based on a certain percentage of the total royalty received or receivable by the licensors. The integrated licensing agency services mainly include (i) identification of potential licensees; (ii) negotiation of terms of contracts with licensees on behalf of the licensors; (iii) assist in promoting brands on behalf of licensors; and (iv) collection of royalty fees on behalf of the licensors. These services are rendered by the Group over the licensing periods of the relevant licensing agreements and the agency service fees are recognised as revenue over time.

The Group has evaluated and determined that it is not the primary obligor in the services rendered and is therefore, acting as agent in the arrangements. Accordingly, the Group recognises its revenue on a net basis, which is the Group's share of the total royalty earned by licensors.

(c) Sales of merchandise

Income from the sales of licensed merchandise is recognised at a point in time when the control of the asset is transferred to the customer, i.e., delivery of the merchandise to the customer.

Other income

Management fee and commission income

The Group provides corporate and business support services, and agency support services to a related company and the related income is recognised in the period in which the relevant services are rendered.

Interest income

Interest income is recognised on an accrual basis, using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when applicable, to the net carrying amount of the financial asset.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

The Historical Financial Information is presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the combined statements of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Principal versus agent considerations

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and will need to record revenue at the net amount that it retains for its agency services. The Group controls the goods or services when it has the ability to direct the use of, and obtain substantially all the remaining benefits from, the goods or services. This includes the ability to prevent others from directing the use or obtaining the benefits of the goods or services.

Current tax and deferred tax

The Group is subject to income taxes in multiple jurisdictions. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the current tax and deferred tax provision in the periods in which the determination is made.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Net realisable value of licensed rights

The Group performs regular review of the carrying amounts of licensed rights with reference to ageing analysis and other specific assessments including projections of expected future sales based on historical sales patterns and other specific attributes, and management experience and judgement. Based on such review, write-down of the licensed rights will be made when the carrying amounts of licensed rights decline below their estimated net realisable values. Due to changes in market and economic environment and customers' preference, actual saleability of licensed rights and actual selling prices that could be realised might be different from the original estimation and profit or loss could be affected by differences in this estimation.

Impairment of trade receivables

Before 1 April 2018

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

From 1 April 2018

The provision rate of receivables is made based on assessment of their recoverability and ageing analysis of the receivables as well as other quantitative and qualitative information and on management's judgement and assessment of the forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. Information about the ECLs on the Group's trade receivables is disclosed in note 16 to the Historical Financial Information.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the media content distribution segment distributes media content including animation series, variety shows, drama series, animated and live-action feature films and other video content, which are licensed from third party media content licensors, to customers; and

(b) the brand licensing segment either (i) obtains various rights to use third-party owned brands, which include certain merchandising rights, location-based entertainment rights and promotion rights, and sub-licenses the use of these brands to customers; or (ii) acts as an agent for the brand licensors.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income and unallocated gains, depreciation and other corporate and unallocated expenses are excluded from such measurement.

Segment assets exclude property, plant and equipment, cash and cash equivalents, balances with related parties, tax recoverable and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude amount due to a shareholder, dividend payables, tax payable, corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Year ended 31 March 2016/At 31 March 2016

	Media content distribution	Brand licensing	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Sales to external customers	147,946	23,145	171,091
Segment results	40,441	2,836	43,277
Reconciliation:			
Interest income and unallocated gains			4,355
Depreciation			(1,595)
Other corporate and unallocated expenses			(1,387)
Profit before tax			44,650
Segment assets	137,102	8,875	145,977
Reconciliation:			
Corporate and other unallocated assets			107,588
Total assets			253,565
Segment liabilities	44,287	15,179	59,466
Reconciliation:			
Corporate and other unallocated liabilities			87,783
Total liabilities			147,249
Other segment information:			
Amortisation of intangible assets	669	–	669
Impairment of trade receivables	–	96	96
Write-off of trade receivables	–	17	17
Write-down of licensed rights to net realisable value, net	6,067	–	6,067
Capital expenditure*	1,428	–	1,428

* The capital expenditure relates to purchase of intangible assets.

Year ended 31 March 2017/At 31 March 2017

	Media content distribution	Brand licensing	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Sales to external customers	234,062	29,761	263,823
Segment results	63,701	6,580	70,281
Reconciliation:			
Interest income and unallocated gains			4,748
Depreciation			(1,515)
Other corporate and unallocated expenses			(10,821)
Profit before tax			62,693
Segment assets	196,142	6,970	203,112
Reconciliation:			
Corporate and other unallocated assets			145,711
Total assets			348,823
Segment liabilities	87,923	15,237	103,160
Reconciliation:			
Corporate and other unallocated liabilities			90,421
Total liabilities			193,581
Other segment information:			
Amortisation of intangible assets	955	–	955
Impairment of trade receivables	8,028	235	8,263
Reversal of impairment of trade receivables	(51)	–	(51)
Write-off of trade receivables	210	156	366
Reversal of write-down of licensed rights to net realisable value, net	(405)	–	(405)

Year ended 31 March 2018/At 31 March 2018

	Media content distribution	Brand licensing	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Sales to external customers	291,122	22,754	313,876
Segment results	89,326	1,723	91,049
Reconciliation:			
Interest income and unallocated gains			16,311
Depreciation			(1,172)
Other corporate and unallocated expenses			(376)
Profit before tax			105,812
Segment assets	231,605	10,029	241,634
Reconciliation:			
Corporate and other unallocated assets			184,419
Total assets			426,053
Segment liabilities	124,154	14,705	138,859
Reconciliation:			
Corporate and other unallocated liabilities			89,490
Total liabilities			228,349
Other segment information:			
Amortisation of intangible assets	1,467	–	1,467
Impairment of intangible assets	857	–	857
Impairment of trade receivables	78	–	78
Reversal of impairment of trade receivables	(19)	–	(19)
Reversal of write-down of licensed rights to net realisable value, net	(1,053)	–	(1,053)
Capital expenditure*	10,584	–	10,584

* The capital expenditure relates to the purchase of intangible assets.

