

HYPEBEAST LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8359

PLACING

Sponsor



Joint Bookrunners and Joint Lead Managers



KOALA Securities Limited
樹熊證券有限公司

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

HYPEBEAST

Hypebeast Limited

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing shares	:	500,000,000 Placing Shares (comprising 400,000,000 New Shares and 100,000,000 Sale Shares)
Placing Price	:	Not more than HK\$0.14 per Placing Share (payable in full upon application, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, and subject to refund) and expected to be not less than HK\$0.12 per Placing Share
Nominal Value	:	HK\$0.01 each
Stock Code	:	8359

Sponsor



Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Placing Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) on the Price Determination Date, which is expected to be on or about Tuesday, 5 April 2016 or such later date as the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) may agree. The Placing Price will not be more than HK\$0.14 per Placing Share and is expected to be not less than HK\$0.12 per Placing Share. If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) are unable to reach an agreement on the Placing Price by the Price Determination Date, the Placing will not become unconditional and will lapse.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with our consent (for itself and on behalf of the Selling Shareholder), reduce the indicative Placing Price range below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, notices of reduction of the indicative Placing Price will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at hypebeast.xyz.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Placing Shares should note that the obligations of the Underwriters under the Underwriting Agreement are subject to termination by the Joint Bookrunners (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the section headed "Underwriting — Underwriting arrangements — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus.

31 March 2016

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies in which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is by publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on listed issuers.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Placing, we will issue an announcement in Hong Kong to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company's website at hypebeast.xyz.

2016 (Note 1)

Expected Price Determination Date (Note 2) Tuesday, 5 April

Announcement of the Placing Price, the indication of level of interest in the Placing and basis of allocation of the Placing Shares to be published on the Company's website at hypebeast.xyz and the website of the Stock Exchange at www.hkexnews.hk (Note 3) on Friday, 8 April

Allotment of the Placing Shares to placees (or their designated person(s)) on Friday, 8 April

Deposit of share certificates for the Placing Shares into CCASS on (Note 4) Friday, 8 April

Dealings in the Shares on GEM to commence at 9:00 a.m. on Monday, 11 April

Notes:

1. All times refer to Hong Kong local times and dates. If there is any change to the above expected timetable, the Company will make a separate announcement to inform investors accordingly. Details of the structure of the Placing, including its conditions, are set out in the section headed "Structure and Conditions of the Placing" in this prospectus.
2. The Price Determination Date, being the date on which the Placing Price is to be determined, is expected to be on or about Tuesday, 5 April 2016 or such later date as the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) may agree. If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) are unable to reach an agreement on the Placing Price by the Price Determination Date, the Placing will not become unconditional and will lapse.
3. None of the Company's website or any of the information contained in the Company's website forms part of this prospectus.
4. The share certificates for the Placing Shares are expected to be allotted and issued in the name of HKSCC Nominees Limited or in the name of the placee(s) or their agent(s) as designated by the Underwriters and/or the placing agents. Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or about Friday, 8 April 2016 for credit to the respective CCASS Participant's stock accounts designated by the Underwriters, the placees or their agents, as the case may be. No temporary documents or evidence of title will be issued.

Share certificates for the Placing Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be on Monday, 11 April 2016) provided that (i) the Placing becomes unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements — Grounds for termination" in this prospectus has not been exercised and has lapsed.

For details of the structure of the Placing, including the conditions thereto, see "Structure and Conditions of the Placing".

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus pursuant to the Placing. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Selling Shareholder, the Sponsor, the Joint Bookrunners and the Underwriters have not authorised any persons to provide you with information that is different from what is contained in this prospectus. Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by our Company, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors or affiliates of any of them, or any other persons or parties involved in the Placing. The contents of our Company's website at hypebeast.xyz do not form part of this prospectus.

	Page
CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	ii
CONTENTS	iii
SUMMARY AND HIGHLIGHTS	1
DEFINITIONS	18
GLOSSARY OF TECHNICAL TERMS	27
FORWARD-LOOKING STATEMENTS	30
RISK FACTORS	32
INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING	54
DIRECTORS AND PARTIES INVOLVED IN THE PLACING	58
CORPORATE INFORMATION	61
INDUSTRY OVERVIEW	63
REGULATORY OVERVIEW	76

CONTENTS

	<i>Page</i>
HISTORY, REORGANISATION AND CORPORATE STRUCTURE	100
BUSINESS	105
DIRECTORS AND SENIOR MANAGEMENT	153
CONTROLLING, SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS	160
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS	161
CONTINUING CONNECTED TRANSACTIONS	167
SHARE CAPITAL	168
FINANCIAL INFORMATION	171
STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS	222
UNDERWRITING	228
STRUCTURE AND CONDITIONS OF THE PLACING	237
APPENDIX I – ACCOUNTANTS’ REPORT	I-1
APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III – SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV – STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V – DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	V-1

SUMMARY AND HIGHLIGHTS

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety including the appendices hereto before you decide to invest in the Placing Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

OVERVIEW

Headquartered in Hong Kong, we are a digital media company primarily engaging in (i) the provision of advertising services to brand owners and advertising agencies on our digital media platforms; and (ii) the sale of third-party branded clothing, shoes and accessories on our e-commerce platform. We produce and distribute young-adults-focused digital content that reports the latest trends on fashion, lifestyle, culture and music to users of our digital content who do not subscribe to updates of our digital content ("**visitors**") and users who subscribe to updates of our digital content ("**followers**"). Digital content is delivered via our digital media platforms (including Hypebeast, Hypetrak and Popbee websites and apps) and popular third-party social media platforms (including Facebook, Google+, Instagram, Twitter, Pinterest, Youtube, Weibo and Snapchat). Our e-commerce platform typically carries over 300 trend leading third-party branded products. As at 1 April 2013, 31 March 2014, 31 March 2015, 30 September 2014 and 30 September 2015, the number of brands offered on our e-commerce platform was 162, 266, 383, 325 and 408, respectively, representing an increase of 246 brands during the Track Record Period. As at 1 April 2013, 31 March 2014, 31 March 2015, 30 September 2014 and 30 September 2015, the number of products offered on our e-commerce platform was over 3,900, 5,000, 7,100, 6,000 and 8,900, respectively, representing a gross increase of approximately 5,000 products during the Track Record Period.

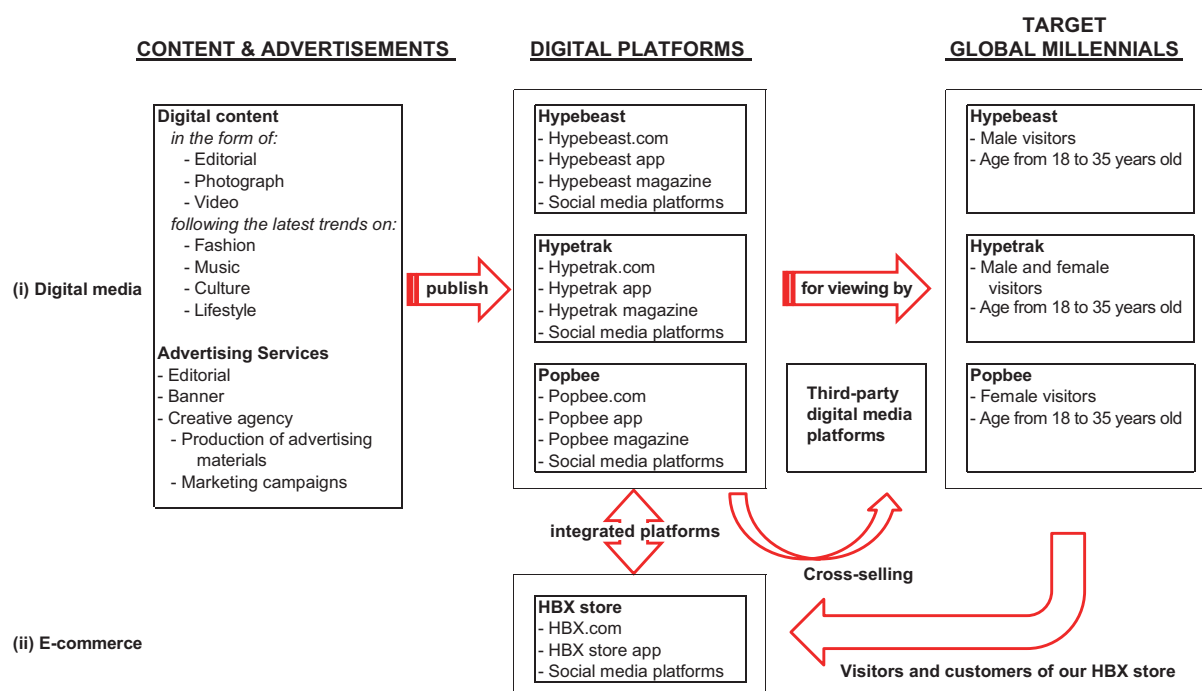
Since the inception of our Hypebeast website in April 2005 and the establishment of HBHK, our principal operating subsidiary, in January 2007, we have established ourselves as a trendsetter in the fashion market due to our ability to identify the latest fashion trends and produce content which is appealing to young adults ("**millennials**"). As at 30 September 2015, Hypebeast, Hypetrak, Popbee and HBX store recorded an aggregate of approximately 46.0 million page views per month ("**MPVs**") and approximately 5.0 million unique visitors per month ("**MUVs**") ^(Note). As at the Latest Practicable Date, our Hypebeast account on Facebook recorded a total of approximately 2.1 million page likes, and our Hypebeast accounts on Instagram and Twitter recorded approximately 2.2 million and 330,000 followers ^(Note), respectively.

Note: The aggregate number of unique visitors of our integrated digital platforms or followers of our accounts on social media platforms may include the same visitor or follower more than once if he/she visits two or more of our websites or our accounts on social media platforms.

SUMMARY AND HIGHLIGHTS

Our digital media segment primarily derives its revenue from the provision of advertising services to brand owners and advertising agencies. We attract a large number of followers and visitors globally on our digital media platforms to view our shareable digital content in the form of articles and videos and empower brand owners to reach millions of people globally. We have enjoyed continuous support from high-profile international brand owners who have used our advertising services to reach our global audience. As at the Latest Practicable Date, 126 advertising service agreements were on-going with an average contract value of approximately HK\$345,000 and an aggregate contract value of approximately HK\$43.4 million. The balance of the aggregate contract value recognised as revenue during the Track Record Period and up to the Latest Practicable Date was approximately HK\$24.3 million. The balance of the aggregate contract value not yet recognised as revenue during the Track Record Period and up to the Latest Practicable Date was approximately HK\$19.1 million. The aggregate contract values of the advertising service agreements entered into with repeated customers (customers who also engaged us in the previous financial year or engaged us more than once in the same financial year/period) for the two years ended 31 March 2015 and the period from 1 April 2015 to the Latest Practicable Date were approximately HK\$4.7 million, HK\$26.5 million and HK\$49.3 million, respectively. Our e-commerce segment primarily operates through HBX store which commenced business in May 2012 and targets millennials between the age of 18 and 35 who are also the target audience of our digital media platforms.

Set out below is the scope of our services:



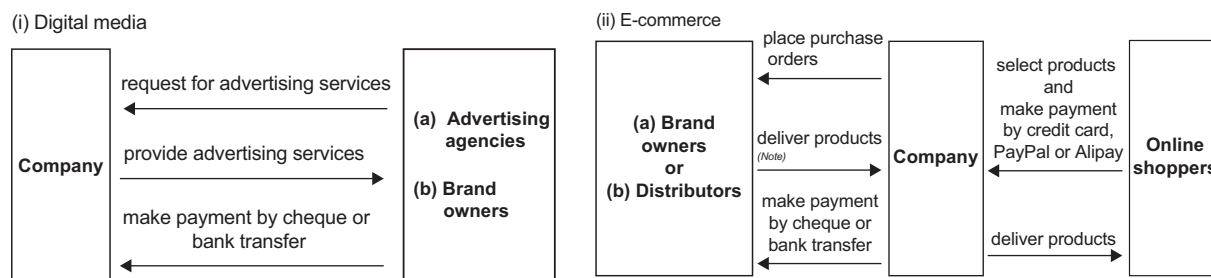
SUMMARY AND HIGHLIGHTS

A breakdown of the monetisation strategies, customers and sources of revenue of our different business segments is set out as follows:

Monetisation strategies	Customers	Sources of revenue
Digital media	(i) Brand owners (ii) Advertising agencies	Provision of advertising services, which mainly include provision of advertisement spaces and creative agency services.
E-commerce ^(Note)	Online shoppers	Sale of third-party branded products (normally as principal) ^(Note) such as clothing, shoes and accessories.

Note: Except for consignment sales, we act as the principal for the sale of third-party branded products and bear the risk of the inventory. We are responsible for freight charges for delivering products to our overseas customers if the orders (excluding discounted, sale and printed products) are over the set minimum amount and for all orders to be delivered within Hong Kong. The set minimum amounts of our US, United Kingdom, Canada, Singapore and Australia customers range from US\$100 to US\$150. Delivery to our PRC customers is free if one regular priced item is purchased.

The following simplified diagram illustrates the typical process of how we offer our digital advertising services and conduct our e-commerce business:



Note: Procurement is made by way of consignment or wholesale.

SUMMARY AND HIGHLIGHTS

Below is a breakdown of our revenue by business segments during the Track Record Period:

	Year ended 31 March						Six months ended 30 September					
	2014			2015			2014			2015		
	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
	(unaudited)											
Digital												
media	33,101	25,696	77.6	47,651	36,127	75.8	21,508	17,792	82.7	38,498	29,584	76.8
E-commerce	39,732	17,898	45.0	51,280	21,665	42.2	24,555	11,423	46.5	25,593	13,097	51.2
Overall	<u>72,833</u>	<u>43,594</u>	59.9	<u>98,931</u>	<u>57,792</u>	58.4	<u>46,063</u>	<u>29,215</u>	63.4	<u>64,091</u>	<u>42,681</u>	66.6

For the year ended 31 March 2015 and the six months ended 30 September 2015, revenue derived from our digital media segment grew by approximately 44.1% and 79.1%, respectively, as compared with the corresponding period in the previous year. Revenue derived from our e-commerce segment experienced a growth of approximately 29.2% and 4.1%, respectively, for the year ended 31 March 2015 and the six months ended 30 September 2015, as compared with the corresponding period in the previous year.

OUR PLATFORMS

Our award-winning digital media content is primarily delivered over our digital media platforms, which consist of (i) *Hypebeast.com*, *Hypetrak.com* and *Popbee.com* websites; and (ii) the related apps. Our e-commerce platform, comprising (i) HBX store website at *hbx.com*; and (ii) HBX store app, primarily sells third-party branded clothing, shoes, accessories to end-users.

Hypebeast website has attracted a large number of followers and visitors who are interested in articles or videos on fashion, lifestyle, culture and music. Hypetrak website is an online destination for the latest news in music. Popbee website is a digital content provider of women's fashion and beauty targeting regional markets in Hong Kong, the PRC, Taiwan and other Asian countries. HBX store targets male and female online shoppers between the age of 18 and 35 and primarily sells third-party branded clothing, shoes and accessories to our customers. Hypebeast, Hypetrak and Popbee websites and HBX store website can also be accessed via their respective apps. For details, please refer to the section headed "Business — Our Platforms" from page 113 to page 115 in this prospectus.

SUMMARY AND HIGHLIGHTS

OUR CUSTOMERS

During the Track Record Period, customers of our digital media business mainly comprised (i) brand owners; and (ii) advertising agencies. We have worked with high-profile and loyal customers from around the world including Standard and Poor's 500 companies listed on the Nasdaq Stock Market or the New York Stock Exchange. Customers of our e-commerce business come from followers and visitors of our digital media platforms, as well as Internet users via search engines, social media platforms or through our advertisements placed on other websites. We have a diverse customer base for our e-commerce business. In each of the two years ended 31 March 2015 and the six months ended 30 September 2015, we have sold goods to online shoppers in over 60 countries through our e-commerce platform.

All our five largest customers for each of the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015 are our digital media customers. For the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, revenue from our five largest customers accounted for approximately 15.4%, 16.5% and 15.7% of our total revenue, respectively, whilst revenue attributable to our largest customer accounted for approximately 5.3%, 10.1% and 6.2% of our total revenue respectively for the same period. For details, please refer to the section headed "Business — Our Customers" from page 127 to page 130 in this prospectus.

Some of our customers of our digital media segment such as brand owners supply products to us for sale on our e-commerce platform, while some of our suppliers of branded products utilise our advertising services.

OUR SUPPLIERS

During the Track Record Period, our suppliers mainly comprised (i) brand owners of clothing, shoes and accessories; (ii) web hosting, content delivery network and other information technology related service providers and (iii) courier service companies. All of our five largest suppliers for each of the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015 were fashion brand owners. We source from international brand owners clothing, shoes and accessories for sale on our e-commerce platform.

For the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, purchases from our five largest suppliers accounted for approximately 28.8%, 23.7% and 39.7%, of our total purchases, respectively, while purchases from our largest supplier accounted for approximately 16.9%, 10.3% and 19.8% of our total purchases respectively for the same period. For details, please refer to the section headed "Business — Our Suppliers" from page 134 to page 137 in this prospectus.

SUMMARY AND HIGHLIGHTS

COMPETITIVE LANDSCAPE

Both the digital advertising and online retail industries are very competitive. According to the CIC Report, for our digital media business, we face competition from digital vertical news media companies that attract readers and subscribers through specialised or even customised news or editorial opinions. Also, according to the CIC Report, we face competition from horizontal e-commerce companies that sell a range of diversified products to a broad base of customers whose primary advantage is convenience, as well as competition from vertical e-commerce companies that focus on industry-specific marketing approach and sell products in certain industry. For details, please refer to the section headed “Industry Overview” from page 63 to page 75 in this prospectus.

COMPETITIVE STRENGTHS

We believe that our key strengths attributable to our success include:

- (i) we possess a valuable brand name in the digital media industry that drives growth of our business and our position as a trendsetter in the field of fashion allows us to attract international brand owners for our advertising services and to supply their branded products to our e-commerce platform;
- (ii) our global reach of millions of followers and visitors on our integrated digital platforms;
- (iii) the quality of our digital content attracts a large base of followers and visitors which we are able to capitalise and generate revenue;
- (iv) our websites and apps developed by our in-house developers are designed to be sleek and user-friendly resulting in a compelling user experience which supports our business growth; and
- (v) we have an experienced senior management team with a proven track record in operating our business.

For further details, please refer to the section headed “Business — Competitive Strengths” from page 108 to page 110 in this prospectus.

OUR BUSINESS STRATEGIES

To extend our global reach and increase our revenue in advertising income and sales of goods, we intend to implement the following business strategies:

- (i) we will strengthen our business by increasing our sales and marketing efforts;
- (ii) we will enhance the content of our digital media platforms to retain and expand our base of followers and visitors;
- (iii) we may expand by opportunistic and strategic acquisitions of business and/or companies;
- (iv) we will improve our working environment and purchase new equipment;
- (v) we will enhance our e-commerce platform by improving our services and expanding our product portfolio; and
- (vi) we will attract, motivate and retain high-quality talent to support our business growth.

SUMMARY AND HIGHLIGHTS

For details, please refer to the section headed “Business — Our Strategies” from page 111 to page 113 in this prospectus.

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

We generate revenue from our sales to e-commerce customers in Russia, Ukraine, Belarus, Egypt and the Balkans, each of which jurisdictions is subject to certain international sanctions prohibiting dealings with persons on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties’ lists maintained by the EU, the United Nations, Canada or Australia. The amount of total revenue generated from sales to e-commerce customers in Russia, Ukraine, Belarus, Egypt and the Balkans in each of the years ended 31 March 2014 and 31 March 2015 and for the six months ended 30 September 2015 accounted for less than 1% of our total revenue for the same periods, respectively. Our Directors confirm that we discontinued such sales in October 2015 and will no longer sell our products to our e-commerce customers in Russia, Ukraine, Belarus, Egypt and the Balkans so long as the countries remain to be subject to the International Sanctions. As advised by DLA Piper Hong Kong, our legal advisers as to International Sanctions laws, our historical sales in Russia, Ukraine, Belarus, Egypt and the Balkans during the Track Record Period do not implicate any applicable International Sanctions laws on our Group, or any person or entity, including our Group’s investors, our Shareholders, the Stock Exchange, HKSCC and HKSCC Nominees. Please see the section headed “Business — Business Activities in Sanctioned Countries” in page 131 to page 133 of this prospectus for details of our operations and business activities in those countries.

Our Directors confirm that, save as disclosed in the section headed “Business — Business Activities in Sanctioned Countries” in this prospectus, our Group has not had during the Track Record Period and up to the Latest Practicable Date, any business activities in connection with any countries, governments, entities or individuals sanctioned by the US, the EU, the United Nations, Canada or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC administered sanctions. In relation to our sales to e-commerce customers in Russia, Ukraine, Belarus, Egypt and the Balkans during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by OFAC, the EU, the United Nations, Canada or Australia and therefore would not be deemed as sanctioned targets. Further, our sales do not involve industries or sectors that are currently subject to specific sanctions by the US, the EU, the United Nations, Canada or Australia and therefore are not deemed to be prohibited activities under the relevant sanctions laws and regulations.

SUMMARY AND HIGHLIGHTS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be allotted and issued upon the exercise of the options granted or which may be granted under the Share Option Schemes), our Company will be owned as to 75% by CORE Capital, which is wholly-owned by Mr. Ma. Both CORE Capital and Mr. Ma are Controlling Shareholders under the GEM Listing Rules. Mr. Ma is our founder, the chairman of our Board, our chief executive officer and an executive Director. In October 2015, Mr. Ma disposed of his entire beneficial shareholding interest in District Distribution. District Distribution was beneficially owned by Mr. Ma as to 30% prior to his disposal. District Distribution is principally engaged in distribution of fashion clothing, shoes and accessories. Please refer to the section headed “Relationship with Controlling Shareholders” on pages 161 to 166 and the section headed “Directors and Senior Management” on pages 153 to 159 in this prospectus for details.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables present selected historical financial information during the Track Record Period. The financial information as of and for the two years ended 31 March 2014 and 2015 and the six months ended 30 September 2014 and 2015 is derived from and should be read in conjunction with our audited combined financial statements, including the accompanying notes, set forth in the accountants’ report included as Appendix I to this prospectus. Our financial statements for each of these periods are prepared and presented in accordance with HKFRSs.

Highlight of combined statements of profit or loss and other comprehensive income

	Year ended 31 March		Six months ended 30 September	
	2014	2015	2014	2015
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	72,833	98,931	46,063	64,091
Gross profit	43,594	57,792	29,215	42,681
Profit before tax	12,412	10,977	7,241	9,621
Profit and total comprehensive income for the year/period	10,306	9,055	6,053	7,059

SUMMARY AND HIGHLIGHTS

Revenue by geographical location

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
The US	32,541	44.7	47,472	48.0	20,304	44.1	32,700	51.0
Hong Kong	6,336	8.7	10,105	10.2	5,326	11.6	9,162	14.3
PRC	3,741	5.1	7,460	7.5	3,576	7.8	4,067	6.3
United Kingdom	4,709	6.5	6,030	6.1	3,985	8.7	2,598	4.1
Canada	3,417	4.7	3,127	3.2	1,264	2.7	2,380	3.7
Singapore	3,080	4.2	4,744	4.8	2,326	5.0	1,206	1.9
Australia	3,112	4.3	3,319	3.4	1,922	4.2	1,418	2.2
Others ^(Note)	15,897	21.8	16,674	16.8	7,360	15.9	10,560	16.5
	<u>72,833</u>	<u>100.0</u>	<u>98,931</u>	<u>100.0</u>	<u>46,063</u>	<u>100.0</u>	<u>64,091</u>	<u>100.0</u>

Note: Others include sales to other countries which individually contributed less than 3% of the total revenue of our Group for each respective financial year or period, including the Sanctioned Countries.

Gross profit and gross profit margin analysis

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Digital media	25,696	77.6	36,127	75.8	17,792	82.7	29,584	76.8
E-commerce	<u>17,898</u>	<u>45.0</u>	<u>21,665</u>	<u>42.2</u>	<u>11,423</u>	<u>46.5</u>	<u>13,097</u>	<u>51.2</u>
Overall	<u>43,594</u>	<u>59.9</u>	<u>57,792</u>	<u>58.4</u>	<u>29,215</u>	<u>63.4</u>	<u>42,681</u>	<u>66.6</u>

Our overall gross profit margin was approximately 59.9%, 58.4% and 66.6% for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively. The decrease in gross profit margin in the digital media segment as compared to the previous year or period was mainly because more tailor-made advertising services were provided and more production staff were employed during the Track Record Period. The decrease in the gross profit margin for the e-commerce segment for the year ended 31 March 2015 as compared to the previous year was mainly due to larger sales of products with lower gross profit margins and more discounted items offered for clearance sales. The increase in gross profit margin for the e-commerce segment for the six months ended 30 September 2015 as compared to the same period in the previous year was mainly due to (i) the improvement of gross profit margins of certain existing brands including the brand supplied by our largest supplier and other top selling brands from an increase in the retail selling prices and a higher mark-up as compared to the

SUMMARY AND HIGHLIGHTS

same period in 2014 in relation to a change in the pricing strategy adopted by the brand owners to enhance their brand image and market position; (ii) an adjustment of our product mix as we sourced more products with higher gross profit margins; and (iii) the introduction of a number of new brands which carried higher gross profit margins during the six months ended 30 September 2015 as part of our effort to enhance our brand portfolio and increase our product variety.

Selected operational data

The following table sets forth the selected operational data for the periods indicated:

	Year ended 31 March		Six months ended 30 September	
	2014	2015	2014	2015
Digital media business				
Revenue (HK\$'000)	33,101	47,651	21,508	38,498
Number of contracts	280	366	162	221
Average contract value (HK\$'000)	114	142	133	220
Average MUV ('000) (Notes 1 & 2)				
– Hypebeast	2,058	2,609	2,322	3,167
– Hypetrak	533	536	475	509
– Popbee	71	90	63	233
Total average MUV ('000) (Notes 1 & 2)	2,662	3,235	2,860	3,909
Average MPV ('000) (Note 1)				
– Hypebeast	26,400	31,019	25,859	39,423
– Hypetrak	3,047	2,734	2,600	3,698
– Popbee	573	758	470	2,033
Total average MPV ('000) (Note 1)	30,020	34,511	28,929	45,154
E-commerce business				
Revenue (HK\$'000) (Note 3)	39,732	51,280	24,555	25,593
No. of items sold	96,000	130,000	67,000	67,000
Average selling price (HK\$/item)	413.9	394.5	366.5	382.0
Average value per order (HK\$/order)	984.1	1,049.1	1,023.1	1,066.4
Average number of items per order (items/order)	2.4	2.7	2.8	2.7

Notes:

- The average MUV/MPV is calculated by total MUVs/MPVs for the year/period divided by the number of months in the year/period.

SUMMARY AND HIGHLIGHTS

2. The aggregate number of unique visitors of our integrated digital platforms or followers of our accounts on social media platforms may include the same visitor or follower more than once if he/she visits two or more of our websites or our accounts on social media platforms.
3. The total amount of the revenue generated from the e-commerce segment included commission fee from consignment sales of approximately HK\$1.1 million, HK\$6.3 million and HK\$1.7 million for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively.

Our revenue for our digital media services increased notably during the Track Record Period with continuous increase in both the number of contracts and the average contract value as compared to the previous year or period. Our increased aggregate average MPVs and MUVs for our platforms during the Track Record Period, as a reflection of the increased level of traffic to our platforms, helped to increase the number of impressions achieved by the advertisements posted on our platforms and attract more advertisers and marketers to use our digital media services. For our e-commerce business, in order to diversify our product portfolios, we continued to select and attract new brands that were sought after by our audience during the Track Record Period. Some of such new brands are popular but with lower selling prices. Our average selling price decreased during the Track Record Period because more items with lower prices were sold. On the other hand, our number of items sold increased during the year ended 31 March 2015, mainly due to our efforts to diversify the product portfolios on our e-commerce platform. Our number of items sold for the six months ended 30 September 2015 were similar to that for the corresponding period in 2014. Our average value per order and average number of items per order remained relatively stable for each of the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015.

Highlight of combined statements of financial position

	As at		As at
	31 March		30 September
	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	3,451	3,191	2,960
Current assets	29,961	30,489	48,304
Current liabilities	11,761	11,603	22,534
Net current assets	18,200	18,886	25,769
Non-current liabilities	1,426	542	135
Net assets	20,225	21,535	28,594

SUMMARY AND HIGHLIGHTS

Highlight of combined statements of cash flows

	Year ended 31 March		Six months ended 30 September	
	2014	2015	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities	5,547	12,856	10,027	(500)
Net cash used in investing activities	(2,234)	(1,178)	(445)	(3,115)
Net cash generated from/(used in) financing activities	1,117	(9,060)	1,521	4,173
Net increase in cash and cash equivalents	4,430	2,618	11,103	558
Cash and cash equivalents at end of year/period	4,585	7,203	15,688	7,761

Summary of financial ratios

	Year ended 31 March		Six months ended 30 September	
	2014	2015	2015	
Gross profit margin (%)	59.9	58.4	66.6	
Net profit margin (%)	14.2	9.2	11.0	
Return on equity (%)	68.4	43.4	28.2	
Return on total assets (%)	41.4	27.0	16.6	
Interest coverage (<i>times</i>)	303.7	127.2	134.6	
	As at 31 March		As at 30 September	
	2014	2015	2015	
Current ratio (<i>times</i>)	2.5	2.6	2.1	
Quick ratio (<i>times</i>)	2.1	1.7	1.5	
Gearing ratio (%)	10.4	10.9	26.7	
Net debt to equity ratio	Net cash	Net cash	Net cash	

Please refer to the paragraph headed “Financial information — Key financial ratios” beginning on page 214 in this prospectus for further information on these ratios.

SUMMARY AND HIGHLIGHTS

DIVIDEND

During the year ended 31 March 2015, dividends of HK\$7.7 million were declared and paid by HBHK to its former sole shareholder, Mr. Ma. Save for the aforesaid, no dividends have been declared and paid by the companies now comprising our Group to their then respective shareholders during the Track Record Period and up to the Latest Practicable Date. The declaration of future dividends will be subject to our Directors' discretion and will depend on, among other things, our earnings, cash flows, financial condition, capital requirements, statutory reserve requirements and any other factors our Directors may consider relevant. The amount of dividend will be determined upon the completion of financial audit and will be referred to distributable profit shown on our audited financial report. As a result, there can be no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Currently, we do not have any dividend policy. For details, please refer to the section headed "Financial Information — Dividend" on page 218 in this prospectus.

SELLING SHAREHOLDER

The Placing consists of 500,000,000 Shares, of which 100,000,000 Shares are being sold by CORE Capital, the Selling Shareholder. Assuming a Placing Price of approximately HK\$0.13 per Placing Share, which represents the mid-point of the indicative Placing Price range, we estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares (after deduction of the proportional underwriting commission and listing expenses payable by our Selling Shareholder in relation to the Placing) will be approximately HK\$11.3 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

PLACING STATISTICS

The numbers in the following table are based on the assumption that a total of 2,000,000,000 Shares were in issue immediately after completion of the Capitalisation Issue and the Placing but without taking into account (i) any Share which may be allotted and issued upon the exercise of any options granted or which may be granted under the Share Option Schemes; and (ii) any Share which may be issued or repurchased by our Company pursuant to the general mandates referred to in Appendix IV to this prospectus.

	Based on a Placing Price of	
	HK\$0.12 per	HK\$0.14 per
	Placing Share	Placing Share
Market capitalisation of our Shares <i>(Note 1)</i>	HK\$240,000,000	HK\$280,000,000
Unaudited adjusted combined net tangible assets of our Group per Share <i>(Notes 2, 3)</i>	HK\$0.030	HK\$0.033

Notes:

1. The calculation of the market capitalisation of our Shares is based on 2,000,000,000 Shares expected to be in issue immediately after completion of the Placing and the Capitalisation Issue.

SUMMARY AND HIGHLIGHTS

2. The unaudited pro forma adjusted combined net tangible assets of our Group per Share is arrived at on the basis that 2,000,000,000 Shares were in issue assuming that the Placing and the Capitalisation Issue had been completed on 30 September 2015. It does not take into account of any shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or which may be granted under the Post-IPO Share Option Scheme or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandates.
3. No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 September 2015.

Dilution impact of Pre-IPO Share Option Scheme would not materially affect the shareholding structure as the total number of Shares which may be issued and allotted upon exercise of all Pre-IPO Share Options shall be 22,500,000 Shares, representing approximately 1.13% of the enlarged issued share capital of our Company immediately upon completion of the Capitalisation Issue and the Placing (without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and any Post-IPO Share Options).

FUTURE PLANS AND USE OF PROCEEDS

Assuming a Placing Price of HK\$0.13 per Placing Share, the net proceeds from the issue of the New Shares under the Placing are estimated to be approximately HK\$29.7 million, after deducting the underwriting commission and estimated listing expenses in the aggregate amount of approximately HK\$22.3 million, paid and payable by our Company from the gross proceeds of the Placing.

We intend to apply the net proceeds of the issue of the New Shares under the Placing in the following manner:

	From the Listing to 30 September 2016 (HK\$)	For the six months ending		31 March 2018 (HK\$)	Total (HK\$)	Approximate percentage of net proceeds (%)
		31 March 2017 (HK\$)	30 September 2017 (HK\$)			
Enhance content of our digital media platforms	4,938,000	3,703,500	–	–	8,641,500	29%
Increase sales and marketing efforts	3,439,000	2,750,000	2,048,500	2,048,500	10,286,000	35%
Improve our working environment	3,748,072	566,304	566,304	566,320	5,447,000	18%
Enhance our e-commerce platform	484,000	363,000	–	1,300,000	2,147,000	7%
Staff development	200,000	200,000	–	–	400,000	1%
Working capital and other general corporate purposes	2,743,500	–	–	–	2,743,500	10%
Total	15,552,572	7,582,804	2,614,804	3,914,820	29,665,000	100%

SUMMARY AND HIGHLIGHTS

Assuming a Placing Price of HK\$0.13 per Placing Share, we estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares (after deducting proportional underwriting commissions and listing expenses payable by the Selling Shareholder in relation to the Placing of HK\$1.7 million) will be approximately HK\$11.3 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares. For details, please refer to the section headed “Statement of Business Objectives and Use of Proceeds” from page 222 to page 227 in this prospectus.

RISK FACTORS

Potential investors are advised to read carefully the section headed “Risk Factors” on pages 32 to 53 in this prospectus before making any investment decision in the Placing Shares. Some particular risk factors include: (i) our business depends on our ability to offer digital media content and online retail products that attract visitors and online shoppers; (ii) we depend on the Internet traffic to our websites for the operation of our businesses; (iii) we rely on our e-commerce suppliers to provide goods to us for sale on our e-commerce platform; (iv) we generally do not enter into long term business contracts with our customers; (v) our business depends on our ability to maintain our existing relationship with brand owners and advertisers and our ability to attract new digital media customers to place advertisements with us; and (vi) we rely on customers in the fashion industry.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the date of this prospectus, there had not been material changes to our business model, revenue structure and cost structure. Our principal business remained to include the provision of advertising services to brand owners and advertising agencies and primarily the sale of third-party branded clothing, shoes and accessories on our e-commerce platform. As far as we are aware, there had not been material changes in the overall economic and market conditions in the media and e-commerce industries that would otherwise have materially and adversely affected our business operation or financial conditions.

For the four months ended 31 January 2016, we recorded a significant growth in revenue derived from our digital media segment. We entered into 149 advertising service agreements with aggregate contract value of approximately HK\$49.0 million for the four months ended 31 January 2016, as compared to 141 advertising service agreements with aggregate contract value of approximately HK\$19.6 million for the four months ended 31 January 2015. Such significant growth was mainly attributable to our brand image, marketing capabilities and ability to deliver the services requested by our customers as well as the engagement of our consultants since mid-2014 to assist us in communicating with our existing digital media customers or introducing new digital media customers to us. Our average MPVs and MUVs were approximately 52.6 million and 6.4 million for our integrated digital platforms, respectively, for the four months ended 31 January 2016 with the increased popularity of our digital media platforms. Despite the significant growth in revenue, our Group recorded a decrease in the gross profit margin of our digital medial segment for the four months ended 31 January 2016 as compared to that for the six months ended 30 September 2015, primarily because during the period, our Group was engaged in a large-scale advertising and creative agency project with a multi-national brand that involved higher editorial and production costs and therefore carried a

SUMMARY AND HIGHLIGHTS

lower gross profit margin. Moving forward, while we will continue to focus on digital media projects with higher gross profit margins, we will, notwithstanding the lower gross profit margins, also consider to engage in some relatively large-scale advertising and creative agency projects with certain multi-national brands if and when opportunities arise. Our Directors consider that the engagement of such relatively large-scale projects will help us to promote our brand and services and therefore build up our client base internationally. Meanwhile, our Group continued to deploy more resources in developing our digital media business such as increasing the headcount of our production and editorial teams with a view to enhancing our digital media content quality and our production capability. There can be no assurance that our efforts will be sufficient to maintain or improve our gross profit margin of our digital media business in the future as operational and financial conditions may change which are outside of our control. Please refer to the section headed “Risk Factor — We may not be able to sustain the gross profit margins at the levels recorded during the Track Record Period” in this prospectus.

Compared with our digital media segment, the performance of our e-commerce segment was relatively stable subsequent to the Track Record Period. We sold approximately 46,000 and 48,000 items on our e-commerce platform during the four months ended 31 January 2015 and 2016, respectively. In November 2015, as a traditional shopping peak season for retail given the celebration of the Thanksgiving Day followed by the Black Friday and Cyber Monday in the US, we sold approximately 16,000 items on our e-commerce platform, as compared to approximately 12,000 items in November 2014, primarily due to the expansion of our e-commerce business and the increase in the variety of products we offered on our e-commerce platforms.

It is expected that approximately HK\$15.7 million of non-recurring listing expenses have been or would be recognised in our combined statements of profit or loss and other comprehensive income, which would materially affect our financial performance, for the year ending 31 March 2016.

Our largest supplier during the Track Record Period has indicated to us that it will limit our total purchase amount to USD200,000 (equivalent to approximately HK\$1.6 million) per annum from 2016 onwards. We understand that the largest supplier implemented such policy as a result of the change in its distribution strategy. Such new policy affects other retailers similar to our Group although the limit for each retailer may vary. For the two years ended 31 March 2015 and the six months ended 30 September 2015, our total purchase with our largest supplier were approximately HK\$4.0 million, HK\$3.4 million and HK\$3.0 million, representing approximately 16.9%, 10.3% and 19.8% of our total purchases, respectively. Furthermore, in the same periods, our revenue generated from the sales of products supplied by our largest supplier was approximately HK\$3.1 million, HK\$5.2 million and HK\$2.2 million, representing approximately 4.3%, 5.3% and 3.4% of our total revenue, respectively. For details, please refer to the section headed “Business — Our Suppliers” in this prospectus.

Our Directors confirmed that, up to the date of this prospectus, save as disclosed above, there has been no material adverse change in our financial or trading position or prospects since 30 September 2015 and there has been no event since 30 September 2015 which would materially affect the information in our combined financial statement included in the Accountants’ Report set forth in Appendix I to this prospectus,

SUMMARY AND HIGHLIGHTS

LISTING EXPENSES

Assuming the Placing Price of HK\$0.13 per Placing Share, being the mid-point of the indicative range of the Placing Price stated in this prospectus, the listing expenses, which are non-recurrent in nature, are estimated to be approximately HK\$24.0 million. The Selling Shareholder will bear the listing expenses of approximately HK\$1.7 million and the listing expenses to be borne by us are expected to be approximately HK\$22.3 million.