Three months ended 30 June 2017 (Unaudited)

	Media content distribution	Brand licensing	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Sales to external customers	46,307	5,364	51,671
Segment results	9,412	(159)	9,253
Reconciliation:			
Interest income and unallocated gains			2,251
Depreciation			(312)
Other corporate and unallocated expenses			(55)
Profit before tax			11,137
Other segment information:			
Amortisation of intangible assets	178	–	178

Three months ended 30 June 2018/At 30 June 2018

	Media content distribution	Brand licensing	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Sales to external customers	143,390	6,687	150,077
Segment results	49,373	783	50,156
Reconciliation:			
Interest income and unallocated gains			2,897
Depreciation			(311)
Other corporate and unallocated expenses			(105)
Profit before tax			52,637
Segment assets	280,766	9,089	289,855
Reconciliation:			
Corporate and other unallocated assets			218,955
Total assets			508,810
Segment liabilities	159,596	14,816	174,412
Reconciliation:			
Corporate and other unallocated liabilities			94,602
Total liabilities			269,014
Other segment information:			
Amortisation of intangible assets	5,631	–	5,631
Impairment of trade receivables	157	550	707
Write-down of licensed rights to net realisable value, net	263	–	263

Geographical information

(a) Revenue from external customers

	Year ended 31 March			Three months ended 30 June	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*	*HK$'000*
Mainland China	107,470	186,173	244,099	37,555	122,465
Hong Kong	20,419	17,761	21,820	4,074	5,855
United States of America ("United States")	7,705	20,862	15,883	2,169	13,918
Taiwan	8,835	12,246	10,468	3,944	2,050
Thailand	11,308	8,461	5,904	386	856
Others	15,354	18,320	15,702	3,543	4,933
	171,091	263,823	313,876	51,671	150,077

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at 31 March			As at 30 June
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	3,005	2,417	10,615	5,156
Mainland China	5,028	4,468	4,572	4,283
Others	4,467	3,731	3,442	3,172
	12,500	10,616	18,629	12,611

The non-current asset information above is based on the locations of the assets and excludes financial assets.

Information about major customers

Revenue from external customers contributing over 10% to the total revenue of the Group for the years ended 31 March 2016, 2017 and 2018, and the three months ended 30 June 2017 (unaudited) and 2018 is as follows:

	Year ended 31 March			Three months ended 30 June	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Customer A	26,210	N/A*	88,644	18,740	50,993
Customer B	17,218	59,351	113,978	14,722	50,904
Customer C	N/A*	60,457	38,190	N/A*	N/A*
Customer D	35,584	33,766	N/A*	–#	–#

* Less than 10% of the total revenue of the Group in the respective years/periods

\# The Group has no transactions with these customers in the respective years/periods

6. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represented the value of services rendered and the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of disaggregation of the Group's revenue from contracts with customers is as follows:

	Year ended 31 March			Three months ended 30 June	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Revenue					
Major product or service lines					
Media content distribution					
Distribution of licensed media content	144,950	234,030	286,862	45,112	142,869
Theatrical release income	2,996	32	4,260	1,195	521
	147,946	234,062	291,122	46,307	143,390
Brand licensing					
Sub-licensing of brands	16,722	21,899	13,538	3,587	4,414
Provision of licensing agency services	6,203	7,497	9,006	1,777	2,273
Sales of merchandise	220	365	210	–	–
	23,145	29,761	22,754	5,364	6,687
Total revenue from contracts with customers	171,091	263,823	313,876	51,671	150,077

	Year ended 31 March			Three months ended 30 June	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*	*HK$'000*
Geographical locations					
Media content distribution					
Mainland China	105,367	181,592	240,679	37,073	120,822
Hong Kong	15,509	10,625	19,720	3,620	4,380
United States	3,057	15,171	10,175	1,487	12,254
Taiwan	3,646	4,243	4,614	2,110	1,173
Thailand	10,586	8,138	5,861	386	846
Others	9,781	14,293	10,073	1,631	3,915
	147,946	234,062	291,122	46,307	143,390
Brand licensing					
Mainland China	2,103	4,581	3,420	482	1,643
Hong Kong	4,910	7,136	2,100	454	1,475
United States	4,648	5,691	5,708	682	1,664
Taiwan	5,189	8,003	5,854	1,834	877
Thailand	722	323	43	–	10
Others	5,573	4,027	5,629	1,912	1,018
	23,145	29,761	22,754	5,364	6,687
Total revenue from contracts with customers	171,091	263,823	313,876	51,671	150,077

	Year ended 31 March			Three months ended 30 June	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*	*HK$'000*
Timing of revenue recognition					
Point in time	155,016	244,303	294,888	46,405	145,897
Over time	16,075	19,520	18,988	5,266	4,180
Total revenue from contracts with customers	171,091	263,823	313,876	51,671	150,077

An analysis of other income and gains, net is as follows:

	Year ended 31 March			Three months ended 30 June	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*	*HK$'000*
Other income and gains, net					
Bank interest income	29	65	192	20	76
Management fee income from a related party *(note 26(a)(i))*	4,111	4,432	12,690	2,193	2,572
Commission income from a related party *(note 26(a)(ii))*	624	681	1,230	357	96
Gain on disposal of items of property, plant and equipment	82	–	–	–	–
Foreign exchange differences, net	–	–	3,347	31	241
Others	268	251	82	7	8
	5,114	5,429	17,541	2,608	2,993

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 March			Three months ended 30 June	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*	*HK$'000*
Auditor's remuneration	182	217	739	180	213
Cost of goods sold and other services rendered	90,729	137,036	155,443	26,252	75,209
Depreciation	1,595	1,515	1,172	312	311
Amortisation of intangible assets	669	1,001	1,521	191	5,644
Minimum lease payments under operating leases	1,615	2,374	2,805	771	867
Employee benefit expenses (including directors' and chief executive's remuneration *(note 8)*):					
Salaries, wages, allowances and bonuses	17,336	22,806	31,743	7,954	7,434
Pension scheme contributions (defined contribution schemes)	1,462	2,132	2,407	565	701
	18,798	24,938	34,150	8,519	8,135
Foreign exchange differences, net	597	4,805	(3,347)	(31)	(241)
Impairment of intangible assets*	–	–	857	–	–
Impairment of trade receivables*	96	8,263	78	–	707
Reversal of impairment of trade receivables*	–	(51)	(19)	–	–
Write-off of trade receivables*	17	366	–	–	–
Write-off of items of property, plant and equipment*	–	3	3	–	–
Write-down/(reversal of write-down) of licensed rights to net realisable value, net*	6,067	(405)	(1,053)	–	263

* These amounts are included in "Other expenses, net" on the face of the combined statements of profit or loss.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the Track Record Period since the Company was only incorporated subsequent to the end of the Track Record Period on 29 October 2018.

Executive directors and chief executive officer

Ms. Chiu Siu Yin Lovinia, Mr. Cheung Wai Kit, Mr. Ma Ching Fung and Ms. Chiu Siu Fung Noletta were appointed as executive directors of the Company on 29 October 2018. Ms. Chiu Siu Yin, Lovinia was appointed as the chief executive officer on 12 November 2018.

Non-executive director

Ms. Wong Hang Yee, JP was appointed as a non-executive director of the Company on 29 October 2018.

Independent non-executive directors

Ms. Leung Chan Che Ming Miranda, Mr. Fung Ying Wai Wilson and Mr. Wong Kam Pui, JP were appointed as independent non-executive directors of the Company on 29 October 2018. There were no fees or other emoluments paid or payable to the independent non-executive directors of the Company during the Track Record Period.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Fees	Salaries, allowances, and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2016					
Ms. Chiu Siu Yin, Lovinia	–	864	22	42	928
Ms. Chiu Siu Fung, Noletta	–	936	236	42	1,214
	–	1,800	258	84	2,142
Year ended 31 March 2017					
Ms. Chiu Siu Yin, Lovinia	–	1,012	86	42	1,140
Ms. Chiu Siu Fung, Noletta	–	979	86	42	1,107
	–	1,991	172	84	2,247
Year ended 31 March 2018					
Ms. Chiu Siu Yin, Lovinia	–	1,925	320	42	2,287
Ms. Chiu Siu Fung, Noletta	–	962	277	42	1,281
	–	2,887	597	84	3,568
Three months ended 30 June 2017 (Unaudited)					
Ms. Chiu Siu Yin, Lovinia	–	480	–	11	491
Ms. Chiu Siu Fung, Noletta	–	240	76	11	327
	–	720	76	22	818
Three months ended 30 June 2018					
Ms. Chiu Siu Yin, Lovinia	–	509	–	11	520
Ms. Chiu Siu Fung, Noletta	–	288	–	11	299
	–	797	–	22	819

During the Track Record Period and the three months ended 30 June 2017, no remuneration was paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during the Track Record Period and the three months ended 30 June 2017.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the years ended 31 March 2016, 2017 and 2018 and the three months ended 30 June 2017 (unaudited) and 2018 included 2, 2, 2, 2 and 2 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the Track Record Period of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 March			**Three months ended 30 June**	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Salaries, allowances and benefits in kind	2,231	2,453	3,380	839	1,076
Discretionary bonuses	601	3,333	1,490	538	–
Pension scheme contributions (defined contribution schemes)	36	36	54	15	15
	2,868	5,822	4,924	1,392	1,091

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 March			**Three months ended 30 June**	
	2016	**2017**	**2018**	**2017**	**2018**
				(unaudited)	
Nil to HK$1,000,000	2	2	1	3	3
HK$1,000,001 to HK$1,500,000	1	–	–	–	–
HK$1,500,001 to HK$2,000,000	–	–	1	–	–
HK$2,000,001 to HK$2,500,000	–	–	1	–	–
HK$4,000,001 to HK$4,500,000	–	1	–	–	–
	3	3	3	3	3