We expect to incur total listing expenses (including underwriting commission to be paid to the Underwriters) of approximately HK\$22.3 million, of which HK\$15.7 million has been or is expected to be recognised in our combined statements of profit or loss and other comprehensive income and approximately HK\$6.6 million is expected to be recognised as a deduction in equity directly. Listing expenses of approximately HK\$4.7 million were reflected in our combined statements of profit or loss and other comprehensive income for the six months ended 30 September 2015 and an additional amount of approximately HK\$11.0 million is expected to be recognised in our combined statements of profit or loss and other comprehensive income subsequent to the Track Record Period and upon Listing. Prospective investors should note that the financial performance of our Group for the year ending 31 March 2016 is expected to be materially adversely affected by the non-recurring listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:

“affiliate(s)”	any person(s), directly or indirectly, controlling, controlled by or under direct or indirect common control with another person(s)
“Articles of Association” or “Articles”	the articles of association of our Company conditionally adopted by our Shareholders on 18 March 2016 and effective on the Listing Date and as amended or supplemented from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“AUD”	Australian dollars, the lawful currency of Australia
“Balkans”	the Balkan Peninsula, a geographical region of Southeast Europe and for the purpose of this prospectus comprises Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania, Serbia and Slovenia only
“Board” or “Board of Directors”	the board of Directors
“business day”	a day (other than a Saturday or Sunday or Public Holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAD”	Canadian dollars, the lawful currency of Canada
“Capitalisation Issue”	the issue of 1,599,999,900 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the sub-section headed “A. Further information about our Company — 5. Written resolutions of our sole Shareholder passed on 18 March 2016 and 29 March 2016” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus only and except where the context requires otherwise, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“CIC”	China Insights Consultancy Limited, an independent professional market research and consulting company
“CIC Report”	the independent industry report dated 31 March 2016 commissioned by our Company and prepared by CIC
“close associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provision) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “Our Company”	Hypebeast Limited, a company incorporated in the Cayman Islands on 25 September 2015 as an exempted company with limited liability
“Controlling Shareholder(s)”	the controlling shareholder(s) (having the meaning ascribed to it in the GEM Listing Rules) of our Company, namely, Mr. Ma and CORE Capital, details of their shareholdings are set out in the section headed “History, Reorganisation and Corporate Structure” of this prospectus

DEFINITIONS

“CORE Capital”	CORE Capital Group Limited, a company incorporated in the BVI with limited liability on 6 August 2015 and wholly-owned by Mr. Ma. CORE Capital is one of our Controlling Shareholders
“COREone”	COREone Limited, a company incorporated in the BVI with limited liability on 7 October 2015 and a directly wholly-owned subsidiary of our Company
“Deed of Indemnity”	the deed of indemnity dated 18 March 2016 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in the sub-section headed “F. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition undertaking dated 18 March 2016 entered into between our Controlling Shareholders, Ms. Lee and our Company (for ourselves and as trustee for and on behalf of our subsidiaries), particulars of which are set out in the section headed “Relationship with Controlling Shareholders — Non-competition undertaking” in this prospectus
“digital media platform(s)”	our Hypebeast, Hypetrak and Popbee websites, the respective apps or anyone of them
“Director(s)”	the director(s) of our Company
“District Distribution”	District Distribution Company Limited, a company incorporated in Hong Kong with limited liability on 4 October 2010 which is engaged in distribution of fashion clothing, shoes and accessories; District Distribution was beneficially owned as to 30% by Mr. Ma prior to his disposal of entire interest to certain Independent Third Parties on 2 November 2015. Mr. Ma also resigned as a director of District Distribution since 25 July 2015. As at the Latest Practicable Date, District Distribution was beneficially owned by Independent Third Parties
“EU”	the European Union, a political-economic union of member states primarily located in Europe
“Euro”	Euro, the lawful currency of EU
“GEM”	the Growth Enterprise Market of the Stock Exchange

DEFINITIONS

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM (as amended from time to time)
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group” or “us” or “we” or “our” or “ourselves”	our Company together with our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at that time
“HBHK”	101 Media Lab Limited, a company incorporated in Hong Kong with limited liability on 3 January 2007 and an indirectly wholly-owned subsidiary of our Company
“HBX store” or “our e-commerce platform”	our e-commerce platform at http://hbx.com and our HBX store app that primarily sell third-party branded clothing, shoes and accessories to our customers, previously known as the Hypebeast store
“HK\$” or “HKD”	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
“HKSCC”	the Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hypebeast”	our flagship Hypebeast website at http://hypebeast.com and our Hypebeast app, being part of our digital media platforms that updates our audience about the latest trends in fashion, lifestyle, culture and music and other topics

DEFINITIONS

“Hypetrak”	our flagship Hypetrak website at http://hypetrak.com and our Hypetrak app, being part of our digital media platforms and an online destination for the best news in music and artists
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent from and not connected with (within the meaning of the GEM Listing Rules) any director, chief executive, substantial shareholder of our Company, its subsidiaries or any of their respective associates
“integrated digital platforms”	our Hypebeast, Hypetrak, Popbee and HBX store
“Internal Control Consultant”	RSM Consulting (Hong Kong) Limited, an independent internal control consultant
“International Sanctions”	all applicable sanction-related laws and regulations including those administered and enforced by the US, the EU, the United Nations, Canada and Australia
“Joint Bookrunners” or “Joint Lead Managers”	Quam Securities Company Limited and Koala Securities Limited, being the joint bookrunners and joint lead managers of the Placing
“Latest Practicable Date”	22 March 2016, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Listing”	the listing of the Shares on GEM
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the GEM first commence, which is expected to be on Monday, 11 April 2016
“Listing Division”	the listing division of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted upon the incorporation of our Company, as amended or supplemented from time to time
“Mr. Ma”	Mr. Ma Pak Wing Kevin (馬柏榮), our chairman, chief executive officer, an executive Director and a Controlling Shareholder

DEFINITIONS

“Ms. Lee”	Ms. Lee Yuen Tung Janice (李苑彤), an executive Director and the editor-in-chief of our Popbee website
“New Shares”	400,000,000 new Shares to be offered by our Company for subscription at the Placing Price under the Placing
“OFAC”	the United States Department of Treasury’s Office of Foreign Assets Control
“Placing”	the conditional placing by the Underwriters on behalf of our Company of the Placing Shares for cash at the Placing Price, as further described under the section headed “Structure and Conditions of the Placing” of this prospectus
“Placing Price”	the final price for each Placing Share (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee), which will not be more than HK\$0.14 per Placing Share and is expected to be not less than HK\$0.12 per Placing Share, such price to be agreed and determined by our Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date
“Placing Shares”	500,000,000 Shares comprising 400,000,000 New Shares to be offered by our Company and 100,000,000 Sale Shares to be offered by the Selling Shareholder for subscription at the Placing Price under the Placing; and a “Placing Share” means any one of these Shares
“Popbee”	our Popbee website at http://popbee.com and our Popbee app, being part of our digital media platforms and a digital content provider of women’s fashion and beauty targeting regional markets in Hong Kong, the PRC, Taiwan and other Asian countries
“Post-IPO Share Option(s)”	option(s) which may be granted under the Post-IPO Share Option Scheme

DEFINITIONS

“Post-IPO Share Option Scheme”	the post-IPO share option scheme conditionally adopted by our Company on 18 March 2016, the principal terms of which are summarised in the sub-section headed “E. Post-IPO Share Option Scheme” in Appendix IV to this prospectus
“Pre-IPO Share Option(s)”	option(s) granted under the Pre-IPO Share Option Scheme
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme conditionally adopted by our Company on 18 March 2016, the principal terms of which are summarised in the sub-section headed “D. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus
“Price Determination Agreement”	the agreement expected to be entered into between our Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date to fix and record the Placing Price
“Price Determination Date”	the date expected to be on or around Tuesday, 5 April 2016 or such later date as the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) may agree, on which the Placing Price will be fixed for the purpose of the Placing
“Reorganisation”	the corporate reorganisation arrangements undergone by our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and corporate structure” in this prospectus
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Sale Shares”	100,000,000 Shares to be offered by the Selling Shareholder for purchase at the Placing Price under the Placing

DEFINITIONS

“Sanctioned Countries”	countries which are subject to International Sanctions, including Russia, Ukraine, Belarus, Egypt and the Balkans
“Sanctioned Person(s)”	certain person(s) and entity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties’ lists maintained by the EU, the United Nations, Canada or Australia
“Selling Shareholder”	CORE Capital, being the Shareholder who offers 100,000,000 Shares for sale in the Placing
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SGD”	Singapore dollars, the lawful currency of Singapore
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of our Company
“Share Option Schemes”	the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme and “Share Option Scheme” shall mean any one of them
“Shareholder(s)”	holder(s) of Share(s)
“Sponsor” or “Quam Capital”	Quam Capital Limited, a corporation licensed by the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the sole sponsor to the Listing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the two financial years ended 31 March 2015 and the six months ended 30 September 2015

DEFINITIONS

“Underwriters”	Quam Securities Company Limited, Koala Securities Limited and any other underwriters named in the Underwriting Agreement
“Underwriting Agreement”	the conditional underwriting agreement dated 30 March 2016 and entered into between, among others, our Company, our executive Directors, our Controlling Shareholders, the Selling Shareholder, the Sponsor, the Joint Bookrunners and the Underwriters, particulars of which are set out in the section headed “Underwriting” of this prospectus
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, including its territories and possessions
“USD” or “US\$”	US dollars, the lawful currency of the United States
“Warrantors”	collectively, our Company, our Controlling Shareholders and executive Directors
“%”	per cent

In this prospectus, the terms “connected person”, “core connected person”, “connected transaction”, “subsidiary”, “substantial shareholder” and “significant shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.

Unless expressly stated or the context requires otherwise:

- amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items;*
- solely for your convenience, this prospectus contains translations of certain US\$ and Euro into HK\$ at specified rates. You should not construe these translations as representations that US\$ and Euro could actually be, or have been, converted into HK\$ at the rates indicated or at all. Unless we indicate otherwise, the translations of US\$ and Euro into HK\$ have been made at the rate of US\$1.00:HK\$7.75 and Euro 1.00:HK\$8.65, respectively.*

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to meanings or usage of these terms as used by others or standard industry definitions.

“advertiser(s)”	a person(s), company(ies) or organisation(s) which place(s) advertisements or deploy(s) marketing strategies to promote its (their) brand(s), product(s) or service(s) which, for the purposes of this prospectus only, refer(s) to the brand(s) or organisation(s) we serve directly or through advertising agencies, unless the context otherwise requires
“affiliate marketing”	a marketing strategy to promote one’s products by offering a percentage of income or a commission to a third-party company for introducing and promoting its products typically by placing an advertisement banner on a website and the website is rewarded after a purchase has been made at an online store redirected from the advertisement banner
“app(s)”	software application(s) that can be downloaded and operated on computing devices, usually mobile devices such as mobile phones and tablet computers
“blog”	diary or set of personal discussion kept on the Internet and readily accessible to the general public. A blog is usually maintained by an individual with regular entries of commentary, descriptions of events, or other materials such as graphics or video
“CAGR”	compound annual growth rate
“CPM”	cost per thousand impressions, a price determination method for online advertising service in which the advertising fee is calculated based on the impressions (per thousand) achieved by the advertisement
“creative agency”	an advertising agency service that conceptualises, plans, executes and manages a customer’s advertising project

GLOSSARY OF TECHNICAL TERMS

“digital media”	media that are encoded in a machine-readable format, which can be created, viewed, distributed, modified and preserved on computers. Examples include websites, apps, mobile sites, social media platforms and search engines
“follower(s)”	user(s) who is/are part of a subscriber list that tracks a particular person, group, organisation, company or webpage, etc. on a social media website or application
“impression”	a count for the number of times an online advertisement is downloaded to a viewer’s device
“Internet”	an interconnected system of networks that connects computers around the world and is publicly accessible. The Internet allows multimedia documents to be shared amongst computer users. Popular features of the Internet include, amongst other things, e-mails, blogs, discussion groups, on-line conversations, website portal and social media platforms
“Internet advertising”	a form of advertising that uses the Internet to release advertisements which could be delivered through blog, microblog, social media platforms, online forum, website portal, etc.
“IP address(es)”	Internet Protocol address(es), a set(s) of unique numbers assigned to each computer, device and network of computers that is connected to the Internet for identifying the computer, device or network
“millennials”	a generation of the population who reached their adulthood around the turn of the 21st century, there is no precise date which prescribes when the generation starts and ends but birth years ranging from the early 1980s to the early 2000s are generally used to define millennial
“MPVs”	monthly page views, being the number of times a webpage is being viewed in a month
“MUVs”	monthly unique visitors, the number of individuals requesting webpages from a website in a month, such number of individuals may duplicate if they visit the website through different IP addresses

GLOSSARY OF TECHNICAL TERMS

“native advertising”	a form of online advertising in which the advertisement is placed with the same form and outline as the platform on which it appears
“push notifications”	messages from apps installed on a device that notify a user about certain information
“search engine marketing”	a form of Internet marketing for increasing the visibility of a website in search engine results pages by using paid advertisements
“search engine optimisation”	methods for increasing the chances that a website or page will receive higher ranking on search engine results pages, usually done by editing the content of the website to increase its relevance to specific popular keywords
“sneakers”	soft shoes worn for sports or casual occasions
“social media platform(s)”	online service platform(s) or site(s) that focus(es) on building of social networks or social relations among people, especially those who share common interests and/or activities (such as Facebook, Google+, Instagram, Twitter, Pinterest, Weibo and Snapchat) and content sharing platforms (such as YouTube)
“street wear”	a style of street fashion originated from the west coast of the United States which has grown to encompass other styles of clothing
“unique visitors”	the number of distinct individuals requesting webpages from a website during a given period, regardless of how often they visit

FORWARD-LOOKING STATEMENTS

The Company has included in this prospectus forward-looking statements that are not historical facts, but relate to our intentions, beliefs, expectations or predictions for future events and conditions which may not occur. These forward-looking statements are contained principally in the sections headed “Summary and Highlights”, “Risk Factors”, “Industry Overview”, “Business”, and “Financial Information”, which are, by their nature, subject to risks and uncertainties.

In some cases, you can identify these forward-looking statements by words such as “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” or similar expressions or their negatives. These forward-looking statements include, without limitation, statements relating to:

- our business objectives, strategies, implementation plans and use of proceeds;
- the amount and nature of, potential for, future development of our business;
- our operation and business prospects;
- general economic trends and conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our dividend policy;
- the regulatory environment of our industry in general;
- the future development and trends in our industry;
- the actions and development of our competitors;
- risks identified under the section headed “Risk Factors” in this prospectus; and
- certain statements in “Financial Information” with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

The Directors confirm that these forward-looking statements are made after due and careful consideration.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, without limitation, those discussed under the section headed “Risk Factors” in this prospectus.

FORWARD-LOOKING STATEMENTS

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. The Company undertakes no obligations to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. The Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

RISK FACTORS

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Placing. The occurrence of any of the following risks may have a material adverse effect on our business, results of operations, financial conditions and prospects.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR GROUP AND OUR BUSINESS

Our business depends on our ability to offer digital media content and online retail products that attract visitors and online shoppers

Our future growth depends on our ability to retain visitors to our websites and social media platforms, as well as our ability to continue attracting new online shoppers and gaining new purchases from our e-commerce platform. Constantly changing fashion trend and consumer preferences have affected and will continue to affect our business. To maintain our attractiveness, our websites and social media platforms are constantly updated to provide latest trend in fashion, lifestyle, culture and music. If we fail to update our websites and social media platforms regularly, readers may lose interest in our online platforms and may not return again to look for information on new products.

We attempt to analyse visitors' and online shoppers' preference using data and determine our product selection and marketing strategy accordingly. We cannot guarantee that our prediction on consumer behaviour could be accurate. In addition, as visitors and followers of our integrated digital platforms are mostly from the male demographic, we are exposed to risks of male online shoppers that may have a lower growth rate than that of female online shoppers in the future. There can be no guarantee or assurance that future growth rate of male online shoppers will continue to grow or will grow at all. If our prediction deviates from the online retail shoppers' actual preference and we fail to offer products that are attractive to retail consumers at our e-commerce platform, our sales at our e-commerce platform may be adversely affected.

Further, if privacy concerns or regulatory restrictions prevent us from collecting or using data we collected in the course of our business to analyse consumer preference or if there are any defects in our data analytic model, our prediction on consumer behaviour may not be accurate. With regard to the accuracy of our data, we rely on the information provided by our registered users or online shoppers as well as information obtained by monitoring our visitors' browsing behaviour. We do not verify the authenticity of all such data. If the information that we collect is materially inaccurate or false, this may also adversely affect our prediction on market trends as well as our business implementation and monetization strategies.

We must stay abreast of constantly changing consumer preferences and anticipate product trends that will appeal to existing and potential visitors and online shoppers, and any failure to identify and respond to such trends could result in decreased number of visitors and online shoppers and reduced attractiveness of our websites as a marketing platform for advertisers. This may in turn lead to significant adverse effects on our business, financial condition and results of operations.

RISK FACTORS

We depend on the Internet traffic to our websites for the operation of our business

Our Hypebeast, Hypetrak and Popbee websites, together with our social media platforms, attract a large number of young adult readers by featuring up-to-date fashion, lifestyle, culture and music trends that are appealing to millennials. Through the Internet, our websites as well as the advertisements on these websites are delivered to our followers and visitors around the globe. Our digital media customers choose us for our ability to deliver the advertising materials to their target viewers. As such, the revenue from our digital media business depends on our ability to attract Internet traffic to our websites. In addition, sales of our e-commerce segment also depend heavily on the number of Internet users browsing our e-commerce platform.

In view of the importance of Internet traffic to our websites and our e-commerce platform, should there be (i) any reduction in the number of followers and visitors in our websites and our e-commerce platform; (ii) any decrease in the popularity of our websites and our e-commerce platform in the markets we operate; (iii) any failure by us or third parties to make improvement, upgrades or enhancement to our websites and our e-commerce platform in a timely manner; (iv) any lasting or prolonged server interruption due to network failures or other factors; or (v) any other adverse developments specific to our websites and our e-commerce platform, our business, financial condition and results of operations could be adversely affected.

We rely on our e-commerce suppliers to supply goods to us for sale on our e-commerce platform

We plan our procurement for our e-commerce platform at least 3 to 6 months before the commencement of each fashion season. Generally, we do not enter into any long term contracts with suppliers of our e-commerce platform. Such arrangement gives us flexibility in deciding the brands and the type of products to procure for the next season, which involves consideration on the forthcoming market trends and the popularity of the brands as revealed by our market analysis. Further, due to our brand recognition and relationship with suppliers, favourable terms were being offered by some of our suppliers such as consignment sale arrangements, discounted prices and extended credit periods.

In order to limit its distribution, our largest supplier during the Track Record Period has indicated to us that it will limit our total purchase amount to USD200,000 (equivalent to approximately HK\$1.6 million) per annum from 2016 onwards. For the two years ended 31 March 2015 and the six months ended 30 September 2015, our total purchase with our largest supplier were approximately HK\$4.0 million, HK\$3.4 million and HK\$3.0 million, representing approximately 16.9%, 10.3% and 19.8% of our total purchases, respectively. Furthermore, in the same periods, our revenue generated from the sales of products supplied by our largest supplier was approximately HK\$3.1 million, HK\$5.2 million and HK\$2.2 million, representing approximately 4.3%, 5.3% and 3.4% of our total revenue, respectively. Please refer to the section headed “Business — Our Suppliers” in this prospectus for further details.

We may also experience delay in or not be able to replenish our popular items if they are sold out quickly and our suppliers may impose a maximum order size for our orders. We cannot guarantee that our suppliers will continue to provide goods to us and will provide the goods in an amount that is sufficient to meet the demand of our e-commerce customers. Our agreements typically do not restrict our suppliers from selling products to other buyers or distributors. We also cannot assure you that our suppliers will continue to offer products to us on commercially attractive terms. Even if we maintain good relationships with our suppliers, they may be unable to remain in business due to economic conditions, labor actions, regulatory or legal decisions, natural disasters or other causes. In the event that we are unable to source products at all or at favourable terms, the revenue and operation of our e-commerce segment may be materially affected.

RISK FACTORS

We generally do not enter into long term business contracts with our customers

As our contracts with our digital media customers are generally on individual project basis, we generally do not enter into any long term business contracts with our digital media customers. Accordingly, we may have limited visibility as to our future revenue streams and there is no assurance that we will maintain or increase the level of our business with existing or potential customers. Should our digital media customers decide to reallocate their budgets and choose our competitors due to the market conditions or we fail to provide attractive digital media content and pricing structures to attract or retain customers or any other factors, the demand for our services may not grow or even decline and our business, results of operations and financial condition may be materially and adversely affected.

We also do not enter into any long term contracts with our e-commerce customers. Should our e-commerce customers change their shopping behavior or we fail to offer goods which are appealing to our customers for sale on our e-commerce platform, our business results of operations and financial condition may be materially and adversely affected.

Our business depends on our ability to maintain our existing relationship with brand owners and advertising agencies and our ability to attract new digital media customers to place advertisements with us

We provide advertisement spaces and services to high-profile international brand owners and their advertising agencies. Our ability to continue to grow our revenue and profit will depend in large part on expanding our business with our current digital media customers and attracting new ones. We rely on our reputation in the industry as well as our websites' viewing statistics to attract brand owners and advertising agencies to place advertisements with us. We cannot guarantee that our digital media platforms will remain attractive. Moreover, because some of our digital media customers located overseas work in time zones different than our Hong Kong office, we have engaged consultants to handle and deal with our overseas digital media customers on a day-to-day basis. If our consultants no longer work for us or if we are not able to hire new consultants with similar capabilities, it may be difficult for us to maintain the relationship with our overseas customers. Further, the number of our current digital media customers may not expand further and may even decline. We also cannot guarantee that we would secure new digital media customers to advertise in our platforms.

If we are unable to attract new visitors and maintain or increase consumer traffic to our websites or various digital media platforms, our potential digital media customers may not use, and existing digital media customers may not continue to use our solutions for their promotional campaigns, then our sales will decrease and our operating results will be adversely affected.

We rely on customers in the fashion industry

Some of our digital media customers are from the fashion industries, including producers of apparel, accessory and footwear. The revenue and growth of the fashion industry is highly sensitive to the general economic performance regionally and globally. Should the fashion industry suffer a downturn or be affected by fluctuations in the macroeconomic conditions, the branding and marketing budgets of brand owners conducting business with us may be adversely affected. Our sales of branded products via our e-commerce platform would also be adversely affected if consumers are less willing to spend money on fashionable items due to economic downturn. This would have an impact on our business and financial performance.

RISK FACTORS

Our business depends on a strong brand, which we might not be able to maintain or enhance, and unfavourable customer feedback or negative publicity could adversely affect our brand

We believe that our Hypebeast brand under which we operate has significantly contributed to the growth of our business. The Directors believe that the strong awareness of the Hypebeast brand contributes to higher organic traffic on our websites and lower marketing costs. Therefore, we believe that maintaining and enhancing our Hypebeast brand is critical to expand and retain our base of visitors, customers and suppliers.

Our brand may be adversely affected if our public image or reputation is tarnished by negative publicity. Customer complaints or negative publicity about our websites, products, delivery times, product returns procedures, customer data handling and security practices, or customer support on our Internet-based platforms such as blogs and social media websites or on other platforms could have a significant negative impact on our reputation and on the popularity of our websites.

We cannot guarantee that negative reports about our business or our brand will not occur in the future and serious damage to our brand, public image, reputation and business may follow as a result. If we are unable to maintain or enhance our brand image, or if our brand image is damaged by negative publicity or if our brand is not accepted by audience, this could have a material adverse effect on our business, financial condition and results of operations.

Any unauthorised use of our brand name or any other intellectual property rights by competitors or third parties, and the expenses incurred in protecting such intellectual property rights, may adversely affect our business and reputation

We regard our brand, trademarks, copyright in our digital content and other intellectual property rights as critical to our success. We have developed Hypebeast into a strong and well-recognised brand in the digital media and fashion industry. We believe the many of our digital media customers approach us for our advertising services because of our reputation and strong brand image. We also believe that our followers and visitors are attracted to our digital media platforms because of the high quality of the digital content created by our editorial teams. These visitors and followers may access HBX store via link on our Hypebeast website and become our e-commerce customers. Our continuing success and growth of both of our digital media and e-commerce segments therefore depend on our ability to protect and promote our brand, trademarks, copyright and other intellectual property rights.

As at the Latest Practicable Date, we owned certain copyrights in relation to our digital media content and advertising materials, including artistic works (such as artworks and photos), films (such as videos) or literary works (such as text) and the trademarks and domain names as set out in the paragraph headed “B. Further Information about the Business — 2. Our material intellectual property rights” set out in Appendix IV to this prospectus.

Unauthorised use of our intellectual property by third parties may adversely affect our business and reputation. For example, competitors and other third parties may imitate our brand or infringe our trademark by using an identical brand name or trademark as us or by creating brand names or inventing keywords that are confusingly similar to ours. It may also be possible for third parties to obtain and use our copyrighted materials, such as our articles and blog posts on our digital media platforms, without authorisation. Preventing such unauthorised use of intellectual property is inherently difficult. If we are unable to prevent such unauthorised use, competitors and other third parties may drive visitors and followers away from us, which could harm our reputation and materially and adversely affect our results of operations.

RISK FACTORS

We generally rely on trademark and copyright laws to protect our intellectual property rights. However, the validity, enforceability and scope of protection of intellectual property in Internet-related industries could be uncertain. In particular, the laws in certain other countries may not offer intellectual property protection to the same extent as the laws of Hong Kong. In the future, if suspected infringement arises, litigation may be necessary to enforce our Group's intellectual property rights and to protect our intellectual properties. Future litigation could result in substantial costs and diversion of resources.

As at the Latest Practicable Date, we have applied for the trademark registration of some of our trademarks set out in the paragraph "B. Further Information about the Business — 2. Our material intellectual property rights" set out in Appendix IV to this prospectus. However, there is no assurance that these applications for trademark registration will eventually be approved or that we would be granted exclusive rights to use these marks as registered trademarks. If the trademarks cannot be registered, or if the registration process is delayed, our trademarks may be infringed, which may materially and adversely affect our business, prospects, results of operations and financial condition. In addition, there is no assurance that the use of the trademarks by us will not infringe the intellectual property rights of any other third party or in breach of the laws of the Hong Kong, US, China or other jurisdictions before the registration process is completed. Any claim in relation to the use of trademark by us, made or threatened to be made against us, in future, regardless of merits, could result in litigation and could adversely and materially affect our business, results of operations and financial conditions.

We may not be able to sustain the growth of revenue and profitability that we experienced during the Track Record Period

We experienced significant growth in our revenue and profitability during the Track Record Period and will implement plans to sustain the growth momentum of our business. Our revenue increased by approximately 35.9% from approximately HK\$72.8 million for the year ended 31 March 2014 to approximately HK\$98.9 million for the year ended 31 March 2015. Similarly, our revenue increased by approximately 39.0% from approximately HK\$46.1 million for the six months ended 30 September 2014 to approximately HK\$64.1 million for the six months ended 30 September 2015.

External factors affecting the development of, and which may add uncertainty to, our business including but are not limited to the economic conditions of US, EU, Asia and Hong Kong, the general industry trend, the consumption behaviour of consumers and government policies. In order to sustain the growth momentum, we plan to, among others, increase the traffic to our digital media platforms which we may monetise into our revenue and profitability.

Our Company intends to introduce additional localised websites in different languages for different regions of the world. We also have to recruit additional employees with the necessary skills and knowledge in relation to our business. Our content production team requires staff who are proficient in multimedia design and our marketing team looks for sales talents who are able to solicit business from brand owners and advertising agencies. We cannot guarantee that we could recruit the required skilled persons for the growth of our business.

RISK FACTORS

In addition, the growth and expansion of our business will require significant managerial, financial and human resources and may result in significant expenditures incurred by us, which may or may not be recoverable, and may divert management's attention from other business concerns. There is no assurance that we will successfully implement our strategies or that our strategies, even if implemented, will result in us achieving our objectives.

In the event that we fail to implement efficiently the aforementioned measures to sustain the growth of our revenue and profitability or we fail to secure recurring business from our media service and e-commerce customers, our business operations and financial conditions may be adversely affected.

If we fail to achieve the marketing objectives of the brand owners and advertising agencies, we could lose customers

We offer services to digital media customers depending on the individual needs and marketing objectives of the brand owners and advertising agencies. In general, the marketing objectives of an advertiser or marketer, such as the number of impression of an advertisement, will be set out in the relevant agreement with the customer before the commencement of a project and may be revised throughout the project, and our digital media services may be fine-tuned with reference to the feedback from the customer.

Most of our digital media customers assess our performance mainly based on our effectiveness in achieving their marketing objectives. As a result, we are expected to provide effective digital media services that can achieve the desired marketing objectives (such as reaching a specific number of impressions within a given time frame). If our digital media services are not able to achieve the desired marketing objectives, our relationships with digital media customers, reputation and revenue will be adversely affected.

Our international footprint exposes us to a variety of different local legal, regulatory, tax, payment, and cultural standards which we might fail to comply with

While our physical presence is largely concentrated in Hong Kong, our websites and social media platforms can be viewed by Internet users around the world. For our e-commerce platform, we source our offering of fashion products from various countries including US, Germany, France and Japan and we had sold our goods to customers globally during the Track Record Period. Therefore, the international scope of our operations exposes us to several types of complexities that increase the risks associated with our business, including but not limited to:

- the need to serve our overseas customers with different cultural background and time zones resulting in difficulties in maintaining relationship with them;
- the need to effectively adjust our business to target the local markets, including the offering of country-specific websites in foreign languages (our Hypebeast website is available in traditional and simplified Chinese, Japanese and English language);
- different local laws and regulations, including relating to consumer protection, data privacy, labour, intellectual property, licensing, tax, trade, and customs duties or other trade restrictions;
- the potential for unexpected changes in legal, political or economic conditions in the countries from which we source or into which we sell;
- exposure to liabilities under various anti-corruption and anti-money laundering laws; and

RISK FACTORS

- fluctuations in foreign exchange rates against the Hong Kong dollar.

If we fail to manage these risks adequately, or if one or more of these risks materializes, this could have a material adverse effect on our reputation, business, financial condition and results of operations.

We are exposed to the risk of infringement of intellectual property rights owned by third parties

Our digital media platforms report the latest trend in fashion, lifestyle, culture and music. The articles written by our editorial teams and posted on our digital media platforms include updates, event reports and product reviews. Our editorial teams gather information from various sources to create our digital content and may include artworks, photos or videos in our articles. Where possible, we endeavour to create original artworks, photos or videos or use materials provided to us by brand owners or their advertising agencies. In other situations, we acknowledge the sources of these artworks, photos and/or videos.

The copyright of the artworks, photos and videos we used on our digital media platforms may be owned by third parties. We cannot guarantee the copyright owner will not object to the use of the relevant copyrighted materials on our digital media platforms. We may incur legal liability for infringing intellectual property rights in the pictures or videos that we post on our digital media platforms. During the Track Record Period and up to the Latest Practicable Date, we have been notified in the past about our usage of certain artworks, photos or video which may constitute possible infringement of copyrights belonged to others, and we have also in certain circumstance received take-down notices which we have fully complied.

We cannot assure you that in future we will not be threatened or sued upon in relation to infringement of intellectual property rights of others. Any such claims, if arise and regardless of their merits, could be time-consuming and costly to defend, and may result in litigation and divert management's attention and resources. Furthermore, an adverse determination in any such litigation or proceedings to which we may become a party could cause us to pay substantial damages, may result in harm to our reputation or may require us to pay ongoing royalties or may subject us to injunctions requiring us to remove content or take other steps to prevent infringement, each of which could prevent us from pursuing some or all of our business and result in our users and advertising customers or potential users and advertising customers deferring or limiting their use of our services, which could materially adversely affect our financial condition and results of operations.

We rely on third-party courier to deliver goods to e-commerce customers and third-party suppliers for technical and payment services

We use a number of third-party couriers to deliver goods ordered by our e-commerce customers at our e-commerce platform. Interruptions to or failures in these third parties' delivery services could prevent the timely or proper delivery of the goods to customers. These interruptions may be due to events that are beyond our control or the control of these delivery companies, such as inclement weather, natural disasters, transportation disruptions or labour unrest. If these third-party couriers fail to deliver the goods, we may not be able to find alternative delivery companies to provide delivery services in a timely and reliable manner, or at all. If the goods are not delivered in proper condition or on a timely basis to our customers, our business and reputation could suffer.

RISK FACTORS

We rely on online payment service providers for the settlement of sales transacted on our e-commerce platform. We also rely on third-party technical service providers for the operation of our integrated digital platforms. Any technical interruption in the functions provided by our third-party service providers could have a material adverse effect on the financial condition of our Group.

Our e-commerce business is subject to seasonality risk

Our e-commerce business is seasonal and we typically record higher sales during the months between October and January and also between May and July. Our sales may be affected by a change in weather in different countries. Historically, the fourth quarter of each year generally contributes the largest portion of our annual revenues of our e-commerce business as a result of increased advertising and promotion activities, which is primarily because (i) shoppers traditionally increase their spending on warm clothes and other fashion items during the winter season; and (ii) a number of promotions of our e-commerce platform typically occur in the winter season, such as Thanksgiving sale and Cyber Monday sale which are followed by the Christmas and New Year sales. Because the winter season is our biggest season in terms of sales on our e-commerce platform, if the winter months experience exceptionally warm weather, our customers may decrease their spending on warm clothes and other fashion items and our revenue during our peak season may be significantly affected. In addition, as a result of seasonal fluctuations, comparisons of sales and operating results between different quarters within a single year are not necessarily meaningful and should not be relied on as indicators of our Group's full-year performance.

Our business operations could be significantly disrupted by information technology system failures or undetected programming errors or other defects of our platforms

Our business operations and success depend on the stable performance of our information technology system, which we utilise to, among other things:

- host our integrated digital platforms comprising Hypebeast, Hypetrak, Popbee and HBX store;
- analyse consumer preference;
- communicate with our digital media customers;
- design, execute and place advertisements; and
- monitor our inventory level.

Any system failure that interrupts our ability to provide services to digital media customers and sell our products to consumers through our e-commerce platform could significantly reduce the attractiveness of our services and reduce our revenue. Our systems are vulnerable to a variety of events, including telecommunications failures, power shortages, computer virus infection, malicious human acts and natural disasters. In addition, any steps to increase the reliability and to avoid the redundancy of our information technology system may not be effective and may not be successful in preventing system failures.

RISK FACTORS

Our integrated digital platforms may contain undetected programming errors or other defects and we face the challenge of external interruptions. For example, parties unrelated to us may develop programmes to interrupt the operation of our websites and online store. Users may also develop programmes or use other means to infringe content of our integrated digital platforms. The occurrence of undetected errors or defects in our integrated digital platforms, and our failure to discover and stop the external interruptions could disrupt our operations, damage our reputation and weaken our users' experience. As a result, such errors, defects and external interruptions could adversely affect our business, financial condition and results of operations.

We may be liable for our users' privacy being compromised which may materially and adversely affect our reputation and business

We collect, receive, store and process personal information and other data from users of our websites. In addition to standard data security measures such as passwords and firewalls, we seek to protect users' information and accounts by employing comprehensive content filters, such as auto-detecting and blocking the appearance of phone numbers or bank account numbers to ensure that content posted by our users on our webpages are screened to prevent disclosure of personal information.

We collect various personal data in the operation of our business. For example, visitors may register for an account on our integrated digital platforms. Similarly we also collect our online shoppers' personal details such as name and address for the delivery of the goods. In addition, our information technology system monitors visitors' activities on our webpages so as to collect data on consumer preference.

We collect personal data from registered users with their prior consent. Our privacy policy is stated at the webpages of our integrated digital platforms. Our internal control procedure aims to ensure compliance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong or other applicable laws) in relation to the proper collection, use and storage of the personal data we collected.

Despite our efforts to employ security features to safeguard user information, there is no guarantee that we can successfully keep our users free from inappropriate behaviour, offensive contact or other acts of third parties that violate the privacy of our users. Similar to other providers of Internet content services and operators of Internet platforms, we are subject to risks of hacking. Unauthorized users may gain access to or control of other users' personal accounts and their personal data for malicious purposes. Any failure or perceived failure by us to (i) prevent our users' exposure to such infiltration and (ii) comply with our privacy policies, our privacy-related obligations to users or other third parties, or any privacy laws or regulations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or users' personal data, may result in governmental enforcement actions, litigation or public statements against us by our users, consumer advocacy groups or others, which would detrimentally affect our reputation, and materially and adversely affect our business.

RISK FACTORS

We are subject to product liability risk for the goods sold on our e-commerce platform

During the Track Record Period, we primarily sold clothing, shoes and accessories to our e-commerce customers worldwide through our e-commerce platform. We cannot guarantee that the goods shipped to our customers are free of any patent or latent defects. If defective or sub-standard goods cause damage or injury to our customers or persons who deal with the goods, we may be liable for the damage or injury.

In addition, any defects in the products could result in material and adverse customer reaction towards our Group, resulting in negative publicity and additional time, effort and expenditures to correct the problems and settle or defend the claims against our Group. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material claim against us in this regard.

We do not maintain insurance policies covering losses related to potential product liabilities. Any litigation in relation to product liability claims may result in substantial costs and diversion of our resources.

There is no assurance that we will not encounter any of the abovementioned claims in the future. Any such claims may have an adverse monetary impact. Even if such claims are found meritless, the resulting negative publicity may cause significant damage to our reputation.

We rely on the availability of social media platforms for the promotion of our business

We make use of various social media platforms, such as Facebook, Google+, Instagram, Twitter, Pinterest, YouTube, Weibo and Snapchat to promote our business. For instance, our Hypebeast accounts on Facebook, Instagram and Twitter recorded approximately 2.1 million page likes, 2.2 million followers and 330,000 followers, respectively, as at the Latest Practicable Date. We also put our Hypebeast articles on Facebook so that our viewers may like or share our posts, thereby allowing the post to reach a broader audience.

While we have internal control policies in place to monitor the content we upload to the above social media platforms and ensure compliance with these social media platforms' policies, we cannot guarantee that these social media platforms will continue to allow us to operate our accounts. If our accounts are blocked or banned, we will lose a channel for communicating with our viewers and our popularity may be adversely impacted. We may also as a result fail to attract viewers to our other websites through these social media platforms, leading to decreased monthly page views or monthly unique visitors and losing both advertising and retail customers.

If our digital content is not viewed by our visitors and followers, our digital media customers may not engage us for our advertising services and our financial results will be adversely impacted.

Further, such social media platforms do not charge us fees for our corporate user accounts. If these social media platforms demand payment of fees for our corporate user accounts, our financial performance may be adversely affected.

RISK FACTORS

Rapid changes in fashion trends, consumer preferences and spending patterns may affect our e-commerce business and result in obsolete or slow-moving inventories

The sale of our products on our e-commerce platform is subject to fashion trends, consumer preferences and spending patterns which may change rapidly. Our ability to analyse and predict fashion trends precisely as well as our ability to respond in a timely manner will determine the level of success of our e-commerce business and our growth rate. In addition, demand for products can change significantly between the time when inventories are ordered and they are sold. As such, our customers may not order our products in the quantities that we expect. As at 31 March 2014 and 2015 and 30 September 2015, our inventories amounted to approximately HK\$5.1 million, HK\$10.5 million and HK\$14.3 million, respectively. Our inventory turnover days for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015 were approximately 59, 104 and 202 days, respectively. For the six months ended 30 September 2015, we experienced a higher inventory turnover days primarily due to the higher level of inventories kept as at 30 September 2015 for the ongoing summer sales which generally run from May to October each year and the commencement of stock build-up for the expected sales in the coming winter season. For details of inventory turnover days, please refer to the section headed “Financial Information — Description of certain items of combined statements of financial position — Inventories” in this prospectus. If we fail to anticipate, identify or respond to changes in consumer preferences in a timely manner, we may experience a reduced demand for our products, a lower level of revenue and an increased level of inventory turnover days as well as inventory obsolescence. Further, if we fail to manage our inventories effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins or a loss. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. As such, our results of operations, financial performance and business could be materially and adversely affected.

We may not be able to sustain the gross profit margins at the levels recorded during the Track Record Period

We have experienced fluctuations in gross profit margin for both of our digital media business and our e-commerce business during the Track Record Period. The gross profit margin of our digital media business decreased from approximately 77.6% for the year ended 31 March 2014 to approximately 75.8% for the year ended 31 March 2015 and decreased from approximately 82.7% for the six months ended 30 September 2014 to approximately 76.8% for the six months ended 30 September 2015. The gross profit margin of our e-commerce business decreased from approximately 45.0% for the year ended 31 March 2014 to approximately 42.2% for the year ended 31 March 2015, while increasing from approximately 46.5% for the six months ended 30 September 2014 to approximately 51.2% for the six months ended 30 September 2015. The decrease in gross profit margin in the digital media segment was mainly because more tailor-made advertising services were provided and more production staff were employed during the Track Record Period. The decrease in gross profit margin for the e-commerce segment for the year ended 31 March 2015 as compared to the previous year was mainly due to larger sales of products with lower gross profit margins and more discounted items offered for clearance sales. The increase in gross profit margin of our e-commerce business was primarily

RISK FACTORS

due to (i) the improvement of gross profit margins of certain existing brands including the brand supplied by our largest supplier and other top selling brands from an increase in the retail selling prices and a higher mark-up as compared to the same period in 2014 in relation to a change in the pricing strategy adopted by the brand owners to enhance their brand image and market position; (ii) an adjustment of our product mix as we sourced more products with higher gross profit margins; and (iii) the introduction of a number of new brands which carried higher gross profit margins during the six months ended 30 September 2015 as part of our effort to enhance our brand portfolio and increase our product variety.

There can be no assurance that we will be able to maintain and secure the gross profit margins at the levels recorded during the Track Record Period. We may undertake more tailor-made advertising services or engage in some relatively large-scale advertising and creative agency projects with certain multi-national brands in the future which may affect our gross profit margin of our digital media business. As we increase the variety of the products we source, the performance of our e-commerce business will become increasingly dependent on our ability to anticipate customer demand and preferences, adapt to changes in fashion industry, stay abreast of product trends and introduce new brands that are appealing to our customers. In addition, our gross profit margin for the e-commerce business may decline to a material extent for other reasons, including decreasing consumer spending, increasing competition, and changes in government policies or general economic conditions which are, to a large extent, beyond our control. Accordingly, we cannot guarantee that our gross profit margins will not fluctuate from time to time. If there is any decline in our gross profit margins in the future or if we fail to sustain the relatively high gross profit margin, our profitability and financial condition may be adversely affected.

Fluctuations in foreign currency exchange rates may result in foreign currency exchange losses

We undertake certain operating transactions in foreign currency, mainly in USD and Euro, which exposes us to foreign currency risk. For the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, revenue received from our digital media customers denominated in USD was approximately USD4.0 million, USD5.4 million and USD3.4 million, representing approximately 92.8%, 87.2% and 67.5% of total digital media income, respectively; and those denominated in Euro was approximately EUR0.1 million, EUR0.1 million and EUR0.1 million, representing approximately 1.8%, 2.2% and 2.6% of total digital media income, respectively. Other major currencies and revenue received from our e-commerce customers was dominated in USD. For the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, payments made by our Group for settlement of purchases from our suppliers denominated in USD was approximately USD2.0 million, USD2.4 million and USD1.0 million, representing approximately 66.9%, 56.1% and 53.5% of total purchase, respectively; and those denominated in Euro was approximately EUR0.4 million, EUR0.8 million and EUR0.3 million representing approximately 12.8%, 19.9% and 19.2% of total purchase, respectively.

For details of our internal control measures to monitor and manage the risk relating to foreign currency mismatch, please refer to the section headed “Business — Internal Control — Internal control on foreign currency” in this prospectus.

RISK FACTORS

The value of HK\$ against USD, Euro and other currencies may fluctuate and our cash flows, revenues, earnings and financial position may be materially and adversely affected if there is any severe fluctuation in exchange rates among HK\$, USD and Euro. We have not used and at present do not intend to use any derivative instruments in foreign currency to hedge the risk against foreign currency exchange fluctuations. Accordingly, we are exposed to exchange rate fluctuations and such exposure may adversely affect the financial position and performance of our Group.

We may face difficulties in complying with the Competition Ordinance

As the Competition Ordinance (Chapter 619 of the Laws of Hong Kong), which became operational on 14 December 2015, prohibits among others anti-competitive agreements or concerted practice if the object or effect of the agreement or concerted practice is to prevent, restrict or distort competition in Hong Kong. Please refer to the sub-section headed “Regulatory Overview — Competition” in this prospectus for further details of the Competition Ordinance and the possible legal consequences in case of infringement.

Because the Competition Ordinance has only been operational since December 2015, there may be uncertainties on the full effect of the rules in respect of compliance, infringement and its effect on our sales. We may face difficulties and may need to incur legal costs in ensuring our compliance with the rules. We may also inadvertently infringe the Competition Ordinance and under such circumstance, we may be subject to fines and/or other penalties, incur substantial legal costs and may result in business disruption and/or negative media coverage, which could adversely affect our business, results of operations and reputation.

We may face difficulties in complying with proposed amendments to the Copyright Ordinance

The Hong Kong Government has introduced the Copyright (Amendment) Bill 2014 which contains, amongst others, the key legislative proposals that potentially impact our business operations. However, the Copyright (Amendment) Bill 2014 is yet to be passed. Please refer to the sub-section headed “Regulatory Overview — Copyright Ordinance (Chapter 528 of the Laws of Hong Kong)” in this prospectus for further details of the Copyright Ordinance and the possible legal consequences in case of infringement.

It is unlikely that the Copyright (Amendment) Bill 2014 will be passed. However, we do not know when the bill will be passed, whether the bill will be passed in its current form or further amended in the future, nor do we know the approach which the Hong Kong Courts and the Hong Kong Customs and Excise may take in enforcing the new provisions if they are enacted as currently drafted. Therefore, the practical impact and risks posed by the above legislative proposals are still unclear. We may face difficulties and may need to incur legal costs in ensuring our compliance with the rules. We may also inadvertently infringe the Copyright Ordinance and under such circumstance, we may be subject to fines and/or other penalties, incur substantial legal costs and may result in business disruption and/or negative media coverage, which potentially adversely affect our business, results of operations and reputation.

RISK FACTORS

If we fail to attract, recruit or retain our key personnel including our executive Directors, senior management and key employees, our ongoing operations and growth could be affected

Our success depends to a large extent on the efforts of our key personnel including our executive Directors, senior management and key employees. For instance, our chairman, chief executive officer and executive Director, Mr. Ma is the founder of our Group and is responsible for the overall business development and financial and strategic planning of our Group. There is no assurance that Mr. Ma or other key personnel will not voluntarily terminate their employment with our Group. The loss of any of our key personnel could be detrimental to our ongoing operations. Our success will also depend on our ability to attract and retain qualified personnel in order to manage our existing operations as well as our future growth. We may not be able to successfully attract, recruit or retain key personnel and this could adversely impact our growth.

We could be adversely affected as a result of our operations and sale to customers in certain countries that are subject to evolving economic sanctions administered by the US, the EU, the UN, Canada, Australia and other relevant sanctions authorities

Certain countries or organizations, including the US, the EU, the United Nations, Canada and Australia maintain comprehensive or other broad economic sanctions targeting the Sanctioned Countries and activities with Sanctioned Persons. During the Track Record Period, we had sales to e-commerce customers in Russia, Ukraine, Belarus, Egypt and the Balkans and our revenue derived therefrom in aggregate accounted for less than 1% of our revenue for each of the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015. For details of our business operations in the Sanctioned Countries, please refer to the sub-section “Business — Business activities in the Sanctioned Countries”. We undertake to the Stock Exchange that we will not use the proceeds from the Placing, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries or any other government, individual or entity sanctioned by the US, the EU, the United Nations, Canada and Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions. We will not undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders to violate or become a target of sanctions laws of the US, the EU, the United Nations, Canada and Australia. If we breach any of these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our Shares. In order to ensure our compliance with these undertakings to the Stock Exchange, we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. For details of our internal control procedures, please refer to the section headed “Business — Business Activities in Sanctioned Countries — Our undertakings and internal control procedures” in this prospectus

We cannot predict the interpretation or implementation of government policy at the US federal, state or local levels or any policy by the EU, the United Nations, Canada, Australia and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in the Sanctioned Countries and/or with Sanctioned Persons. We can provide no assurance that our future business will be free of risk under sanctions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the US authorities or the authorities of any other government that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely affected if the government of the US, the EU, the United Nations,

RISK FACTORS

Canada and Australia or any other governmental entity were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Company. In addition, because many sanctions programs are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated relevant sanctions laws, or being sanctionable.

In addition, certain US state and local governments and universities have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain Sanctioned Countries. As a result, concern about potential legal or reputational risk associated with our historical operations in the Sanctioned Countries and/or with Sanctioned Persons could also reduce the marketability of the Placing Shares to particular investors, which could affect the price of our Placing Shares and Shareholders' interests in us, despite our commitment not to direct the proceeds from the Placing to dealings with any parties subject to International Sanctions. Before investing in our Shares, you should consider if such investment would expose you to any of the US, the E.U. or other sanctions law risk arising from your nationality or residency. Any of these events could have an adverse effect on the value of your investment in us.

RISKS RELATING TO DOING BUSINESS IN HONG KONG

Political consideration of Hong Kong

As Hong Kong is a special administrative region of the PRC, the PRC may, by its political and economic policies, exert influence on the foregoing aspects of Hong Kong. The PRC economy features a high degree of government involvement. In recent years, the PRC Government has implemented various measures to guide the allocation of resources so as to narrow the gaps between economic developments in different regions in the country. We cannot foresee or give any assurance that the PRC Government will not in the near future adopt policies that will adversely affect the political, legal and economic conditions of Hong Kong which may in turn materially affect our business.

Currency peg system in Hong Kong

Since 1983, Hong Kong dollars have been pegged to the US dollars at the rate of approximately HK\$7.80 to US\$1.00. There is no assurance that this policy will not be changed in the near future. If the pegging system collapses and the value of the Hong Kong dollars rises against the US dollar, our Group's sale in US or other US currency based regions may be adversely affected.

Costs of conducting business in Hong Kong

The costs of doing business in Hong Kong is high as compared to its surrounding regions. We rent our office space and warehouse in Hong Kong. The majority of our workforce is also based in Hong Kong. In view of the high rental price and high labour cost in Hong Kong, our Group needs to exercise careful control over our expenditures in these areas. Should we fail to control our costs, the financial performance of our Group may be adversely affected.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY

If we fail to successfully develop and introduce new services, and keep up with the rapidly changing technology, our competitive position and ability to generate revenue and growth could be affected

Internet is a fast changing and evolving platform. In order to adapt to this environment, our Group has to continuously develop new services for our business, such as customized websites for our viewers in different regions of the world. The introduction of new services is subject to risks and uncertainties. Unexpected technical, operational, distribution or other problems could delay or prevent the introduction of our new services. Moreover, there can be no assurance that any of our new features and services will achieve widespread market acceptance.

Our success also depends on our ability to adapt to rapidly changing technologies and to enhance the quality of our existing services. We may experience difficulties that could delay or prevent the successful design, development, introduction or marketing of our new services or products. Any new service or product we develop will need to meet the requirements of our existing and potential customers and may not achieve significant market acceptance. If we fail to keep pace with changing technologies and to introduce successful and well-accepted products or services for our existing or potential customers, we could lose our customers and our revenue and growth could be adversely affected.

Intense competition in the digital media segment

The online marketing industry is intensely competitive. In the highly competitive online marketing industry, we may not be able to compete successfully and this could reduce our market share and adversely affect our financial performance.

There are numerous companies that specialise in the provision of online marketing and advertising services. Our Group competes with other competitors in Hong Kong, US and worldwide primarily on the following bases:

- brand recognition;
- quality of services;
- effectiveness of sales and marketing efforts;
- creativity in design and content of our websites;
- price;
- strategic relationships with brand owners and advertising agencies;
- hiring and retention of talented staff; and
- quality and volume of traffic of our websites.

RISK FACTORS

Increased competition may result in price reductions for advertising space, reduced margins and loss of our market share. Our Group's existing competitors may in the future achieve greater market acceptance and recognition and gain a greater market share. It is also possible that potential competitors may emerge and acquire a significant market share. If existing or potential competitors develop or offer services that are superior to those offered by us in terms of any of the above areas, our business, results of operations and financial conditions would be negatively affected. Our Group also competes with traditional forms of media, such as newspapers, magazines, radio and television broadcast, for brand owners and advertising agencies and advertising revenue.

Our existing and potential competitors may enjoy competitive advantages over us, such as longer operating histories, greater name recognition, larger customer bases, greater access to advertising space on popular websites, apps and mobile sites, and significantly greater financial, technical and marketing resources. If we fail to compete successfully, we could lose customers. We also cannot assure you that our strategies will remain competitive or that they will continue to be successful in the future. Increasing competition could result in pricing pressure and loss of our market share, either of which could have a material adverse effect on our financial conditions and results of operations.

Further, our Group's ability to generate and maintain certain level of revenue in the digital media services segment will depend on a number of factors, many of which are beyond our control, including but not limited to:

- intensified competition in the marketing and advertising industry and potential downward pressure on advertising prices;
- the acceptance and/or attractiveness of online digital media and social media platforms as an effective way for advertisers to place advertisements;
- availability of quality advertising space;
- the effectiveness of our marketing strategy, delivery, tracking and reporting systems;
- the development of software that blocks digital advertisements and the expansion of advertisement blocking on digital media and social media platforms, which might affect the delivery, display or tracking of digital advertisements; and
- implementation of government policy that promotes Internet and e-commerce industries.

Intense competition in the e-commerce business

In the e-commerce business we compete with our competitors for customer orders and brand owners who supply their goods for us to sell. Our current or potential competitors include major online retailers in US and worldwide that offer a wide range of general or fashionable merchandise product categories, major traditional retailers that are moving into online retailing and major Internet companies that have commenced e-commerce businesses and physical retail stores. Please refer to the section headed "Business — Competition" in this prospectus for details.

RISK FACTORS

In addition, new and enhanced technologies may increase the competition in the e-commerce industry. New competitive business models may appear, for example, based on new forms of social media or social commerce. Increased competition may reduce our margins, market share and brand recognition, or result in significant losses.

Some of our current or future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases or greater financial, technical or marketing resources than we do. Those smaller companies or new entrants may be acquired by, receive investment from or enter into strategic relationships with well-established and well-financed companies or investors which would help enhance their competitive positions.

Some of our competitors may be able to secure more favorable terms from brand owners, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing or inventory policies and devote substantially more resources to their websites, mobile apps and systems development than us.

We cannot assure you that we will be able to compete successfully against current or future competitors, and competitive pressures may have a material and adverse effect on our business, financial condition and results of operations.

Our revenue growth depends on the continuous growth of Internet usage and infrastructure

If use of the Internet does not continue to grow, or if the Internet infrastructure does not effectively support its growth, our revenue and growth could be adversely affected.

Our business and financial results depend heavily on the continuous growth in the use of Internet, whether through computers or other mobile connected devices. Internet usage may be inhibited for a number of reasons, many of which are beyond our control, including but not limited to:

- security concerns;
- unavailability of inexpensive and high speed service;
- inconsistent quality of service; and
- inadequate network infrastructure.

If Internet infrastructure is unable to support the growing use of the Internet, the performance, usability and reliability of the Internet may be hindered and may decline. In addition, websites, apps and mobile sites may experience interruptions in their service as a result of sabotage and other delays occurring throughout the Internet network infrastructure. The Internet could lose its viability as a commercial medium due to delays in the development or adoption of new technology required to accommodate increased levels of Internet activity. If use of the Internet does not continue to grow, or if the Internet infrastructure does not effectively support its growth, our revenue and growth could be adversely affected.

RISK FACTORS

The PRC's regulation and censorship of information distributed over the Internet in the PRC may adversely affect our business and we may be liable for information contained on our website

The PRC Government has enacted laws and regulations governing Internet access and the distribution of products, services, news, information, audio-video programs and other content through the Internet. The PRC Government prohibits the distribution of information through the Internet that it deems to be in violation of PRC laws and regulations. If any of the content on our digital media platform were deemed to violate any content restrictions by the PRC Government, we would not be able to continue to display such content and could become subject to penalties which could materially and adversely affect our business, financial condition and results of operations. We may also be subject to potential liability for any unlawful actions.

RISKS RELATING TO THE PLACING

There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile

Prior to the Placing, there was no public market for our Shares. The indicative range of the Placing Price was determined as a result of negotiations between us (for ourselves and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the other Underwriters). The Placing Price may differ significantly from the market price for the Shares after the Listing.

We have applied for the listing of and permission to deal in our Shares on GEM. However, even if approved, being listed on GEM does not guarantee that an active trading market for our Shares will develop following the Placing or that our Shares will always be listed and traded on GEM. There is no assurance that the Listing will result in the development of an active and liquid public trading market for the Shares or that the market price of our Shares will not decline below the Placing Price.

The price and trading volume of our Shares may be highly volatile. The market price of the Shares may fluctuate significantly and rapidly as a result of the following factors, among other things, some of which are beyond our control:

- variations in our revenue, earnings and cash flows
- announcements of new investments, strategic alliances or acquisitions
- fluctuations in market prices of our products and services
- changes in securities analysts' analysis of our financial performance
- concentration of shareholding in the hands of small number of investors
- addition or departure of our key personnel
- our involvement in litigation
- general economic and stock market conditions in Hong Kong and across the globe

RISK FACTORS

Any of the above factors may result in large and sudden changes in the volume and price at which our Shares will trade.

Stock markets and the shares of some listed companies in Hong Kong have experienced price and volume fluctuations in recent years, some of which may have been unrelated or disproportionate to the operating performance of such companies.

Investors for our Shares may experience dilution if we issue additional Shares in the future to raise funding

We may need to raise additional funds in future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the existing Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Shares under the Placing.

Also, if we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exerts pressure to the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

There may be dilution because of the issuance of Shares pursuant to the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Post-IPO Share Option Scheme

We have granted share options to employees and senior management under the Pre-IPO Share Option Scheme. We may grant share options to eligible participants under the Post-IPO Share Option Scheme, who may be employees, senior management and Directors. The exercise of share options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme will result in an increase in the number of Shares, and may result in a dilution to the percentage of ownership of the shareholders of our Company, the earnings per Share and net asset value per Share depending on the exercise price. Further details of the Share Option Schemes are summarised in “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Scheme” and “Appendix IV — Statutory and General Information — E. Post-IPO Share Option Scheme” in this prospectus.

There can be no assurance that we will declare or distribute any dividend in the future

For the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, our Group declared dividends of nil, HK\$7,745,000 and nil respectively. However, our Group’s historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Group in the future. The decision to pay dividends will be considered in light of the factors such as the results of operations, financial conditions and other factors deemed relevant. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent

RISK FACTORS

profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

Future sale of the Shares or major divestment of the Shares by our Controlling Shareholders or substantial shareholders of our Company could adversely affect the Share price

The sale of a significant number of Shares by our Controlling Shareholders or substantial shareholders in the public market after the Listing, or the perception that such sale may occur, could adversely affect the market price of the Shares. Except as otherwise described in the section headed “Underwriting” in this prospectus and the restrictions set out by the GEM Listing Rules, there is no restriction imposed on our Controlling Shareholders or substantial shareholders of our Company to dispose of their shareholdings. Any major disposal of Shares by any of our Controlling Shareholders or substantial shareholders of our Company may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for our Group to issue new Shares in the future at a time and price that our Directors deem appropriate, thereby limiting our ability to raise capital.

Possible impact of certain non-recurring expenses to the financial performance of the Group

Notwithstanding the financial performance of the Group during the Track Record Period mentioned in this prospectus, the Group’s financial results for the year ending 31 March 2016 will be affected by non-recurring expenses in relation to the Listing. The estimated total listing expenses payable by the Company in relation to the Listing are approximately HK\$22.3 million (based on the Placing Price of HK\$0.13, being the midpoint of the indicative Placing Price range of HK\$0.12 to HK\$0.14 per Placing Share), of which approximately HK\$6.6 million is directly attributable to the issue of Placing Shares under the Placing and is expected to be accounted for as a deduction from equity. Listing expenses of approximately HK\$4.7 million were reflected in our combined statements of profit or loss and other comprehensive income for the six months ended 30 September 2015 and an additional amount of approximately HK\$11.0 million is expected to be recognised in our combined statements of profit or loss and other comprehensive income subsequent to the Track Record Period and upon Listing.

Expenses in relation to the Listing are non-recurring. Accordingly, the Board wishes to inform the Shareholders and potential investors that the Group’s financial results for the year ending 31 March 2016 is expected to be materially adversely affected by the estimated expenses in relation to the Listing.

RISK FACTORS

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements that are “forward-looking” and indicated by the use of forward-looking terminology such as “believe”, “intend”, “anticipate”, “estimate”, “plan”, “potential”, “will”, “would”, “may”, “should”, “expect”, “seek” or similar terms. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, even if the Directors believe the assumptions related to those forward-looking statements are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this prospectus should not be regarded as representations by the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

Investors should not rely on any information contained in press articles or other media regarding our Group or the Placing

There may be press and media coverage regarding the Group or the Placing, which may include certain financial information, financial projections valuations and other information about the Group that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

To the extent that such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors should not rely on any such information and should rely only on information included in this prospectus in making any decision as to whether to invest in our Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, (i) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and (iii) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SELLING SHAREHOLDER

The Placing consists of 500,000,000 Shares, of which 100,000,000 Shares are being sold by CORE Capital, the Selling Shareholder. Assuming a Placing Price of approximately HK\$0.13 per Placing Share, which represents the mid-point of the indicative Placing Price range, we estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares (after deduction of the proportional underwriting commission and listing expenses payable by our Selling Shareholder in relation to the Placing) will be approximately HK\$11.3 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

INFORMATION ON THE PLACING

The Placing Shares are offered solely on the basis of the information contained and the representations made in this prospectus. So far as the Placing is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors (where applicable) or any other parties involved in the Placing.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published in connection with the Placing for which Quam Capital is the sponsor. The Placing Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreement. For further information about the Underwriters and underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

RESTRICTIONS ON SUBSCRIPTION OF THE PLACING SHARES

Each person acquiring the Placing Shares will be required to confirm or by his/her/its acquisition of the Placing Shares will be deemed to confirm that he/she/it is aware of the restrictions on the offer and sale of the Placing Shares described in this prospectus. Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit a placing or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Placing in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under any applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Prospective investors for the Placing Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions.

The Placing Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Placing.

APPLICATION FOR LISTING ON GEM

The Company has applied to the Listing Division for the listing of, and permission to deal in, the Shares in issue and which are to be issued or may be issued pursuant to the Capitalisation Issue and the Placing (including any Shares which may be issued pursuant to the exercise of any option granted or which may be granted under the Share Option Schemes) and as otherwise described herein on GEM.

No part of the share or loan capital of the Company is listed, traded or dealt in on any stock exchange and save as disclosed in the paragraph above, no such listing or permission to deal is being or proposed to be sought.

Under section 44B(1) of the Companies (WUMP) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, the Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of the Company in the hands of the public (as defined in the GEM Listing Rules). A total of 500,000,000 Placing Shares, representing 25% of the enlarged issued share capital of the Company immediately following completion of the Capitalisation Issue and the Placing (without taking into account any options granted or which may be granted under the Share Option Schemes) will be made available under the Placing.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Placing Shares are recommended to consult with their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Selling Shareholder, the Sponsor, the Joint Bookrunners, the Underwriters, their respective directors or any other person involved in the Placing accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercise of their rights thereunder.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal share registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong branch share registrar, Tricor Investor Services Limited, in Hong Kong.

The Shares are freely transferable. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

All the Placing Shares will be registered on the branch register of members of our Company in Hong Kong. Dealings in the Shares registered on the Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles of Association.

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure and conditions of the Placing are set out in the section headed "Structure and Conditions of the Placing" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, you should seek the advice of your stockbroker or other professional advisers.

COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about Monday, 11 April 2016. Shares will be traded in board lots of 20,000 Shares each. The Stock Code for the Shares is 8359. Our Company will not issue any temporary document of title.

CURRENCY TRANSLATIONS

Unless otherwise specified, translations of US\$ and EUR into HK\$ in this prospectus are based on the exchange rates set out below (for the purpose of illustration only):

US\$1.00	:	HK\$7.75
EUR1.00	:	HK\$8.65

No representation is made that any amounts in US\$, EUR and HK\$ can be or could have been converted at the relevant dates at the above exchange rate or any other rates.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amount may have been rounded up or down. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

Name	Address	Nationality
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Executive Directors

Mr. Ma Pak Wing Kevin (馬柏榮) (<i>Chairman and chief executive officer</i>)	Flat E, 13/F, Block 20 Chi Fu Fa Yuen Hong Kong	Canadian
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Ms. Lee Yuen Tung Janice (李苑彤)	Flat E, 13/F, Block 20 Chi Fu Fa Yuen Hong Kong	Chinese
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Independent non-executive Directors

Ms. Poon Lai King (潘麗琮)	Flat D, 6/F, Block E Prince of Wales Hospital 46 Ngan Shing Street Shatin, Hong Kong	Chinese
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Mr. Wong Kai Chi (黃啟智)	Flat D, 21/F, Tower 6, The Wings 9 Tong Yin Street, Tseung Kwan O N.T. Hong Kong	Chinese
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Ms. Kwan Shin Luen Susanna (關倩鸞)	Flat F, 14th Floor, Yen Kung Mansion Taikoo Shing, Hong Kong	Chinese
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For more information on our Directors and members of senior management, please refer to the section headed "Directors and Senior Management" in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED IN THE PLACING

Sponsor

Quam Capital Limited
18/F-19/F, China Building
29 Queen's Road Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

Quam Securities Company Limited
18/F-19/F, China Building
29 Queen's Road Central
Hong Kong

Koala Securities Limited
Room 803, 8/F
Hong Kong Chinese Bank Building
61 Des Voeux Road Central
Hong Kong

Legal Advisers to the Company

As to Hong Kong Law

Deacons
5th Floor, Alexandra House
18 Chater Road
Hong Kong

As to International Sanctions Laws

DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to Cayman Law

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

As to US law

Husch Blackwell LLP
4801 Main Street, Suite 1000
Kansas City
Missouri
United States of America
64112

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

**Legal Advisers to the Sponsor
and the Underwriters**

As to Hong Kong Law
Eversheds
21/F, Gloucester Tower
The Landmark, 15 Queen's Road Central
Hong Kong

**Auditors and Reporting
Accountants**

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Industry Consultant

China Insights Consultancy Limited
Room 1203, Shanghai International Group Building
511 Weihai Road, Jing'an District, Shanghai
People's Republic of China

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive, PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	12/F, 10-16 Kwai Ting Road Kwai Chung Hong Kong
Website address	hypebeast.xyz <i>(information in this website does not form part of this prospectus)</i>
Company secretary	Ms. Cheung Nga Man (張雅敏), CPA Flat G, 32/F, Block 9, Beverly Garden, Tseung Kwan O, New Territories, Hong Kong
Authorised representatives	Mr. Ma Pak Wing Kevin (馬柏榮) Flat E, 13/F, Block 20, Chi Fu Fa Yuen Pok Fu Lam, Hong Kong Ms. Cheung Nga Man (張雅敏), CPA Flat G, 32/F, Block 9, Beverly Garden Tseung Kwan O, New Territories, Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Audit Committee	Mr. Wong Kai Chi (黃啟智) (<i>Chairman</i>) Ms. Poon Lai King (潘麗琼) Ms. Kwan Shin Luen Susanna (關倩鸞)
Remuneration Committee	Ms. Poon Lai King (潘麗琼) (<i>Chairman</i>) Mr. Ma Pak Wing Kevin (馬柏榮) Mr. Wong Kai Chi (黃啟智)
Nomination Committee	Mr. Ma Pak Wing Kevin (馬柏榮) (<i>Chairman</i>) Ms. Poon Lai King (潘麗琼) Ms. Kwan Shin Luen Susanna (關倩鸞)

CORPORATE INFORMATION

**Principal share registrar and
transfer office**

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

**Hong Kong branch share registrar
and transfer office**

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Compliance adviser

Lego Corporate Finance Limited
Room 1601, 16/F, China Building
29 Queen's Road Central
Hong Kong

INDUSTRY OVERVIEW

This section contains certain statistics, industry data or other information mainly derived or extracted from publicly available government sources, market data providers and other Independent Third Party sources. In addition, this section and elsewhere in this prospectus contains information extracted from a commissioned report, or the CIC Report, prepared by CIC for the inclusion in this prospectus.

We believe that the sources of such information are appropriate and have taken reasonable care in extracting and reproducing the information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Selling Shareholder, the Sponsor, the Joint Bookrunners, any of their respective directors, officers, affiliates, advisers or representatives, or any other party involved in the Placing and no representation is given as to its accuracy. The information in this section should not be unduly relied upon.

SOURCES OF THE INDUSTRY INFORMATION

We commissioned CIC, an independent market research and consulting company, to analyse on and prepare a report regarding the Internet advertising and online retail industries. A commission fee of HK\$420,000 was paid to CIC pursuant to a service agreement reached by arm's length negotiation. We considered that the payment of the commission fee does not affect the fairness of conclusions drawn in the CIC Report. CIC, an investment and financing consultancy, provides professional industry consulting services for customers who seek to raise money through public stock offerings. CIC's founding partner, Mr. Arden Dai, is a Chartered Financial Analyst and has over 10 years of consulting experience. Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the CIC Report and CIC is an independent professional market research company with extensive experience in their profession. The information and data collected by CIC have been analysed, assessed and validated using CIC's in-house analysis models and techniques. The methodology used by CIC is based on information gathered from multiple levels and allows such information to be cross-referenced for reliability and accuracy. On such basis we consider the data and statistics to be reliable.

CIC Report

In preparing for the report, CIC conducted both primary and secondary research and relied on various sources. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources, such as National Bureau of Statistics of China and other industrial associations.

INDUSTRY OVERVIEW

The CIC report contains a variety of market projections which were produced with the following key assumptions: (i) the global economy and industry development is likely to maintain a steady growth in the next decade; (ii) the relevant industry key drivers, such as a prosperous economy development, increasing Internet penetration rate and continual government support, are likely to drive the growth of global e-commerce and Internet advertising market during the forecasted period; and (iii) there will not be any event of force majeure or adverse change in industry regulations and as a result of which the market may be significantly or fundamentally affected. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumption and factors.

Analyses in the CIC Report have taken into account, among others, the following parameters of the relevant markets in the US, EU, Asia and Hong Kong from 2010 to 2019:

- number of Internet users and Internet penetration rate;
- size of the advertising market and, in particular, the Internet advertising market; and
- size of the online retailing market and, in particular, the online apparel retailing market.

The CIC report mainly focuses on four regions, namely US, EU, Asia and Hong Kong, being the main places in which our readers, digital media clients and online shoppers are located. In the context of the CIC Report, Asia refers to PRC, India, Japan, South Korea and Singapore. Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the CIC Report which may qualify, contradict or have an impact on the information in this section.

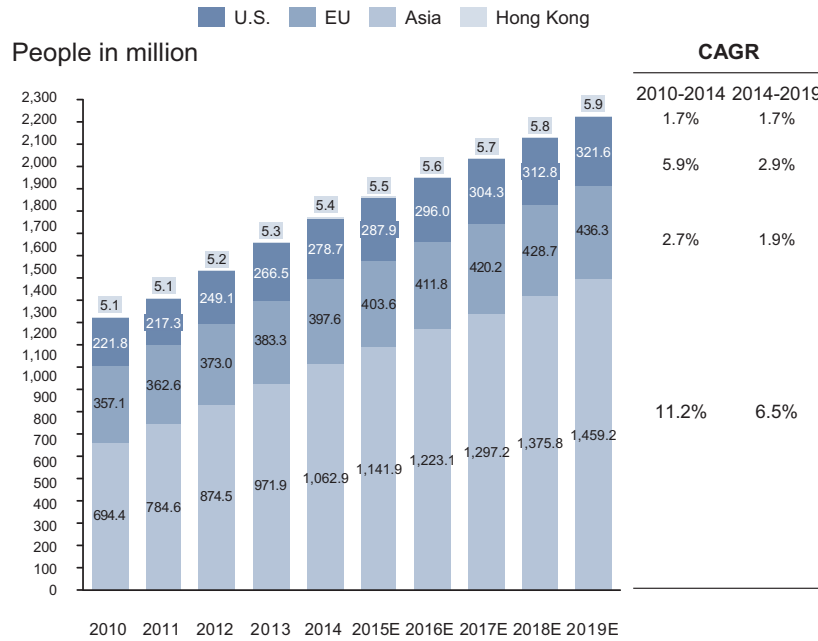
OVERVIEW OF THE GROWTH OF INTERNET IN US, EU, ASIA AND HONG KONG

Internet population

According to the CIC report, the number of Internet users in Asia has increased significantly over the years, with a CAGR of 11.2% for the period from 2010 to 2014. Projecting from 2015 to 2019, the number of Internet users in Asia is expected to increase with a growth rate of over 6.0% annually. Comparatively, the increase in the number of Internet users in developed countries and regions such as US, EU and Hong Kong are slower, which is primarily due to the high Internet penetration rate in these places. The favorable Internet development situation in these key countries and regions will naturally propel the flourish of e-commerce in these areas. Furthermore, since countries like China and India are still going through their developing period, the remarkable increasing speed of Internet users will provide great business opportunities for e-commerce operators.

INDUSTRY OVERVIEW

Number of Internet users in key regions, 2010-2019E

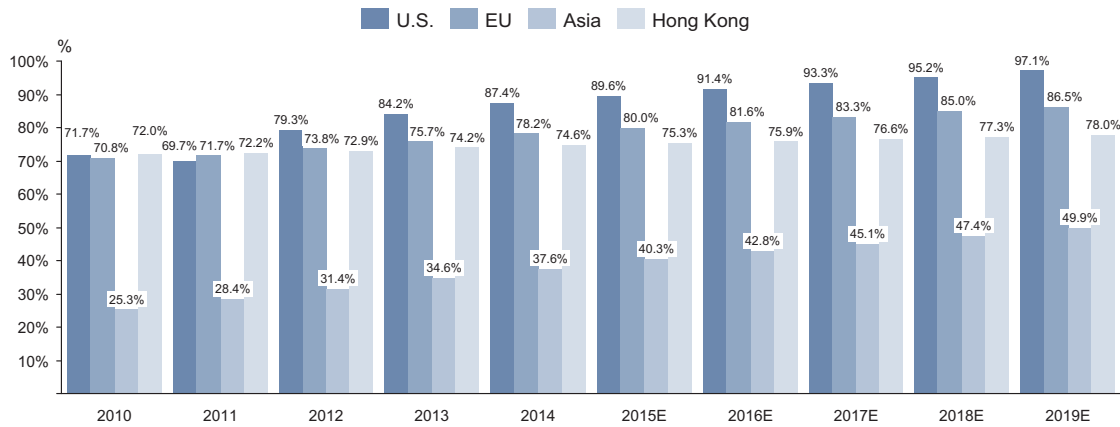


Source: CIC Report

Internet penetration rate

As with the Internet population, the Internet penetration rate in US, EU and Hong Kong had experienced a moderate growth. In Asia, as driven by robust economic growth as well as increasing prevalence of broadband Internet and mobile digital devices, Internet penetration rate is expected to increase from 37.6% in 2014 to 49.9% in 2019. According to the CIC report, a high Internet penetration rate is beneficial to the Internet advertising and e-commerce business. Further, as the number of Internet users increases, more and more people may choose to shop and entertain online, thereby creating business opportunities for e-commerce operators.

Internet penetration rate of key regions, 2010-2019E



Source: CIC Report

INDUSTRY OVERVIEW

OVERVIEW OF THE ADVERTISING MARKETS IN US, EU, ASIA AND HONG KONG

Advertising market

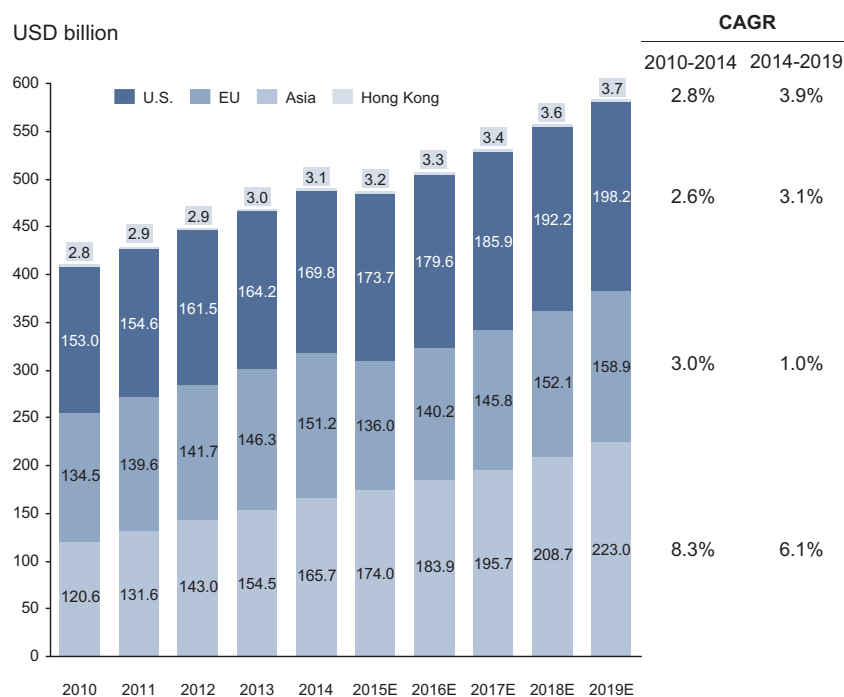
According to the CIC report, traditional forms of advertising include television and broadcast, print media and outdoor advertising. Internet marketing, as compared with these traditional marketing channels, has the advantages of being more target orientated and able to reach the most relevant audience with higher penetration capability. Further, the effectiveness of Internet advertisements can be measured by various information technologies which allows for evaluation of the marketing campaign. The emergence of Internet and digital platforms imply the future trend of advertising.

Our Group conducts advertising business mainly through the production of digital content, provision of online advertising platforms as well as planning and executing marketing campaigns. In view of the board coverage of our business and the wide access of our online advertising platforms by advertisers and advertising agencies, our Directors believe that it is useful to provide investors with an overview of the advertising market in US, EU, Asia and Hong Kong.

Size and growth of the advertising market

CIC predicts that advertising spending in Hong Kong, Asia and US will show a steady growth in the forthcoming years. Between 2010 and 2014, the greatest advertising spending was appeared in the US. As driven by the ever growing per capita expenditure and the prosperity of the retailing market of the region, advertising spending in Asia is expected to maintain a fairly high growth rate at a CAGR of 6.1% between 2014 and 2019. Generally, the advertising market is driven by a steady economy growth. When the economy is booming, enterprises will generally be more willing to increase advertising budget to compete for market share.

Market size and forecast of advertising market in key regions, 2010-2019E



Source: CIC Report, eMarketer (an Internet market research company independent of the Group, its directors, shareholders and their respective associates)

INDUSTRY OVERVIEW

Internet advertising market

Accompanied by the increasing penetration rate of Internet and mobile device, Internet and digital media is anticipated to grow rapidly. Internet based advertisement has a number of advantages over traditional forms of advertisements, as the former are more accurate, versatile, comprehensive and cost efficient. By use of Internet, advertisers may deliver its promotion materials to a specific group of target audience. Moreover, through the implementation of Internet websites and platforms, it is much easier to achieve an outstanding coverage rate regionally, nationally or even internationally. The effectiveness of Internet advertising can also be monitored by information technology tools.

Native advertising, a form of online advertising in which the advertisement is placed with the same form and outline as the platform on which it appears, is gaining popularity among advertisers. This new form of advertising is expected to achieve a greater effectiveness and acceptance among audience.

Internet advertising may take a variety of forms to suit a marketer's purpose. Common forms of Internet advertising includes display of advertisement (graphic or video) on websites and social media platforms, search engine marketing as well as e-mail marketing.

Size and growth of the Internet advertising market

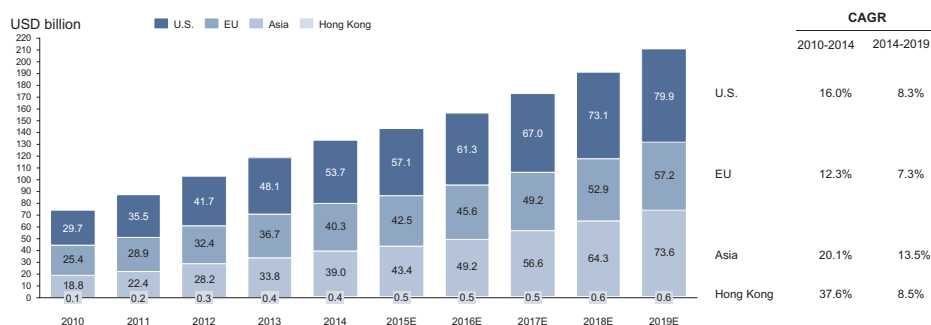
Among the US, the EU, Asia and Hong Kong, the US has the largest and most well developed Internet advertising market, according to the CIC report. The Internet advertising market in Asia is full of potential. Although it was ranked behind the US and the EU from 2010 to 2014 in terms of total expenditure of Internet based advertisements, the growth momentum is strong and it is expected to overtake the EU market by 2015.

Internet advertising market of the PRC

According to the CIC Report, the number of Internet users and mobile Internet users in the PRC has surged in recent years after the implementation of different policies relating to the "Internet plus" strategy of the PRC government, which offers a promising future for providers of digital media services. As a result of the increase in the time spent on computers and mobile devices as opposed to that spent on traditional media such as televisions and magazines, more companies will allocate their advertising budgets to the Internet advertising industry. According to the CIC Report, the Internet advertising industry of the PRC has experienced a rapid growth between 2010 and 2011 and this strong momentum of development persisted. In 2014, the digital advertising industry experienced another significant growth driven by major sports events such as the World Cup of 2014. During the period from 2010 to 2014, the Internet advertising market of the PRC grew at a CAGR of approximately 57.4%. It is expected that the Internet advertising market of the PRC will grow at a CAGR of approximately 20.8% between 2014 and 2019.

INDUSTRY OVERVIEW

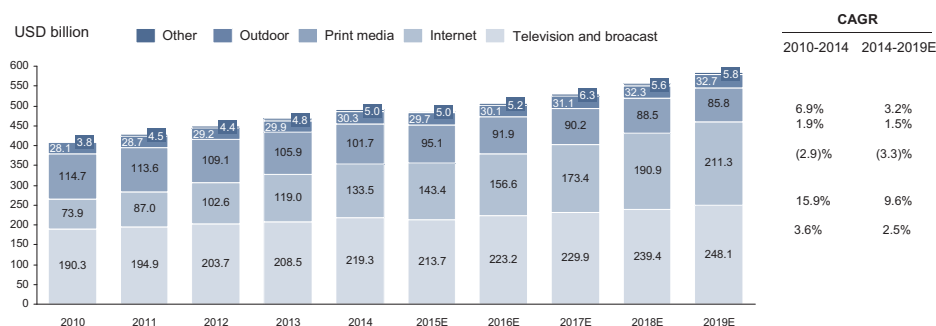
Market size and forecast of global Internet advertising market, by region, 2010-2019E



Source: CIC Report

CIC predicts that spending in Internet advertising will grow at a faster rate than that in traditional forms of advertising such as television and broadcast, print media and outdoor advertising. In fact, the global expenditure on Internet advertising channels increased from USD73.9 billion to USD133.5 billion between 2010 and 2014, which represent 18.0% and 27.2% of the total international advertising spending respectively. During this period, the total Internet advertising spending increased at a CAGR of 15.9%. The Internet advertising market is expected to reach USD211.3 billion by 2019, which is estimated to represent 36.2% of total international advertising spending.

Market size and forecast of advertising market by category, global, 2010-2019E



Sources: CIC Report

Drivers and future trends

In the future, the growth of the Internet advertising market will be driven by an increasing global Internet population, developments in new forms of advertising and emergence of advertising measurement tools that allows advertisers to monitor the effectiveness of a marketing campaign. A part of investments previously made in traditional advertising channels are expected to be gradually extracted and shifted into Internet based advertising channels. As a pioneering advertising market in the world, new and more innovated and diversified forms of advertisements are expected to be developed and implemented in the advertising market in the US. Most advertising companies in the US have already started to upgrade their advertisements, especially for online advertisements. For instance, static images have been replaced by video clips and general advertisements in websites have been replaced by dedicated advertisements on social networking mobile apps. The Internet advertising market in the EU is still going through its developing stage despite the high penetration rate of Internet in the EU. The strong momentum of the Internet advertising market in the EU is expected to be kept in the foreseeable future. The importance of Internet advertising in the EU will be further elevated.

INDUSTRY OVERVIEW

As for the advertising market in Asia, the importance of the accuracy, the quality and technological elements of advertisements will be elevated significantly in the foreseeable future as the customers are becoming mature. The efficiency of intense advertising campaigns through traditional advertising channels will keep declining in the forthcoming years and this phenomenon is fully predictable, irresistible and irreversible. Internet advertising in Hong Kong is expected to keep growing in the forthcoming years and advertising expenses on social media platform is expected to be an important contributor to growth.

Competitive landscape

Competitors

In the digital vertical media segment, one advantage is its capability of locating a fairly large amount of people who share similar interests. Therefore, advertisements transmitted in such channel could be highly accurate and effective. Sometimes, they are even able to successfully create long term demands for their recipients. Digital media attracts readers and subscribers through news or editorial opinions prepared by their editors. Some of the major players are listed in the table below:

Region	Company name	Category	Description
U.S.	Refinery29, Inc.	Digital media and vertical online retailer	Refinery29, Inc. is a media company which operates a fashion and lifestyle website that follows a newsletter format primarily for female visitors. The revenue of the company was mainly generated through two channels, which are online advertisement and online retailing. Due to the successful business model, the developing speed of the company was fairly rapid.
U.S.	Goop Inc.	Digital media and horizontal online retailer	Goop Inc. is a lifestyle platform which covers a wide range of topics including fashion, food, health, fitness, and the psyche. The platform of Goop Inc. primarily conveys the taste and attitude of the founder as well as other trendy celebrities. Comparatively, the company has put more focus on online retailing, and its target customers are primarily middle-high income individuals.

As we engage in and focus our business on native advertisement in the digital media market and according to the CIC Report, the size of the native advertising market as well as other market players could not be quantified due to the fact that this information is not available since income from native advertising could hardly be separated from major market players that are not publicly listed. As a result, no meaningful share or ranking of our Company in the digital media market could be provided.

Entry barrier

According to the CIC report, the main entry barriers for online advertising service providers include a company's ability to attract a broad viewer base and to provide highly creative media content, ability to compete in a highly saturated market, improve its platform coverage and accessibility as well as obtaining comprehensive technological support.

INDUSTRY OVERVIEW

OVERVIEW OF THE ONLINE RETAILING MARKET IN US, EU, ASIA AND HONG KONG

For the two years ended 31 March 2015 and the six months ended 30 September 2015, our Group received approximately 54.6%, 51.8% and 39.9% of our revenue from online retail business. As our online retail store is an integral part of our Group's business, our Directors believe that it is useful to provide investors with an overview of the online retailing market in the US, the EU, Asia and Hong Kong.

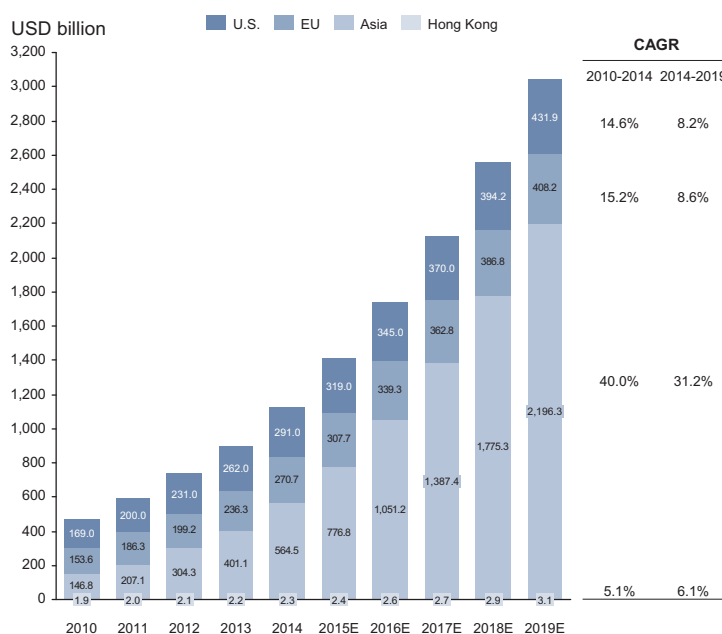
Online retailing market of the PRC

As the PRC online retailing market is still in its development phase, the increase in number of Internet users and the formation of online shopping habits have been the primary driving forces of the PRC online retailing market. During the period from 2010 to 2014, the online retailing market of the PRC grew at a CAGR of approximately 55.3%. The strong growth momentum of the PRC online retailing market is expected to continue, at a CAGR of approximately 34.8% between 2014 and 2019, due to its favourable economic condition, increase in per capita income and improvements in Internet connectivity as well as fairly low logistic and labour cost.

Growth in the online retailing market

According to the CIC Report, the US had the largest online retailing market in 2010, which is still expanding swiftly. Despite the recent economic crisis in Europe, the online retailing market of European countries has still expanded with a moderate speed. The online retailing market of Asia has been expanding with a stunning speed. Between 2010 and 2014, the Asian online retailing market grew at a CAGR of 40.0%.

Market size and forecast of the online retailing market in key regions, 2010-2019E



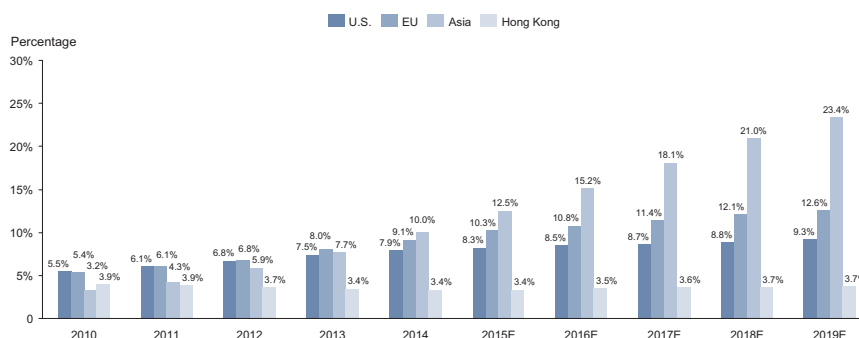
Sources: CIC Report

INDUSTRY OVERVIEW

Percentage of online retail sales over total retail sales

In general, online retailing market has started to play an increasingly important role in the total retailing market. In the US and EU countries, the percentage of online retail sales over total retail sales had been increasing steadily. In Asia, the percentage of online retail sales over total retail sales was increasing with high speed. In 2010, the size of online retailing market of Asia was only 3.2% of its total retailing market. However, by 2014, this percentage was tripled, and it is still expected to go through a further growth till 23.4% by 2019.