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Year ended 31 March			Three months ended 30 June	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Current – Hong Kong					
Charge for the year/period	9,305	9,116	11,972	2,143	8,778
Underprovision in prior years	1	–	–	–	–
Current – Elsewhere					
Charge for the year/period	–	–	5	–	–
Total tax charge for the year/period	9,306	9,116	11,977	2,143	8,778

A reconciliation between profit before tax multiplied by the applicable tax rate to the tax charge at the Group's effective tax rate is as follows:

	Year ended 31 March			Three months ended 30 June	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Profit before tax	44,650	62,693	105,812	11,137	52,637
Tax at the domestic rates applicable to profits in the countries where the Group operates	7,103	10,005	17,729	1,748	8,694
Adjustments in respect of current tax of previous periods	1	–	–	–	–
Income not subject to tax	(20)	(10)	(87)	(3)	(29)
Tax credit for PRC withholding tax	–	(4,966)	(5,065)	–	–
Expenses not deductible for tax	540	2,629	219	48	30
Tax losses utilised from previous periods	–	–	(1,285)	(157)	(184)
Tax losses not recognised	957	1,426	394	422	311
Others	725	32	72	85	(44)
Tax charge at the Group's effective tax rate	9,306	9,116	11,977	2,143	8,778

At 31 March 2016, 2017 and 2018 and 30 June 2018, the Group had unrecognised tax losses of HK$9,396,000, HK$16,272,000, HK$13,065,000 and HK$13,658,000, respectively, subject to the agreement by the relevant tax authorities, that are available for offsetting against future taxable profits of the companies in which the losses arose, of which, an aggregate of HK$1,383,000, HK$3,624,000, HK$2,621,000 and HK$2,916,000, respectively, are available indefinitely and the remaining will expire in around one year to ten years. Deferred tax assets have not been recognised in respect of these losses as they have mainly arisen in entities that have been loss-making, and in the opinion of the directors, it is currently not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. DIVIDENDS

No dividend has been paid or declared by the Company during the Track Record Period as it was incorporated on 29 October 2018.

The dividends declared by the companies now comprising the Group to the Controlling Shareholder during the Track Record Period and the three months ended 30 June 2017 are as follows:

	Year ended 31 March			Three months ended 30 June	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Interim dividends	–	5,000	50,000	–	–

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the Track Record Period and the three months ended 30 June 2017 on a combined basis as further explained in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2016						
At 31 March 2015 and 1 April 2015:						
Cost	11,061	653	320	818	2,589	15,441
Accumulated depreciation	(964)	(398)	(278)	(711)	(1,805)	(4,156)
Net carrying amount	10,097	255	42	107	784	11,285
At 1 April 2015, net of accumulated depreciation	10,097	255	42	107	784	11,285
Additions	–	–	46	125	–	171
Depreciation provided for the year	(806)	(81)	(33)	(87)	(588)	(1,595)
Exchange realignment	(120)	(4)	–	(4)	–	(128)
At 31 March 2016, net of accumulated depreciation	9,171	170	55	141	196	9,733
At 31 March 2016:						
Cost	10,933	649	368	939	1,960	14,849
Accumulated depreciation	(1,762)	(479)	(313)	(798)	(1,764)	(5,116)
Net carrying amount	9,171	170	55	141	196	9,733

	Leasehold properties	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2017						
At 1 April 2016, net of accumulated depreciation	9,171	170	55	141	196	9,733
Additions	–	219	159	430	–	808
Depreciation provided for the year	(804)	(247)	(72)	(196)	(196)	(1,515)
Write-off	–	–	(3)	–	–	(3)
Exchange realignment	(391)	(6)	(3)	(3)	–	(403)
At 31 March 2017, net of accumulated depreciation	7,976	136	136	372	–	8,620
At 31 March 2017:						
Cost	10,436	849	515	1,352	1,960	15,112
Accumulated depreciation	(2,460)	(713)	(379)	(980)	(1,960)	(6,492)
Net carrying amount	7,976	136	136	372	–	8,620
31 March 2018						
At 1 April 2017, net of accumulated depreciation	7,976	136	136	372	–	8,620
Additions	–	–	38	257	–	295
Depreciation provided for the year	(770)	(90)	(63)	(249)	–	(1,172)
Write-off	–	–	(3)	–	–	(3)
Exchange realignment	632	5	4	7	–	648
At 31 March 2018, net of accumulated depreciation	7,838	51	112	387	–	8,388
At 31 March 2018:						
Cost	11,335	884	561	1,638	1,960	16,378
Accumulated depreciation	(3,497)	(833)	(449)	(1,251)	(1,960)	(7,990)
Net carrying amount	7,838	51	112	387	–	8,388
30 June 2018						
At 1 April 2018, net of accumulated depreciation	7,838	51	112	387	–	8,388
Additions	–	93	52	111	–	256
Depreciation provided for the period	(211)	(14)	(19)	(67)	–	(311)
Exchange realignment	(312)	(2)	(2)	(3)	–	(319)
At 30 June 2018, net of accumulated depreciation	7,315	128	143	428	–	8,014

	Leasehold properties	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2018:						
Cost	10,877	959	611	1,733	1,960	16,140
Accumulated depreciation	(3,562)	(831)	(468)	(1,305)	(1,960)	(8,126)
Net carrying amount	7,315	128	143	428	–	8,014