Percentage of online retail sales over total retail sales in key regions, 2010-2019E

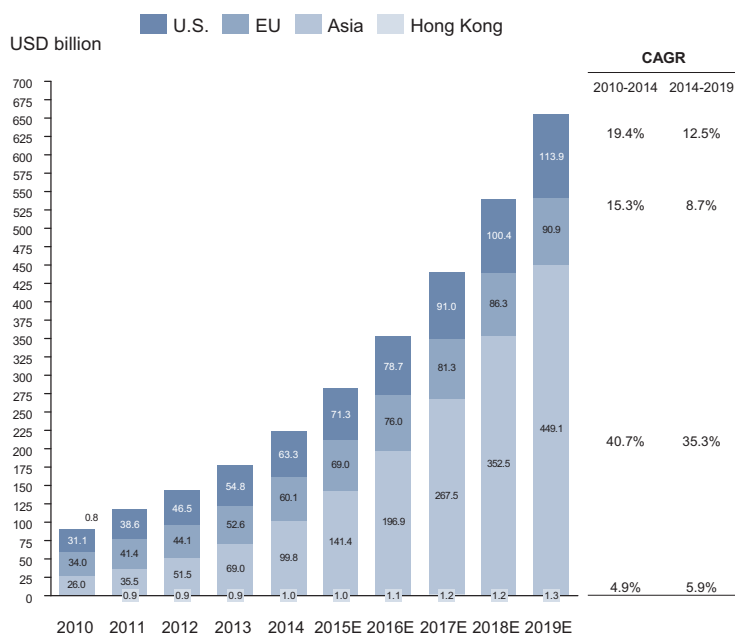


Sources: CIC Report

Growth in the online apparel retailing market and market share

Apparel, referring to clothes and footwear in the context of the CIC Report, is a major category of online retailing products. According to the CIC Report, the growth rate of online apparel retailing sales is larger than the growth rate of the total sales generated by the whole online retailing market. The higher growth rate of the online apparel sales shows that people had become more enthusiastic to purchasing clothes through online channels. This phenomenon is specifically remarkable in the US and Asian countries.

Market size and forecast of the online apparel retailing market in key regions, 2010-2019E



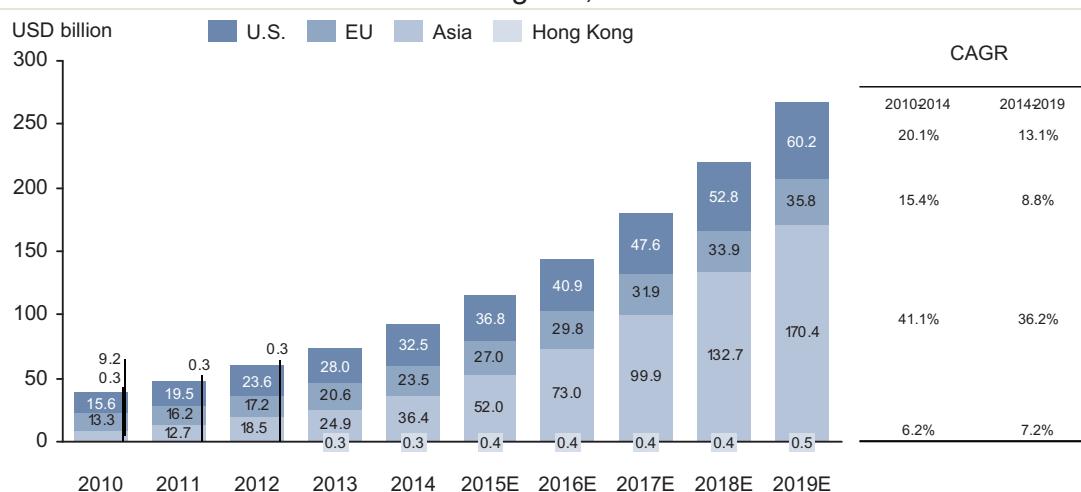
Sources: CIC Report

INDUSTRY OVERVIEW

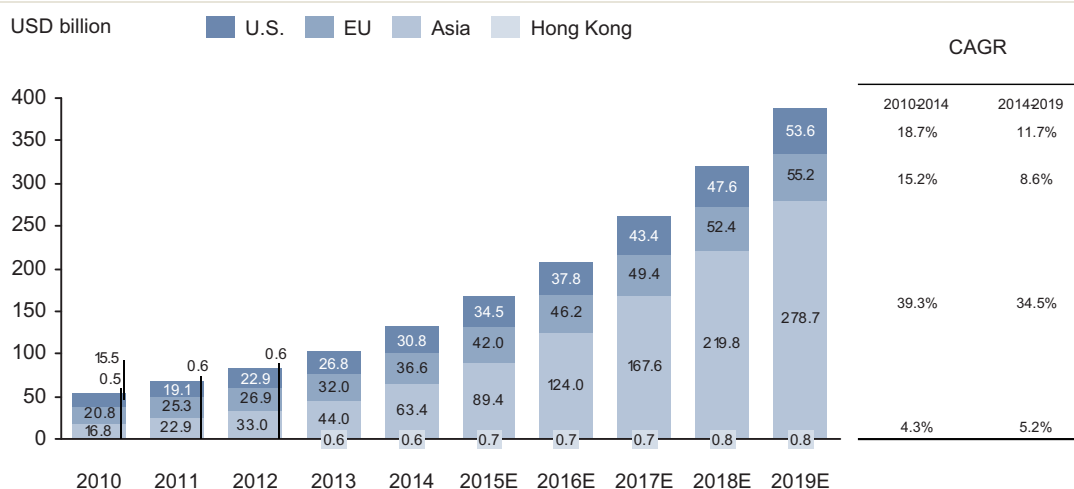
Market size and forecast of the online apparel retailing market in key countries and regions by gender

Similar to overall apparel market, women's online apparel retailing market takes the larger share within the whole online apparel retailing market in general. However, the online men's apparel market has increased more swiftly than the online women's apparel retailing market. The primary reason for this phenomenon is the increasing awareness of men regarding their apparel and other wearing products, so this trend is not limited within the online apparel retailing market. Meanwhile, since men are more concerned about time and efficiency, compared with women, so their interest regarding the online apparel retailing channel is increasing. In addition, the gender differentiation regarding online purchasing behaviour in different key countries and regions also exerts a significant influence on the online apparel retailing market.

Market size and forecast of the online men's apparel retailing market in key countries and regions, 2009-2019E



Market size and forecast of the online women's apparel retailing market in key countries and regions, 2009-2019E



Note: Asia refers to mainland China, India, Japan, South Korea and Singapore.

Source: U.S. International Trade Commission; China Ministry of Commerce; METI, Japan; Statistics Korea; Census and Statistics Department Hong Kong Special Administrative Region; Indian Chamber; PayPal; European Commission; China Insights Consultancy

INDUSTRY OVERVIEW

Drivers and future trends

In the future, factors that drive the growth of online apparel retailing market include the increase in the number of Internet users, retailers' ability to offer customized products, the wide diversity of goods that are offered by online retailers and the cost-saving benefit of online retail platforms. The online retailing market of the US is fairly developed. According to the CIC Report, the online apparel retailing market of the US is expected to develop more swiftly than its total online retailing market. Currently, teenagers in the US are currently the most enthusiastic customers of online apparel shopping. As they grow up, these teenagers will started to purchase clothes through online channels, which will further boost the development of the online apparel retailing market of the US. In Europe, people will continue to use online retail channels which provide cost-effective solutions for both retailers and customers. People in many EU countries like Germany and France have already cultivated the habit of online apparel shopping. In the forthcoming years, this trend is expected to continue and influence more countries, like the United Kingdom and Italy.

The strong growth momentum of the online retailing market of Asia is expected to continue, due to its favorable economic situation, increasing per capita income, improving Internet connectivity, elevated transportation infrastructure and fairly low logistic as well as labor cost. Since major Asian countries like China and India have a large population base, so the expansion of the online retailing market of Asia will be in both qualitative and quantitative aspects. In Asia, as Internet becomes increasingly accessible to more and more people, and online shopping has gradually become a major part of people's life style, the online apparel retailing market is expected to flourish in the forthcoming years. In Hong Kong, the market size of online apparel retail is expected to grow at a steady rate due to its limited market size, but online shopping of apparel will continue to be attractive for the younger generation of Hong Kong.

Competitive landscape

Competitors

Online apparel retailers generally operate either in the horizontal or vertical online markets. Horizontal online retailers provide diversified products including consumer electronics, apparel, recreational products, etc, and sell its products to a broad range of potential customers. Horizontal online retailers aim to provide consumers with one-stop shops, and the convenience brought by the retailers' full range of products are their primary advantages. Famous horizontal online retailers include Amazon, eBay and Tmall. On the other hand, vertical online retailers sell products that are within or related to a specific industry. The business model of vertical online retailers is more focused and targeted at a specific group of consumers.

Our HBX store is primarily a vertical online retailer of fashion apparel with certain components in its offering of home and technology products and grooming products. As such, we compete with the vertical online retailers.

INDUSTRY OVERVIEW

The following table lists out some of the vertical online retailers that our Group competes with.

Region	Company name	Category	Description
China	Mogujie	Vertical online retailer	Mogujie.com (Mogujie) is a mega vertical e-commerce, and it is also one of the largest socialised e-commerce platform, which provides apparel, shoes, bags and accessories to the young and trendy crowd.
EU	Zalando	Vertical online retailer	Zalando.com (Zalando) is one of the largest online apparel retailer in Europe established in 2008. Its product portfolio includes clothing, shoes and products related to many brands. Zalando also operates physical stores.
US	Shopbop	Vertical online retailer	Shopbop.com (Shopbop) is a online retailer of fashion-forward apparel, shoes and accessories for women, acquired by Amazon.com in 2006.
U.S.	Refinery29, Inc.	Digital media and vertical online retailer	Refinery29, Inc. is a media company which operates a fashion and lifestyle website that follows a newsletter format primarily for female visitors. The revenue of the company was mainly generated through two channels, which are online advertisement and online retailing. Due to the successful business model, the developing speed of the company was fairly rapid.
U.S.	Goop Inc.	Digital media and horizontal online retailer	Goop Inc. is a lifestyle platform which covers a wide range of topics including fashion, food, health, fitness, and the psyche. The platform of Goop Inc. primarily conveys the taste and attitude of the founder as well as other trendy celebrities. Comparatively, the company has put more focus on online retailing, and its target customers are primarily middle-high income individuals.

INDUSTRY OVERVIEW

Region	Company name	Category	Description
E.U.	YOOX NET-A- PORTER GROUP	Vertical online retailer	YOOX NET-A-PORTER GROUP operates a major online retailing platform, which was merged in 2015 by two European online retailing platforms, the YOOX from Italy and the NET-A-PORTER from the U.K. After the merger, the company went public in Milano, Italy swiftly. The primary offerings of the company are luxury fashion products including apparel, accessory and other wearing products.

As for the e-commerce market, the revenue generated from the e-commerce segment of our Company is not directly comparable with those of other large-scale online retailing players as they are significantly bigger. Such online retailing players include Tmall, JD, etc. On the other hand, there are many small retailers in the e-commerce market. This market is fragmented with many different market players, each with different business models, characteristics and audience. Therefore, rankings in terms of our revenue in the e-commerce market may not be relevant.

Entry barrier

According to the CIC report, the most significant entry barrier for the online apparel retailing markets is the difficulties associated with gaining brand recognition and awareness. Another major entry barrier reported by CIC is a company's ability to attract suppliers of branded products to provide goods for sale on the company's online retail platform. Further, a new market entrant has to effectively manage its logistic network and offer its product at an attractive price to compete with established online retailers.

REGULATORY OVERVIEW

This section sets out a summary of certain aspects of the laws, rules, regulations, government policies and requirements, which are relevant to our Group's operations and businesses.

HONG KONG LAWS AND REGULATIONS

During the Track Record Period, our Group conducted its operations primarily from our office located in Hong Kong. As such, we are subject to the relevant laws and regulations in Hong Kong.

Except for the application of a business registration certificate under the *Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)*, we are not required to obtain any industry-specific licence, permit, authorisation or qualification for our Group's operations in Hong Kong.

Regulation of advertising practice

In Hong Kong, there is no single piece of legislation governing advertising practice. Instead, a number of different ordinances and regulations contain provisions regarding advertising and promotion of products and service, the breach of these provisions may result in criminal offences.

Some of the ordinances that may be applicable in relation to our digital media operations include the *Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)*, the *Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong)*, the *Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong)*, the *Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)*, the *Copyright Ordinance (Chapter 528 of the Laws of Hong Kong)* and the *Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong)*. These ordinances are discussed in further detail below.

Regulation of printed media

During the Track Record Period, we published and distributed our Hypebeast, Hypetrak and Popbee magazines in Hong Kong. We are subject to laws that regulate the publication of printed media such as the *Books Registration Ordinance (Chapter 142 of the Laws of Hong Kong)*, details of which are discussed below.

Regulation of online retailing business

During the Track Record Period, our Group operated an online retailing business in Hong Kong. The sale of goods in Hong Kong is regulated by the *Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)*. Various other legislations may also be relevant to the operations of our e-commerce business, including but not limited to the *Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)*, the *Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong)*, the *Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)*, and the *Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong)*. These ordinances are discussed in further detail below.

REGULATORY OVERVIEW

Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (the “TDO”)

The aim of the TDO is to prohibit false trade description, false, misleading or incomplete information, false statements, etc., respecting goods and services provided in the course of trade. The definition of trade description under TDO covers a broad range of matters including but not limited to the following aspects of goods: quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard, approval by any person, a person by whom the goods have been acquired, and the goods being of the same kind as goods supplied to a person, etc.

Under section 7 of the TDO, any person who in the course of any trade or business applies a false trade description to any goods or supplies or offers to supply any goods to which a false trade description is applied commits an offence.

Under section 7A of the TDO, a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer, or supplies or offers to supply to a consumer a service to which a false trade description is applied commits an offence.

Sections 13E, 13F, 13G, 13H and 13I of the TDO provide that a trader commits an offence if the trader engages, in relation to a consumer, in a commercial practice that is a misleading omission or is aggressive, or that constitutes bait advertising, a bait and switch or wrongly accepting payment for a product.

Anyone who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I of the TDO shall be liable, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years, and on summary conviction, to a fine of HK\$100,000 and to imprisonment for 2 years.

The descriptions of goods offered on our e-commerce business is subject to the regulation of TDO. In addition, the TDO stipulates that any reference to a trader in the ordinance includes any person acting in the name of, or on behalf of, a trader. As such, being a digital media service provider for our marketing customers, who may be regarded as traders in their respective business, we may in such way be held liable for the above offences in the operation of our digital media service segment.

Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (the “SOGO”)

SOGO is the main governing law in Hong Kong in relation to sale of goods. Section 15 of SOGO provides that where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description.

Section 16 of SOGO provides that where a seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract are of merchantable quality, except that there is no such condition (i) as regards defects specifically drawn to the buyer’s attention before the contract is made; (ii) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (iii) if the contract is a contract for sale by sample, as regards defects which would have been apparent on a reasonable examination of the sample.

REGULATORY OVERVIEW

Section 14 of SOGO provides certain implied undertakings on the seller for every contract of sale, unless there appears from the contract or is to be inferred from the circumstances of the contract an intention that the seller should transfer only such title as he or a third person may have. These undertakings includes that: (i) the seller has a right to sell the goods, and in the case of an agreement to sell, he will have a right to sell the goods at the time when the property is to pass; and (ii) the goods are free, and will remain free until the time when the property is to pass, from any charge or encumbrance not disclosed or known to the buyer before the contract is made and that the buyer will enjoy quiet possession of the goods except so far as it may be disturbed by the owner or other person entitled to the benefit of any charge or encumbrance so disclosed or known.

*Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) (the “**Supply of Services Ordinance**”)*

We provide advertising services to our digital media customers. The supply of services in Hong Kong is regulated by the Supply of Services Ordinance, which consolidates and amends the law with respect to the terms to be implied in contracts for the supply of services.

Section 5 of the Supply of Services Ordinance provides that in a contact for the supply of service where the supplier is acting in the course of a business, there is an implied term that the supplier will carry out the service with reasonable care and skill.

Section 6 of the Supply of Service Ordinance provides that where, under a contract for the supply of a service by a supplier acting in the course of a business, the time for the service to be carried out is not fixed by the contract, is not left to be fixed in a manner agreed by the contract or is not determined by the course of dealing between the parties, there is an implied term that the supplier will carry out the service within a reasonable time.

*Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) (the “**CECO**”)*

The CECO aims to limit the extent to which civil liability for breach of contract, or for negligence or other breach of duty, can be avoided by means of contract terms and otherwise. Our service contracts with our digital media customers and our contracts for the sale of goods to our e-commerce customers are subject to the provisions of the CECO.

Under section 7 of CECO, a person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his liability for death or personal injury resulting from negligence. Further, in the case of other loss or damage, a person cannot so exclude or restrict his liability for negligence except in so far as the term or notice satisfies the requirement of reasonableness.

Under section 8 of CECO, as between contracting parties where one of them deals as consumer or on the other’s written standard terms of business, as against that party, the other cannot by reference to any contract term (i) when himself in breach of contract, exclude or restrict any liability of his in respect of the breach; (ii) claim to be entitled to render a contractual performance substantially different from that which was reasonably expected of him; or (iii) claim to be entitled in respect of the whole or any part of his contractual obligation, to render no performance at all, except in so far as the contract term satisfies the requirement of reasonableness.

REGULATORY OVERVIEW

Under section 9 of CECO, a person dealing as consumer cannot by reference to any contract term be made to indemnify another person (whether a party to the contract or not) in respect of liability that may be incurred by the other for negligence or breach of contract, except in so far as the contract term satisfies the requirement of reasonableness.

Under section 11 of CECO, as against a person dealing as consumer, liability for breach of the obligations arising from section 15, 16 or 17 of SOGO (seller's implied undertakings as to conformity of goods with description or sample, or as to their quality or fitness for a particular purpose) cannot be excluded or restricted by reference to any contract term, and as against a person dealing otherwise than as consumer, the liability arising from section 15, 16 or 17 of SOGO can be excluded or restricted by reference to a contract term, but only in so far as the term satisfies the requirement of reasonableness.

Sections 7, 8 and 9 of the CECO do not apply to any contract so far as it relates to the creation or transfer of a right or interest in any patent, trade mark, copyright, registered design, technical or commercial information or other intellectual property, or relates to the termination of any such right or interest.

In relation to a contract term, the requirement of reasonableness for the purposes of the CECO is satisfied only if the court or arbitrator determines that the term was a fair and reasonable one to be included having regard to the circumstances which were, or ought reasonably to have been, known to or in the contemplation of the parties when the contract was made.

Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the "PDPO")

The PDPO aims to protect the privacy of individuals in relation to personal data, which is defined in section 2 of the PDPO as any data (i) relating directly or indirectly to a living individual (data subject); (ii) from which it is practicable for the identity of the individual to be directly or indirectly ascertained; and (iii) in a form in which access to or processing of the data is practicable. The PDPO regulates the conducts of a data user, i.e. any person who, either alone or jointly or in common with other persons, controls the collection, holding, processing or use of personal data.

Visitors of our Hypebeast.com website and HBX store may choose to register as our members. During the registration process we collect our member's personal information. We also monitor the online behaviour of our readers so as to gather data for market trend analysis. As such, in carrying out our Group's operations, we need to comply with the PDPO and its six data protection principles, which are:

Principle 1 – Purpose and manner of collection. This provides for the lawful and fair collection of personal data and sets out the information a data user must give to a data subject when collecting personal data from that subject.

Principle 2 – Accuracy and duration of retention. This provides that personal data should be accurate, up-to-date and kept no longer than necessary.

Principle 3 – Use of personal data. This provides that unless the data subject gives consent otherwise personal data should be used for the purposes for which they were collected or a directly related purpose.

REGULATORY OVERVIEW

Principle 4 — Security of personal data. This requires appropriate security measures to be applied to personal data (including data in a form in which access to or processing of the data is not practicable).

Principle 5 — Information to be generally available. This provides for openness by data users about the kinds of personal data they hold and the main purposes for which personal data are used.

Principle 6 — Access to personal data. This provides for data subjects to have rights of access to and correction of their personal data.

In the course of our business, our Group has in its possession private and confidential personal data. As such, our operations in relation to personal data are regulated by the PDPO and our Group falls within the definition of “data user” as defined under the PDPO. Hence, we are subject to the principles set out in the PDPO regarding the collection, use, retention, accuracy and security of and access to personal data. In this regard, our Group has established policies and procedures to ensure our compliance with the PDPO. For details of internal control on personal data privacy, please refer to the section headed “Business — Internal Control — Internal control on personal data privacy” of this prospectus.

*Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) (the “**Copyright Ordinance**”)*

The Copyright Ordinance provides comprehensive protection for recognised categories of work such as literary, dramatic, musical and artistic works. Such protection extends to making available to the public such works on the Internet. Certain copyrights may subsist in the works we create in relation to our digital media content and advertising materials, including artistic works (such as artworks and photos), films (such as videos) or literary works (such as text) that qualify for copyright protection without registration.

The Copyright Ordinance restricts certain acts such as copying and/or issuing or making available copies to the public of a copyright work without the authorisation from the copyright owner which, if done, constitutes “primary infringement” of copyright which does not require knowledge of infringement. The Copyright Ordinance permits certain acts that can be done in relation to copyright works without authorisation from the copyright owner, one of which being fair dealing with a copyright work for the purpose of criticism, review or reporting current events if accompanied by a sufficient acknowledgement of such copyright work and its author (“**Fair Dealing Defence**”). During the Track Record Period, for certain usage of third party copyright work without authorisation from the copyright owner, such use may not fall under the Fair Dealing Defence permitted by the Copyright Ordinance and may be subject to third party copyright infringement claims. It is our legal adviser’s view that the risk of such third party claims causing a material adverse effect on us are likely to be very low, as our Directors confirm that (i) we have not and will not without authorisation use third party copyright works of well-known authors, photographers, artists or other copyright owners whose work may be licensed at a high license fee; (ii) our contents, which contain third party copyright works obtained without consent, usually provide acknowledgement as well as a link to the online material from where such work was obtained, making it clear that such work was derived from the copyright owner; (iii) we engage in a fast-moving business with new works published every day at a high frequency, such that most of the copyright works used or reproduced will unlikely have an extended life-span or relevance; and (iv) during the Track Record Period, none of the copyright infringement

REGULATORY OVERVIEW

complaints received from third party copyright owners regarding our use of third party copyright materials posed a material adverse impact on us, as all complaints received from third party copyright owners were resolved either by acknowledging the source of the copyright work and/or its owner or by taking down such copyright work from our websites, with no monetary compensation sought by and/or paid to such third party copyright owners. Based on the aforesaid, it is our legal adviser's view that even if such use of third party copyright works by us amounts to copyright infringement, it is practically very unlikely that any third party claims against such use by us will materialise into court litigation proceedings, and even if litigation ensues, based on our current financial position, there is a very low risk that the liability of damages awarded against us will pose a material adverse effect on our business operations.

Under the Copyright Ordinance, a person may incur civil liability for "secondary infringement" if that person, amongst others, possesses, sells, distributes or deals with a copy of a work which is, and which he knows or has reason to believe to be, an infringing copy of the work for the purposes of or in the course of any trade or business without the consent of the copyright owner. However, the person will only be liable if, at the time he committed the act, he knew or had reason to believe that he was dealing with infringing copies of the work. Our Directors confirm that they do not have any actual knowledge nor have any reason to believe that any advertising materials submitted by the customers to our Group for publication, as well as any works created by our employees or freelancers, during the Track Record Period is an infringing copy of any work within the meaning of the Copyright Ordinance.

The Hong Kong Government has introduced the Copyright (Amendment) Bill 2014 which contains, amongst others, the following key legislative proposals that may be relevant to and/or may potentially impact on our future business operations:-

- (a) the proposed introduction of a criminal sanction against communication of copyright works to the public (including without limitation making available the copyright work on the Internet) without authorisation from the copyright owner, either in the course of trade or business that consists of communicating works to the public for profit or reward, or to such extent as to affect prejudicially the copyright owner. It would be a defence for the person charged with such offence to prove that at the time of communicating the copyright work in question, he or she does not know and has no reason to believe that he or she is infringing the copyright in the copyright work.
- (b) the proposed expansion of the scope of the Fair Dealing Defence to cover, amongst others, (i) the use of a quotation from a copyright work for the purpose of criticism, review or otherwise, provided, amongst others, that the extent of the quotation is no more than is required by the specific purpose for which it is used; and (ii) fair dealing with a copyright work for the purpose of commenting on current events; and
- (c) the proposed introduction of "safe harbour" provisions which exempt an online service provider ("**OSP**") from being liable in damages or other pecuniary remedies for infringement of a copyright work that occurs on the OSP's service platform merely because the OSP provides or operates facilities for online services, provided that the OSP meets certain prescribed conditions which includes, amongst others, the taking of reasonable steps to limit or stop copyright infringement as soon as practicable when being notified or when the OSP became aware of the infringement, and to designate an agent to receive notices of alleged infringements.

REGULATORY OVERVIEW

It should be noted that the Copyright (Amendment) Bill 2014 is yet to be passed and it seems unlikely that the Hong Kong Government will be able to pass the bill before the expiry of the Legislative Council's current term in July 2016. If the Hong Kong Government wishes to introduce any further bills to reform Hong Kong's copyright law in the future, there will likely be further public consultation and a new copyright amendment bill will have to be created. As a result, at this stage, practically speaking, the Copyright (Amendment) Bill 2014 will unlikely pose any immediate impact or risk on the Company unless the Legislative Council returns to the bill during its current term.

Please refer to the section headed "Risk Factor — We may face difficulties in complying with proposed amendments to the Copyright Ordinance" in this prospectus.

For internal control policies adopted by us on the use of pictures and graphics, please refer to the section headed "Business — Internal Control — Internal control on use of artworks, photos and videos" in this prospectus.

Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong) (the "Control of Obscene and Indecent Articles Ordinance")

The content we post on our digital media platforms and publish in our magazines are subject to the regulations of the Control of Obscene and Indecent Articles Ordinance. Subject to the defence provided in the Control of Obscene and Indecent Articles Ordinance, any person who publishes, possesses for the purpose of publication or imports for the purpose of the publication, any obscene article, whether or not he knows that it is an obscene article, commits an offence and is liable for a fine of HK\$1 million and imprisonment for three years.

Under the Control of Obscene and Indecent Articles Ordinance, it is also an offence to publish any indecent article without sealing such article in wrappers and displaying a notice as prescribed by the Control of Obscene and Indecent Articles Ordinance.

Subject to the defence provided in the Control of Obscene and Indecent Articles Ordinance, it is also an offence to publish any indecent article to a person who is a juvenile, whether it is known that it is an indecent article or that such person is a juvenile. Such offences impose a fine of HK\$400,000 and imprisonment of 12 months on first conviction. A second or subsequent conviction will give rise to a fine of HK\$800,000 and imprisonment of 12 months.

The Obscene Articles Tribunal is empowered to refuse an application to make a classification of an article, to classify an article as neither obscene nor indecent, indecent or obscene or to determine whether articles published in magazines in Hong Kong are obscene or indecent.

Competition

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) came into force on 14 December 2015. The Competition Ordinance prohibits certain restrictions on competition in Hong Kong by the following rules: (i) *first conduct rule*: prohibits anti-competitive agreements if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong; (ii) *second conduct rule*: prohibits abuse of market power if the

REGULATORY OVERVIEW

object or effect of the conduct is to prevent, restrict or distort competition in Hong Kong; (iii) *merger rule*: prohibits anti-competitive mergers and acquisitions that have or are likely to have the effect of substantially lessening competition in Hong Kong. Currently, the merger rule only applies to mergers involving carrier licence holders within the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

Although an exemption is available under the first conduct rule, where the combined turnover does not exceed HK\$200 million in a calendar year, this exemption does not apply if the conduct involves serious anti-competitive conduct such as price fixing. Under the exemptions to the second conduct rule if the turnover of a conduct does not exceed HK\$40 million for the turnover period, it is exempted from the second conduct rule. Penalties for infringement that may be imposed by the Competition Tribunal includes, among others, pecuniary penalty (up to 10% of the turnover of the companies involved for up to three years in which the contravention occurs), financial penalty, disqualification order against a director and prohibition order.

Books Registration Ordinance (Chapter 142 of the Laws of Hong Kong) (the “BRO”)

During the Track Record Period, our Group published magazines periodically. Under the BRO, the publisher of a magazine which issues its editions less than four times a week shall, within one month after such magazine is first published, printed, produced or otherwise made in Hong Kong, deliver free of charge five copies of each edition of such magazine to the Secretary for Home Affairs of Hong Kong for registration. Any person who contravenes such requirement under the BRO shall be guilty of an offence and shall be liable on conviction to a fine of HK\$2,000.

CERTAIN JURISDICTIONS OUTSIDE HONG KONG

We are headquartered in Hong Kong and substantially all of our operations are in Hong Kong. All of our employees are in Hong Kong. We, among others, (i) do not own or lease any real or tangible property in the US, the PRC, the United Kingdom, Canada, Singapore and Australia (the “**Relevant Jurisdictions**”) or employ any persons in the Relevant Jurisdictions for any length of time; (ii) do not maintain an office or fixed place of business in the Relevant Jurisdictions; (iii) deliver products from Hong Kong to customers in the Relevant Jurisdictions on a free on board basis; and (iv) except for gains on the sale of products and services to customers in the Relevant Jurisdictions, have not received any interest, rent, royalties, dividends or any items of income from the Relevant Jurisdictions. However, our legal advisers of the Relevant Jurisdictions have advised us that we may still be subject to certain laws and regulations of the Relevant Jurisdictions that may be potentially relevant to our businesses regardless of the location of the retailer or service provider, including consumer protection laws, product safety and liability laws, intellectual property protection laws as well as advertising and marketing laws and data privacy and data security laws. These laws and regulations are summarised below.

During the Track Record Period, a majority of our revenue was derived from Hong Kong and the US which are, in our Directors’ view, material to our business. Our Directors consider that the relevant laws and regulations in other jurisdictions (other than Hong Kong and the US) do not have a material impact on our business given that (i) substantially all of our business operations are located in Hong Kong; (ii) all of our office, warehouse and full-time employees are based in Hong Kong; (iii) each of these jurisdictions contributed less than 8% of our revenue

REGULATORY OVERVIEW

during the Track Record Period; (iv) the terms and conditions with our digital media customers are generally concluded in Hong Kong; (v) the risk passes to our e-commerce customers when the goods are transferred out of our warehouse in Hong Kong; and (vi) we did not experience any incident of non-compliance which materially and adversely affected our businesses, financial condition and results of operations during the Track Record Period. Our Directors have also sought the advice from overseas legal advisers to understand the current laws and regulations (including any tax, licensing or other legal requirements) in these jurisdictions that may be potentially relevant to our business. To the extent we have complied with these requirements, our Directors consider the potential cumulative legal consequences, as a result of any non-compliance of the laws and regulations in these jurisdiction, are likely to be not material to our Group in aggregate.

For details of the risk associated with compliance with relevant overseas legal and regulatory requirements, please refer to the section headed “Risk factors — Our international footprint exposes us to a variety of different local legal, regulatory, tax, payment, and cultural standards which we might fail to comply with” of this prospectus.

US LAWS AND REGULATIONS

I. US trade and customs laws

A. *Merchandise description, tariff classification, country of origin requirements or valuation*

The requirements of the sections identified below primarily apply to importers, vendors, agents, etc., but they also pertain to companies such as our Group selling a wide variety of goods (apparel, footwear, consumer electronics, toys, etc.) for importation and distribution in the United States, in that we have the obligation to provide accurate and compliant documents and related information to the US authorities.

19 USC § 1484: Section 1484 of the Tariff Act of 1930, as amended, (19 USC § 1484), requires that one of the parties qualifying as “importer of record” shall, using reasonable care, file with the Bureau of Customs and Border Protection (the “CBP”) documents and information as is necessary to enable Customs to determine whether the merchandise may be released from CBP custody and to enable Customs to:

- properly assess duties on the merchandise,
- collect accurate statistics with respect to the merchandise, and
- determine whether any other applicable requirement of law (other than a requirement relating to release from customs custody) is met.

19 USC § 1304(a): Section 1304(a) of the Tariff Act of 1930, as amended, (19 USC § 1304(a)), states that unless excepted in Section 1304 of the statute, every article of foreign origin (or its container) imported into the United States shall be marked in a conspicuous place as legibly, indelibly, and permanently as the nature of the article (or container) will permit in such manner as to indicate to an ultimate purchaser in the United States the English name of the country of origin of the article.

19 USC § 1592: Section 1592(a) of the Tariff Act of 1930, as amended, (19 USC § 1592), states that no person, by fraud, gross negligence, or negligence:

REGULATORY OVERVIEW

- (A) may enter, introduce, or attempt to enter or introduce any merchandise into the commerce of the United States by means of (i) any document or electronically transmitted data or information, written or oral statement, or act which is material and false, or (ii) any omission which is material; or
- (B) may aid or abet any other person to violate subparagraph (A) immediately above.

Section 141.86(a) of the Customs regulations (19 CFR § 141.86(a)) requires that invoices submitted to Customs contain:

- the port of entry to which the merchandise is destined;
- the time when, the place where, and the person by whom and the person to whom the merchandise is sold or agreed to be sold;
- a detailed description of the merchandise, including the name by which each item is known, the grade or quality, and the marks, numbers, and symbols under which sold by the seller or manufacturer to the trade in the country of exportation, together with the marks and numbers of the packages in which the merchandise is packed;
- the quantities in the weights and measures of the country or place from which the merchandise is shipped, or in the weights and measures of the United States;
- the purchase price of each item in the currency of the purchase, if the merchandise is shipped in pursuance of a purchase;
- the kind of currency;
- all charges upon the merchandise itemized by name and amount, including freight, insurance, commission, cases, containers, coverings, and cost of packing; and
- the country of origin of the merchandise.

Additionally, pursuant to 19 CFR 141.86(a) invoices for particular classes of merchandise shall set forth additional specified information. These additional classes of merchandise requiring additional information include footwear, glassware and glass products, certain hats and headgear, textile fiber products, wearing apparel, and watches.

B. Prohibited and restricted goods

19 USC § 1595a: Section 1595a(c)(2) of the Tariff Act of 1930, as amended (19 USC § 1595a(c)(2)) states in pertinent part that merchandise may be seized and forfeited if:

REGULATORY OVERVIEW

- its importation or entry is subject to any restriction or prohibition which is imposed by law relating to health, safety, or conservation and the merchandise is not in compliance with the applicable rule, regulation, or statute;
- its importation or entry requires a license, permit or other authorisation of an agency of the United States Government and the merchandise is not accompanied by such license, permit, or authorisation;
- it is merchandise or packaging in which copyright, trademark, or trade name protection violations are involved;
- it is trade dress merchandise involved in the violation of a court order citing 15 USC § 1125; or
- it is merchandise which is marked intentionally in violation of the Customs country of origin marking statute (19 USC § 1304).

Under Section 1595a(b), every person who directs, assists financially or otherwise, or is in any way concerned in any unlawful activity mentioned in Section 1595a(c), including Section 1595a(c)(2), shall be liable to a penalty equal to the value of the article or articles introduced or attempted to be introduced.

C. Intellectual property restrictions

19 USC § 1526: Section 1526(a) of the Tariff Act of 1930, as amended (19 USC § 1526(a)) states that it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a person or organization within the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States, under certain statutory trademark registration provisions. Under Section 1526(e) merchandise bearing a counterfeit mark imported into the United States shall be seized and, in the absence of the written consent of the trademark owner, forfeited for violations of the customs laws. Moreover, under Section 1526(f)(1) any person who directs, assists financially or otherwise, or aids and abets the importation of merchandise for sale or public distribution that is seized under Section 1526(e) shall be subject to a civil fine.

II. Product safety and product liability laws

The US has various legal regimes concerning product safety and product liability laws and two areas with particular relevance to our business include: (i) private lawsuits; and (ii) administrative actions taken by the US government.

A. Consumer Product Safety Act (the “CPSA”)

The CPSA, (15 USC. Ch. 2051-89), prohibits the selling, offer for sale, manufacture for sale, distribution in commerce, or import into the US of consumer products: (1) that contain a defect that creates a substantial product hazard or creates an unreasonable risk

REGULATORY OVERVIEW

of serious injury or death; or (2) that are not in conformity with an applicable consumer product safety rule under the CPSA or any similar regulation. Consumer products are generally defined as “any article, or component part thereof, produced or distributed (i) for sale to a consumer for use in or around a permanent or temporary household or residence, a school, in recreation, or otherwise, or (ii) for the personal use, consumption or enjoyment of a consumer in or around a permanent or temporary household or residence, a school, in recreation, or otherwise...” There are exemptions from this definition for items such as firearms, tobacco products and others.

Violations of the CPSA can result in significant civil penalties and criminal penalties that include both fines and imprisonment as well as forfeiture of the assets associated with the criminal acts.

One of the key effects of the CPSA is the creation of the Consumer Product Safety Commission (“**CPSC**”), an independent agency of the US government with jurisdiction over consumer products. The CPSC seeks to ensure that regulated entities carry out their responsibilities as required by law. The CPSC works closely with the CBP to exercise its authority over consumer products offered for import into the US. Their authority includes, among others:

- banning a consumer product that it deems to present an unreasonable risk of injury (15 USC. Ch.2057);
- inspecting any factory, warehouse, or shipping container in which consumer products are manufactured or held for distribution (15 USC. Ch. 2065);
- refusing importation of consumer products that: fail to comply with applicable safety rules; are not accompanied by required certification; are imminently hazardous or constitute a substantial product hazard; or are products of a manufacturer who is not in compliance with its inspection and record-keeping obligations (15 USC. Ch. 2066); and
- in certain circumstances, destroying detained products that are refused importation into the US.

The CPSC’s jurisdiction includes enforcement of consumer product regulations against importers and foreign sellers, including our Group and our products sold into the US.

*B. The Flammable Fabrics Act (the “**FFA**”)*

The FFA (15 USC. 25 Ch. 1191-1204) bans the sale of any product, fabric, or related material which fails to conform to flammability standards. Standards have been established for the flammability of clothing textiles and are applicable to all fabric. Nearly all apparel products are subject to the FFA and its associated regulations (16 CFR 1602-33). Our apparel products sold into the US are subject to the FFA.

Standard for the flammability of clothing textiles (16 C.F.R. ch. 1610): established under the FFA, this regulation applies to all adult apparel and provides methods of testing

REGULATORY OVERVIEW

the flammability of clothing and textiles intended to be used for clothing by classifying fabrics into three classes of flammability based on their speed of burning.

C. *The Textile Fiber Products Identification Act (the “TFPIA”)*

The TFPIA (15 USC. Ch. 70-70k) prohibits the importation, manufacture, sale, offer for sale, transportation for sale, distribution, or advertising of any textile fiber product that is misbranded or falsely or deceptively advertised. To avoid being considered misbranded, the TFPIA requires that most textile products have a label attached to each textile product (and if necessary, the package or container) in a secure manner, which lists out:

- The generic names and percentages by weight of the constituent fibers in the product;
- The name under which the manufacturer or other responsible company does business, or the registered identification number of the company; and
- The name of the country where the product was processed or manufactured.

Articles of apparel are specifically covered by the TFPIA (16 CFR Ch. 303.45(a)(1)). The Federal Trade Commission has various remedies for violations of the TFPIA and its regulations. It may issue an administrative order, seek civil penalties, and bring an action in federal court. Our apparel products sold into the US should comply with the TFPIA.

D. *State law claims*

Generally speaking, state laws allow persons who are killed or injured or whose property is damaged by dangerous or defective goods to sue anyone in the supply chain (including foreign companies), such as the manufacturer, distributor, and retailer of the products. The liability is usually based on the theory of negligence or strict liability. Each state’s law varies, but usually to succeed in a claim of negligence the plaintiff will have to prove the following: (1) that the defendant owed a duty to the plaintiff to use reasonable care in design, manufacture, or marketing of a product; (2) that the defendant breached that duty; and (3) that the defendant’s breach proximately caused the plaintiff’s injury. To succeed under a strict liability claim, the plaintiff must generally prove: (1) defendant sells the product in the course of its business; (2) the product is in a defective condition or is unreasonably dangerous when put to a reasonably anticipated use; (3) the product was used in a manner reasonably anticipated; and (4) plaintiff was injured as a result of the defective condition.

III. **Intellectual property laws**

Intellectual property laws in the United States provide protection in the form of patents, trademarks, copyrights, and trade secrets and other tangible or intangible personal or property rights of third parties. The US also has a body of robust advertising and marketing laws that regulate the advertisements and marketing efforts in the US.

REGULATORY OVERVIEW

(A) *Trade secrets*

We may obtain trade secrets belonging to our US customers during the normal course of business and will have obligations to maintain the confidentiality of those trade secrets.

(B) *Patents*

Utility patents protect patentable inventions such as processes, machines, compositions of matter and functional movements. Design patents protect the aesthetic aspects of a product and not the functional aspects. As a general rule, products sold in the US or to US customers may not infringe upon these patents.

(C) *Copyrights*

US copyright law governs original works of authorship (including websites, clothing designs, material designs and publications). These laws are directly applicable to websites, apparel and publications. If our products or publication contain content created by other parties, although the other party may be the person primarily responsible for violation of copyright laws, we still have some exposure. We are the party primarily responsible for the content that we create.

(D) *Trademarks and trade dress*

US trademark law governs names, symbols, slogans, designs or a combination of these items used to identify goods or services and to distinguish them from those manufactured, sold or serviced by others. Trade dress generally relates to the distinctive packaging or design of a product that promotes the product and distinguishes it from other products in the marketplace. In our business risks of infringement primarily relate to the configurations of apparel and shoe products and the use of protected trademarks on such products, including the sale of such products without the permission of the trademark owner.

(E) *Advertising and marketing laws*

US law defines advertisement broadly to include various types of commercial messaging. We are subject to US federal and state laws and regulations applicable to advertisements and marketing efforts when we advertise to US consumers. US law requires, among other things, that advertisements must be truthful and non-deceptive, and must not be unfair or misleading.

IV. Data privacy laws, data security laws and breach notification laws

The U.S. does not have a single law that governs data privacy and data security. A body of related data privacy and data security laws that consist of federal laws, state laws, and federal and state regulations governs in this area. Related to data privacy laws and data security laws, state breach notification laws, which can be substantially different depending on the state,

REGULATORY OVERVIEW

require entities that suffered a data breach to notify affected customers. Although our corporate domicile is in Hong Kong and we store customer data in Hong Kong, U.S. data privacy laws and data security laws apply to our business because these laws provide broad jurisdictional scope to cover entities “doing business” in the U.S. Doing business in the U.S. includes marketing to U.S. residents and providing products or services to U.S. residents. Similarly, breach notification laws have broad jurisdictional scope to cover any company “doing business” in the relevant state or territory.

(A) Data privacy

Data privacy laws generally govern how data is collected and shared (e.g., customers must be on notice of an entity’s collection of sensitive information such as location data). Often data privacy laws are sector specific (e.g., healthcare industry privacy laws). Industries that do not have sector-specific law generally govern by self-regulation and enforcement. Therefore, the relevant authority does not proscribe data privacy rules. Instead, the authority merely issues data privacy “Best Practices.” The authority may initiate enforcement proceedings against entities that, in the authority’s view, fall short of adequately protecting privacy. Privacy violations can result, for example, by failing to follow a posted privacy policy that contains data privacy representations related to Fair Information Practice Principles such as notice, consent, or control (e.g., the ability to update false information or opt out of third party data sharing).

(B) Data security

Data security laws generally govern how data should be safeguarded to prevent unauthorized access to or use of customer data. Similar to data privacy laws, data security laws are often sector specific (e.g., financial industry data security laws). Industries that do not have sector-specific laws generally govern by self-regulation and enforcement. Again, the relevant authority does not proscribe data security standards, but instead merely publishes data security “Best Practices.” The authority may initiate enforcement proceedings against entities that, relative to other entities in similar industries, failed to implement reasonable data security — the standards develop based on the market’s adoption of security practices and changes in technology. Data security violations can result, for example, by failing to honor security representations related to data, or failing to implement widely-adopted security procedures such as encrypting customer’s passwords or imposing password-strengthening rules.

(C) Breach notification laws

Breach notification laws have been enacted in 47 states and other U.S. territories to govern how entities that suffer a data breach should respond. Each breach notification law provides for different definitions of personal information, different exceptions, and different obligations regarding the notifications to affected customers.

PRC LAWS AND REGULATIONS

The PRC laws and regulations that apply regardless of the location of our operations as follows.

REGULATORY OVERVIEW

Intellectual property right (“IP Right”)

According to *Regulation of the People’s Republic of China on the Customs’ Protection of Intellectual Property Right* (《中華人民共和國知識產權海關保護條例》), import or export of goods that infringe the IP Right is forbidden. IP Right owners may file an application to the customs at the place of import or export for seizure of suspected infringing goods when it comes to their knowledge. The suspected infringing goods so seized shall be confiscated if the customs prove it to be at infringement of IP Right after investigation.

If products sold to residents within the PRC infringe the IP Right, we may be subject to the risk of confiscation by the PRC customs and liable to criminal liability in case of violating the laws. Pursuant to the *Criminal Law of the People’s Republic of China* (《中華人民共和國刑法》) (the “**PRC Criminal Law**”), (1) any person, without permission from the owner of a registered trademark, uses a trademark which is identical with the registered trademark on the same kind of commodities shall, if the circumstances are serious, be subject to a fixed-term imprisonment of not more than three years or detention and/or a fine; if the circumstances are especially serious, he shall be subject to a fixed-term imprisonment of not less than three years but not more than seven years and a fine; (2) any person knowingly sells commodities bearing counterfeit registered trademarks shall, if the amount of sales is relatively large, be subject to a fixed-term imprisonment of not more than three years or detention and/or a fine; if the amount of sales is substantial, he shall be subject to a fixed-term imprisonment of not less than three years but not more than seven years and a fine.

The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we have neither received any claims or complaints on our products nor subject to any investigation or confiscation of our products by relevant governmental authorities for any infringement of intellectual property rights.

Product quality

Criminal jurisdiction in cases of infringement

According to the requirements of the PRC Criminal Law, this law is applicable to a foreigner who commits an offence against the PRC or its citizen outside the territory of the PRC provided that such offence shall be subject to a minimum of three years imprisonment in accordance with this law, unless exempted by the law of the jurisdiction where the offence is committed.

The judicial authority of the PRC shall have the right to pursue criminal liability if a foreign company sells products detrimental to health and safety of property and therefore, contravenes with the PRC Criminal Law and commits an offence. According to the requirements of the PRC

REGULATORY OVERVIEW

Criminal Law, a manufacturer or vendor who adulterates goods, passes fake goods off as genuine ones, passes inferior goods off as superior ones, or passes unqualified goods off as qualified ones and if the sales amount is more than RMB50,000 but less than RMB200,000, he shall be subject to less than two years imprisonment or detention and/or subject to a fine of more than 50% but less than 200% of the sales; if the sales amount is more than RMB200,000 but less than RMB500,000, he shall be subject to more than two years but less than seven years imprisonment and subject to a fine of more than 50% but less than 200% of the sales; if sales amount is more than RMB500,000 but less than RMB2,000,000, he shall be subject to more than seven years imprisonment and subject to a fine of more than 50% but less than 200% of the sales; if sales amount is more than RMB2,000,000, he shall be subject to 15 years or life imprisonment and subject to a fine of more than 50% but less than 200% of the sales or confiscation of property.

UNITED KINGDOM LAWS AND REGULATIONS

The UK laws and regulations that apply regardless of the location of our operations are as follows.

Direct marketing

The DPA also applies to direct marketing, along with the Privacy and Electronic Communications (EC Directive) Regulations 2003 (“**PECREgs**”). If we send direct marketing to individuals in the UK, we need to comply with the regulations. There is a general requirement to obtain consent before sending electronic marketing (e.g. via e-mail), subject to certain exceptions.

Intellectual property

We need to ensure we have the rights to use the intellectual property (e.g. the logos, photographs or trade marks) of the third parties whose products we are selling. We could be sued for infringement of a third party’s intellectual property if we sell counterfeit products, or genuine products not put on the market in the European economic area by the trade mark owner or with the trade mark owner’s consent. In addition to the civil remedies available to prohibit a company or individual from selling counterfeit or infringing goods, there are also criminal sanctions which (although rarely) can be used against infringers.

REGULATORY OVERVIEW

Advertising and marketing

All advertisements (online and offline) targeted at UK consumers must comply with consumer protection laws (in particular, advertisements must not be misleading), including in particular the Consumer Protection from Unfair Trading Regulations 2008, a breach of which can constitute a criminal offence. Online advertising campaigns must comply with the same requirements. There is also the UK Code of Non-broadcast Advertising, Sales Promotion and Direct Marketing (the “**CAP Code**”). These include very specific rules about the content and form of prize promotions. The CAP Code does not have legislative force, but complaints regarding breaches are adjudicated upon by the Advertising Standards Authority (the “**ASA**”), which is the independent advertising regulator in the UK and can impose certain low-level sanctions.

Consumer protection

The Consumer Rights Act 2015 will apply to our contracts with consumers (they will not apply to our contracts with other businesses). Generally, there is a requirement that any goods sold will be of satisfactory quality, fitness for purpose and matching the description. This also applies to any digital content supplied. As we will use our e-commerce platform to conclude contracts electronically, the Electronic Commerce (EC Directive) Regulations 2002 impose requirements about the information that must be provided to customers contracting with us. Such information (for example how the customer can identify and correct any input errors in the order or the language(s) offered for the conclusion of the contract), must be made available to our customers in an unambiguous manner. As our customer contracts will be concluded virtually (i.e. there is no physical exchange between vendor and customer), we are also obliged to comply with the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 (which apply to all contracts made on or after 13 June 2014). These regulations impose a series of obligations on traders concluding contracts through their websites, such as a requirement for certain information to be clearly indicated to the customer.

Product labelling

There are a number of mandatory and voluntary labels that apply to products that are sold on the market in the EU/UK; however, the labels required vary depending on the type of products. The key labels are as follows:

- **The CE mark** — The CE mark is effectively a self-declaration by the manufacturer that the product satisfies the essential requirements of the relevant directive(s) which apply to the particular product; and
- **The crossed out wheellie bin** — If a product falls under Directive 2012/19/EC on Waste Electrical and Electronic Equipment, the directive requires that a crossed out wheellie bin symbol is applied to all electrical and electronic equipment to identify waste which must be separately collected from household waste.

REGULATORY OVERVIEW

CANADA LAWS AND REGULATIONS

The Canada laws and regulations that apply regardless of the location of our operations are as follows.

Data privacy

Privacy in Canada is covered both by federal legislation (the Personal Information Protection and Electronic Documents Act) and by provincial legislation. In general, these laws require consent to collect, use and disclose personal information from Canadians. They also require that collected information be safeguarded, and they impose various other requirements, such as those relating to data correction, retention, destruction, and breach notification. Failure to comply may result in civil damage awards (which are generally based on the damage caused, and the importance of deterring future breaches) and similar remedies.

Spam

In general, we need consent to send commercial electronic messages (including emails, text messages, and other electronic messages) into Canada. We must also comply with certain content requirements, including those relating to sender details and unsubscription requests. Failure to comply may result in administrative monetary penalties of up to CAD10 million per occurrence, plus civil damage awards and similar remedies.

Intellectual property

Section 27 of the Copyright Act prohibits the sale, rental, distribution and importation into Canada of goods which infringe copyright. Section 20 of the Trade-marks Act prohibits the sale, distribution, advertisement or importation into Canada of goods or services in association with a trade-mark that is confusing with a registered Canadian trade-mark. Other Canadian intellectual property statutes contain similar prohibitions. Failure to comply may result in civil and criminal remedies, including damages (which are based on the damage caused or profits earned from the infringement), fines (up to CAD1 million per offence for copyright infringement, and there are no maximums for trade-mark infringement) and potentially imprisonment (for up to two years per offence for trade-mark infringement, and up to five years per offence for copyright infringement).

Consumer protection

Consumer protection laws in Canada require truth in advertising, and impose various other requirements on products and services advertised and sold in Canada. In addition to provincial consumer protection laws, to a certain extent, consumer protection is governed by the federal Competition Act. Failure to comply may result in civil remedies, including damages, fines and imprisonment (for example, some provinces impose fines up to CAD300,000, and imprisonment for up to one year; whereas under the federal Competition Act, the penalties can be up to CAD15 million and up to 14 years' imprisonment).

REGULATORY OVERVIEW

Product safety

Canadian laws impose safety requirements on products sold in Canada. For example, the Canada Consumer Product Safety Act sets requirements for the manufacture, importation, advertising and sale of consumer products. The legislation prohibits the manufacturing, importing, advertising or sale of dangerous products. It also requires the maintenance of certain specified documentation, and sets out duties in respect of product safety. Some products may also require licensing prior to being sold in Canada. Failure to comply may result in civil and criminal remedies, including fines (up to CAD5 million for some offences) and potentially imprisonment (up to two years for some offences). Directors, officers and agents may also be subject to the same punishments.

E-commerce laws

Several Canadian provinces have e-commerce laws which require retailers to make various disclosures and take various steps to sell products and services online in Canada. For example, the Internet Agreements section of Ontario's Consumer Protection Act requires retailers to disclose their name, contact information, a fair and accurate description of their goods/services, an itemised list of prices and all charges, a total amount payable, the applicable monetary currency, a list of all restrictions and conditions, the delivery dates, all rights regarding returns and cancellation, and other material terms. Prior to accepting the agreement, the consumer must have the opportunity to review the above information, correct any errors, and accept/decline the agreement. The retailer must provide a copy of the terms and conditions within 15 days after acceptance of the agreement. Failure to comply may result in civil remedies, including damages and fines (having a range of penalties similar to those under the paragraph headed "Consumer protection" above).

SINGAPORE LAWS AND REGULATIONS

The Singapore laws and regulations that apply regardless of the location of our operations are as follows.

Data protection

Generally, under the Personal Data Protection Act 2012 (No. 26 of 2012), we will need consent to collect, use and disclose personal information from individuals. We are required to safeguard any information in our possession by ensuring that reasonable security arrangements are made for the adequate protection of such information, including implementing robust policies and procedures. We are also required to comply with various other data privacy obligations, including those in relation to data correction, retention, destruction, transfer of data to another country, and breach notification.

The Personal Data Protection Commission may, *inter alia*, direct non-compliant organisations to (i) stop collecting, using or disclosing personal data; (ii) destroy personal data collected; (iii) provide access to or correct the personal data; and/or (iv) pay a financial penalty not exceeding SGD1 million.

REGULATORY OVERVIEW

Intellectual property

Generally, it is unlawful to import goods into Singapore which infringe intellectual property rights. Failure to comply may result in civil remedies and criminal sanctions, including fines of up to SGD10,000 for each imported good, thing or article infringing intellectual property rights (such as a good or thing to which a trade mark is falsely applied or an article made without the consent of the copyright owner), but not exceeding in aggregate SGD100,000, and/or imprisonment for a term not exceeding 5 years. In addition, the forfeiture and/or destruction of the infringing items may be ordered.

Trade descriptions and product safety laws

The Consumer Protection (Trade Descriptions and Safety Requirements) Act (Chapter 53 of Singapore) prohibits the application of false trade descriptions to goods in the course of trade or business, as well as the supply of goods to which a false trade description has been applied. In particular, it is an offence to falsely indicate that any goods supplied or methods adopted are or are of a kind supplied to or approved by any person, including any government or government department or agency or any international body or agency whether in Singapore or abroad. A breach of these laws may result in criminal penalties, such as imprisonment for up to 2 years and/or fines of up to SGD10,000.

Consumer Protection (Consumer Goods Safety Requirements) Regulations 2011 (the “Consumer Goods Safety Requirements Regulations”)

The Consumer Goods Safety Requirements Regulations require consumer goods to conform with the required safety standards. The Standards, Productivity and Innovation Board (SPRING Singapore) may publicly declare such goods unsafe and/or direct suppliers to (i) control or cease supply of such goods; and (ii) inform users of the potential danger of the goods, if any of these consumer goods do not conform to the required safety standards. A breach of these laws may result in criminal penalties such as imprisonment for up to 2 years and/or fines of up to SGD10,000.

Spam laws

In general, we are required to obtain consent or requests from recipients to send commercial electronic messages (including via electronic mail, text or multi-media messaging) to recipients in Singapore. We are required to comply with certain content requirements, including in relation to unsubscribe requests, subject field and header information. Types of relief that may be granted to claimants under the Spam Control Act (Chapter 311A of Singapore) include injunctions, damages and statutory damages which would generally not exceed SGD25 per electronic message and SGD1 million in aggregate, etc.

AUSTRALIA LAWS AND REGULATIONS

The Australia laws and regulations that apply regardless of the location of our operations are as follows.

Australia Consumer Law

The Australian Consumer Law, as contained in Schedule 2 to the Competition and Consumer Act 2010 (Cth) (“**ACL**”), imposes statutory obligations upon manufacturers and suppliers of goods in terms of marketing and advertising, product safety, quality guarantees and product liability. It gives regulators (specifically the Australian Competition and Consumer Commission) (“**ACCC**”), competitors and consumers various statutory causes of action when a manufacturer’s or supplier’s conduct contravenes the legislation.

REGULATORY OVERVIEW

Prohibiting unfair practices, misleading or deceptive conduct or conduct likely to mislead or deceive

To date, successful prosecutions by the ACCC against foreign on-line traders have been based on claims relating to a misrepresentation about the product or service being sold. A number of these actions have been successfully prosecuted indicating that the ACCC has a willingness to take enforcement action against foreign on-line traders.

Prohibiting false representations in relation to the supply of goods

The ACL prohibits certain types of representations made in connection with the supply of goods or services, or in connection with the promotion by any means of the supply or use of goods and services. These relevantly include false or misleading representations: (i) that the goods are of a particular standard, quality, value, grade, composition, style or model or have had a particular history or particular previous use; (ii) that the goods or services are new; (iii) about the price of goods or services; (iv) that the goods or services have sponsorship, approval, performance, characteristics, accessories, uses or benefits; (v) about the availability of facilities for the repair of goods or of spare parts for goods; or (vi) about the place of origin of goods.

The remedies available for breach of the above two prohibitions include compensation, an injunction to prevent future conduct, a declaration that statements or representations however made were in contravention of the ACL and corrective advertising.

Statutory guarantees into the supply of goods to consumers for which both manufacturers and suppliers are liable

The ACL attaches a number of guarantees to the supply of goods and services to consumers. These guaranteed rights to consumers include, without limitation, that: (i) the supplier has the right to sell the goods; (ii) the goods are of acceptable quality; (iii) the goods match their descriptions; and (iv) the goods are fit for any purpose that the supplier represents, etc. A broad range of remedies is available against suppliers (including compensation, refund and replacement).

Provisions relating to safety standards, bans, recalls, safety warning notices and notification obligations

Under the ACL, a rigorous product safety law applies to consumer goods and product-related services which includes: (i) the imposition of mandatory safety standards; (ii) bans on products, either on an interim or permanent basis; (iii) issuance of safety warning notices; and (iv) issuance of compulsory recall notices that require suppliers to recall a product.

The Australian Commonwealth Minister may make a safety standard about a number of matters as are reasonably necessary to prevent or reduce risk of injury to any person. The supply of goods in contravention of a prescribed safety standard is prohibited. If a standard applies to consumer goods, and the goods do not meet that standard, a supplier also must not manufacture, possess or have control of those goods.

A supplier may be found guilty of a criminal offence if they fail to comply with a mandatory safety standard. The maximum fine is AUD220,000 for an individual or AUD1.1 million for a corporation. Civil penalties for the same amounts also apply.

REGULATORY OVERVIEW

Manufacturers directly liable for certain losses caused by defective goods

The ACL allows a claim to be made against a manufacturer (or ‘deemed’ manufacturer which has a broad definition) when goods with safety defects cause injury, loss or damage. Goods have a safety defect if their safety is not such as persons generally are entitled to expect and the product must actually be unsafe, not just of poor quality or inoperative. A person suffering loss or damage as a result of a safety defect can seek compensation for personal injury and death. In addition, the ACL also provides the ACCC with a number of alternatives apart from criminal prosecution which includes the power to issue infringement notices for offences. The maximum amount payable by a corporation is AUD66,000.

Intellectual property rights

It is unlawful to import goods into Australia which infringe intellectual property rights (including but not limited to trade mark, copyright, patents and designs). This includes registered and unregistered intellectual property rights. Failure to consider intellectual property rights in facilitating importing arrangements in Australia may result in the supplier and/or the importer being the subject of legal action by the owner of the intellectual property rights in Australia.

A range of enforcement options are available for owners of intellectual property rights in Australia who believe their rights are being infringed. These include: (i) civil court action seeking remedies such as injunctions to restrain the infringing conduct, damages or an account of profits, delivery up of infringing items and legal costs. Court action may be used to protect certain unregistered intellectual property rights, such as through actions for misleading or deceptive conduct or passing off; and (ii) notices of objection lodged with the Australian Customs and Border Protection Service by owners of intellectual property rights under which the service will seize goods infringing copyright or registered trademarks to enable the intellectual property rights holder to institute legal action.

Certain breaches of the *Trade Marks Act 1995* (Cth) (“**TM Act**”) and *Copyright Act 1968* (Cth) (“**Copyright Act**”) constitute criminal offences. In a limited number of circumstances, law enforcement agencies such as state and federal police will take action in relation to these criminal provisions. The Copyright Act similarly provides for criminal sanctions.

The Copyright Act provides for individuals to be fined up to AUD50,000 and for corporations to be fined up to AUD250,000. The possible term of imprisonment is up to five years. The penalties under the TM Act are sentences up to two years and fines of up to AUD55,000.

Data protection and privacy

Privacy

The Federal Privacy Act 1988 (Cth) (“**Privacy Act**”) and its Australian Privacy Principles (“**APPs**”) is the principal privacy statute in Australia. The Privacy Act regulates collection, use, disclosure and retention of ‘personal information’ that is collected for inclusion in any form of print or electronic ‘record’ or in a ‘generally available publication’.

REGULATORY OVERVIEW

Consequently, an entity that collects the personal information of individuals in Australia must, amongst other matters, have an Australian law compliant privacy policy, notify individuals of a number of matters at or before the time personal information is collected, of the circumstances in which it may use and disclose personal information that it holds and obtain consent in certain circumstances (e.g. where sensitive information is collected).

The Privacy Commissioner is responsible for the enforcement of the Privacy Act and will investigate an act or practice if the act or practice may be an interference with the privacy of an individual and a complaint about the act or practice has been made. The Privacy Commissioner may also investigate any 'interferences with the privacy of an individual' (i.e. any breaches of the APPs) on its own initiative (i.e. where no complaint has been made). After investigating a complaint, the Privacy Commissioner may dismiss the complaint or find the complaint substantiated and make declarations that the organisation rectify its conduct or that the organisation redress any loss or damage suffered by the complainant. Furthermore, fines of up to AUD340,000 for an individual and AUD1.7 million for corporations may be requested by the Privacy Commissioner and imposed by the Courts for serious or repeated interferences with the privacy of individuals.

Spam

The *Spam Act 2003* (Cth) ("**Spam Act**") prohibits the sending of electronic marketing (which is referred to as 'commercial electronic messages', including email) with an Australian link where the sender does not have express consent or consent implied from an existing commercial relationship. A message has an Australian link if it originates overseas but was sent to an address accessed in Australia. Under the Spam Act, a commercial electronic message must not be sent without the prior 'opt- in' consent of the recipient. In addition, each electronic message (which the recipient has consented to receive) must contain a functional unsubscribe facility to enable the recipient to opt-out from receiving future electronic marketing. The sending of commercial electronic messages in Australia is enforced by the Australian Communications and Media Authority. A failure to comply with the Spam Act (including unsubscribing a recipient that uses the unsubscribe facility) may have costly consequences, with repeat offenders facing penalties of up to AUD1.7 million per day.

INTERNATIONAL SANCTIONS

During the Track Record Period, we had sales in connection with Sanctioned Countries, in the ordinary course of business. Upon review of documents in relation to our sales to customers in Russia, Ukraine, Belarus, Egypt and the Balkans, our legal advisers as to International Sanctions laws have advised that our historical sales in connection with Russia, Ukraine, Belarus, Egypt and the Balkans during the Track Record Period do not implicate the application of the relevant sanctions laws on our Group, or any person or entity, including our Group's investors, our Shareholders, the Stock Exchange, HKSCC or HKSCC Nominees. For details on our business activities in the Sanctioned Countries and impact of sanctions laws, please see the sub-section headed "Business — Business Activities in Sanctioned Countries" in this prospectus.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR BUSINESS DEVELOPMENT

The history of our business dates back to 2005 when Mr. Ma established our website Hypebeast as a hobby. In 2007, Mr. Ma established HBHK. Due to our early entrance into the digital media industry, the start-up cost was not high and the source of funding used to finance our business at establishment came from Mr. Ma's income from our Hypebeast website before HBHK was established. In early years, our Group was principally engaged in the provision of digital content and website advertisement spaces. We have commenced operations of our e-commerce platform HBX store since May 2012.

The key milestones of our business development are as follows:

Year	Business achievement
2005	Hypebeast was launched as a website by our founder, Mr. Ma, as a hobby
2007	HBHK was established
2008	Hypebeast was awarded the top 50 best websites by Time Magazine
2008	Launched Popbee website
2010	Launched Hypetrak website
2012	Started HBX store
2015	Hypebeast was awarded 2015 Honoree by the Webby Awards for the website overall experience including content, visual design, functionality and interactivity that attracts and retains viewers

SHAREHOLDING STRUCTURE

Our Company was incorporated on 25 September 2015 in the Cayman Islands as the holding company of our Group. HBHK is our sole operating subsidiary throughout our operating history. Over the course of our business history, our shareholding structure has remained stable with Mr. Ma, an executive Director and the chairman of our Board, as our sole and Controlling Shareholder.

Immediately upon completion of the Placing and the Capitalisation Issue (without taking into account the Shares that may be allotted and issued upon exercise of the options granted or which may be granted under the Share Option Schemes), Mr. Ma will be beneficially interested in 75% of our entire issued Shares and will be our Controlling Shareholder under the GEM Listing Rules.

CORPORATE STRUCTURE AND DEVELOPMENT

As at the Latest Practicable Date, our Group comprised our Company, one directly wholly-owned intermediate holding company (namely, COREone) and one indirectly wholly-owned operating subsidiary (namely, HBHK). Our Company and COREone were incorporated as part of our Reorganisation as the holding companies of our business operations.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

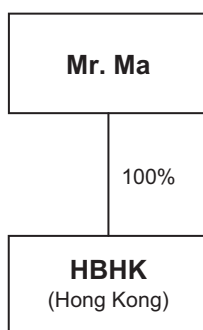
HBHK

HBHK is our sole operating subsidiary. It was incorporated on 3 January 2007 under the Companies (WUMP) Ordinance in Hong Kong with limited liability. On incorporation, HBHK has an authorised share capital of HK\$1,000, divided into 1,000 shares, two of which were issued and allotted, fully-paid, to each subscriber. On 12 January 2007, the said two shares were transferred to Mr. Ma, in addition to 998 shares issued and allotted, fully-paid, to him on 5 January 2007. Mr. Ma has remained as the sole shareholder of HBHK thereafter until the acquisition of HBHK by COREone as part of our Reorganisation. See “Reorganisation” below for further details.

Mr. Ma has remained as the sole director of HBHK since 5 January 2007.

REORGANISATION

Set forth below is the corporate chart showing the shareholding and corporate structure of our Group immediately prior to the implementation of the Reorganisation:



Our Reorganisation involved the following steps:

Incorporation of CORE Capital

On 6 August 2015, CORE Capital was incorporated with limited liability in the BVI and was authorised to issue 50,000 ordinary shares of US\$1.0 each. On the same day, one share in CORE Capital was issued, allotted and credited as fully-paid to Mr. Ma.

Incorporation of the Company

Our Company was incorporated with limited liability in the Cayman Islands on 25 September 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each. On the day of incorporation, one Share was issued, allotted and credited as fully paid to our initial subscriber, which was subsequently transferred to CORE Capital on the same day. Since our incorporation, our Company has been an investment holding company without business operations. As at the Latest Practicable Date, our Company had one investment holding company in the BVI, namely, COREone and one operating subsidiary in Hong Kong, namely, HBHK.

Upon completion of this step, our Company became indirectly wholly-owned by Mr. Ma through CORE Capital.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Incorporation of COREone

On 7 October 2015, COREone was incorporated with limited liability in the BVI and was authorised to issue 50,000 ordinary shares of US\$1.00 each. On the same day, one share in COREone was issued, allotted and credited as fully-paid to our Company.

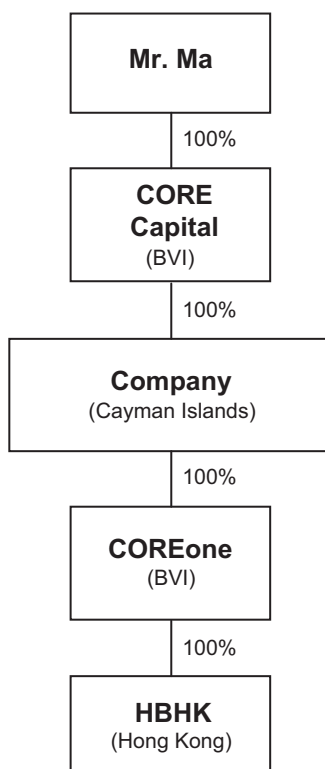
Acquisition of HBHK

Immediately before the implementation of this step, HBHK was directly wholly-owned by Mr. Ma.

On 30 October 2015, COREone acquired the entire issued share capital of HBHK from Mr. Ma in consideration of our Company issuing and allotting 99 Shares to CORE Capital, credited as fully paid.

Upon completion of this step, HBHK became a wholly-owned subsidiary (held indirectly through COREone) of our Company.

The following chart sets forth the shareholding and corporate structure of our Group immediately after the Reorganisation and before the Capitalisation Issue and Placing:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Increase of authorised share capital

In contemplation of the Placing, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each to HK\$60,000,000 divided into 6,000,000,000 shares of a par value of HK\$0.01 each by the creation of an additional 5,962,000,000 Shares, pursuant to the written resolutions of our sole Shareholder passed on 18 March 2016.

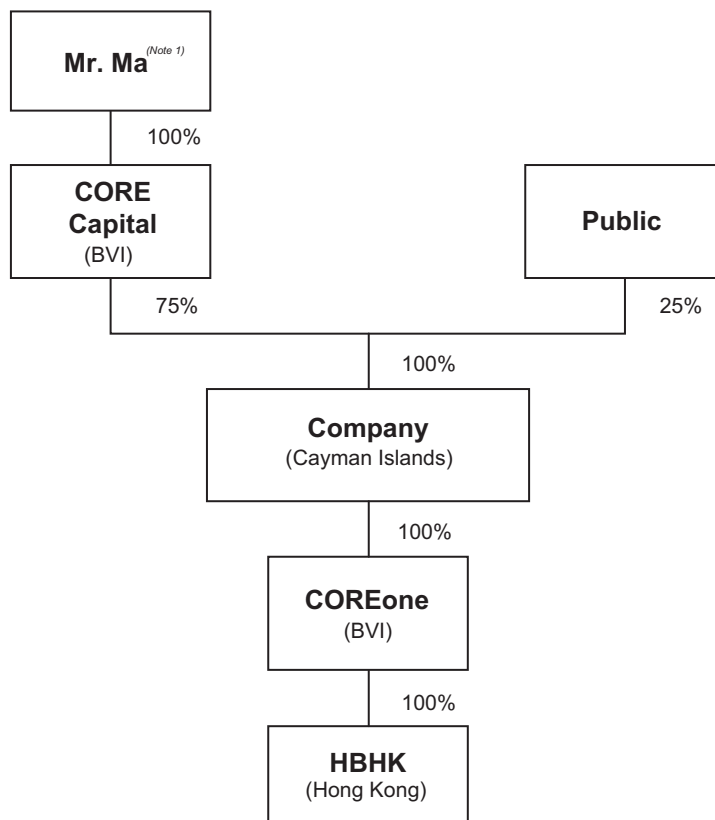
Capitalisation Issue and Placing

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Placing Shares pursuant to the Placing, our Directors are authorised to capitalise an amount of HK\$15,999,999 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 1,599,999,900 Shares for allotment and issue to CORE Capital on 29 March 2016.

Conditional upon the grant of the listing approval for the Listing of and permission to deal in the Shares on the GEM, our Company and the Selling Shareholder will offer 400,000,000 New Shares and 100,000,000 Sale Shares, respectively, being an aggregate of 25% of total issued share capital of our Company (as enlarged by the Shares offered under the Placing and the Shares issued under the Capitalisation Issue excluding the Shares which may be allotted and issued upon exercise of the options granted or which may be granted under the Share Option Schemes) for subscription by the professional, institutional and private investors.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The corporate structure of our Group immediately following the completion of the Capitalisation Issue and Placing (excluding the Shares which may be allotted and issued upon exercise of the options granted or which may be granted under the Share Option Schemes) is set out below:



Notes:

1. Mr. Ma and CORE Capital are the Controlling Shareholders of our Company. Mr. Ma beneficially owns 75% of the Company. Ms. Lee, being the spouse of Mr. Ma, is deemed to be interested in 75% of our Company's total issued share capital of pursuant to Divisions 2 and 3 of Part XV of the SFO.
2. The Company has approved and adopted the Pre-IPO Share Option Scheme on 18 March 2016. Certain of our employees have been granted share options of our Company pursuant to the Pre-IPO Share Option Scheme. For further details of the Pre-IPO Share Option Scheme and the grantees, please refer to the section "Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Scheme" in this prospectus.

OVERVIEW

Headquartered in Hong Kong, we are a digital media company primarily engaging in (i) the provision of advertising services to brand owners and advertising agencies on our digital media platforms; and (ii) the sale of third-party branded clothing, shoes and accessories on our e-commerce platform. We produce and distribute millennial-focused digital content that reports the latest trends on fashion, lifestyle, culture and music to our visitors and followers. Digital content is delivered via our digital media platforms (including Hypebeast, Hypetrak and Popbee websites and apps) and popular third-party social media platforms (including Facebook, Google+, Instagram, Twitter, Pinterest, Youtube, Weibo and Snapchat). Our e-commerce platform typically carries over 300 trend leading third-party branded products annually. As at 1 April 2013, 31 March 2014, 31 March 2015, 30 September 2014 and 30 September 2015, the number of brands offered on our e-commerce platform was 162, 266, 383, 325 and 408, respectively, representing an increase of 246 brands during the Track Record Period. As at 1 April 2013, 31 March 2014, 31 March 2015, 30 September 2014 and 30 September 2015, the number of products offered on our e-commerce platform was over 3,900, 5,000, 7,100, 6,000 and 8,900, respectively, representing a gross increase of approximately 5,000 products during the Track Record Period.

Since the inception of our Hypebeast website in April 2005 and the establishment of HBHK, our principal operating subsidiary, in January 2007, we have established ourselves as a trendsetter in the fashion market due to our ability to identify the latest fashion trends and produce content which is appealing to the millennials. As at 30 September 2015, Hypebeast, Hypetrak, Popbee and HBX store recorded an aggregate of approximately 46.0 million MPVs and approximately 5.0 million MUVs ^(Note). As at the Latest Practicable Date, our Hypebeast account on Facebook recorded a total of approximately 2.1 million page likes, and our Hypebeast accounts on Instagram and Twitter recorded approximately 2.2 million and 330,000 followers ^(Note), respectively.

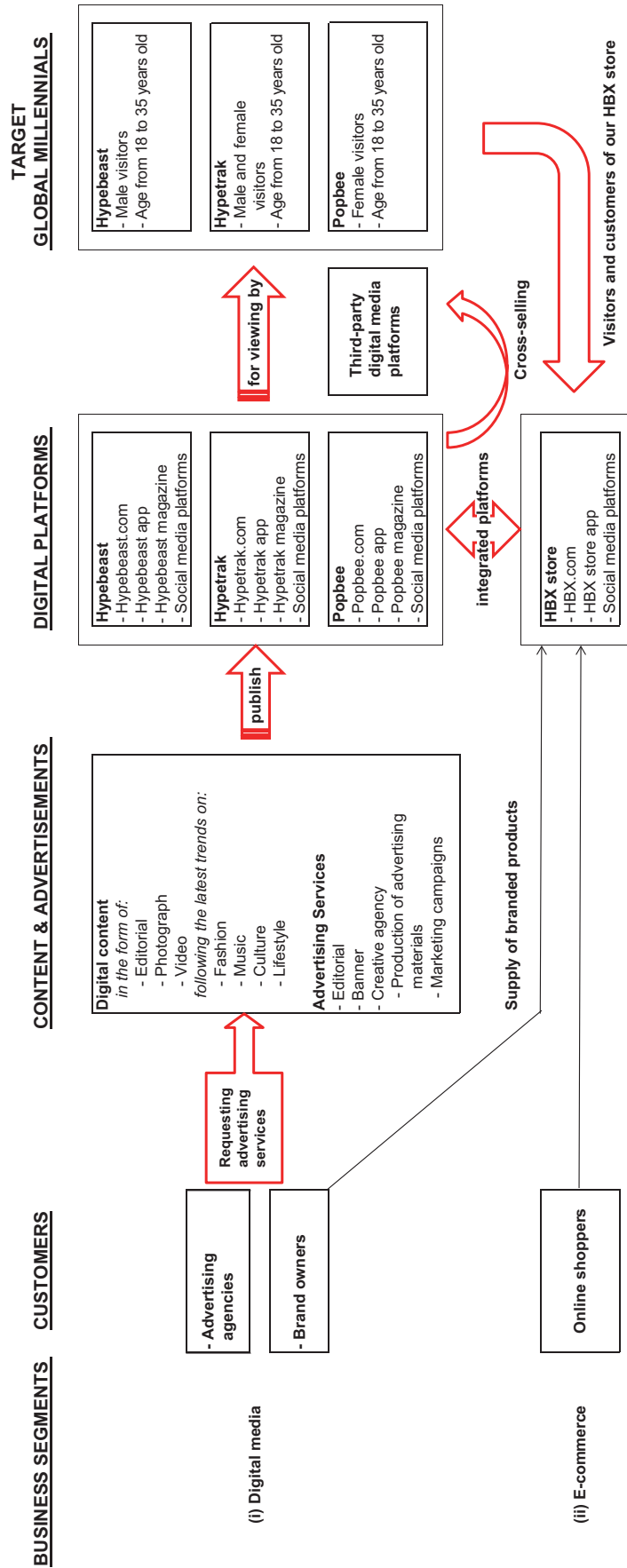
Our digital media segment primarily derives its revenue from the provision of advertising services to brand owners and advertising agencies. We attract a large number of followers and visitors globally on our digital media platforms to view our shareable digital content in the form of articles and videos and empower brand owners to reach millions of people globally. We have enjoyed continuous support from high-profile international brand owners who have used our advertising services to reach our global audience. Our e-commerce segment primarily operates through HBX store that commenced business in May 2012. Our e-commerce platform's target customers are millennials between the age of 18 and 35 who are also our target audience of our digital media platforms. Our management attributes the success of our e-commerce platform to our ability to select and attract brands that are sought after by our audience.

According to the CIC Report, the global expenditure on Internet advertising channels is expected to grow from approximately US\$133.5 billion in 2014 to approximately US\$211.3 billion in 2019, representing a CAGR of approximately 9.6%, primarily due to the increasing Internet penetration rate, more effective advertising techniques such as native advertising and advanced information technology tools that track the effectiveness of website advertisements. CIC expects advertising and marketing budget previously allocated in traditional advertising channels such as television and printed media to be gradually extracted and shifted into Internet-based advertising channels. Furthermore, as consumers are increasingly accustomed to online shopping, CIC predicts that the online apparel retailing sales in the US, from which our Group has derived a significant portion of its revenue are expected to grow at a CAGR of approximately 12.5% from approximately US\$63.3 billion in 2014 to approximately US\$113.9 billion in 2019. For details of the size, growth and future trends of the Internet advertising market and the online retailing markets of selected region, please refer to the section headed "Industry Overview" in this prospectus.

Note: The aggregate number of unique visitors of our integrated digital platforms or followers of our accounts on social media platforms may include the same visitor or follower more than once if he/she visits two or more of our websites or our accounts on social media platforms.

BUSINESS

Set out below is the scope of our services:



BUSINESS

According to the CIC Report, as a globally fast growing digital media icon and trendsetter, we constantly offer the latest update on fashion, lifestyle, culture and music on our flagship digital media products including the Hypebeast, Hypetrak and Popbee websites which have been rapidly developed as a beacon in these areas for millennials internationally. This has attracted a large number of followers with our unique offering of the most up-to-date, trend-setting stylish, intelligent and refreshing content. As most of our followers share similar interest, taste and sense of fashion with us, they are highly loyal and extremely receptive towards our insights and products. Through great number of online traffic and customer footprint, we have made use of big data to analyse the preference and behaviors of our followers and customers. With almost ten years of experience in this field, we have obtained a profound understanding regarding the trend of fashion as well as our followers and customers. As set forth in the CIC Report, the clean and fashionable user interfaces of our Hypebeast, Hypetrak and Popbee websites and HBX store, which are sophisticatedly crafted, are widely welcomed among millennial.

Our Revenue Model

Our principal business activities can be divided into two business segments: (i) the digital media segment that provides advertising services to brand owners and advertising agencies; and (ii) the e-commerce segment that primarily sells third-party branded products such as clothing, shoes and accessories on our HBX store.

Our digital media services mainly include advertising services involving the provision of advertisement spaces and services, and creative agency services ranging from conceptualising marketing strategies, production of digital and video content to organising marketing events. We also generate revenue by publishing printed magazines for subscription and provision of advertisement spaces. For our e-commerce segment, we typically source products from brand owners covering over 300 brands and sell them to our online shoppers. As at 1 April 2013, 31 March 2014, 31 March 2015, 30 September 2014 and 30 September 2015, the number of brands offered on our e-commerce platform was 162, 266, 383, 325 and 408, respectively, representing an increase of 246 brands during the Track Record Period. As at 1 April 2013, 31 March 2014, 31 March 2015, 30 September 2014 and 30 September 2015, the number of products offered on our e-commerce platform was over 3,900, 5,000, 7,100, 6,000 and 8,900, respectively, representing an increase of approximately 5,000 products during the Track Record Period.

Set out below is a breakdown of the monetisation strategies, customers and sources of revenue of our different segments of our business.

Monetisation strategies	Customers	Sources of revenue
Digital media	(i) Brand owners (ii) Advertising agencies	Provision of advertising services, which mainly include provision of advertisement spaces and creative agency services.
E-commerce	Online shoppers	Sale of third-party branded products such as clothing, shoes and accessories.

BUSINESS

Our digital media segment has experienced significant growth during the Track Record Period. For the year ended 31 March 2015 and the six months ended 30 September 2015, revenue derived from our digital media segment grew by approximately 44.1% and 79.1%, respectively, as compared with the corresponding period in the previous year. Despite the relatively short history of our e-commerce platform, revenue derived from our e-commerce segment experienced a growth of approximately 29.2% for the year ended 31 March 2015, as compared with the previous year.

Below is a breakdown of our revenue by our business segment during the Track Record Period:

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
Revenue contributed from								
Digital media	33,101	45.4	47,651	48.2	21,508	46.7	38,498	60.1
E-commerce	39,732	54.6	51,280	51.8	24,555	53.3	25,593	39.9
Total:	<u>72,833</u>	<u>100.0</u>	<u>98,931</u>	<u>100.0</u>	<u>46,063</u>	<u>100.0</u>	<u>64,091</u>	<u>100.0</u>

For our sensitivity and breakeven analysis which illustrates the impact of fluctuations in our major operating costs on our net profits, please refer to the section headed “Financial Information” in this prospectus.

COMPETITIVE STRENGTHS

We possess a valuable brand name in the digital media industry that drives growth of our business and our position as a trendsetter in the field of fashion allows us to attract international brand owners for our advertising services and to supply their branded products to our e-commerce platform

According to the CIC Report, as an early entrant into the digital media market in relation to fashion apparel and footwear at the time when the market had few well-established players in the vertical digital media industry, we possess strong brand recognition in the digital media and fashion industries and have amassed a large base of followers who enjoy our content on our digital media platforms. As a result, the advertisements on our digital media platforms are extremely receptive. These followers and visitors may read and share our updates, articles and videos on social media platforms which provide us with exponential exposure to our target audience. As we empower brand owners to reach a large audience, we attract high-profile international brand owners to engage our advertising services.

We have established ourselves as a trendsetter and a valuable media brand given (i) we, with almost ten years of experience in the digital media industry, have a profound understanding of the latest trends on fashion, lifestyle, culture and music as well as the consumption patterns of our shoppers; and (ii) we are able to deliver continuous updates on our digital content, in particular the latest news on trends in fashion, lifestyle, culture and music. With a valuable brand in media, we are dedicated to be an iconic international online media with an accurately

BUSINESS

positioned target market which builds upon our loyal unique visitors and followers with style and taste, based on a deep understanding of our visitors and followers. We believe our brand attracts new visitors to our digital media platforms and new customers to utilise our advertising services. We also believe that many of our customers approach us for our advertising services because of our reputation, strong brand image, and well-established follower and visitor base. As a result, multinational companies collaborate with us for their marketing campaigns. For example, in 2013, we cooperated with a major multinational sportswear company headquartered in Germany to launch a collaborative shoe under our joint brand names. Our Directors believe that because of our well-established relationship with our digital media customers, some of them have also become our suppliers of our e-commerce platform, including brands which are sought after by our e-commerce customers.

Our global reach of millions of followers and visitors on our integrated digital platforms

As at 30 September 2015, Hypebeast, Hypetrak, Popbee and HBX store recorded an aggregate of approximately 46.0 million MPVs and approximately 5.0 million MUVs ^(Note). As at the Latest Practicable Date, our Hypebeast account on Facebook recorded a total of approximately 2.1 million page likes, and our Hypebeast accounts on Instagram and Twitter recorded approximately 2.2 million and 330,000 followers ^(Note), respectively. We believe that our followers are mainly millennials between the age of 18 to 35 from many countries around the world such as the US, United Kingdom, Canada, Japan, Hong Kong, Taiwan, Australia, the PRC, Germany and France.

We attribute our ability to reach a global audience to our capabilities in (i) being the forefront in reporting the latest trends in fashion, lifestyle, culture and music that suit our followers' and visitors' interests; (ii) hand picking stylish products that are sought after by the fashion-conscious audience of our digital media platforms; (iii) producing trend leading and engaging updates, articles and appealing photos and videos of branded products that are millennial-focused; and (iv) providing multi-language content with localised expressions to suit our audience's preferences and taste in targeted regions of the world.