14. INTANGIBLE ASSETS

	Programme rights	Computer software	Total
	HK$'000	*HK$'000*	*HK$'000*
31 March 2016			
At 1 April 2015			
Cost	3,347	–	3,347
Accumulated amortisation	(1,339)	–	(1,339)
Net carrying amount	2,008	–	2,008
Cost at 1 April 2015, net of accumulated amortisation	2,008	–	2,008
Amortisation provided during the year	(669)	–	(669)
At 31 March 2016	1,339	–	1,339
At 31 March 2016			
Cost	3,347	–	3,347
Accumulated amortisation	(2,008)	–	(2,008)
Net carrying amount	1,339	–	1,339
31 March 2017			
Cost at 1 April 2016, net of accumulated amortisation	1,339	–	1,339
Additions	1,428	230	1,658
Amortisation provided during the year	(955)	(46)	(1,001)
At 31 March 2017	1,812	184	1,996
At 31 March 2017			
Cost	4,775	230	5,005
Accumulated amortisation	(2,963)	(46)	(3,009)
Net carrying amount	1,812	184	1,996

	Programme rights	Computer software	Total
	HK$'000	*HK$'000*	*HK$'000*
31 March 2018			
Cost at 1 April 2017, net of accumulated amortisation	1,812	184	1,996
Additions	10,584	39	10,623
Amortisation provided during the year	(1,467)	(54)	(1,521)
Impairment provided during the year*	(857)	–	(857)
At 31 March 2018	10,072	169	10,241
At 31 March 2018			
Cost	15,359	269	15,628
Accumulated amortisation and impairment	(5,287)	(100)	(5,387)
Net carrying amount	10,072	169	10,241
30 June 2018			
Cost at 1 April 2018, net of accumulated amortisation and impairment	10,072	169	10,241
Amortisation provided during the period	(5,631)	(13)	(5,644)
At 30 June 2018	4,441	156	4,597
At 30 June 2018			
Cost	15,359	269	15,628
Accumulated amortisation and impairment	(10,918)	(113)	(11,031)
Net carrying amount	4,441	156	4,597

* During the year ended 31 March 2018, an impairment loss of HK$857,000 was recognised in respect of the programme rights of an animation series due to the decrease in the recoverable amount of the programme rights. As at 31 March 2018, the recoverable amount of the programme rights was determined based on a value in use calculation using cash flow projection approved by management. Since no future economic benefits is expected from certain programme rights of the Group, these programme rights were fully impaired during the year ended 31 March 2018.

The impairment of HK$857,000 was recognised in the combined statements of profit or loss and included in the "Media Content Distribution" segment.

15. LICENSED ASSETS

	As at 31 March			As at 30 June
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Licensed rights	54,638	79,070	96,503	84,067
Prepayments for licensed rights	18,064	5,553	11,321	12,002
	72,702	84,623	107,824	96,069

Licensed assets represent payments to licensors in connection with cost to obtain media content distribution rights and brand licensing rights over a definitive licensing period. These licensed assets are held to generate revenue in the ordinary course of the Group's businesses.

16. TRADE RECEIVABLES

	As at 31 March			As at 30 June
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables				
– Billed receivables	69,045	103,657	120,294	146,077
– Unbilled receivables	1,131	18,691	9,445	51,708
	70,176	122,348	129,739	197,785
Less: Impairment	(146)	(8,371)	(8,441)	(11,392)
	70,030	113,977	121,298	186,393

The Group's trading terms with its customers are mainly on credit. For the media content distribution business, the payment terms with customers are generally of two to four payments with the first payment usually due upon the submission of the letter of authorisation relating to the media content to the customer. The credit periods generally range from 30 to 45 working days after the payment milestone as specified in the underlying contracts. For the brand licensing business, the payment terms are generally of one to two payments with the first payment usually due upon the execution of the contracts. The credit period is generally 30 days after the payment milestone as specified in the underlying contracts.

The Group seeks to maintain strict control over its outstanding receivables as overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the billed trade receivables as at the end of each of the Track Record Period, based on the invoice date, is as follows:

	As at 31 March			As at 30 June
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	16,539	36,156	10,831	56,429
31 to 60 days	1,545	6,823	68,445	204
61 to 90 days	18,752	8,898	810	10,338
91 to 180 days	19,964	7,023	14,918	41,833
181 to 360 days	7,954	31,238	9,190	19,231
Over 360 days	4,291	13,519	16,100	18,042
	69,045	103,657	120,294	146,077

The movements in provision for impairment of trade receivables are as follows:

	As at 31 March			As at 30 June
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period				
As previously stated	53	146	8,371	8,441
Impairment on initial application of HKFRS 9 *(note 2.2)*	–	–	–	2,254
As adjusted	53	146	8,371	10,695
Impairment losses recognised *(note 7)*	96	8,263	78	707
Impairment losses reversed *(note 7)*	–	(51)	(19)	–
Exchange realignment	(3)	13	11	(10)
	146	8,371	8,441	11,392

From 1 April 2018, the Group has applied the simplified approach to providing allowance for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the ECLs, the trade receivables have been grouped based on shared credit risk characteristics and the days past due. ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions. During the Track Record Period, the expected loss rate for certain customers that are credit-impaired are assessed specifically by management. For other trade receivables aged more than one year past due but not credit-impaired, management has not observed objective evidence of financial difficulties of the debtors and has been taking credit risk mitigating measures. The impairment as at 30 June 2018 was determined as follows:

	Expected credit loss rate	**Gross carrying amount**	**Impairment**
		HK$'000	*HK$'000*
Credit-impaired receivables	100%	8,090	8,090
Other trade receivables aged:			
Current and within one year past due	0.8%	178,943	1,432
More than one year past due	17.4%	10,752	1,870
		197,785	11,392

The ageing analysis of the billed trade receivables that are not individually nor collectively considered to be impaired, based on the terms of the underlying contracts, is as follows:

	As at 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	24,781	27,823	74,993
Less than 3 months past due	18,361	26,172	15,605
3 to 6 months past due	5,158	4,874	1,415
7 to 12 months past due	17,005	32,410	10,363
Over 12 months past due	3,594	4,007	9,477
	68,899	95,286	111,853

Receivables that were neither past due nor impaired relate to a number of diversified customers including certain large customers with good track record with the Group for whom there was no recent history of default and no significant changes in the credit risk.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March			As at 30 June
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	1,987	2,788	1,472	2,169
Deposits	363	479	517	648
Other receivables	439	472	1,096	1,159
	2,789	3,739	3,085	3,976
Less: portion classified under non-current assets	(1,681)	(6)	(350)	(163)
Portion classified under current assets	1,108	3,733	2,735	3,813

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to deposits and receivables for which there was no recent history of default.

18. CASH AND CASH EQUIVALENTS

	As at 31 March			As at 30 June
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	89,162	128,680	169,067	201,517

At 31 March 2016, 2017 and 2018 and 30 June 2018, the cash and bank balances of the Group's PRC operation denominated in Renminbi ("RMB") amounted to approximately HK$336,000, HK$137,000, HK$455,000 and HK$2,789,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	As at 31 March			As at 30 June
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unbilled trade payables	23,870	42,862	50,961	67,983
Within 1 month	4,180	10,554	14,506	23,200
1 to 3 months	2,274	7,055	7,935	7,734
More than 3 months	2,239	13,355	6,347	1,951
	32,563	73,826	79,749	100,868

The trade payables are unsecured and non-interest-bearing. For the minimum guarantee payments to the licensors, the payment terms and the due dates are specified in the relevant contracts and are usually settled by instalments at the early stage of the relevant licensing periods. For royalty payable which exceed the minimum guarantee, the amounts are due when the Group submits the royalty reports to the licensors which is subsequent to the collection of the corresponding trade receivables from the licensees.

The unbilled trade payables relate to amounts that are unbilled payables to licensors which are calculated based on the royalty rates as stipulated in the respective licensing agreements.

20. ACCRUALS AND OTHER PAYABLES

	As at 31 March			As at 30 June
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	760	3,278	4,862	2,109
Other payables	8,952	16,986	28,447	36,738
	9,712	20,264	33,309	38,847

Other payables are non-interest-bearing and have an average term of three months.

21. CONTRACT LIABILITIES

Contract liabilities include (i) advance payments received from customers for the Group to deliver the media content or render brand licensing services; and (ii) unsatisfied performance obligations resulting from fixed-price long-term brand sub-licensing contracts as at the end of each reporting period. Contract liabilities are recognised as revenue upon the Group satisfies its performance obligations under the relevant contracts.

	As at 31 March			As at 30 June
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Media content distribution	9,376	3,715	19,396	27,801
Brand licensing	8,423	7,555	6,469	6,952
	17,799	11,270	25,865	34,753

The revenue to be recognised arising from the Group's contract liabilities is as follows:

	As at 31 March			As at 30 June
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	16,371	9,903	24,514	33,499
After one year	1,428	1,367	1,351	1,254
	17,799	11,270	25,865	34,753

Movements in contract liabilities during the Track Record Period are as follows:

	As at 31 March			As at 30 June
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	10,122	17,799	11,270	25,865
Additions	167,352	249,171	321,464	149,980
Revenue recognised during the year/period	(159,675)	(255,700)	(306,869)	(141,092)
At the end of the year	17,799	11,270	25,865	34,753

The decrease in the contract liabilities as at 31 March 2017 is mainly attributed to the delivery of the media contents during the year. The increase in contract liabilities as at 31 March 2018 and 30 June 2018 was mainly attributed to increase in advance payments received from customers.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	As at 31 March			As at 30 June
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	16,371	9,903	24,514	33,499
More than one year	1,428	1,367	1,351	1,254
	17,799	11,270	25,865	34,753
Revenue recognised from:				
Amounts included in contract liabilities at the beginning of the year/period	9,340	16,371	9,903	3,876

22. SHARE CAPITAL

On 29 October 2018, the Company was incorporated as an exempted company with limited liability incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. Upon incorporation, 1 ordinary share of HK$0.01 was issued at par for cash.

23. RESERVES

The amounts of the Group's reserves and the movements therein for each of the Track Record Period are presented in the combined statements of changes in equity on pages I-8 and I-9 of this report.

(a) Merger reserve

The merger reserve represents reserve arising from the Reorganisation.

(b) Other reserve

Other reserve mainly represents the difference between the acquisition of additional equity interest in a subsidiary from the non-controlling shareholder and the consideration paid.

(c) Exchange fluctuation reserve

Exchange fluctuation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

24. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Major non-cash transaction

During the year ended 31 March 2018, the Group acquired the programme rights of an animation series totalling HK$10,584,000 which was unpaid as at 31 March 2018.

(b) Changes in liabilities arising from financing activities

The table below details the cash flows and non-cash changes in the Group's liabilities arising from financing activities. Except as disclosed below, there were no non-cash changes in the Group's liabilities arising from financing activities.

	Amount due to a shareholder	Dividend payables
	HK$'000	*HK$'000*
At 1 April 2015	95,052	2,500
Changes from financing cash flows	(12,123)	(1,250)
Foreign exchange movement	69	–
At 31 March 2016 and at 1 April 2016	82,998	1,250
Changes from financing cash flows	609	(3,000)
Dividends declared	–	5,000
Foreign exchange movement	(134)	–
At 31 March 2017 and at 1 April 2017	83,473	3,250
Changes from financing cash flows	(48,995)	–
Dividend declared	–	50,000
Foreign exchange movement	(1)	–
At 31 March 2018 and at 1 April 2018	34,477	53,250
Changes from financing cash flows	(273)	(3,250)
Foreign exchange movement	(19)	–
At 30 June 2018	34,185	50,000

25. OPERATING LEASE COMMITMENTS

The Group leases certain of its offices, warehouses and carparks under operating lease arrangements. Leases for properties are negotiated for terms ranging from six months to two years.

At the end of each of the Track Record Period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 March			As at 30 June
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,963	696	2,459	2,348
In the second to fifth years, inclusive	507	–	333	134
	2,470	696	2,792	2,482

26. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in this report, the Group had the following material transactions with related parties during the Track Record Period and the three months ended 30 June 2017:

	Notes	Year ended 31 March			Three months ended 30 June	
		2016	2017	2018	2017	2018
		HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000* *(unaudited)*	*HK\$'000*
Medialink Animation International Limited*:						
Management fee income	*(i)*	4,111	4,432	12,690	2,193	2,572
Commission income	*(ii)*	624	681	1,230	357	96

* During the Track Record Period, Medialink Animation International Limited was a related company of the Group which was jointly controlled by the Controlling Shareholder and Ms. Chiu Siu Fung, Noletta, a director of the Company and a sister of the Controlling Shareholder. On 27 August 2018, Medialink Animation International Limited became a wholly-owned subsidiary of the Group as part of the Reorganisation. Further details of the transaction are set out in note 30(a) to the Historical Financial Information.

Notes:

(i) The management fee income was related to the corporate and business support services rendered by the Group to the related company and was charged on terms mutually agreed between the relevant parties.

(ii) The commission income was related to the agency support services rendered by the Group to the related company and was charged on terms mutually agreed between the relevant parties.

In addition, on 27 June 2018, the Group acquired a 15% equity interest in Whateversmiles Limited from Ms. Chiu Siu Fung, Noletta, thereby increasing its ownership interest from 85% to 100%, for a cash consideration of HK\$15. The consideration was determined with reference to the nominal value of the issued share capital of Whateversmiles Limited.

Whateversmiles Limited is an investment holding company which owns a 100% equity interest in Whateversmiles 株式會社, a company established in Japan primarily involved in the investment in media content production. The carrying amount of the non-controlling interests in Whateversmiles Limited at the date of acquisition was approximately HK\$85,000. The Group recognised a credit to the non-controlling interests of approximately HK\$85,000 and a debit to equity attributable to owner of the parent of approximately HK\$85,000.

(b) Outstanding balances with related parties:

The balances with related parties and a shareholder are unsecured, interest-free and repayable on demand.

Due from related parties

	Notes	As at 31 March			As at 30 June
		2016	2017	2018	2018
		HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
Medialink Animation International Limited	*(i)*	7,657	4,369	4,632	7,483
Ms. Chiu Siu Fung, Noletta	*(ii)*	153	289	648	5
		7,810	4,658	5,280	7,488

(i) Medialink Animation International Limited was jointly controlled by the Controlling Shareholder and Ms. Chiu Siu Fung, Noletta.

(ii) Ms. Chiu Siu Fung, Noletta is a director of the Company and a sister of the Controlling Shareholder.

Due to a shareholder

	As at 31 March			As at 30 June
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Ms. Chiu Siu Yin, Lovinia	82,998	83,473	34,477	34,185

(c) Compensation of key management personnel of the Group

Remuneration for key management personnel of the Group, including directors' remuneration as disclosed in note 8 to the Historical Financial Information, is as follows:

	Year ended 31 March			Three months ended 30 June	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Short term employee benefits	3,785	7,462	10,406	2,850	2,694
Post-employment benefits	120	122	165	42	47
Total compensation paid to key management personnel	3,905	7,584	10,571	2,892	2,741

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Track Record Period are as follows:

Financial assets

Financial assets at amortised cost

	As at 31 March			As at 30 June
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	70,030	113,977	121,298	186,393
Financial assets included in prepayments, deposits and other receivables	802	951	1,613	1,807
Due from related parties	7,810	4,658	5,280	7,488
Cash and cash equivalents	89,162	128,680	169,067	201,517
	167,804	248,266	297,258	397,205

Financial liabilities

Financial liabilities at amortised cost

	As at 31 March			As at 30 June
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	32,563	73,826	79,749	100,868
Financial liabilities included in accruals and other payables	2,639	4,032	14,183	13,970
Due to a shareholder	82,998	83,473	34,477	34,185
	118,200	161,331	128,409	149,023

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, the current portion of financial assets included in prepayments, deposits and other receivables, amounts due from related parties, trade payables, financial liabilities included in accruals and other payables and an amount due to a shareholder approximate to their carrying amounts largely due to the short term maturities of these instruments or the effect of discounting is not material.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents and an amount due to a shareholder. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures mainly arise from sales or purchases by operating units in currencies other than the unit's functional currencies. The majority of the Group's foreign currency purchase transactions are denominated in USD. On the other hand, the sales and disbursements are mainly denominated in USD, RMB and JPY. As HK$ is pegged to USD, the directors of the Company anticipate that there will be no significant movements in the USD/HK$ exchange rates and the exposure on US$ will not be material.