The quality of our digital content attracts a large base of followers and visitors which we are able to capitalise and generate revenue

Our business model thrives on our ability to attract millions of followers and visitors. Whilst social media platforms and the sharing of articles by our followers bring additional visitors to our integrated digital platforms, our wide range of articles and videos on topics such as fashion, lifestyle, culture and music extends the time our visitors spend on viewing our articles and videos, and the quality of our articles and videos strengthens our brand image, which attracts our visitors to come back to our digital media platforms. In so doing, we increase the number of times the advertisements on our digital media platforms are viewed and loaded and thereby increasing our advertising income. Furthermore, our Directors consider that as more and more visitors learn about the latest trends from us, our visitors become more receptive of featured products and this attracts well-recognised brand owners to advertise on our digital media platforms.

Our e-commerce platform benefits from the traffic of Hypebeast website as visitors can access to HBX store through a link on our Hypebeast website. The visitors of Hypebeast website are fashion-conscious who usually enjoy web browsing and shopping trendy fashion clothing,

Note: The aggregate number of unique visitors of our integrated digital platforms or followers of our accounts on social media platforms may include the same visitor or follower more than once if he/she visits two or more of our websites or our accounts on social media platforms.

BUSINESS

shoes and accessories. In addition, we aim to attract our customers through several ways. We adopt search engine optimisation strategies to increase the likelihood that users will be able to find us through different search engines. We further aim to bring in additional customers to our e-commerce platform with an increased marketing budget after Listing.

Our websites and apps developed by our in-house developers are designed to be sleek and user-friendly resulting in a compelling user experience which supports our business growth

We design and develop our websites and apps with a sleek and user-friendly interface, and which can support millions of visitors and over 300 branded products for sale on our e-commerce platform. Our integrated digital platforms utilises advanced content delivery services to speed up access to our platforms. We engage third-party service provider to ensure that our system is secured and easy-to-maintain with minimal downtime.

Our developers also support our sales and editorial teams to make use of data analytics software to track the popularity of our articles, photos, videos, advertisements, and products on our integrated digital platforms, which allows us to cater our digital marketing strategies according to the prevailing market trends and have a deeper understanding of the preferences of our visitors, followers and online shoppers. We believe that our targeted data analytics practices allow us to create and deliver content that is more appealing to our target audience and enhance visitors' experience and engagement with our digital media platforms. As readers become more receptive to our content, we believe that our advertisements and marketing campaigns are more effective, interesting and compelling. Further, our data analytics practice supports our management and our procurement team to gain insights into our online shoppers' preferences and potential demand on our e-commerce platform prior to ordering products for the coming seasons. Consequently, we believe that our data analytics allow us to predict our customers' demand when ordering products, controlling our inventory, minimising risks and increasing sales of our e-commerce platform.

We have an experienced senior management team with a proven track record in operating our business

We have a professional and experienced senior management team with a proven track record. Mr. Ma, our founder, Controlling Shareholder, chairman and executive Director, has published articles on fashion since 2005 and has established our Company as a trendsetter in the fashion industry. Mr. Ma has received awards such as the Business of Fashion (BoF500) award for two consecutive years in 2013 and 2014. Ms. Lee, our executive Director and editor-in-chief of Popbee possesses 7 years of experience in digital media, women fashion, content strategy and social media strategy. She has founded Popbee and is instrumental in formulating our strategies in reaching our female audience. Our senior management team has also contributed to the success of our Group. Mr. Wong Hung Sui Sean, our director of e-commerce, has joined our Group in 2013 and has been responsible for developing our e-commerce platform, which has become one of our major businesses.

By combining our management's capability in implementing growth strategies and our in-depth knowledge in the digital media industry, our management team is confident that our Group is poised to capture potential market opportunities in both digital media and e-commerce segments. For biographical details of our Directors and senior management, see the section headed "Directors and Senior Management" in this prospectus.

OUR STRATEGIES

Our goal is to increase our revenue base by extending our reach to more millennials around the world who are interested in fashion, lifestyle, culture and music; we aim to become one of the leading online destinations for fashion followers through various strategies that expand our visitors base and enhance our digital media production capability, which will in turn increase our revenue in advertising income and sales of goods through our integrated digital platforms.

We will strengthen our business by increasing our sales and marketing efforts

In order to further enhance our reputation, we plan to continue our targeted marketing efforts. This may include social media marketing, placing advertisements, as well as utilising search engine marketing and search engine optimisation. We plan to hire additional sales executives to support our business growth in digital media segment, so as to provide sales support towards a broader range of brand owners and advertising agencies in the provision of our advertising services. In addition, in order to derive commercial benefit from our large base of followers, visitors and online shoppers, we plan to hire additional social marketing experts to perform deeper data analytics regarding the preferences of our followers, visitors and online shoppers so as to provide insight in producing content and procuring goods which are appealing to them.

We will enhance the content of our digital media platforms to retain and expand our base of followers and visitors

To retain and expand our base of followers and visitors, we intend to enhance our digital media platforms to reach more global Internet users who are interested in the latest trends in fashion, lifestyle, culture and music in the following ways:

- *Enrich our digital media content and diversify our base of followers and visitors.* Enrich our digital media content by delivering an increasing and steady stream of diversified content covering topics regarding the latest trends in fashion, lifestyle, culture and music which are more appealing to millennials, whether by text, photo or video. By customising our websites to suit visitors' language preferences, we believe we will be able to reach followers and visitors globally with different cultural backgrounds, and hence able to generate higher fees for advertising services due to a wider global reach. We intend to enhance our digital media content quality and diversify our base of followers and visitors by increasing the headcount and expertise of our editorial team.
- *Enhance our production capability of quality advertising services.* We intend to enhance our production capability of our creative agency team, which will better enable us to provide tailor made solutions to our digital media customers by assisting them in formulating advertising campaigns and curating advertising materials. We intend to expand our creative agency team by recruiting more content production executives. We believe that by enhancing our production capability, we will be in a better position to attract more brand owners and advertising agencies to use our advertising services.
- *Understand the preference and needs of millennials.* Perform deeper data analytics on the preferences of our followers and visitors.
- In order to facilitate deeper penetration into different markets, we intend to further customise our digital media platforms to cater for visitors from different parts of the world with different language preference. Hypebeast website is available in English, Chinese (both traditional and simplified) as well as Japanese languages, while Popbee website is available in Chinese (both traditional and simplified) language.

BUSINESS

With the implementation of our expansion strategy through increasing the headcount of our editorial team and expanding our creative agency team, our Directors expect that the gross profit margin of our digital media segment will be affected by the increase in our staff costs and editorial and production costs in the short term.

We may expand by opportunistic and strategic acquisitions of business and/or companies

Although we will continue to focus on the organic growth of our business, should opportunities arise for the strategic growth through acquisition of other players in the digital media industry, we would consider consolidating their business with us. We may consider to acquire on-line digital media company having a broad visitor base to further enhance our global reach, as well as media and advertising companies with strong advertising platforms and advertising production capabilities. In identifying suitable acquisition targets, we will take into account factors including their reputation, popularity, statistics on MUVs and MPVs, geographical location, information technology, revenue and customer base, our financial capability and whether the target company's business is complementary to our business. As at the Latest Practicable Date, we have not identified any acquisition targets.

We will improve our working environment and purchase new equipment

As demand for our digital advertising services and our products our e-commerce products has been high and most of our expansion strategies require additional personnel to carry out the plan, we anticipate our headcount will increase over the next two years. As such, we intend to improve our working environment by renovating and leasing additional office space at our headquarters in Hong Kong. We will also purchase new computers, photographic and video production equipment for our new staff members.

We will enhance our e-commerce platform by improving our services and expanding our product portfolio

We intend to enhance our online shoppers' experience on our e-commerce platform and thereby promoting the loyalty of our online shoppers with us by the following ways:

- *Enhance our customer service.* We intend to recruit additional personnel to improve our customer service support. We intend to be more responsive in answering their queries and responding to their special requests so as to enhance our online shoppers' shopping experience with us.
- *Enhance our inventory system.* We intend to enhance our inventory system for quicker and smoother delivery of goods to our customers. We believe if we are successful in providing a superior shopping experience, our e-commerce customers will be more likely to return and make repeated purchases from us again.

BUSINESS

We will attract, motivate and retain high-quality talent to support our business growth

We believe in maintaining a positive work environment which will encourage better staff relations and retention, as well as enhancing the quality of our service by motivating staff. We are committed to foster a work environment which attracts and inspires people to excel in their work performance by implementing an incentive scheme to align compensation and remuneration with performance. Our Directors review our remuneration package on a regular basis to ensure its competitiveness. As part of the continuing efforts to enhance the quality of our service, we also encourage our staff to attend internal and external training to keep abreast of up-to-date development in order to support our business growth.

OUR PLATFORMS

Our award-winning digital media content that showcases the latest trends in fashion, lifestyle, culture and music by publishing articles, features, videos, news and editorials are primarily delivered over our digital media platforms. Our digital media platforms consist of (i) *Hypebeast.com*, *Hypetrak.com* and *Popbee.com* websites; and (ii) the related apps. Our e-commerce platform consists of (i) HBX store website *hbx.com*; and (ii) HBX store app, primarily selling third-party branded clothing, shoes and accessories to end-users.

Our websites

Hypebeast.com

In April 2005, our flagship website *Hypebeast.com* commenced publication of news and articles that updates our followers and visitors about the latest trends. Since then in about 10 years, *Hypebeast.com* has attracted a large number of followers and visitors who are interested in reading articles or watching videos about fashion, footwear, entertainment, music, lifestyle, technology and design. We bring to our followers and visitors the latest trends in fashion, lifestyle, culture and music, that interest our millennial male followers and visitors. As such, our followers and visitors are predominantly made up of the male demographic.

Our content is updated on a continuous basis. As at 30 September 2015, Hypebeast (together with HBX store) recorded approximately 4.1 million MUVs and approximately 40.1 million MPVs. According to Google's statistics, as at 30 September 2015, approximately 85% and 15% of Hypebeast's followers were male and female respectively.

Hypebeast has millions of fans worldwide among social media platforms. For instance, Hypebeast accounts on Facebook, Instagram and Twitter recorded approximately 2.1 million page likes, 2.2 million followers and 330,000 followers, respectively, as at the Latest Practicable Date.

Hypetrak.com

Hypetrak.com is an online destination for the best news in music and artists. It is a platform for record companies, producers, artists, musicians and bands to introduce their new songs and music and to reach a mass audience over the Internet. As at 30 September 2015, Hypetrak recorded approximately 634,000 MUVs and approximately 3.9 million MPVs. According to Google's statistics, as at 30 September 2015, approximately 84% and 16% of Hypetrak's followers are male and female respectively.

Popbee.com

Popbee.com is a digital content provider of women's fashion and beauty targeting regional markets in Hong Kong, the PRC, Taiwan and other Asian countries. As at 30 September 2015, Popbee recorded approximately 292,000 MUVs and approximately 2.0 million MPVs. According to Google's statistics, as at 30 September 2015, approximately 88% and 12% of Popbee's followers were female and male respectively.

HBX.com

HBX store (previously known as Hypebeast store) commenced business in May 2012. Currently, HBX store targets male and female online shoppers between the age of 18 and 35 and primarily sells third-party branded clothing, shoes and accessories to our customers.

StylePX.com

StylePX store is an online retail store that specialises in the sale of women's clothing and accessories. As such, our target customers are female online shoppers between the age of 18 to 35. Our revenue derived from StylePX store for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015 was approximately nil, HK\$642,000 and HK\$1,155,000, respectively. We have integrated StylePX store into HBX store since November 2015.

Please refer to the section headed "Business — Our E-commerce Business" of this prospectus for further information on our e-commerce platform.

Our apps

Hypebeast, Hypetrak, Popbee and HBX store apps

Hypebeast, Hypetrak and Popbee websites and HBX store website can also be accessed via their related apps. Hypebeast, Hypetrak and Popbee apps provide interactive and engaging experience to our users with functions to provide comments and share our articles on social media platforms while HBX store app was designed to provide a handy and easy-to-use alternative for online shoppers. Our apps are free for download, and support push notifications to notify users of our sales and promotions.

BUSINESS

Our printed magazines

Hypebeast publishes a printed quarterly magazine, and Hypetrak and Popbee publish bi-annual magazines. Our magazines are available for sale on our HBX store and selected book stores in Hong Kong. Some of our customers place orders with us directly for delivery to their own countries. The revenue generated from publication of magazines represent approximately 0.7%, 0.6% and 0.7% of our total revenue during the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively.

Social media platforms

We have established our presence on third-party social media platforms, where our users are able to access and share our digital content published from time to time. Furthermore, some of these social media platforms provide our users with an opportunity to share and exchange comments on our articles and products. By subscribing to our accounts on social media platforms, users become one of our followers and can easily share our articles with their friends which increases our exposure and expand our reach to like-minded users.

As at the Latest Practicable Date, we maintain our accounts on Facebook, Google+, Instagram, Twitter, Pinterest, YouTube, Weibo and Snapchat.

OUR DIGITAL CONTENT

The editorial teams of Hypebeast, Hypetrak and Popbee closely follow the latest trends in fashion, lifestyle, culture and music and gather information from various sources. Our editors select and present news and events which appeal to millennials through our editorial experience and knowledge in the fashion and digital media industries. When appropriate, our editors also seek to verify information gathered by conducting independent research or interviews with third-parties. Through our rigorous curation and review process, our editors seek to report and produce digital content such as articles and videos that are most relevant and interesting to our audience.

Our articles include updates, event reports, product reviews, photographic lookbooks and when appropriate contain links citing the source articles or third-party online stores for purchasing the products. Our articles cover a wide range of topics and are tailored for different target audience of our websites. For instance, our fashion articles introduce the latest clothing lines for the upcoming season released by different designers; our footwear articles feature the latest sneakers launched by major footwear companies and report on their marketing campaigns; and our music articles provide regular updates on latest music videos, albums and concerts as well as news about the music industry. For information on the internal control policies adopted by our Group in relation to using pictures and graphics, please refer to the sections headed “Business — Internal Control — Internal control on use of artworks, photos and videos” and “Business — Internal Control — Internal control on materials posted on our websites and social media platforms” in this prospectus.

BUSINESS

We have maintained a discussion forum for fashion and lifestyle topics on our Hypebeast website. We believe that such forum will encourage interactive participation among visitors and thus enhance their browsing experience. Our discussion forum is regularly monitored and we have the right to delete any written content which we consider objectionable or violates the rules and regulations.

We utilise data analytics to track the popularity of articles such that our editorial teams are able to choose better content that is suitable for different user groups according to their preferences.

OUR DIGITAL MEDIA BUSINESS

Our digital advertising services

We offer a portfolio of services to our customers such as brand owners and advertising agencies under the advertising service agreements including the provision of advertisement spaces and services on our digital media platforms and our magazines as well as creative agency services. During the Track Record Period, we entered into 280, 366 and 221 advertising service agreements with our customers with an average contract value of approximately HK\$114,000, HK\$142,000 and HK\$220,000 and an aggregate contract value of approximately HK\$32.0 million, HK\$51.8 million and HK\$48.6 million, respectively. In the same periods, the number of repeated digital media customers (customers who also engaged us in the previous financial year or engaged us more than once in the same financial year/period) was 29, 93 and 29, respectively. From 1 October 2015 up to the Latest Practicable Date, we entered into 225 advertising service agreements with our customers with an average contract value of approximately HK\$323,000 and an aggregate contract value of approximately HK\$72.6 million. In the same period, based on the same criteria above, we had 50 repeated digital media customers. As at the Latest Practicable Date, 126 advertising service agreements was on-going which have an average contract value of approximately HK\$345,000, with an aggregate contract value of approximately HK\$43.4 million. The balance of the aggregate contract value recognised as revenue during the Track Record Period and up to the Latest Practicable Date was approximately HK\$24.3 million. The balance of the aggregate contract value not yet recognised as revenue during the Track Record Period and up to the Latest Practicable Date was approximately HK\$19.1 million. The aggregate contract values of the advertising service agreements entered into with repeated customers for the two years ended 31 March 2015 and the period from 1 April 2015 to the Latest Practicable Date were approximately HK\$4.7 million, HK\$26.5 million and HK\$49.3 million, respectively.

For the financial years ended 31 March 2014 and 31 March 2015 and the six months ended 30 September 2015, revenue of our digital media segment reached approximately HK\$33.1 million, HK\$47.7 million and HK\$38.5 million, respectively. We experienced a growth in revenue of our digital media segment of approximately 44.1% and 79.1% for the year ended 31 March 2015 and the six months ended 30 September 2015, respectively, as compared with the previous year/period. For further information on the customers of our digital media segment, please refer to the section headed “Business — Our Customers — Customers of our digital media business” in this prospectus.

BUSINESS

Provision of advertisement spaces and services

We provide advertising services from production of advertising materials, such as in graphical or photo format, to leasing advertisement space on our websites or printed magazines. We utilise advertisement space on our websites to promote products of our digital media customers. If surplus advertising space is available, we would rent any surplus space to third party advertisers for additional income. When there is any advertising space left, we may use the space for promoting products for sale on HBX store.

The income generated from our provision of advertisement spaces and services is the main source of income for our digital media segment. For the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, revenue generated from the provision of advertisement space and services represented approximately 98.5%, 94.4% and 93.2% of the revenue of our digital media segment, respectively.

During the Track Record Period, we also published magazines for subscription. For the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, revenue generated from publication of magazines represented approximately 1.5%, 1.3% and 1.1%, of the revenue of our digital media segment, respectively.

Creative agency services

We commenced offering creative agency services as part of our service offerings during the financial year ended 31 March 2015. Since February 2014, as our advertisement production capabilities began to gain reputation and recognition among the industry, our Group began to offer creative agency services which include conceptualising advertising ideas, preparing and presenting proposals, performing production management, strategy and content planning, artistic design, photographic production, custom layout, digital graphics design, video production and arranging advertisements to be displayed on our digital media platforms and/or third-party online platforms, as well as rolling out marketing campaigns for our customers.

For the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, revenue generated from provision of creative agency services represented approximately nil, 4.3% and 5.7% of the revenue of our digital media segment, respectively.

Value we add to our customers' brands and products

We believe that our advertising services create value for our customers by following ways, through effective digital media marketing strategies and production of quality digital content delivered through various media channels:

- improve public recognition of a brand or a new product through advertisement placement;
- enhance the image and influence of the brand through delivering highly stylised messages to target audience and end users;
- raise awareness of the brand through unconventional advertising or highlighting outstanding product features;

BUSINESS

- differentiate and strengthen the product's outstanding features against competitors;
- highlight to consumers about key features of the product; and
- gather media attention of the product and boost sales.

Our advertisement placement and production process

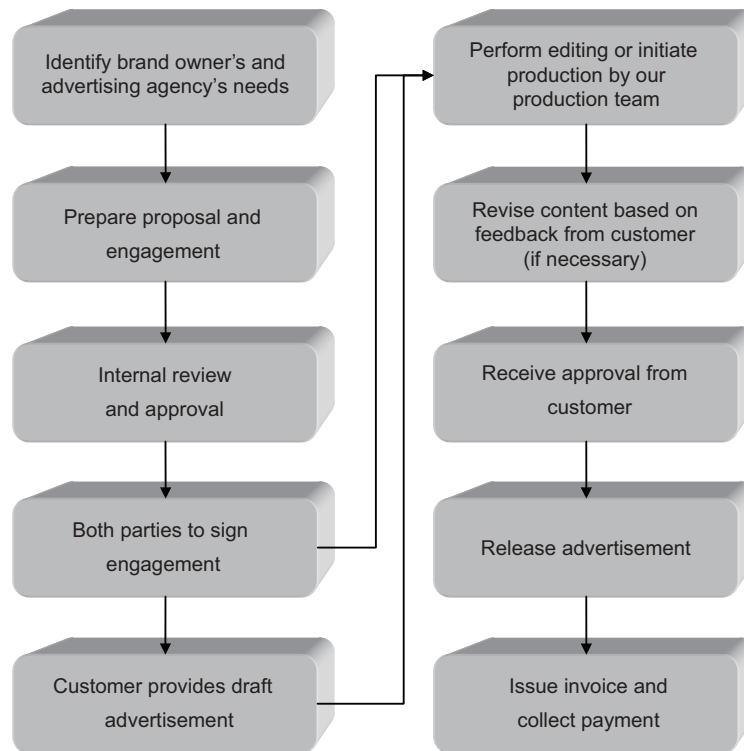
When our sales and marketing team receives a request for placing an advertisement on our digital media platforms, the team members check the availability of website advertisement spaces for the requested period. If spaces are available, we enter into agreements with our digital media customers, usually with the level of impressions specified in the agreement. Our customers send us the advertisements to be placed. In certain circumstances, our customers also request us to conceptualise and produce the advertisement content and we provide feedback to our customers on the impression and click-through rate of their advertisements during the period it is placed on our digital media platforms.

Our creative agency team specialises in the provision of production services for marketing and advertising materials. After initial discussion with the customer, we would prepare a draft proposal and engagement agreement in line with the customer's advertising requirements for our management's approval. For contracts which value which equals to or exceeds US\$300,000 or with a credit period exceeding 90 days, approval from our chief executive officer is required. Once the engagement agreement has been signed by the parties, the customer may provide a draft advertisement to us or the customer may request our production team to produce the advertisement banner or content in accordance with the requirement of our customer.

Once the advertisement content has been created, our senior editors and production teams will perform a review against our Company's policy for publishing content on our websites in relation to regulatory compliance and customers' requirements. After obtaining internal approval, the draft advertisement is then sent to our customer for approval prior to its release. Typically, our finance team will issue an invoice to our customer after release and collect payment from our customer. Generally, time required for production ranges from a few days to a few months depending on the complexity of the projects such as whether the advertisements involve video production or photo taking and whether the advertisement write-ups and/or banners are supplied by the customers.

BUSINESS

Set out below is the advertising production process for our advertising services in general:-



Quality control of digital content

We implement various quality control policies with regard to our digital media business, including policies for monitoring the quality of the editorial posts we upload to our digital media platforms and the quality of the photos or videos produced by our production team, as well as policies for monitoring of our visitors' posts on our discussion forum. Generally, we communicate with brands and industry contacts for content curation and carry out extensive research throughout the Internet by visiting websites that are relevant to our readers' interests before we determine what articles will be published on our digital media platforms. Once we determine the suitable content for our sites, editors and editorial assistants from our editorial team prepare the articles by composing and editing the text and adding relevant imagery to the articles. For the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, approximately 62%, 48% and 42% of our digital content including articles, videos and photos were created in-house, while the remaining of which were created by freelance editors. We have a dedicated senior editorial team to oversee all digital content and to ensure that all digital content is properly processed and published. The senior editorial team focuses on screening the articles, videos and photos to ensure that all third-party sourced materials are identified and acknowledged. Where practicable, members of the senior editorial team will obtain third-party consent before posting if the author of the original work can be identified. Every senior editor is experienced to ensure that all aspects, ranging from written text and imagery to public reception, comply with our quality standards. Senior editors of Hypebeast, Hypetrak or Popbee websites screen, review and approve all articles before they are posted on the Hypebeast, Hypetrak or Popbee websites and magazines. For articles published on Popbee website and magazine, the editor-in-chief or senior editor of Popbee will screen, review and approve these articles. Mr. Ma, an executive Director, the chief executive officer and the chairman of the Board, oversees the editorial teams of Hypebeast and Hypetrak while Ms. Lee, an executive Director, heads the

BUSINESS

editorial team of Popbee. For the experience of Mr. Ma and Ms. Lee, please refer to the section headed “Directors and Senior Management — Executive Directors” in this prospectus.

The editorial team of each of Hypebeast, Hypetrak and Popbee websites holds meetings from time-to-time to review the most popular articles published in our websites. During the meeting, the senior or chief editors will discuss with editors on the strength of these articles and analyse the reason that these articles attract our audience. Our Directors believe that such discussion is essential in training our junior editors to avoid intellectual property infringement.

Our sales team and production team maintain regular contact with our customers to ensure that the final products satisfy the requirements of our customers. Senior members in the editorial, sales and production teams also review the materials to ensure the quality and the conformance with ethical and moral standards.

Members of our social media team also monitor our discussion forum and will remove any objectionable content.

Our customer support team maintains regular communication with our customers. Any feedback of our digital media production is passed to our production, video and editorial teams for consideration. If there is any complaint or specific demand from our customers, our sales personnel communicates with the relevant customers to understand and resolve the issue.

Sales and marketing for our digital media services

We have a sales and marketing team responsible for sales and marketing activities for the promotion of our digital media services.

Our brand and our digital media platforms act as a marketing tool for our Group. We continuously post updates on fashion, lifestyle, culture and music on our digital media platforms and accounts on social media platforms. We also upload our video productions on YouTube for subscription and viewing. Many of our digital media customers learn about us through our digital media platforms.

Members of our sales and marketing team maintain regular contacts with our existing media customers to understand their marketing needs and keep them updated on our advertising products and services. For potential advertising customers, we inform them of our recent developments and achievements by distributing project portfolios and background materials. Our sales and marketing team also attends events organised by brands to broaden the team’s network and provide coverage of these events on our digital media platforms. Our sales and marketing team conducts cross-selling of advertisement spaces among our various digital media platforms, as well as cross-selling with other business alliances who are independent digital media platform operators and digital publications. We constantly look for and identify synergy among various digital publications, social media platforms and apps and devise impactful cross advertising opportunities.

In addition to basic salaries, we motivate and incentivise our sales personnel with commission. In general, commission for each sales personnel is calculated based on a certain percentage of the annual revenue brought to the Group by the sales personnel. For the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, commission paid to our sales personnel represented approximately 19.4%, 7.9% and 9.2% of our selling and marketing expenses respectively.

BUSINESS

Our Directors confirms that, during the Track Record Period, our Group did not receive any material complaint from our digital media customers which had materially and adversely affected our business nor did our Group make any material compensation to our customers as a result of any complaints from our customers.

Pricing policy of our digital media services

We generally do not enter into long-term contracts with brand owners or advertising agencies and our digital media customers is usually charged on an individual project basis. Our pricing is generally determined on a cost-plus basis and we also take into consideration the following factors:

- (i) the costs for carrying out the project with reference to the estimated time to be spent and the scale of the project, such as the number of employees or freelancers which are involved in the project and the specifications of the project;
- (ii) the level of impression specified in our contracts;
- (iii) the prevailing market prices and practice for similar services offered in the market;
- (iv) the size, reputation and industry of the customer involved; and
- (v) the potential future business opportunities with the customer.

Additional case-specific factors may be taken into account in setting our service fees for each category of our digital media services.

Our service fees for placing of advertisement on our digital media platforms are generally charged on a CPM basis. We charge a base fee with reference to a specified level of impression. If the advertisement receives a higher or lower level of impressions, we will adjust our service fees accordingly.

We generally charge a fixed sum for production of native advertising articles and posting of the articles on our digital media platforms on a case by case basis.

Our service fees for our creative agency services are determined on a case-by-case basis with reference to the project's specifications, estimated service hours required by us and the production cost.

Credit policy and payment methods

Our Group adopts prudent credit control procedures and our finance personnel are responsible for monitoring settlement of our receivables from time to time.

For our digital media customers, a 30 to 60 day credit period is generally given for settlement of our bills after the advertisement or marketing campaign has been delivered. If an invoice is long overdue, we may engage a collection agency for the collection of the debt.

Depending on the location of our digital media customers, our bills are typically denominated either in HKD, USD or Euro and are generally settled by our customers by way of cheque and bank transfer.

OUR E-COMMERCE BUSINESS

Our e-commerce segment primarily engages in the operation of HBX store that primarily sells third-party branded clothing, shoes and accessories to our customers. We also sell selected third-party branded home and technology products (such as gadgets) and grooming products in HBX store. Our Directors believe that a considerable portion of our e-commerce customers are also followers and visitors of our digital media platforms. The rest of our customers are obtained through our other marketing efforts which include search results returned from search engines and advertisements we place on other websites and on our digital media platforms.

We offer convenience to our online shoppers because of the following reasons:

- Easy access from anywhere and at any time
- A wide selection of brands
- Our HBX store sells products featured on our digital media platforms
- Products are displayed with photographs
- Products are categorised and easy to search
- Same category of products are displayed to reduce browsing time
- Easy access to all the products of the same brand sold at our store
- Courier services

Over time, we have established working relationships with a number of digital media customers who are also brand owners, enabling us to source some branded products on a priority basis for our e-commerce platform in certain circumstances.

BUSINESS

For further information on the customers of our e-commerce segment, please refer to the section headed “Business — Our Customers — Customers of our e-commerce business” in this prospectus. For information in relation to how we choose our suppliers for our e-commerce platform, please refer to the section headed “Business — Our Suppliers” in this prospectus.

Our e-commerce team works closely with our software development team to improve HBX store such that the shopping experience on HBX store is as convenient as possible. Furthermore, we have a process to ensure that quality control is safeguarded and our quality control personnel inspects every picking before order is packed. Please refer to the sections headed “Business — Our e-commerce Business — Quality control of our e-commerce business” in this prospectus for further information.

For the years ended 31 March 2014 and 31 March 2015 and the six months ended 30 September 2015, the revenue of our e-commerce segment reached approximately HK\$39.7 million, HK\$51.3 million and HK\$25.6 million respectively. In over 3 years since the inception of our e-commerce segment in May 2012, we experienced a growth in revenue of our e-commerce platform of approximately 29.2% for the year ended 31 March 2015 as compared to the previous year.

Seasonality

Our e-commerce business is seasonal and we typically record higher sales during the months between October and January and also between May and July. Our sales may be affected by a change in weather in different countries. Please refer to the section headed “Risk factors — Our e-commerce business is subject to seasonality risk” in this prospectus.

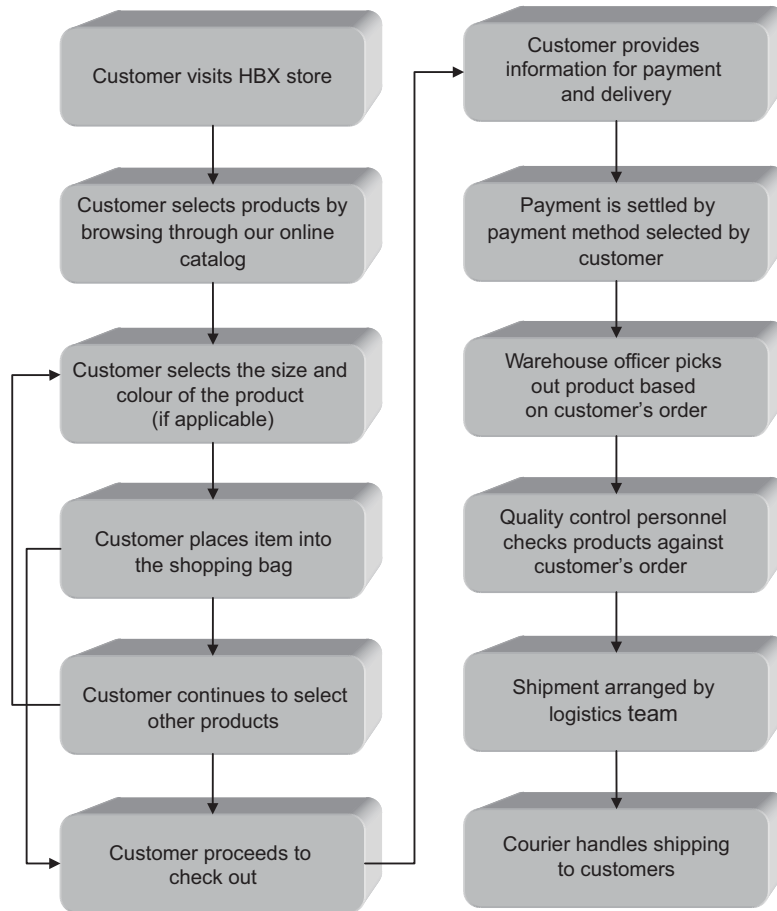
Our e-commerce platform ordering process

Visitors of HBX store may browse our goods by brands or by categories. HBX store also prominently displays our most popular brands and featured items near the top. When visitors click on a product and go into the product’s page, additional photos of the product are shown and, if available, the visitors may choose different sizes or colours of the product. Related products for our visitors’ purchases are also suggested in the product’s page. Once our visitors have added all their goods to the shopping bag and proceeded to check out, they are asked to provide information for payment and delivery. Goods are generally delivered to our Hong Kong customers free of charge within four days or to our worldwide customers within two weeks. Delivery cost will be charged for all goods delivered outside of Hong Kong except orders (excluding discounted, sale and print products) that are over the set minimum amount. The set minimum amounts of our US, United Kingdom, Canada, Singapore and Australia customers range from US\$100 to US\$150. Delivery to our PRC customers is free if one regular priced item is purchased.

Pursuant to our standard terms and conditions, all rights and risk of our goods will be passed to the customers once they leave our warehouse.

BUSINESS

Set out below is the ordering process for a shopper purchasing our products on our e-commerce platform:-



Quality control of our e-commerce business

The main objectives of quality control in our e-commerce business is to ensure the quality of the goods we received from suppliers and minimise incorrectly packed items and hence reduce the cost associated with returning and exchanging these items. For details of our selection criteria and therefore quality control on our suppliers, please refer to the paragraph headed “Our Suppliers” in this section.

We have a quality control policy in place to check the goods we receive from our suppliers. After the shipment arrives from our suppliers, our inventory officers check for defects, quality as well as quantity in accordance with our quality control policy. If there is any problem with the products, our inventory officers would report to our procurement team to follow up with the suppliers and resolve the issue. Our director of e-commerce, Mr. Wong Hung Sui Sean, is responsible for the overall quality control of the e-commerce business. For the experience of Mr. Wong, please refer to the section headed “Directors and Senior Management — Senior Management” in this prospectus.

BUSINESS

Prior to delivery of each customer's order, our quality control personnel checks every picking against the customer's order record as stored in our system. Our quality control personnel scans the label on each product being picked and checks whether the style and size of the products are correct. If there is any mistake, the basket of products picked is returned for re-packing. The mistake would also be logged onto our system for record.

Return policy of our e-commerce business

As at the Latest Practicable Date, we offered a free return policy to online shoppers of HBX store who are in Hong Kong. Our online shoppers in Hong Kong may return their purchases free of charge within a 30-day return period for products bought on our e-commerce platform. Online shoppers in other parts of the world currently do not enjoy this free-return policy. In addition, certain items sold on HBX store are not refundable or exchangeable. We generally do not return or exchange for sale items, including accessories, knitwear, grooming products, underwear and swimwear, electronic devices, print items (e.g. books, magazine, stickers), stationery, hats, socks and homeware (e.g. candle, carpet, towels, toys), except where the item has been mistakenly omitted during packing before the shipment, the item is faulty or an incorrect item is shipped to our online shoppers.

We generally do not refund the courier charge incurred in delivery of the original product to our overseas customers and our overseas customers are also responsible for the shipping expenses in returning the product to us.

Any defective products received by us would be returned to our suppliers and we generally do not incur any loss for product return. To the extent permissible under the relevant law in Hong Kong, we do not generally offer warranties on products sold by us including merchantability and fitness for a particular purpose. In circumstances that our suppliers offer product warranty for defect in materials or workmanship, we may, at our sole discretion, assist our customers to ship the products to the relevant suppliers for repair or exchange. As such, we do not make provisions in our accounts for product return.

For the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, the return rate of HBX store, in terms of the percentage of the revenue of HBX store, was approximately 1.10%, 1.61% and 0.21% respectively. During the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, we received 518, 650 and 310 complaints regarding goods sold on our e-commerce platform, mainly relating to defective items, wrongly shipped items or items mistakenly omitted; out of such complaints, 400, 361 and 198 complaints were related to defective items; 64, 182 and 63 complaints were related to wrongly shipped items; 54, 93 and 41 complaints were related to items mistakenly omitted; and nil, 14 and 8 complaints were related to other miscellaneous negative feedback in the same periods.

After receiving a complaint from our e-commerce customers, our customer service officers would respond to our customers' complaints through the e-mail functionality of our e-commerce platform. Each of our customer service officers has his/her own login account which allows us to perform analysis on average response time, average handing time and number of cases resolved, which are reviewed weekly by our assistant operations manager and periodically by the management. Furthermore, our customer service officers would also perform analysis and follow up on each kind of complaints and feedback weekly.

BUSINESS

Our Directors confirmed that, during the Track Record Period, our Group did not receive any material complaint from our e-commerce customers which had materially and adversely affected our business nor did our Group make any material compensation to our e-commerce customers as a result of any product liability claims or complaints from our e-commerce customers.

Sales and marketing for our e-commerce business

Our Directors believe that our brand and digital media platforms also provide a free of charge and highly effective marketing channel for our e-commerce business. Followers and visitors of our digital media platforms and accounts on social media platforms may find an item we report on of particular interest to them and HBX store provides a convenient way for these followers and visitors to purchase the item.

Further, our sales and marketing personnel conduct advertising and marketing for our e-commerce business via online channels, such as through Google and Facebook. We employ various search engine optimisation techniques to increase the chances that HBX store appears in search engine results. We also engage the advertising services of Google and Facebook to place advertisements on their platforms to promote HBX store.

Depending on our marketing strategy, the general economic condition and seasonality in the industry, we may offer electronic coupons to our e-commerce customers from time to time to redeem a discount upon checkout at HBX store. We also offer a discount program to our customers who attain a minimum spending. We regularly monitor the turnover of the goods we sold on our e-commerce platform. We offer discounts on slow moving goods except for goods that are on consignment sale.

Pricing policy of our e-commerce platform

Because we sell a wide variety of products including clothing, shoes and accessories, there is a wide range of prices for our products sold on our e-commerce platform. As at 30 September 2015, the price ranges of products offered for sale on our e-commerce platform ranged from USD6 to USD1,404 for our clothing items; USD24 to USD1,155 for our shoes; and USD1.2 to USD3,750 for our accessories. The average value of products per order is approximately HK\$1,049.1 and the average number of items per order was 2.7 for the year ended 31 March 2015. Our average selling prices of branded products are approximately HK\$413.9, HK\$394.5 and HK\$382.0 per item for the two years ended 31 March 2015 and the six months ended 30 September 2015, respectively. Such decrease in average selling prices was mainly due to the fact that more items of relatively lower prices were sold during the Track Record Period.

BUSINESS

Our procurement team is responsible for setting the retail prices of the products on our e-commerce platform. Generally, we determine the prices of our products (including items that are on consignment sale) with reference to the following factors:

- (i) market price of the products;
- (ii) cost of procuring products from our suppliers;
- (iii) our operational costs for maintaining our e-commerce platform and our warehouse;
- (iv) popularity of the brand and the particular product on offer;
- (v) the inventory turnover rate of a product; and
- (vi) seasonality of the fashion industry, for example the clothing industry generally offers discounts during the end of the summer and winter seasons.

Credit policy and payment methods

We accept payment by credit card (VISA, MasterCard and American Express), PayPal and Alipay on our e-commerce platform. For HBX store, shipment is made after payment has been made. Orders are settled in USD.

OUR CUSTOMERS

Customers of our digital media business

During the Track Record Period, customers of our digital media services mainly comprised (i) brand owners; and (ii) advertising agencies. Brand owners are business operators of branded products. Advertising agencies are intermediary companies that provide marketing and promotional services to companies such as brand owners. We have worked with high-profile and customers from around the world. Some of our customers include Standard and Poor's 500 companies listed on the Nasdaq Stock Market or the New York Stock Exchange. Due to the customary nature in the advertising and public relations industries, some large-scale well-known brand owners deal with us through their designated advertising agencies. Our major digital media customers generally settle our invoices by wire transfer.

BUSINESS

We typically enter into a standard agreement with our digital media customers. Some of the salient terms of our standard terms and conditions are as follows:

- (i) payment shall be made within 30 to 60 days after the date of invoice; late payment will be penalised with 1.5% interest on the outstanding amount;
- (ii) unless otherwise agreed, placement of certain information within the advertisement that may infringe third party's rights is subject to our approval;
- (iii) unless otherwise agreed, position of advertisement on our platform is at our sole discretion;
- (iv) unless otherwise agreed, we do not make any guarantee in respect of usage statistics or levels of impressions for any advertisement;
- (v) liability of the Company is limited to, at our sole discretion, either (a) a pro rata refund of the advertising fee representing undelivered impressions in the circumstance that a minimum number of impression is otherwise agreed with the customer (the standard agreement does not provide a minimum level of impression), (b) placement of the advertisement at a later time in a comparable position, or (c) extension of the placement period until the impressions are delivered; and
- (vi) customer agrees to indemnify us if the customer does not have the intellectual property rights in the content of the advertisement.

Our Directors confirm that no undelivered impression occurred and no pro rata advertising fee was refunded during the Track Record Period.

Customers of our e-commerce business

Customers of our e-commerce platform may be followers and visitors of our digital media platforms, Internet users who find HBX store website via search engines or through our third-party social media platforms or advertisements on other websites. For each of the two years ended 31 March 2015 and the six months ended 30 September 2015, the conversion rates of our e-commerce customers (i.e. the percentage of visitors who made a purchase during their visit on our e-commerce platform) are approximately 1.7%, 1.5% and 1.4%, respectively. For the same periods, the number of repeated e-commerce customers (i.e. customers who purchased in the previous financial year or in the current financial year/period) is 4,940, 6,286 and 3,809 customers, representing approximately 12%, 12% and 13% of total e-commerce customers, respectively.

We have a diverse customer base for our e-commerce business. In each of the two years ended 31 March 2015 and the six months ended 30 September 2015, our e-commerce platform sold goods to online shoppers in over 60 countries.

BUSINESS

Set out below is a breakdown of the major countries to which we deliver our products during the Track Record Period:-

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
The US	32,541	44.7	47,472	48.0	20,304	44.1	32,700	51.0
Hong Kong	6,336	8.7	10,105	10.2	5,326	11.6	9,162	14.3
PRC	3,741	5.1	7,460	7.5	3,576	7.8	4,067	6.3
United Kingdom	4,709	6.5	6,030	6.1	3,985	8.7	2,598	4.1
Canada	3,417	4.7	3,127	3.2	1,264	2.7	2,380	3.7
Singapore	3,080	4.2	4,744	4.8	2,326	5.0	1,206	1.9
Australia	3,112	4.3	3,319	3.4	1,922	4.2	1,418	2.2
Others ^(Note)	15,897	21.8	16,674	16.8	7,360	15.9	10,560	16.5
	<u>72,833</u>	<u>100.0</u>	<u>98,931</u>	<u>100.0</u>	<u>46,063</u>	<u>100.0</u>	<u>64,091</u>	<u>100.0</u>

Note: Others includes sales to other countries which individually contributed less than 3% of the total revenue of our Group for the year ended 31 March 2015, including the Sanctioned Countries.

Top customers

During our Track Record Period, our top customers were our digital media customers. We generally do not enter into long term business contracts with our customers. For the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, revenue from the five largest customers of our Group accounted for approximately 15.4%, 16.5% and 15.7% of the total revenue, respectively. For the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, revenue attributable to our Group's largest customer accounted for approximately 5.3%, 10.1% and 6.2% of our total revenue. Our Directors consider that we are not overly reliant on any particular customer. The five largest customers for each of the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015 have been customers of our Group ranging from within 1 to over 3 years, which are brand owners and advertising agencies. We generally grant our top customers a credit period that ranges from 30 to 60 days, depending on various factors such as credit worthiness and transaction history of the particular customer.

Our top 5 customers include (i) a global media communications agency; (ii) a media communications company providing media planning and buying services that operates worldwide; (iii) a manufacturer, designer, distributor, marketer and retailer of apparels with worldwide operations; (iv) an American publicly traded holding company on the New York Stock Exchange which designs, markets and distributes apparels and textile products; (v) a company which designs, markets, and distributes sports footwear; and (vi) an American publicly traded company on the NASDAQ Stock Market which is a retail chain that sells athletic shoes and related apparel and accessories.

BUSINESS

The five largest customers during the Track Record Period are Independent Third Parties and, to the best knowledge and belief of our Directors, none of our Directors or their close associates or any Shareholders (which to the knowledge of the Directors beneficially own more than 5% of the Shares) had any interests in any of the five largest customers of our Group during the Track Record Period. Save as disclosed in the paragraph headed “Overlapping of customers and suppliers” in this section, none of our customers were our Group’s five largest suppliers during the Track Record Period.

Overlapping of customers and suppliers

Some of our customers of our digital media segment such as brand owners supply products to us for sale on HBX store while some of our suppliers of branded products utilise our advertising services.

Our Directors confirmed that negotiations of the terms of our sales to and purchases from these customers/suppliers were conducted on a case-by-case basis, and the services supplied to and products sourced from these customers/suppliers were neither inter-connected nor inter-conditional with each other. The salient terms of the transactions with such customers/suppliers are similar to those with our other customers and suppliers, which our Directors consider normal commercial terms. Our Directors confirmed that, during the Track Record Period, the products we purchased from these suppliers were not subsequently sold to these same suppliers, nor vice versa. Save for District Distribution which was beneficially owned by our Controlling Shareholder and executive Director, Mr. Ma as to 30% prior to the disposal of his entire shareholding interest in November 2015, none of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of these customers/suppliers for the years ended 31 March 2014 and 2015, and the six months ended 30 September 2015.

We provide services to four suppliers (the “**Subject Suppliers**”) of our five largest suppliers during the Track Record Period. One of the Subject Suppliers is also a fellow subsidiary of one of our five largest customers during the Track Record Period (the “**Subject Customer**”) and is under the same ultimate holding company as the Subject Customer according to the knowledge of our Directors. Save as disclosed above, none of our suppliers were our five largest customers during the Track Record Period. Sales to the Subject Suppliers and the Subject Customer attributed to approximately 2.1%, 1.8% and 2.0%, respectively, of our total revenue for each of the years ended 31 March 2014 and 2015, and the six months ended 30 September 2015. The amount of purchases from the Subject Suppliers attributed to approximately 21.0%, 18.6% and 35.9%, respectively, of our total purchases for each of the years ended 31 March 2014 and 2015, and the six months ended 30 September 2015.

Our gross profit derived from the provision of advertising services to the Subject Suppliers and the Subject Customer were approximately HK\$1.1 million, HK\$1.3 million and HK\$0.8 million, respectively, for each of the years ended 31 March 2014 and 2015, and the six months ended 30 September 2015, and the corresponding average gross profit margins were approximately 75.0%, 73.5% and 60.3%, respectively, for the same periods.

BUSINESS

BUSINESS ACTIVITIES IN SANCTIONED COUNTRIES

Certain countries or organisations, including the US, the EU, the United Nations, Canada and Australia, maintain comprehensive or other broad economic sanctions targeting the Sanctioned Countries and activities with Sanctioned Persons.

Sales to Russia, Ukraine, Belarus, Egypt and the Balkans

We generate revenue from our sales to our e-commerce customers in Russia, Ukraine, Belarus, Egypt and the Balkans, each of which jurisdictions is subject to certain international sanctions prohibiting dealing with persons on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties' lists maintained by the EU, the United Nations, Canada or Australia. The amount of total revenue generated from sales to our e-commerce customers in Russia, Ukraine, Belarus, Egypt and the Balkans in each of the years ended 31 March 2014 and 31 March 2015 and the six months ended 30 September 2015 accounted for less than 1% of our total revenue for the same periods, respectively. Our Directors confirm that we discontinued such sales in October 2015 and will no longer sell our products to our e-commerce customers in Russia, Ukraine, Belarus, Egypt and the Balkans so long as the countries remain to be subject to the International Sanctions. As advised by DLA Piper Hong Kong, our legal advisers as to International Sanctions laws, based on the following procedures conducted by them, our historical business activities in connection with customers in Russia, Ukraine, Belarus, Egypt and the Balkans during the Track Record Period do not implicate the application of International Sanctions laws on our Group, or any person or entity, including our Group's investors, our Shareholders, the Stock Exchange, HKSCC and HKSCC Nominees:

- (a) reviewing documents provided by us that evidence our completed and potential sales transactions to customers in Russia, Ukraine, Belarus, Egypt and the Balkans during the Track Record Period;
- (b) receiving written confirmation from us that neither our Group nor any of our affiliates (including any representative office, branch, subsidiary or other entity which forms part of our Group) has conducted during the Track Record Period any business dealings in or with any other countries or persons that are subject to International Sanctions; and
- (c) reviewing the list of customers to whom such sales of products have been made during the Track Record Period against the lists of persons and organisations subject to International Sanctions, and confirming that none of our customers are on such lists.

BUSINESS

In relation to our sales to e-commerce customers in Russia, Ukraine, Belarus, Egypt and the Balkans during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the EU, the United Nations, Canada or Australia and therefore would not be deemed as sanctioned targets. Further, our sales did not involve industries or sectors that are currently subject to specific sanctions by the US, the EU, the United Nations, Canada or Australia and therefore are not deemed to be prohibited activities under the relevant sanctions laws and regulations. Our Directors undertake not to enter into prohibited activities under the relevant sanctions laws and regulations that would expose our Group, or any person or entity, including our Group's investors, our Shareholders, the Stock Exchange, the Listing Committee of the Stock Exchange, HKSCC or HKSCC nominees to risk of being sanctioned. Our Directors believe with the implementation of internal control measures mentioned below, no prohibited or otherwise restricted sales can take place to any jurisdiction subject to International Sanctions including Russia, Ukraine, Belarus, Egypt and the Balkans.

Our undertakings and internal control procedures

We undertake to the Stock Exchange that we will not use the proceeds from the Placing, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Countries or any other government, individual or entity sanctioned by the US, the EU, the United Nations, Canada or Australia, including, without limitation, any government, individual or entity that is subject to any sanctions maintained by OFAC or other sanctioning authorities. In addition, we will not undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders to violate or become a target of sanctions laws of the US, the EU, the United Nations, Canada or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered into in the Sanctioned Countries or with Sanctioned Persons would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in the Sanctioned Countries and with Sanctioned Persons and our business intention relating to the Sanctioned Countries and with Sanctioned Persons. If we breach such undertakings to the Stock Exchange, we risk the possible delisting of our Shares on the Stock Exchange.

We will continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders. The following measures have been fully implemented as at the Latest Practicable Date:

- We will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in the Sanctioned Countries and with Sanctioned Persons. Our Company has implemented the following measures to prevent sales to Sanctioned Countries or Sanctioned Persons: we will (i) keep current and up-to-date with the list of Sanctioned Countries and Sanctioned Persons, with the assistance of external legal counsels, where necessary, and disseminate such list to all relevant teams (including but not limited to our sales and marketing team and any other team) on a regular basis to promote staff awareness in general and to facilitate effective monitoring of sanction laws by various business and support teams; and (ii) make

BUSINESS

adjustments to our HBX store website where our customers place product orders online, so that any attempt to submit a purchase order from a location within any Sanctioned Country will be rejected by our system. Our Directors believe that with such measures in place, no prohibited or otherwise restricted sales can take place to a location within any Sanctioned Country or to any Sanctioned Person. In addition, our sales staff will also double check the name and address in any submitted order to confirm the customer is not on any list of Sanctioned Persons maintained by OFAC or other sanctions authorities. Finally, in case any potential issues are identified after a sale has been made, we will seek advice from reputable external international legal counsels with necessary expertise and experience in matters relating to International Sanctions laws.

- Our Directors believe that the measures we are implementing will prevent any prohibited or otherwise restricted sales to Sanctioned Countries and Sanctioned Persons. We will not use any of the proceeds from the Placing to purchase any goods or services from any Sanctioned Persons or from any Sanctioned Countries.
- In order to ensure our compliance with those undertakings to the Stock Exchange, our Directors will continuously monitor the use of proceeds from the Placing, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries or Sanctioned Persons.
- If necessary, external international legal counsels will provide training programmes relating to the sanctions laws to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsels will provide current list of Sanctioned Countries and Sanctioned Persons to our Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our operations.

Our Directors are of the view that these measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risk relating to International Sanctions laws. The Sponsor is of the view that these measures will provide a reasonably adequate and effective framework to assist our Group in identifying and monitoring any material risk relating to International Sanctions laws.

BUSINESS

OUR SUPPLIERS

During the Track Record Period, our suppliers mainly comprised (i) brand owners of clothing, shoes and accessories; (ii) web hosting, content delivery network and other information technology related service providers; and (iii) courier service companies. Generally, we do not enter into long-term contracts with our suppliers and the service contracts with our technological service provider can be terminated with short notice.

During the Track Record Period, we did not experience any material shortage or delay of supply due to default of our suppliers. Save as one of our five largest suppliers who is a fellow subsidiary of one of our five largest customers during the Track Record Period (i.e. both are under the same ultimate holding company according to the knowledge of our Directors), our Directors confirm that none of our suppliers were our five largest customers during the Track Record Period.

Our top 5 suppliers include (i) a designer, marketer, and retailer of surf wear and urban street wear; (ii) a manufacturer and distributor of apparel; (iii) a company which distributes and designs apparel and accessories; (iv) a designer and marketer of street wear; and (v) a company which manufactures and markets apparel for men, women and children.

Our five largest suppliers for the two years ended 31 March 2014 and 2015 consisted of all fashion brand owners. Our five largest suppliers for the six months ended 30 September 2015 consisted of four fashion brand owners and District Distribution, a fashion brand and accessories distributor. Other than District Distribution which was beneficially owned by our Controlling Shareholder and executive Director, Mr. Ma as to 30% prior to the disposal of his entire shareholding interest in November 2015, none of our Directors, their respective associates or any Shareholders (which to the knowledge of the Directors beneficially own more than 5% of the Shares) had any interests in the share capital of the five largest suppliers of our Group during the Track Record Period and up to the Latest Practicable Date. Save as disclosed above, all of our five largest suppliers during the Track Record Period are Independent Third Parties. We typically place purchase orders to our suppliers who supply us with apparels, footwear and accessories for sales on our e-commerce platform. Our purchase orders with them generally specify major terms of our purchase including credit terms, payment terms as well as settlement methods.

For the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, purchases from our five largest suppliers accounted for approximately 28.8%, 23.7% and 39.7% respectively, of our total purchases. For the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, purchases from our largest supplier accounted for approximately 16.9%, 10.3% and 19.8% respectively, of our total purchases. Our Directors consider that we are not overly reliant on any particular supplier. The five largest suppliers for each of the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015 have been suppliers of our Group for over 2 years. For our top suppliers, the credit term is generally between 30 to 60 days from the date of invoice or payment is required to be settled in full before delivery. We generally settle the invoices of our major suppliers by wire transfer.

BUSINESS

In order to better control its product distribution, our largest supplier during the Track Record Period has indicated to us that it will limit our total purchase amount to USD200,000 (equivalent to approximately HK\$1.6 million) per annum from 2016 onwards (the “**Purchase Limitation**”). We understand that such new policy is implemented by the relevant supplier as a result of the change in its distribution strategy. Such new policy affects other retailers similar to our Group although the limit for each retailer may vary. For the two years ended 31 March 2015 and the six months ended 30 September 2015, our total purchase with our largest supplier were approximately HK\$4.0 million, HK\$3.4 million and HK\$3.0 million, representing approximately 16.9%, 10.3% and 19.8% of our total purchases, respectively. Furthermore, in the same periods, our revenue generated from the sales of products supplied by the largest supplier was approximately HK\$3.1 million, HK\$5.2 million and HK\$2.2 million, representing approximately 4.3%, 5.3% and 3.4% of our total revenue, respectively. For illustrative purpose only, for the financial year ending 31 March 2017 in which the Purchase Limitation had become effective, assuming that (i) our Group would purchase the maximum amount of the Purchase Limitation and would sell all of the purchased products during the same financial year; (ii) the gross profit margin associated with the sales of our largest supplier’s products in that financial year equals to the overall gross profit margin of our largest supplier’s products sold for the year ended 31 March 2015; and (iii) all other factors in that financial year remain the same as those for the year ended 31 March 2015, our revenue would decrease by approximately HK\$2.2 million and our gross profit and profit before taxation would decrease by approximately HK\$1.1 million, as compared to those for the year ended 31 March 2015. In order to mitigate our risks which may arise from the Purchase Limitation, we intend to increase our purchase with a number of other brands with similar gross profit margins and our marketing effort to promote such brands and their products for the continuous expansion of our e-commerce business. In selecting brands, we consider (i) whether these brands and their products will fit our market position and the brand image of our e-commerce platform; and (ii) the demand for the products of these brands on our e-commerce platform. We communicate regularly with these brand owners or their distributors regarding the amount of marketing and promotion performed by them and the reception of their products by our target shoppers.

Our Directors believe that our knowledge in the fashion industry, relationship with our customers of our digital media business and our expertise and experience in sourcing up-and-coming brands suitable for our target shoppers allow us to source brands from other suppliers with similar gross profit margin and marketability of our largest supplier. As a company with digital media advertising capabilities, we attract a lot of brand owners to advertise on our digital media platforms who wish to gain more exposure through advertising on our websites or through our articles published on various social media platforms. Our Directors believe that our ability to reach a mass audience over the Internet puts us in a position to build new relationships with our digital media customers as some of these digital media customers who advertise on our digital media platform would like to gain additional exposure with our customers on our e-commerce platform. For this reason, some of our digital media customers become our suppliers which enables us to choose from brands who would like to use our integrated digital platforms to reach a broader audience. We are also able to maintain good relationships with our suppliers as our suppliers are able to benefit from our advertising capabilities. Based on our past experience, our Directors estimate that it would take generally within one month to secure the sourcing arrangement to introduce a new brand to our current product line up. Depending on the new brands we source, we may also need to ramp up our marketing efforts and it may take additional time to increase the awareness of the new brands and achieve profitability. We could

BUSINESS

also increase the purchase orders for some of our existing brands with similar profit margin and marketability of our largest supplier. Our Directors believe that this would increase sales for our other suppliers' products and our other suppliers generally encourage us to increase our inventory levels for their products. Thus, our Directors do not see substantial difficulties in securing additional purchases from other suppliers. Based on our past experience, our business focus on e-commerce and our relationships with other suppliers, our Directors are of the view that we are able to source products from other suppliers at prevailing wholesale price. Therefore, our Directors do not expect a material increase in costs of sourcing new brands or increasing purchases of existing products from other suppliers comparable to those of our largest supplier.

Taking into account that (i) the revenue generated from the sales of products supplied by our largest supplier only accounted for approximately 3% to 5% of our total revenue during the Track Record Period, indicating that we are not overly reliant on our largest supplier; (ii) we typically carry over 300 brands of products on our e-commerce platform from which our target shoppers can choose; (iii) as at 1 April 2013, 31 March 2014, 31 March 2015, 30 September 2014 and 30 September 2015, the number of brands offered on our e-commerce platform was 162, 266, 383, 325 and 408, respectively, representing an increase of 246 brands during the Track Record Period; and (iv) we are able to increase our purchase of other brands with similar gross profit margins and marketability from other suppliers which do not impose any purchase limitation on us, our Directors are of the view that the Purchase Limitation will not have a material adverse impact on our operational and financial performance going forward. Save for the Purchase Limitation from our largest supplier, there was no other restriction, limitation or supply constraint imposed on us by other brands during the Track Record Period and up to the Latest Practicable Date. Please also refer to the section headed "Risk Factors — We rely on our e-commerce suppliers to supply goods to us for sale at our e-commerce platform" in this prospectus.

We strive to source from the best suppliers of branded products worldwide including contemporary fashion, footwear and accessories. During the Track Record Period, our major suppliers are based in the US, Hong Kong, Germany, France and Japan. As at the Latest Practicable Date, we carried over 400 brands on our e-commerce platform.

To attract more online shoppers to shop at our e-commerce platform, we strive to provide the best collection of products and brands to our online shoppers. In achieving this goal, we make use of data internally generated from browsing statistics and sales volume. With this approach, we are able to identify trend leading brands and products based on shopper-centric and data-driven product selection criteria and formulate marketing strategies to establish and expand our product offerings.

In selecting new brands, we evaluate based on our management's experience and market research data including our data to identify potential brands that are beneficial to our e-commerce platform. We take into account factors such as (i) whether the new brand and its products will fit our market position and our brand portfolio; (ii) whether the products made by the new brand and its products will improve our sales volume; (iii) the demand for these products based on users' feedback and interest in these products; and (iv) the payment terms offered by the brand owners. For existing brands, we make use of sales volume data to predict the demand of the products in the coming season.

BUSINESS

Consignment sale

During the Track Record Period, we derived revenue from goods sold on our e-commerce platform through consignment sale arrangements under which we in substance act as an agent who take physical possession of the goods, but do not assume all of the risks and rewards. Under the consignment sale arrangements, suppliers provide their available products to us. Typically, our Group and the suppliers halve the delivery cost of the products to our warehouse and the related delivery cost for the return of unsold products from our Group to the suppliers. For the two years ended 31 March 2015 and the six months ended 30 September 2015, total amount of commission fee from consignment sales amounted to approximately HK\$1.1 million, HK\$6.3 million and HK\$1.7 million, respectively.

The suppliers under the consignment sale arrangements set the minimum recommended selling prices of their products. We may only sell the products at the minimum recommended selling prices or at higher prices, other than the clearance sales permitted by such suppliers. Typically, a pre-agreed wholesale cost is stipulated in the supply agreement and our Group is entitled to retain the difference between the selling price and the wholesale cost. We are typically required to pay the wholesale cost to suppliers 30 days after the sale of such products.

Because there is no inventory risk involved, our Group generally prefers to enter into consignment arrangements with suppliers. However, not all brand owners accept consignment sale. For information on how suppliers are selected, please refer to the section headed “Business — Our Suppliers” in this prospectus.

INVENTORY PROCUREMENT AND CONTROL AND DELIVERY PROCEDURE

Inventory procurement and control

We have a standardised procedure for procurement and inventory control. For each season’s inventory, we plan our procurement at least 3 to 6 months in advance. Generally, at the beginning of each procurement period, our chief executive officer, Mr. Ma, sets a procurement budget based on historical sales data, market trends and general economic conditions and our procurement team is responsible for drawing up a list of brands and their products (including the specific details on the various quantities for different sizes and colours) to be procured by taking into account the following factors:

- the sales statistics of the brands, their products (or similar products) and their respective sizes and colours for the last season in the previous year;
- the number of views on the brands and their products as showcased on our digital media platforms; and
- the prevailing market trends which affect the popularities of the brands and their products.

Upon approval by our director of e-commerce, Mr. Wong Hung Sui Sean, on the type, size, colour and quantity of goods to be stocked, the procurement team places order with our suppliers or, in the case of consignment sale, the procurement team sends the list of goods to our suppliers and arrange for the delivery of the goods to our warehouse. Since fashion clothing

BUSINESS

and accessories generally have a short shelf life, we are generally prudent on determining the type, size, colour and quantity of goods we purchase to avoid excessive accumulation of inventories.

Once the goods arrive at our warehouse, our warehouse team unpacks the goods, checks quality and quantity against our purchase orders, assign a location for storage of the goods in our warehouse and applies a computer-readable barcode label on each of our stocks. Our warehouse team also takes a sample of every newly stocked item to our production team for photo shooting.

On each morning of a working day, our logistic team prints out all orders received on our e-commerce platform in the previous day and packs the goods according to the orders. The packed goods are passed to our quality control personnel for checking. After that, the goods are sent to our customers by courier.

We engage independent courier service providers to deliver the goods to our customers. These couriers are able to track the deliveries and in case of delays, our customers are able to find out where the packages are during the delivery process. Our inventory management system provides real-time status on the availability of each product and its sizes and colours. We keep track of the historical procurement and sale rate of each product and its sizes and colours as well as any return of defective goods.

Our inventory turnover days were 59, 104 and 202 days for the two years ended 31 March 2015 and the six months ended 30 September 2015, respectively. In the case of consignment sale arrangement, we will return any goods which remains unsold for six months or more to the suppliers. We manage the level of our inventories by being selective in our procurement. Although we typically carry over 300 brands, we procure different quantities for each brand and for each product. Even for the same product, we procure different quantities for each size and colour. We rely on our data analytics to determine the appropriate amount of brand, product, size and colour to be procured. In drawing up our procurement plan and determining an optimal level of inventories for the coming season, we consider factors such as the historical sales figures in our database, the demand for these brands, products, sizes and colours, the prevailing trends and general market conditions. Typically, we only order a large quantity of top selling brands, products, sizes and colours. We typically order a small number of items initially for a new brand, product, size or colour such that we are able to gauge the demand for these new items and reduce the risk of slow-moving inventories.

To ensure that items listed on our e-commerce platform are sufficient, we order a larger quantity in the first batch for popular brands, products, colours and sizes before the coming season by using our historical data and by ordering ahead of time to allow sufficient time for items to be delivered to our warehouse. For new brands, products, colours and sizes, our procurement team closely monitors the demand for these products at least on a weekly basis such that if the demand is high, our procurement team may place additional orders in a timely manner. We generally order the first batch of products a few months before the coming season for our suppliers to manufacture a larger quantity of them. Our subsequent reordering to replenish our inventories typically takes one to two weeks between the time of placing an order and upon delivery and does not have minimum order size required by our suppliers. Our inventory database software is connected to our e-commerce platform such that when a product is out of stock, it is reflected on our e-commerce platform and our customers will not be able to

BUSINESS

purchase such product. The Directors confirm that no material inventory shortage has occurred during the Track Record Period that resulted in any material adverse impact on our results of operations.

To reduce the risk of inventory obsolescence, we prepare weekly reports which monitor the level of our inventories. Our director of e-commerce, Mr. Wong Hung Sui Sean who is in charge of inventory control, reviews the level of inventories weekly and take appropriate actions accordingly. For example, we are inclined to give a higher discount or increase our marketing efforts for those slow-moving products or products that have been stored in our warehouse longer. During the Track Record Period, we offered discounts up to 60% off the original sale price of our products. By making use of our own digital media platforms to conduct these promotional and marketing activities and our own e-commerce platform to make direct sales to shoppers, our Directors consider that we are generally able to maintain an acceptable level of gross profit margin for these discount sales. To further reduce the risk of inventory obsolescence, we also source products by way of consignment in certain cases such that any unsold products can be returned to the suppliers at the end of the season. Typically, we are able to negotiate consignment arrangements with new brands and up-and-coming brands as they are able to benefit from the marketing activities on our digital media platforms. This attracts such brands to work with us and to supply products on our e-commerce platform which is advantageous to us as risks associated with carrying products of new and up-and-coming brands are offset by the consignment arrangements and transfer of inventory risk because any unsold products can be returned to the suppliers. After it is agreed with our suppliers that sourcing is by way of consignment, unless a substantial discount is offered to us by our suppliers, we generally do not enter into a separate arrangement with our suppliers by way of wholesale. Please refer to the section headed “Risk Factors — Rapid changes in fashion trends, consumer preferences and spending patterns may affect our e-commerce business and result in obsolete or slow-moving inventories” in this prospectus for further information. Please also refer to the section headed “Directors and Senior Management — Senior management” in this prospectus for further information on the background and experience of Mr. Wong Hung Sui Sean.

The Internal Control Consultant is of the view that our inventory control measures and policy as a whole, including the optimal/target inventory level, the range of discount offered to clear slow-moving goods during the Track Record Period, are effective and sufficient. The Sponsor, after conducting due diligence discussion with the Company and the Internal Control Consultant, concurs with the Internal Control Consultant based on the following factors, in particular: (i) we manage the level of inventories by being selective in our procurement; (ii) our management reviews the level of inventories on a weekly basis; and (iii) our management considers taking appropriate actions for slow-moving inventories, for example giving a higher discount or increasing marketing efforts while maintaining an acceptable level of gross profit margin.

Inventory provisioning policy

At the end of each season, we produce a sales report documenting the weekly sales rate of our inventories by using our inventory database system. Our procurement team reviews any slow-moving items in our inventory list and our finance department makes provisions in our accounts if necessary. Our management, based on their understanding of the products and the overall market environment, formulate the inventory provisioning policy by taking into account potential decline of selling prices and the amount of time they have been stored. In accordance

BUSINESS

with our accounting policies, we will write down our inventories in case such inventories are in obsolete condition or the carrying amount of inventories are lower than the net realisable value. According to our Directors, no inventories have been sold below their respective carrying values subsequent to the Track Record Period and up to the Latest Practicable Date. In addition, if products are not sold within two years, they will be fully written down. Inventories of approximately HK\$209,000, HK\$10,000 and nil were written down during the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively. For details of the accounting policy and estimate relating to the write-down of inventories, please refer to the section headed “Financial information — Critical Accounting Policies, Judgement and Estimates — Estimated write-down of inventories” in this prospectus.

Our Directors consider that no provision is required and sufficient write-down has been made for obsolete and slow-moving inventories during the Track Record Period and our inventory provision policy is appropriate, after taking into account that: (i) the inventory provision policy adopted by our Group is in accordance with Hong Kong Accounting Standard 2 — Inventories, which the Directors consider appropriate; (ii) we make use of data analytics to determine the appropriate amount of brand, products, size and colour to be procured by considering such factors as historical sales, demand for these products and the prevailing trends and general market conditions, which our Directors consider reliable and effective in reducing the risk of procuring inventories with low marketability; (iii) we monitor the inventory level on a weekly basis, and identify and make provision (if any) for obsolete and slow-moving inventories after considering a number of factors including the overall market environment, the amount of time the inventories have been stored, the marketability and recent sales transactions of the inventories and sales of the inventories close to the financial year or period end; (iv) our Group’s inventories mainly consisted of clothing, shoes and accessories which are not perishable. Our Directors confirm that such inventories can usually be sold with reasonable profits for the same season in two consecutive years and that we normally write down the full amount of inventories which are aged over 2 years with slower or no sales and deteriorated marketability; (v) our Directors believe the inventory management policies described in (ii), (iii) and (iv) above have been effective; and (vi) even though our Group offered a discount or increased its marketing efforts for those long aging inventories during the Track Record Period, our Directors consider that our Group has generally been able to maintain an acceptable level of gross profit margin for such products, indicating that the sales values of those inventories were higher than their carrying amounts. The Company has also reviewed its inventory lists as at 31 March 2014 and 2015 and 30 September 2015 to identify obsolete or slow-moving inventories and ensure that no provision is required and sufficient write-down has been made.

The Sponsor, after conducting due diligence discussion with the Company, concurs with the views of the Directors that (i) our Group’s inventory provision policy is appropriate given it is consistent with Hong Kong Accounting Standard 2 — Inventories; and (ii) no provision is required and sufficient write-down has been made for obsolete and slow-moving inventories during the Track Record Period given the factors that our Directors have considered in determining whether any provision is required to be made for inventories and the measures that have been in place to monitor our Group’s procurement and inventory level, as mentioned above.

BUSINESS

INFORMATION SYSTEM

We believe establishing a stable, resilient, secured and up-to-date technology infrastructure is critical to the operations of our online business. As our digital media business generates a large amount of Internet traffic from visitors from all over the world, we utilise a third-party services provider to maintain our servers running continuously. We also employ technologies to enhance our content delivery. We have strict policies to ensure the stability, security and robustness of the system for our websites or upgrade of software.

We are committed to safeguard the confidentiality, integrity and availability of all electronic information. Our servers are hosted on one of the leading cloud computing service providers and its data center and network architecture are built to satisfy the requirements of security-sensitive organisations. In addition to our routine security check, we use the tools offered by such computing service provider including firewall and back-up services to assist us in meeting our security and stability objectives. Such measures play a crucial role in mitigating risks posed to our technology infrastructure. We are actively tracking our service level such as the traffic data to maintain stability of our integrated digital platforms. We use software to help us monitor our websites performance and availability. We also perform monthly vulnerability scanning to detect any weakness in the security of our integrated digital platforms.

As at the Latest Practicable Date, there were 8 employees in our engineering team, five of which were responsible to maintain our system infrastructure and web development, two were responsible for development of our apps and one was responsible for mobile development. Our engineering team intends to provide training to our employees when new software features are deployed.

Our software infrastructure and the code we developed based on third-party components allow us to perform data analysis. Our analysis is conducted based on the number of impressions of our advertisements (i.e. the number of times the advertisements are loaded) and our online sale data, so as to collect and analyse our visitors' and customers' preference. The results obtained from such analysis provide us with market information for planning our marketing strategy and selection of online retail products. Our e-commerce software is scalable and our engineering team continuously customises it by incorporating new features and functions suggested by our editorial, sales, creative agency and e-commerce teams which increase our overall productivity. To increase traffic to our integrated digital platforms, we have adopted a variety of search engine optimisation techniques to increase the MPVs and ranking of our integrated digital platforms in the search engine result page.

Our apps provide additional channels for our users and online shoppers to access our integrated digital platforms and keeps our followers and visitors updated via push notifications. Please refer to the section headed "Our platform — Our apps" in this prospectus for further information.

Our system is protected by regular back-ups which are carried out by our engineering team and our third-party service providers. As confirmed by our Directors, there had been no unexpected system or network failure which caused material interruption to our operations during the Track Record Period.

BUSINESS

EMPLOYEES

We had a total of 65, 97 and 101 full-time employees as at 31 March 2014 and 2015 and 30 September 2015, respectively. As at the Latest Practicable Date, all of our full-time employees are based in Hong Kong.

Below is a breakdown of the number of our full-time employees by function as at the Latest Practicable Date:

Department	As at the Latest Practicable Date
Management	8
Sales and marketing	20
Editorial	24
Production	19
Procurement	5
Logistics and customer service	18
Engineering	8
Finance, human resources and administrative	8
Total	<u>110</u>

We generally recruit our employees from the open market and enter into employment contracts with our employees. In addition to salaries, our employees who are retained after the probation period are entitled to discretionary performance bonus and medical insurance coverage. We provide a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. Contributions are made based on a percentage of the employee's basic salaries.

We incurred staff costs (including Director's remuneration) of approximately HK\$11.3 million, HK\$19.4 million and HK\$12.4 million for the two years ended 31 March 2014 and 31 March 2015 and the six months ended 30 September 2015, respectively. We regularly review the performance of our employees and make reference to such performance reviews in our discretionary performance bonus, salary review and promotional appraisal in order to attract and retain talented employees.

In order to promote overall efficiency, employee loyalty and retention, we provide our employees with technical and operational on-the-job training and promotion prospects. During the Track Record Period, we have not received or experienced any material labour dispute with our employees.

Consultants and freelancers

As at 30 September 2015, we engaged the services of 9 consultants. Our consultants extend the reach of our sales and marketing team by liaising with our existing and potential digital media customers located within or outside Hong Kong. The service agreements with our consultants normally do not specify a termination date but require one to two months prior notice for termination by either party. Under the service agreements, they are typically required to provide services in relation to (i) account servicing; (ii) procuring customers of digital and traditional advertising space; (iii) managing advertising campaigns; (iv) preparing proposals and customising ideas for clients; (v) prospecting, identifying, defining and developing new business opportunities with brand owners and advertising agencies; and (vi) liaising with our sales, production and editorial teams. We pay our consultants a fixed fee and/or a commission between 3.5% and 7.25% on the sales revenue derived from either existing or new customers based on their performance. Our Directors consider that these consultants provide a cost-effective channel for the Company to communicate with its overseas digital media customers. Since engaging the consultants, our response time with our existing and potential digital media customers has improved as our staff are not required to travel overseas, attend conference calls outside of our office hours and liaise with our overseas customers who work in different time zones. The improvement of our response time for handling our existing customers together with new sales introduced by our consultants resulted in the increase of our sales during the year ended 31 March 2015 and the six months ended 30 September 2015. We derived a significant portion of our digital media revenue from customers referred or handled by our consultants. The sales contributed by customers introduced or handled by our consultants amounted to approximately HK\$10.0 million and HK\$12.3 million, representing approximately 10.1% and 19.2% of our total revenue for the year ended 31 March 2015 and the six months ended 30 September 2015, respectively; out of which approximately HK\$4.0 million and HK\$6.8 million, representing approximately 4.1% and 10.7% of our total revenue was contributed by the new customers referred by our consultants to us. As part of our expansion plan, we plan to engage more sales personnel including consultants for providing sales support to our digital media customers using part of the net proceeds from the Placing.

We also engage freelancers on a project-by-project basis for the production of content to be placed on our digital media platforms. The services rendered by these freelancers include translation of articles and shooting of photos or videos in Hong Kong or abroad. Our Directors believe it is more cost efficient to engage freelancers for translation services as compared to hiring a full-time translator. For shooting of photos or videos abroad, we save transportation cost by using freelancers based in the country we wish to take the shot.

Our consultants and freelancers are independent contractors and there is no employer-employee relationship between them and our Group. Our standard contracts with the consultants and freelancers provide that all intellectual property rights arising out of the course of performance of the freelancers' duties or obligations under the contract shall be vested with us; in addition, they will also ensure that in delivering their work product, they will ensure no third party intellectual property rights will be infringed.

BUSINESS

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, 3 of our trademarks have been registered in Hong Kong, 3 of our trademarks have been registered in the United States and 2 of our trademarks have been registered in the PRC. As at the Latest Practicable Date, we are in the process of applying 6 trademarks in Hong Kong and 1 in South Korea. For details of our trademark registrations and applications, please refer to the section headed “Appendix IV — Statutory and General Information — B. Further Information about the Business — 2. Our material intellectual property rights” in this prospectus.

The articles written by our editorial teams for posting on our digital media platforms include updates, event reports and product reviews. Our editorial teams gather information from various sources to create our digital content and may include artworks, photos or videos in our articles. Where possible, we endeavour to create original artworks, photos or videos or use materials provided to us by brand owners and/or copyright owners or their advertising agencies with express or implied authorisation. In situations where copyright materials are used without the copyright owners’ express or implied authorisation, a majority of such use falls under the Fair Dealing Defence (i.e. fair dealing of third party copyright works for the purpose of criticism, review or reporting current events accompanied with a sufficient acknowledgment of such copyright work and its author) permitted under the Copyright Ordinance. During the Track Record Period, for certain usage of third party copyright work without authorisation from the copyright owner, such use may not fall under the Fair Dealing Defence permitted by the Copyright Ordinance and may be subject to third party copyright infringement claims. It is our legal adviser’s view that the risk of such third party claims causing a material adverse effect on us are likely to be very low, as our Directors confirm that (i) we have not and will not without authorisation use third party copyright works of well-known authors, photographers, artists or other copyright owners whose work may be licensed at a high license fee; (ii) our contents, which contain third party copyright works obtained without consent, usually provide acknowledgement as well as a link to the online material from where such work was obtained, making it clear that such work was derived from the copyright owner; (iii) we engage in a fast-moving business with new works published every day at a high frequency, such that most of the copyright works used or reproduced will unlikely have an extended life-span or relevance; and (iv) during the Track Record Period, none of the copyright infringement complaints received from third party copyright owners regarding our use of third party copyright materials posed a material adverse impact on us, as all complaints received from third party copyright owners were resolved either by acknowledging the source of the copyright work and/or its owner or by taking down such copyright work from our websites, with no monetary compensation sought by and/or paid to such third party copyright owners. Based on the aforesaid, it is our legal adviser’s view that even if such use of third party copyright works by us amounts to copyright infringement, it is practically very unlikely that any third party claims against such use by us will materialise into court litigation proceedings, and even if litigation ensues, based on our current financial position, there is a very low risk that the liability of damages awarded against us will pose a material adverse effect on our business operations. For our internal policies on use of artworks, photos and videos, please refer to the section headed “Business — Internal Control — Internal control on use of artworks, photos and videos” in this prospectus.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, although our Group was not involved in any legal proceeding in respect of infringement of intellectual property rights of third parties, we have been notified in the past about our usage of certain photos or video which allegedly infringe copyrights belonged to others, and we have also in certain circumstance received take-down notices which we have fully complied with. Such complaints did not pose any material adverse impact on us, as they were resolved by either taking-down photos or videos in question from our websites or by providing sufficient acknowledgment of such photos or videos and/or their authors, with no monetary compensation sought by and/or paid to the copyright owner.

Generally, our use of third party copyright work without the authorisation of the copyright owner may expose us to a risk of copyright infringement claims. However, as our Directors confirm that (i) a majority of our use of third party copyright works without authorisation falls under the Fair Dealing Defence and only a small proportion of such use does not fall under the said defence; (ii) we have not and will not without authorisation use third party copyright works of well-known authors, photographers, artists or other copyright owners whose work may be licensed at a high license fee; (iii) our contents, which contain third party copyright works obtained without consent, usually provide acknowledgement as well as a link to the online material from where such work was obtained, making it clear that such work was derived from the copyright owner; (iv) we engage in a fast-moving business with new works published every day at a high frequency, such that most of the copyright works used or reproduced will unlikely have an extended life-span or relevance; and (v) during the Track Record Period, none of the copyright infringement complaints received from third party copyright owners regarding our use of third party copyright materials posed a material adverse impact on our business operation. It is our legal adviser's view that it is practically very unlikely that any third party copyright infringement claims against our use of their copyright works without consent will materialise into court litigation proceedings, and even if litigation ensues, based on the our current financial position, there is a very low risk that the liability of damages awarded against us will pose a material adverse effect on our business operations.

Our Directors confirm that we were not involved in any legal proceeding in respect of any infringement claims on the use of artworks, photos, video or other materials during the Track Record Period up to the Latest Practicable Date, which may have a material impact on our Group's operations, financial condition and profitability. Please also refer to the internal control policy adopted by us on the use of artworks, photos and videos as set out in the section headed "Business — Internal Control" in this prospectus. For risks related to infringement of intellectual property rights, please refer to the section headed "Risk Factors — Risks Relating to Our Group and Our business — We are exposed to the risk of infringement of intellectual property rights owned by third parties" in this prospectus.

The Hong Kong Government has introduced the Copyright (Amendment) Bill 2014 which contains, amongst others, certain key legislative proposals that may be relevant to and/or may potentially impact on our future business operations. Please refer to the section headed "Regulatory Overview — Hong Kong Laws and Regulations — Regulations of online retailing business — Copyright Ordinance (Chapter 528 of the Laws of Hong Kong)" in this prospectus for our discussion on the possible impact of the proposed legislative amendments on our future business operations.

BUSINESS

INSURANCE

We are headquartered in Hong Kong. We maintain employees' compensation insurance in compliance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) to cover compensation and costs liable by our Group for personal injuries of our employees in Hong Kong in the course of employment with us. We have also taken out and maintained an office insurance for our office premises and office equipment in Hong Kong. The office insurance policy mainly covers loss resulting from burglary, damages made to insured property and increased cost due to business interruptions. We have also maintained an insurance for our warehouse to cover any damage or loss to our stocks and equipment in the warehouse. We will arrange appropriate insurance cover in respect of legal action against our Directors which will be effective upon Listing.

Our Directors consider that our Group's insurance coverage is sufficient and in line with the general industry practice in Hong Kong. The Group does not maintain any product liability insurance as the Directors believe it is not the general industry practice in Hong Kong to take out such insurance. For risks related to product liability, please refer to "Risk Factors — Risks Relating to Our Group and Our Business — We are subject to product liability risk for the goods sold on our e-commerce platform" in this prospectus.

INTERNAL CONTROL

Our internal control policies provide sufficient guidelines for our management staff and employees to work efficiently under a standardised work procedure but yet maintains flexibility and creativity that is essential to our digital media and e-commerce businesses. Our internal control system is generally overseen by our chief executive officer with assistance from our financial controller.

Internal control on use of artworks, photos and videos

Under our internal control policy, creators of our digital media content are required to create original work or disclose the source of the images or videos they used in their creation, unless express or implied consent has been given to us by the copyright owner. For artworks, photos or videos that are commissioned by us, our agreement with the author generally would contain standard terms for the assignment of the copyright in the commissioned work to us.

Internal control on materials posted on our websites and social media platforms

We have also adopted measures to ensure that materials posted by us or our visitors on our websites and accounts on social media platforms do not violate relevant laws and regulations governing our business. Generally, we screen and review the content of the posts composed by us or submitted by our visitors to our websites and accounts on social media platforms and identify relevant issues to be discussed with our editorial team. Our editorial guidelines provide that all contents which display or depict any sexual-related, violence-related, threatening or criminal-related explicit images, languages, depiction or themes will not be published. We have the right to delete any written content, photos or videos uploaded which we think is inappropriate, offensive or abusive; violates any relevant laws and regulations; or infringes any intellectual property rights. As part of our review process, our senior editors review

BUSINESS

all digital content prepared by our editors and digital content or advertisement submitted by third-parties to ensure that it is in compliance with our editorial guidelines and relevant laws and regulations. For details of the background of our senior editors, please refer to the section headed “Directors and Senior Management — Executive Directors” in this prospectus. For further details of our quality control on materials posted on our websites and social media platforms, please refer to the section headed “Business — Quality control of digital content” in this prospectus.

Internal control on inventory and delivery

To minimise errors and shipping defective goods, our warehouse team would perform checking of the products when they arrive at our warehouse, tag products with barcodes and connect them to our inventory management system and our quality control personnel will perform a second round of checking after the orders have been packed. In addition, any complaints are recorded, reviewed and analysed by our assistant operations manager such that proper actions can be taken to minimise the chance of recurrence.

For details of our inventory management system and control of the delivery process, please refer to the section headed “Business — Inventory Procurement and Control and Delivery Procedure” in this prospectus. For details of our complaint handling procedures, please refer to the section headed “Business — Our e-commerce business — Return policy of the e-commerce business” in this prospectus.

Internal control on personal data privacy

We collect, receive, store and process a variety of personal information of our visitors and e-commerce customers. We also utilise web traffic reporting and tracking systems provided by third party that allow us to generate daily traffic statistics and visitor demographics. We provide advertisers only with non-personal information such as the number of times their advertisements have been viewed or clicked. We do not sell, rent or otherwise share the personal information of our visitors and e-commerce customers with any third parties except in limited circumstances, such as when we believe it is required to do so by regulatory authorities.

We classify our visitors’ and customers’ personal information as “sensitive” or “internal”. Sensitive information, includes name, home address, telephone and e-mail address, while internal information includes other personal information, such as our e-commerce customers’ purchase history, our visitors’ browsing history and their demographic information. Different levels of access control are maintained for sensitive and internal information. We do not store any credit card information of our e-commerce customers on our system. Our Directors believe we have applied adequate measures for safeguarding our visitors’ and customers’ personal information.

Internal control on foreign currency

Our sales and purchase are mainly denominated in HKD, USD and Euro. We are exposed to foreign currency risk when we enter into transactions which are not denominated in our functional currency. Such risk is mainly related to the currency mismatch between our sales and costs. To minimise the impact of foreign currency rate fluctuation, we monitor foreign currency

BUSINESS

risk closely on an ongoing basis to ensure that the net exposure is at an acceptable level. Under our internal control policy, when we place purchase orders to our suppliers in currencies other than USD and HKD which exceed HK\$500,000, our management is required to assess the currency risk by considering (i) the amount of foreign currencies to settle the payment for these purchase orders; (ii) the amount of foreign currencies received or to be received from our customers; and (iii) the historical amount of foreign currencies used when determining the size of purchase orders to be placed with our suppliers. Currently, we do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should such need arise. For details of the foreign currency risk we are exposed to, please refer to the section headed “Risk factors — Fluctuations in foreign currency exchange rates may result in foreign currency exchange losses” in this prospectus.

PROPERTIES

We are headquartered in Hong Kong. As at the Latest Practicable Date, we have entered into leases in relation to 4 properties in Hong Kong for the operation of our business. Three of our leased premises, which were used for office and/or warehouse purpose respectively, were located on two separate floors in an industrial building in Kwai Chung. The aggregate gross floor area of these premises is approximately 16,000 square feet. We also leased an apartment in Hong Kong for accommodation of our executive Directors, Mr. Ma and Ms. Lee. Our leases have a term between one to three years. The three former leases will expire on 31 May 2018 and the latter will expire on 7 February 2017. Our office and warehouse premises are leased from our Independent Third Parties and we have an option to renew our office/warehouse tenancy for another two years.