The Group's risk management principle with regard to its foreign currency denominated monetary assets, liabilities, commitments, and cash flows is to match as far as possible the values of such assets and cash flows against similarly denominated liabilities and cash flows. Decisions on either holding net short or long positions in foreign currency denominated monetary assets or liabilities are taken on a case-by-case basis and by taking into consideration the amount and duration of the exposure, market volatility, economic trends and requirements of the business.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in RMB and JPY exchange rates, with all other variables held constant, of the Group's profit before tax.

	Change in exchange rate	Increase/ (decrease) in profit before tax
		HK$'000
31 March 2016		
If HK$ weakens against RMB	5%	1,000
If HK$ strengthens against RMB	5%	(1,000)
If HK$ weakens against JPY	5%	30
If HK$ strengthens against JPY	5%	(30)
31 March 2017		
If HK$ weakens against RMB	5%	2,283
If HK$ strengthens against RMB	5%	(2,283)
If HK$ weakens against JPY	5%	55
If HK$ strengthens against JPY	5%	(55)
31 March 2018		
If HK$ weakens against RMB	5%	1,576
If HK$ strengthens against RMB	5%	(1,576)
If HK$ weakens against JPY	5%	(102)
If HK$ strengthens against JPY	5%	102
30 June 2018		
If HK$ weakens against RMB	5%	1,919
If HK$ strengthens against RMB	5%	(1,919)
If HK$ weakens against JPY	5%	238
If HK$ strengthens against JPY	5%	(238)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. At the end of each of the Track Record Period, the Group had certain concentrations of credit risk as follows:

	As at 31 March			As at 30 June
	2016	**2017**	**2018**	**2018**
	%	*%*	*%*	*%*
Trade receivables from				
The largest debtor	34	29	38	34
The five largest debtors	71	80	84	80

Maximum exposure and year-end staging at end of Track Record Period

The table below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification at the end of Track Record Period. The amounts presented are gross carrying amounts for financial assets.

30 June 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified Approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	–	–	–	186,393	186,393
Financial assets included in prepayments, deposits and other receivables – Not yet past due	1,807	–	–	–	1,807
Due from related parties	7,488	–	–	–	7,488
Cash and cash equivalents	201,517	–	–	–	201,517
	210,812	–	–	186,393	397,205

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 16 to the Historical Financial Information.

Liquidity risk

The Group's objective is to ensure there are adequate funds to meet its liquidity requirements in the short and longer terms by considering the maturity of its financial assets and liabilities and projected cash flows.

The following tables show the maturity profile of the Group's financial liabilities as at the end of each of the Track Record Period, based on the contractual undiscounted payments.

	On demand	Less than 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*
31 March 2016			
Trade payables	–	32,563	32,563
Financial liabilities included in accruals and other payables	–	2,639	2,639
Due to a shareholder	82,998	–	82,998
	82,998	35,202	118,200

	On demand	Less than 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*
31 March 2017			
Trade payables	–	73,826	73,826
Financial liabilities included in accruals and other payables	–	4,032	4,032
Due to a shareholder	83,473	–	83,473
	83,473	77,858	161,331
31 March 2018			
Trade payables	–	79,749	79,749
Financial liabilities included in accruals and other payables	–	14,183	14,183
Due to a shareholder	34,477	–	34,477
	34,477	93,932	128,409
30 June 2018			
Trade payables	–	100,868	100,868
Financial liabilities included in accruals and other payables	–	13,970	13,970
Due to a shareholder	34,185	–	34,185
	34,185	114,838	149,023

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholder, return capital to the shareholder or issue new shares. The Group is not required to comply with any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

30. EVENTS AFTER THE TRACK RECORD PERIOD

The Group had the following significant events after the Track Record Period:

(a) On 27 August 2018, the Controlling Shareholder entered into an equity transfer agreement with Ms. Chiu Siu Fung, Noletta to acquire a 50% equity interest in Medialink Animation International Limited ("MAI") for a cash consideration of HK$20 million and the transaction was completed on the same date. MAI was principally engaged in the business of the sub-licensing of brands and the provision of licensing agency services. MAI was a related company of the Group which was jointly controlled by the Controlling Shareholder and Ms. Chiu Siu Fung, Noletta before the completion of the transaction. Immediately after the acquisition, MAI became a wholly-owned subsidiary of the Group.

(b) On 23 November 2018, certain subsidiaries of the Group declared interim dividends of HK$72.5 million, which dividend payment is expected to be made prior to the [**REDACTED**].

(c) On [●], the authorised share capital of the Company increased from HK$380,000 divided into 38,000,000 shares of a par value of HK$0.01 each to HK$[50,000,000] divided into [5,000,000,000] shares of a par value of HK$0.01 each, by the creation of an additional [**REDACTED**] Shares with a par value of HK$0.01 each. The [**REDACTED**] new shares shall rank pari passu in all respects with the existing issued shares.

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2018.