Our property rentals were HK\$1.5 million, HK\$1.3 million and HK\$0.8 million for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively. For details of the lease for accommodation of our executive Directors, Mr. Ma and Ms. Lee, please refer to the section headed “Continuing Connected Transactions” of this prospectus.

Other than the computer, photographic and video production equipment, the Group did not possess any other major assets and equipment in relation to advertising production as at the Latest Practicable Date.

COMPETITION

Both the digital advertising and online retail industries are very competitive. According to the CIC Report, for our digital media business, we face competition from digital vertical news media companies that attract readers and subscribers through specialised or even customised news or editorial opinions. Also, according to the CIC Report, we face competition from horizontal e-commerce companies that sell a range of diversified products to a broad base of customers with the primary advantage of convenience, as well as competition from vertical e-commerce companies that focus on industry-specific marketing approach and sell products in certain industry. For details, please refer to the section headed “Industry Overview” in this prospectus.

BUSINESS

Our digital media competitors include Refinery29, Inc. and Goop Inc., which are blog-type websites. According to the CIC Report, when compared with these companies, we have two primary distinctive advantages. Firstly, we focus on fashion trends in apparels, street wear, sneakers as well as lifestyle of the millennials in our articles. Although these topics are also covered by our competitors, we offer a well-crafted and focused interface and content without distracting news or irrelevant information. Therefore, we cater for our readers who are trend chasers and provide a customised platform for our readers. Secondly, we operate an e-commerce platform which enables our readers to make a purchase after viewing something they like on our integrated digital platforms. Although some of our competitors also provide digital content regarding clothing trends, according to the CIC Report, readers may find it difficult to make simultaneous purchase of the items they like and mentioned in the digital content.

The markets for both the digital media advertising and e-commerce business are fragmented. Our current or potential competitors include:-

- (a) various overseas fashion blogging sites which provide news and updates on the fashion and design markets, including Refinery29, Inc. and Goop Inc.;
- (b) major online retailers including those specialising in fashion products such as Refinery29, Inc. (digital media and online retailer), Goop Inc., YOOX NET-A-PORTER GROUP, ASOS, Zalando and Nordstrom and those that offer a wide range of general merchandise products (e.g. eBay and Amazon); and
- (c) traditional off-line retail stores (i.e. with physical locations), such as IT, Lane Crawford and Esprit., that sell fashion, accessories and other consumer products.

In addition, new and enhanced technologies may increase the competition in the online retail industry. New competitive business models may appear, for example based on new forms of social media or social commerce.

Our Directors believe that it takes time for a new competitor to provide appealing and up-to-date media content and accumulate a large base of visitors to its website. This is the main entry barrier for the digital media industry. Similarly, for many e-commerce platform, the main difficulty also lies with attracting Internet users to a new retail platform before a brand name is established.

As stated in the section headed “Business — Competitive Strengths” in this prospectus, the competitive edges of our business include our well-recognised brand, our global reach through our integrated digital platforms, our ability to attract followers and visitors as well as our experience management team with in-depth understanding of fashion, music, culture and lifestyle.

We believe that we are well-positioned to effectively compete on the basis of these strengths. However, some of our current or future competitors may have longer operating histories, greater brand recognition, better supplier network, larger customer bases or greater financial, technical or marketing resources than we do.

BUSINESS

ENVIRONMENTAL, HEALTH AND WORK SAFETY MATTERS

Our Directors believe that the digital media and e-commerce industries in which we operate our integrated digital platforms are not a major source of environmental pollution and do not involve substantial risks relating to health and work safety matters. Our Directors also believe that the impact of our operations on the environment is minimal.

During the Track Record Period, we were not subject to any major environmental claims, lawsuits, penalties or disciplinary actions.

AWARDS

Our achievements have been recognized by the following awards:

Award	Year	Awarding Body
Honoree	2015	The Webby Awards
50 Best Websites	2008	TIME magazine

LICENSES, PERMITS AND CERTIFICATES

Our Directors confirmed that our Hong Kong subsidiary is not required to obtain any industry specific qualification, licence or permit for carrying out our integrated digital media and e-commerce business in Hong Kong.

LITIGATION

As of the Latest Practicable Date we are not involved in any material product liability claim by our retail customers and we are not aware of any threat of material product liability claim. As of the Latest Practicable Date, there is no pending material litigation against or initiated by any member of our Group in Hong Kong or elsewhere and we had not received any threats on such litigation.

As of the Latest Practicable Date, none of our Directors or senior management was involved in any material litigation, arbitration or administrative proceeding.

REGULATORY COMPLIANCE

We are headquartered in Hong Kong and substantially all of our operations are in Hong Kong. All of our employees are located in Hong Kong.

Our Directors confirm that Hong Kong is the material jurisdiction in relation to our operations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any incident of non-compliance which, in the opinion of our Directors, is likely to materially and adversely affect our business, financial condition or results of operations. During the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable material laws and regulations in Hong Kong.

BUSINESS

CORPORATE GOVERNANCE MEASURES

To further enhance the quality of our corporate governance, our Group has adopted or intends to adopt the following measures:

- (a) our Directors attended a training session conducted by our Company's Hong Kong legal advisers on 22 October 2015 regarding the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies (WUMP) Ordinance, the Companies Ordinance, the SFO and the GEM Listing Rules;
- (b) our Company has appointed Ms. Cheung Nga Man as our company secretary. Ms. Cheung will act as the principal channel of communication between members of our Group and our Company in relation to legal, regulatory and financial reporting compliance matters of our Group as well as the chief coordinator to oversee the internal control procedures in general. Upon receipt of any queries or reports on legal, regulatory and financial reporting compliance matters, our company secretary will look into the matter and, if considered appropriate, seek advice, guidance and recommendations from professional advisers before reporting to relevant members of our Group and/or our Board. Detail of Ms. Cheung's qualifications and experience are set out in the section headed "Directors and Senior Management" of this prospectus;
- (c) our Group has appointed Ms. Cheung as our compliance officer. The role of the compliance officer includes the following: (1) to advise on the implementation of procedures to ensure that our Group complies with the GEM Listing Rules and other relevant laws and regulations applicable to our Group; (2) to carry out the day-to-day implementation and monitoring of our internal control system; (3) to oversee the risk management and implement the risk management policies and procedures; and (4) to respond promptly and efficiently to all enquiries directed at her by the Stock Exchange;
- (d) our Company has appointed Lego Corporate Finance Limited as our compliance adviser to advise our Group on compliance matters upon Listing in accordance with Rule 6A.19 of the GEM Listing Rules;
- (e) our Group has established an audit committee with written terms of reference in accordance with Appendix 15 to the GEM Listing Rules to review the internal control system and procedures for compliance with the requirements of the GEM Listing Rules, the Companies Ordinance and other applicable laws, rules and regulations;
- (f) our Company proposes to appoint an internal control consultant to provide advice and review our internal control system regarding internal control matters on a regular basis after Listing and such appointment will be reviewed annually; and
- (g) our Company proposes to appoint external Hong Kong legal advisers, where applicable, to advise us on compliance with and to provide us with updates on the changes in the GEM Listing Rules and the applicable Hong Kong laws, rules and regulations from time to time to see if any change is required to be made with our operation and internal control system.

BUSINESS

With the assistance of our external legal advisers as to Hong Kong law, the compliance adviser, the internal control consultant, our company secretary/compliance officer, we aim to ensure that our Group's operations are in compliance with the applicable laws, rules and regulations with respect to our business operations in Hong Kong. The internal control consultant will conduct regular internal control reviews on our operations and recommend remedial plans to our audit committee, which will then advise our Board on the implementation of any remedial plans should there be any material internal control deficiencies. Our Board will make final decisions on the implementation of the remedial plans. To ensure all the remedial plans are implemented, the internal control consultant will follow up and monitor the implementation and report to the audit committee about the progress and results of the remedial plans. Any material internal control failings, weaknesses or deficiencies identified during the review process and the relevant follow up or remedial measures (if applicable) taken by our Group will be disclosed in our annual report after the Listing.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of five Directors, including two executive Directors and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The following table sets forth certain information regarding the current members of our Board and senior management:

Name	Age	Position	Date of appointment as a Director	Time of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Ma Pak Wing Kevin (馬柏榮)	33	Chairman, chief executive officer and executive Director	25 September 2015	3 January 2007	Overall business development and financial and strategic planning of our Group	Spouse of Ms. Lee
Ms. Lee Yuen Tung Janice (李苑彤)	33	Executive Director	18 March 2016	14 February 2008	Overall management and administration of our business operations	Spouse of Mr. Ma
Ms. Kwan Shin Luen Susanna (關倩鸞)	48	Independent non-executive Director	18 March 2016	18 March 2016	Providing independent judgement on our strategy, performance, resources and standard of conduct	None
Mr. Wong Kai Chi (黃啟智)	44	Independent non-executive Director	18 March 2016	18 March 2016	Providing independent judgement on our strategy, performance, resources and standard of conduct	None
Ms. Poon Lai King (潘麗琼)	52	Independent non-executive Director	18 March 2016	18 March 2016	Providing independent judgement on our strategy, performance, resources and standard of conduct	None
Ms. Cheung Nga Man (張雅敏)	35	Financial controller	N/A	12 May 2014	Supervising finance activities and accounting operations	None
Mr. Wong Hung Sui Sean (王鴻遂)	31	Director of e-commerce	N/A	11 February 2013	Managing e-commerce business	None
Mr. Yeung Ka Yue (楊家儒)	27	Director of engineering	N/A	1 January 2011	Leading engineering department and overall web development	None

DIRECTORS AND SENIOR MANAGEMENT

Set forth below are the biographies of our current Directors:

EXECUTIVE DIRECTORS

Mr. Ma Pak Wing Kevin (馬柏榮), aged 33, who founded our Group in 2007, was appointed as an executive Director with effect from 25 September 2015. Mr. Ma also acts as our chief executive officer, the chairman of our Board, the chairman of our nomination committee and is a member of our remuneration committee. Mr. Ma is also one of our Controlling Shareholders. Mr. Ma is primarily responsible for the overall management, business direction and development strategies of our Group. Mr. Ma has over 7 years of industry experience in digital media marketing, web business development as well as social media marketing. Mr. Ma was instrumental in developing our relationships with numerous international brands through providing digital media services by our Group. Mr. Ma was also responsible for the establishment of our HBX store in 2012, which has become one of our main businesses. Mr. Ma obtained a bachelor of arts degree with a major in economics and psychology in May 2005 from the University of British Columbia, Canada. Mr. Ma received a number of awards including the Business of Fashion (BOF500) award for two years consecutively in 2013 and 2014. Mr. Ma is the husband of Ms. Lee.

Ms. Lee Yuen Tung Janice (李苑彤), aged 33, was appointed as an executive Director, with effect from 18 March 2016. Ms. Lee joined our Group as an editor-in-chief on 14 February 2008 and established our Popbee website that targets Asian female millennials. Ms. Lee is responsible for the day-to-day operations of our Popbee website including leading its editorial team and marketing. Ms. Lee has over 7 years of experience in the digital media industry in editing and marketing. Ms. Lee obtained a bachelor of science degree with a major in biochemistry in June 2004 from Simon Fraser University, Canada. Ms. Lee is the wife of Mr. Ma.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Kwan Shin Luen Susanna (關倩鸞), aged 48, was appointed as our independent non-executive Director with effect from 18 March 2016. Ms. Kwan is a member of our audit committee and nomination committee. Ms. Kwan served as an independent non-executive director of New Media Group Holdings Limited (currently called Evergrande Health Industry Group Limited) (stock code: 0708), previously a media company, from January 2008 to March 2015; and an independent non-executive director of Emperor Entertainment Hotel Limited (stock code: 0296), an entertainment company, from August 2015. Ms. Kwan currently holds the position of head of legal and compliance at Core Pacific – Yamaichi International (H.K.) Limited, a finance and investment company since October 2015. Previously, Ms. Kwan was the vice president of legal and compliance of AMTD Asset Management Limited, a finance and investment company, from August 2011 to September 2015. Prior to holding in-house positions, Ms. Kwan practiced as a solicitor at a number of law firms. Ms. Kwan also worked as a part-time consultant between January 2008 and February 2010 at Andrew Law & Franki Ho. Previously, Ms. Kwan practiced as a solicitor from January 1993 onward at Ho & Wong for one year and from February 1994 at Alsop Wilkinson for over one year. Ms. Kwan worked as an articled clerk in London between September 1990 and November 1991 and in Hong Kong between January 1992 and January 1993. Ms. Kwan obtained a bachelor of laws degree in August 1989 from the London School of Economics and Political Science of the University of London, United Kingdom. Ms. Kwan was admitted as a solicitor in Hong Kong in 1993 and a solicitor in England and Wales in 1994.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Poon Lai King (潘麗琮), aged 52, was appointed as our independent non-executive Director with effect from 18 March 2016. Ms. Poon acts as the chairman of our remuneration committee and is a member of our audit committee and nomination committee. Ms. Poon has over 10 years of experience in the publishing and media industry. Since September 2007, Ms. Poon has been the shareholder and director of Joyful Books Company Limited that publishes Chinese books in Hong Kong. Subsequently, Ms. Poon commenced operating a public relations and event management business under the business name, Impact Communications Company, of Joyful Books Company Limited in 2012. Since January 2013, Ms. Poon served as an arts consultant for the Hong Kong Arts Development Council, a statutory body set up by the Government to support the broad development of the arts in Hong Kong. Ms. Poon joined Next Magazine Publishing Limited in January 2000 as an editor. Ms. Poon then served as the deputy editor-in-chief initially at East Week, a magazine published by Sing Tao Management Services Limited, between March 2004 and December 2005; and subsequently at Next Magazine Publishing Limited between December 2005 and September 2006. Ms. Poon obtained a bachelor of arts degree in November 1985 and a master of arts degree in November 1991 from the University of Hong Kong.

Mr. Wong Kai Chi (黃啟智), aged 44, was appointed as our independent non-executive director with effect from 18 March 2016. Mr. Wong is also the chairman of our audit committee and a member of our remuneration committee. Since August 2014, Mr. Wong worked for the finance department of Bloomberg L.P., an information technology data services company and is responsible for accounting and finance matters. Mr. Wong has over 15 years of experience in finance and accounting professional field, in which he is advanced to a Fellow Certified Practising Accountant (Australia) since March 2015. Prior to joining our Group, he was a financial analyst in GE Consumer & Industrial, a subsidiary of General Electric Company (“GEC”) which is a listed company on the New York Stock Exchange, being responsible for accounting, budgeting and financial analysis from August 1998 to June 2004; an assistant vice president, financial planning and analysis of GE Capital (Hong Kong) Limited, a former unit of GEC, from September 2004 to July 2005 and then a vice-president, financial controllership and accounting of the same company from August 2005 till April 2007; the Head of Finance and Operations (Asia Pacific) of Key Equipment Finance Asia Limited, a US national commercial bank from May 2007 to December 2009, and the finance manager of Wells Fargo Bank, Hong Kong branch, from December 2009 to November 2013, which acquired Wachovia Bank in 2008, being responsible for all accounting and finance matters of the Asia Pacific region. Wells Fargo Bank is a subsidiary of Wells Fargo & Company which is a listed company on the New York Stock Exchange. Mr. Wong obtained a Bachelor of Commerce degree in July 1996 from Monash University, Australia. Subsequently, he obtained a Master of Business Administration degree in August 2005 from Deakin University, Australia through distance learning.

Mr. Wong is also a director of Eternal Life Music Charity Foundation Limited, a chairman of Hong Kong Girl Guides New Territories Region Association and a director of Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies since 2015.

Save as disclosed above, there are no other directorships held by our Directors in any listed company whose securities are listed on any stock exchange in Hong Kong or overseas within the three years immediately preceding the date of this prospectus.

DISCLOSURE REQUIRED UNDER RULE 17.50(2) OF THE GEM LISTING RULES

Each of the Directors confirms with respect to him/her that, save as disclosed in the paragraph headed “C. Further Information about Directors, Management and Staff” in Appendix

DIRECTORS AND SENIOR MANAGEMENT

IV to this prospectus, (i) he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (ii) there is no other information that should be disclosed for pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iii) to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the Directors that need to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

Ms. Cheung Nga Man (張雅敏), aged 35, joined our Group as the finance manager since 12 May 2014 and is now our financial controller. She is primarily responsible for supervising all finance activities and accounting operations, reviewing legal documents, liaising with external lawyers and providing financial strategic planning, budgeting and forecast. Ms. Cheung has over 10 years of experience in audit and finance. Ms. Cheung started her career as an audit trainee at Michael Yam & Company, and worked there from January 2005 to January 2006. Ms. Cheung was a senior audit associate at BDO Limited, a Certified Public Accountants firm, from January 2006 to January 2010; a finance manager at DBIS Interactive Limited, a creative company, from January 2010 to August 2012; and a regional accountant at Ogilvy & Mather, an advertising company, from September 2012 to May 2014. Ms. Cheung obtained a bachelor of commerce degree in December 2004 from the University of Melbourne, Australia. Ms. Cheung is a Certified Public Accountants of the Hong Kong Institute of Certified Public Accountants.

Mr. Wong Hung Sui Sean (王鴻遂), aged 31, joined our Group as a marketing coordinator since 11 February 2013 and is our director of e-commerce. Mr Wong is primarily responsible for managing the e-commerce business of the Company. Mr. Wong became assistant e-commerce manager on 1 January 2014 and was promoted to e-commerce manager on 1 October 2014. Prior to joining our Group, Mr. Wong held directorship at a private investment company. Between June 2009 and December 2012, Mr. Wong served as a business development officer at an investment company where Mr. Wong was responsible for business development, networking and project management. In July 2010, Mr. Wong operated a retail store (known as College Clothing) in Hong Kong, which offered fashion items. Mr. Wong was responsible for its overall management, including the inventory management. Mr. Wong obtained a bachelor of arts degree in economics for business and management in May 2007 from Occidental College, the United States.

Mr. Yeung Ka Yue (楊家儒), aged 27, joined our Group as a programmer since 1 January 2011 and is our director of engineering. Mr. Yeung is primarily responsible for leading our engineering department and overall web development. Mr. Yeung possesses over 4 years of experience in web design. Mr. Yeung obtained an associate in applied science degree with a major in computer programming in May 2009 from Vincennes University, the United States.

None of the members of our senior management has held any directorship in any public listed company during the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Ms. Cheung Nga Man has been appointed as our company secretary on 9 March 2016. For details of her biography, please refer to the paragraph headed “Senior Management” in this section.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE OFFICER

Ms. Cheung Nga Man is the compliance officer of our Company. Please refer to the paragraph headed “Senior Management” in this section for details of her biography.

REMUNERATION POLICY

The executive Directors, the independent non-executive Directors and senior management receive compensation in the form of fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the Directors and senior management, as well as the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for provision of services to the Group or executing their functions in relation to the Group’s operations. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of the Directors and performance of the Group.

After the Listing, the remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload and time devoted to the Group and performance of the Group. The Directors may also be offered options under the Post-IPO Share Option Scheme.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

During the two years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, the aggregate director’s fee, salaries and allowances and retirement benefits scheme contribution, other benefits in kind and/or discretionary bonuses, paid by us to the Director were approximately HK\$418,000, HK\$448,000 and HK\$224,000, respectively.

For each of the two years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, the aggregate salaries and allowances, discretionary bonuses and retirement benefits scheme contribution, paid by us to the five highest paid individuals was approximately HK\$2.1 million, HK\$3.7 million and HK\$1.7 million, respectively.

Save as disclosed above, no other emoluments have been paid, or are payable, by us to our Directors and the five highest paid individuals in respect of each of the two years ended 31 March 2014 and 2015 and the six months ended 30 September 2015.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending 31 March 2016 will be approximately HK\$448,000.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit Committee

The Company established the audit committee on 18 March 2016 with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, namely, Mr. Wong Kai Chi, Ms. Poon Lai King and Ms. Kwan Shin Luen Susanna with Mr. Wong Kai Chi being the chairman of the audit committee. The duties of the audit committee include reviewing, in draft form, the annual report and accounts, half-year report and quarterly reports and providing advice and comments to the Board. In this regard, members of the audit committee will liaise with the Board, the senior management, the reporting accountants and auditors. The audit committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by the accounting staff, compliance officers or auditors. Members of the audit committee are also responsible for reviewing the Group's financial reporting process and internal control system.

Remuneration committee

The Company established the remuneration committee on 18 March 2016 which comprises two independent non-executive Directors and one executive Director, namely, Ms. Poon Lai King, Mr. Wong Kai Chi and Mr. Ma with Ms. Poon Lai King being the chairman of the committee. Written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules have been adopted. Among other things, the primary duties of the remuneration committee are to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of independent non-executive Directors.

Nomination committee

The Company established the nomination committee on 18 March 2016 which comprises two independent non-executive Directors and one executive Director, namely, Ms. Kwan Shih Luen Susanna, Ms. Poon Lai King and Mr. Ma with Mr. Ma being the chairman of the committee. Written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 15 to GEM Listing Rules have been adopted. The nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for the Directors.

CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Group will comply with the revised Corporate Governance Code and the associated GEM Listing Rules which will become effective in January 2016.

DIRECTORS AND SENIOR MANAGEMENT

Our Company intends to comply with all code provisions under the Principles of Good Governance, Code Provisions and Recommended Best Practices in Appendix 15 to the GEM Listing Rules (the “**Code**”) after the Listing except for paragraph A.2.1 of the Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ma will act as both the chairman and chief executive officer of our Company. We consider that both roles being held by Mr. Ma will provide a strong and consistent leadership to our Company which will facilitate effective planning and efficient management of our Company. Furthermore, having considered Mr. Ma’s extensive experience in the digital media industry, the relationships Mr. Ma has built with the customers and the historical development of our Group as mentioned in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, we consider it beneficial for our Group that Mr. Ma continues to act as both chairman and chief executive officer of our Company after Listing.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Lego Corporate Finance Limited to be the compliance adviser, who will have access to all relevant records and information relating to the Group that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Group must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connect transaction under the GEM Listing Rules, is contemplated by the Group, including share issues and share repurchases;
- (c) where the Group propose to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where the Group’s business activities, developments or results of operations deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of the Company under Rule 17.11 of the GEM Listing Rules.

The terms of the appointment will commence on the Listing Date and end on the date on which the Group complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year after the Listing Date, or until the agreement is terminated, whichever is earlier.

CONTROLLING, SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

CONTROLLING SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon the exercise of any options granted or which may be granted under the Share Option Schemes), the following persons are entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of our Company:

Name of Shareholder	Nature of interest	Number of Shares as at 10 November 2015 ^(Note 1)	Percentage of shareholding in the Company as at 10 November 2015 ^(Note 1)	Number of Shares immediately after completion of the Capitalisation Issue and the Placing ^(Note 2)	Percentage of interest in our Company immediately after completion of the Capitalisation Issue and the Placing
CORE Capital ^(Note 3)	Registered owner	100	100%	1,500,000,000	75%
Mr. Ma ^(Note 4)	Interest in a controlled corporation	100	100%	1,500,000,000	75%
Ms. Lee ^(Note 5)	Interest of spouse	100	100%	1,500,000,000	75%

Notes:

1. The date of filing of the application proof of this prospectus.
2. The letter "L" denotes the person's long position in the Shares.
3. CORE Capital is the registered owner of 1,500,000,000 Shares, representing 75% of our issued share capital immediately upon completion of the Placing and Capitalisation Issue (without taking into account any Share which may be issued upon exercise of any option granted or which may be granted under the Share Option Schemes). CORE Capital is directly wholly-owned by Mr. Ma.
4. Mr. Ma is the sole shareholder of CORE Capital.
5. Ms. Lee is the spouse of Mr. Ma. Under the SFO, Ms. Lee is deemed to be interested in the same number of Shares in which Mr. Ma is interested.

SUBSTANTIAL SHAREHOLDER AND SIGNIFICANT SHAREHOLDERS

Save as disclosed above, the Directors are not aware of any person who will, immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon the exercise of any options granted or which may be granted under the Share Option Schemes), has an interest or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group. The Directors are not aware of any arrangement which may at a subsequent date result in a change of control of the Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon the exercise of any options granted or which may be granted under the Share Option Schemes), our Company will be owned as to 75% by CORE Capital, which is wholly-owned by Mr. Ma. As CORE Capital and Mr. Ma are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following the Listing, each of CORE Capital and Mr. Ma shall be regarded as a Controlling Shareholder under the GEM Listing Rules.

COMPETITION

Our Controlling Shareholders, apart from our Group's business, our Directors and their respective close associates do not have any interest which competes or may compete, directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

In addition, our Controlling Shareholders have given a non-competition undertaking in favour of our Group. For details, please refer to the paragraph headed "Non-Competition Undertaking" in this section below.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Our Directors believe that our Group is capable of carrying on our business independent of, and does not place undue reliance on, our Controlling Shareholders or their close associates, taking into consideration the following factors:

Management independence

We have an independent management team comprising our executive Directors and senior management who have substantial experience in our business. Our management team is able to implement our Group's policies and strategies and performs its roles in our Company independently.

We aim at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors. The three independent non-executive Directors have extensive experience in different areas or professions. The main functions of our Board include the approval of our overall business plans and strategies, monitoring the implementation of these plans and strategies and the management of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Company will have one common director with CORE Capital, namely Mr. Ma. Despite the common directorship, our Company believes that management independence between our Company and CORE Capital will be maintained as CORE Capital is an investment holding company, the only significant business interest of which is our Group. Further, each of our Directors is aware of his or her fiduciary duties as a director which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and Shareholders as a whole, and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum.

Our Board and the senior management operate as a matter of fact independently of our Controlling Shareholders and they are in a position to fully discharge their duties to the Shareholders and our Company as a whole after the Listing without reference to our Controlling Shareholders.

Operational independence

We have established our own organisational structure comprising individual departments, each with specific areas of responsibilities. We have not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their respective close associates.

Further, we are not required to obtain any industry qualification, licence or permit to carry on our businesses in Hong Kong and have sufficient capital, equipment and employees to operate our businesses independently. We have also established various internal control procedures to facilitate the effective operation of our business.

Our Group has not entered into any connected transaction with any of our Controlling Shareholders that will continue after the Listing.

Financial independence

Our Group has our own accounting systems, accounting and finance department and independent treasury function for cash receipts and payments. We make financial decisions according to our own business needs.

Our finance department will be responsible for financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns.

All guarantees, indemnities and other securities provided by Mr. Ma and/or companies controlled by Mr. Ma for the benefit of our Group will be released upon the Listing. As at the Latest Practicable Date, our bank borrowings are wholly guaranteed by Mr. Ma.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Directors confirm that, as at the Latest Practicable Date, saved as disclosed in this section, our Controlling Shareholders have not provided any loan to our Group, nor any guarantee in favour of our Group. Notwithstanding the above, our Group has independent financial systems and independent treasury function for receiving cash and making payments and independent access to third party financing. Our Group makes financial decisions according to its own business needs.

In view of our Group's internal resources and the estimated net proceeds from the Placing, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors further believe that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

Independence of major suppliers

Save as District Distribution whose shares were previously 30% owned by Mr. Ma during the Track Record Period, our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associate had any relationship with the five largest suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) for each of the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015 and up to the Latest Practicable Date.

Independence of major customers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associate had any relationship with the five largest customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) for each of the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015 and up to the Latest Practicable Date.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders and executive Directors as covenantors (each a "**Covenantor**", and collectively the "**Covenantors**") entered into the Deed of Non-competition with our Company (for ourselves and as trustee for and on behalf of our subsidiaries) on 28 March 2016 and confirm that none of them is engaged in any business which directly or indirectly, competes or is likely to compete with the business of our Company and any of our subsidiaries, or has any interest in such business.

Non-competition

In accordance with the Deed of Non-competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earliest of (a) the date on which our Shares cease to be listed on GEM; (b) the date on which the Covenantors cease to be a controlling shareholder of our Company; and (c) the date on which the Covenantors cease to be entitled to exercise or control the exercise of 30% or more in aggregate of the voting power at general meetings of our Company:

he/it will not, and will use his/its best endeavours to procure any Covenantor, his/its close associates (collectively, the "**Controlled Persons**") and any company directly or indirectly controlled by any Covenantor (the "**Controlled Company(ies)**") not to, either on

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

his/its own or in conjunction with any person, firm or company, among other things, carry on, participate or be interested in or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether or not for profit, reward or otherwise), any activity or business which is or may be in competition, directly or indirectly, with the Group's business in the provision of digital media services comprising provision of advertisement spaces and services, creative agency services and publication of printed magazines; and the operation of an online market place that sells trendy branded consumer products (the "**Restricted Business**").

The Deed of Non-competition does not apply to:

- (a) the holding of or interests in the shares of any member of our Group; or
- (b) the holding of or interests in shares or other securities in any company other than our Group, provided that, in the case of such shares, they are listed on a recognised stock exchange and either:
 - (i) the relevant Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that relevant company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
 - (ii) the total number of the shares held by the Controlled Persons and Controlled Company(ies) in aggregate own an interest not exceeding 5% of the issued shares of the company in question, and the Covenantors and/or their respective close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there should exist at least another shareholder of that company (together, where appropriate, with its close associates) whose shareholdings in that company should be more than the total number of shares of that company held by the Covenantors in aggregate and/or their respective close associates in aggregate.

New business opportunity

If any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity which directly or indirectly engages in or owns a Restricted Business (the "**New Business Opportunity**"):

- (a) he/it shall within 10 days notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable us to make an informed assessment of such opportunity; and
- (b) he/it shall not, and shall procure that his/its Controlled Person(s) or Controlled Company(ies) not to, invest or participate in any project or New Business Opportunity, unless such project or New Business Opportunity shall have been rejected by our Company and the principal terms of which the Covenantor or his/its Controlled Person(s) or Controlled Company(ies) invest or participate in are no more favourable than those made available to our Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

A Covenantor may only engage in the New Business Opportunity if (a) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the “**Non-acceptance Notice**”); or (b) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity. Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless his/her attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity.

Our Board (including the independent non-executive Directors) will be responsible for reviewing and considering whether or not to take up a New Business Opportunity referred by a Covenantor or Controlled Company or whether or not the New Business Opportunity constitutes competition with the Restricted Business. The factors that will be taken into consideration by our Board in making the decision include whether it is in line with the overall interests of our Shareholders.

Under the Deed of Non-competition, each of the Covenantors further undertake to and covenant with our Company that during the period for which the Deed of Non-competition is in force that he/it shall:

- (a) allow, and shall procure that the relevant close associates (excluding us) to allow the independent non-executive Directors to review, at least on an annual basis, the Covenantors that they are in compliance with the Deed of Non-competition;
- (b) subject to such confidentiality restrictions or requirements as may be applicable or reasonably necessary, provide all information reasonably requested by us which is necessary and only to the extent required for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (c) make an annual declaration on compliance with his/its undertakings under the Deed of Non-competition in our annual reports as the independent non-executive Directors think fit and/or as required by the relevant requirements under the GEM Listing Rules; and
- (d) procure our Company to review, on an annual basis, the compliance with the Deed of Non-competition by the Covenantors and disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition either through the annual report, or by way of announcement.

The undertakings given by the Covenantors under the Deed of Non-competition shall lapse and the Covenantors shall be released from the restrictions imposed on them upon the occurrence of the earliest of any of the following events or circumstances:

- (a) the day on which the Shares cease to be listed on the Stock Exchange;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) in respect of a Covenantor, the day on which the relevant Covenantor and/or his/its close associates, jointly and severally, ceases to hold 30% or more of the equity interest in our Company; or
- (c) in respect of a Covenantor, the date on which that Covenantor and/or his/its close associates, jointly and severally, ceases to be entitled to exercise or control the exercise of 30% or more in aggregate of the voting power at general meetings of the Company.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of our Shareholders:

- (1) our independent non-executive Directors will review, on an annual basis, the Deed of Non-competition to ensure compliance with the non-competition undertaking by our Controlling Shareholders;
- (2) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (3) our Company will disclose decision and its basis on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of our Company or by way of announcement to the public;
- (4) our Controlling Shareholders have undertaken to provide an annual confirmation to our Company confirming that each of our Controlling Shareholders and his/its close associates have not breached the terms of the undertakings contained in the Deed of Non-competition; and
- (5) our Controlling Shareholders will abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interests in relation to the Restricted Business and the New Business Opportunity.

DISPOSAL OF INTEREST IN FASHION APPAREL DISTRIBUTION BUSINESS

During the Track Record Period, Mr. Ma was beneficial owner of 30% interest in and was a director of District Distribution, a company engaged in the distribution of fashion clothing, shoes and accessories. The operations of District Distribution were independent from our digital media and e-commerce businesses and District Distribution was a joint venture between Mr. Ma and other Independent Third Parties. The financials of District Distribution had never been consolidated into our financial statements during the Track Record Period.

Mr. Ma resigned as a director of District Distribution on 25 July 2015 and disposed his entire interest in District Distribution to certain Independent Third Parties on 2 November 2015.

CONTINUING CONNECTED TRANSACTIONS

EXEMPT CONTINUING CONNECTED TRANSACTIONS

During the Track Record Period, the following property was leased to us as tenant from Mr. Lee Chung Ming and Ms. Chan Lai Kuen as landlords:

Address	Gross floor area	Use of the property
Flat E, 13/F., Block 20, Fu Hing Yuen, No. 20 Chi Fu Road, Chi Fu Fa Yuen, Pokfulam, Hong Kong	518 sq. ft.	For residential use

Mr. Lee Chung Ming and Ms. Chan Lai Kuen (the “**Landlords**”) are the parents of Ms. Lee, our executive Director and wife of Mr. Ma. As such, the Landlords are our connected persons pursuant to the GEM Listing Rules. On 1 February 2011, HBHK entered into a tenancy agreement (the “**Original Tenancy Agreement**”) with the Landlords in respect of the above property for a two-year term commencing on 8 February 2011 for a monthly rent of HK\$12,000 (exclusive of government rent, government rate and management fee) which was extended by the first extension of lease agreement (the “**First Extension Agreement**”) dated 1 February 2013 for an additional two-year term for a monthly rent of HK\$15,000 (exclusive of government rent, government rate and management fee). The lease was further extended by the second extension of lease agreement dated 7 February 2015 (the “**Second Extension Agreement**”, together with the Original Tenancy Agreement and the First Extension Agreement, the “**Tenancy Agreements**”) for a two-year term commencing on 8 February 2015 and ending on 7 February 2017 for a monthly rent of HK\$15,000 (exclusive of government rent, government rate and management fee), which was agreed after arm’s length negotiations between the parties with regard to the prevailing market rates. The total annual rent payable by us under the Tenancy Agreements shall be HK\$180,000 per annum.

For the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, the aggregate amount of rents paid by us to the Landlords for the lease of the said property amounted to HK\$180,000, HK\$180,000 and HK\$90,000, respectively.

Upon Listing, the Tenancy Agreements will constitute a continuing connected transaction of our Company under the GEM Listing Rules. The Tenancy Agreements were entered into on normal commercial terms where each of the relevant percentage ratios calculated for the purpose of Chapter 20 of the GEM Listing Rules is less than 5% while the annual rent payable by us under the Tenancy Agreements is less than HK\$3,000,000. As such, pursuant to Rule 20.74(1)(c) of the GEM Listing Rules, the Tenancy Agreements are fully exempted from the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

SHARE CAPITAL

SHARE CAPITAL

The share capital of the Company immediately following the Capitalisation Issue and the Placing will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>6,000,000,000</u>	Shares of HK\$0.01 each	<u>60,000,000</u>

Issued or to be issued, fully paid or credited as fully paid:

100	Shares in issue as at the Latest Practicable Date	1
1,599,999,900	Shares to be issued pursuant to the Capitalisation Issue	15,999,999
<u>400,000,000</u>	Shares to be issued pursuant to the Placing	<u>4,000,000</u>
<u>2,000,000,000</u>	Shares	<u>20,000,000</u>

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, the Company must maintain the minimum prescribed percentage of 25% of the issued share capital of the Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The Placing Shares will rank *pari passu* with all Shares now in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus save for the entitlements under the Capitalisation Issue.

SHARE OPTION SCHEMES

The Company has conditionally adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme. A summary of these principal terms is set out in the section headed "D. Pre-IPO Share Option Scheme" and "E. Post-IPO Share Option Scheme" in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Placing becoming unconditional, the Directors have been granted a general unconditional mandate to allot and issue and deal with the unissued Shares with an aggregate nominal value of not more than:

- (a) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon the exercise of any options granted or which may be granted under the Share Option Schemes); and

SHARE CAPITAL

- (b) the aggregate nominal value of the share capital of the Company repurchased by the Company (if any) pursuant to the general mandate to repurchase Shares as described below.

The Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of the Company, scrip dividends or similar arrangements providing for the allotment of Shares in lieu of the whole or in part of any cash dividends or options to be granted under the Share Option Schemes or any other option scheme or similar arrangement for the time being adopted.

For further details of this general mandate, see the section headed “A. Further Information about our Company — 5. Written Resolutions of our sole Shareholder passed on 18 March 2016 and 29 March 2016” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Placing becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of the Company’s share capital in issue immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon the exercise of any options granted or which may be granted under the Share Option Schemes).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “A. Further information about our Company — 6. Repurchase by our Company of its own securities” in Appendix IV to this prospectus.

The above mentioned general mandate to issue and repurchase Shares will expire:

- (a) at the conclusion of the next annual general meeting of the Company;
- (b) at the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles to be held; or
- (c) when varied or revoked by an ordinary resolution of the Shareholders in general meeting;

whichever is the earliest.

For further details of these general mandates, please refer to the paragraphs headed “A. Further information about our Company — 5. Written resolutions of our sole Shareholder passed on 18 March 2016 and 29 March 2016” and “A. Further information about our Company — 6. Repurchase by our Company of its own securities” in Appendix IV to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

FINANCIAL INFORMATION

You should read this section in conjunction with our combined financial information, including the notes thereto, as set out in “Appendix I — Accountants’ Report” to this prospectus. The combined financial information has been prepared in accordance with HKFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in “Risk Factors” as well as those discussed elsewhere in this prospectus.

OVERVIEW

Headquartered in Hong Kong, we are a digital media company primarily engaging in (i) the provision of advertising services to brand owners and advertising agencies on our digital media platforms; and (ii) the sale of third-party branded clothing, shoes and accessories on our e-commerce platform. We produce and distribute young-adults-focused digital content that reports the latest trends on fashion, lifestyle, culture and music to users of our digital content who do not subscribe to updates of our digital content (“**visitors**”) and users who subscribe to updates of our digital content (“**followers**”). Digital content is delivered via our digital media platforms (including Hypebeast, Hypetrak and Popbee websites and apps) and popular third-party social media platforms (including Facebook, Google+, Instagram, Twitter, Pinterest, Youtube, Weibo and Snapchat). Our e-commerce platform typically carries over 300 trend leading third-party branded products. As at 1 April 2013, 31 March 2014, 31 March 2015, 30 September 2014, and 30 September 2015, the number of brands offered on our e-commerce platform was 162, 266, 383, 325 and 408, respectively, representing an increase of 246 brands during the Track Record Period. As at 1 April 2013, 31 March 2014, 31 March 2015, 30 September 2014 and 30 September 2015, the number of products offered on our e-commerce platform was over 3,900, 5,000, 7,100, 6,000 and 8,900, respectively, representing a gross increase of approximately 5,000 products during the Track Record Period.

Our digital media segment primarily derives its revenue from the provision of advertising services to brand owners and advertising agencies. We attract a large number of followers and visitors globally on our digital media platforms to view our shareable digital content in the form of articles and videos and empower brand owners to reach millions of people globally. We have enjoyed continuous support from high-profile international brand owners who have used our advertising services to reach our global audience. Our e-commerce segment primarily operates through HBX store which targets millennials between the age of 18 and 35 who are also the target audience of our digital media platforms.

For the years ended 31 March 2014 and 2015, our total revenue was approximately HK\$72.8 million and HK\$98.9 million, respectively, representing a growth rate of approximately 35.9%, while our profit for the year was approximately HK\$10.3 million and HK\$9.1 million, respectively, representing a decrease by approximately 11.7% over the period. Our revenue increased by approximately 39.0% from approximately HK\$46.1 million for the six months ended 30 September 2014 to approximately HK\$64.1 million for the six months ended 30 September 2015. Our profit increased by approximately 16.4% from approximately HK\$6.1 million for the six months ended 30 September 2014 to approximately HK\$7.1 million for the six months ended 30 September 2015.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Prior to the Reorganisation, HBHK was solely owned by Mr. Ma. Upon the completion of the Reorganisation, HBHK became an indirectly wholly-owned subsidiary of our Company. Accordingly, our Group comprising our Company and our subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The financial information has been prepared as if our Company had always been the holding company of our Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period have been prepared to present the results and cash flows of the companies now comprising our Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the Track Record Period. The combined statements of financial position of our Group as at 31 March 2014 and 2015 and 30 September 2015 are prepared to present the assets and liabilities of the companies now comprising our Group, as if the current group structure had been in existence at those dates, taken into account the respective dates of incorporation.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Growth of fashion industry and change of overall economic conditions

We experienced a growth in our revenue during the Track Record Period. Our revenue from digital media segment recorded approximately HK\$33.1 million, HK\$47.7 million and HK\$38.5 million for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively, representing approximately 45.4%, 48.2% and 60.1% of total revenue for the same periods, respectively; our revenue from e-commerce segment recorded approximately HK\$39.7 million, HK\$51.3 million and HK\$25.6 million for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively, representing approximately 54.6%, 51.8% and 39.9% of total revenue for the same periods, respectively.

Some of our digital media customers are from the fashion industries, including producers of clothing, shoes and accessories. The revenue and growth of the fashion industry is highly sensitive to the general economic performance regionally and globally. Should the fashion industry suffers a downturn or be affected by fluctuations in the macroeconomic conditions, the branding and marketing budgets of brand owners conducting business with us may be adversely affected. As budgets of brand owners are closely related to the economic trend, our Group is indirectly exposed to the economic factors and risks that affect such brand owners, such as the economic conditions of the US, EU, Hong Kong, the PRC, Taiwan and other Asian countries, the general industry trend, the consumption behaviour of consumers and government policies. Our e-commerce platform would also be adversely affected if consumers are less willing to spend money on fashionable items due to economic downturn. This would have an impact on our business and financial performance.

FINANCIAL INFORMATION

Our ability to offer digital media content and e-commerce products that attract customers

We believe that our ability to provide services satisfactory to the brand owners and advertising agencies is critical to our digital media segment. Therefore, we must keep abreast of the emergence of new digital media services in order to keep up with the changing demand of brand owners and advertising agencies. Should we fail to stay ahead of the industry trend and rapidly respond to the latest developments and the needs of our digital media customers in terms of offerings and pricing of our services, the continual growth of our business may be affected. To maintain our attractiveness, our digital media platforms and social media platforms are constantly updated to provide up-to-date information on fashion, lifestyle, culture and music that appeals to our visitors.

For our e-commerce business, we believe that constantly changing fashion trend and consumer preferences have affected and will continue to affect the e-commerce industry. We must stay abreast of emerging consumer preferences and anticipate product trends that appeal to existing and potential online shoppers, and any failure to identify and respond to such trends could result in decreased number of visitors to our e-commerce platform. This may in turn lead to significant adverse effects on our business, financial condition and results of operations.

Service and product mix

Our profitability and results of operations are affected by our service and product mix. We mainly provide advertising services under the digital media segment, including the provision of advertisement spaces and services and creative agency services. Our e-commerce segment includes sales of variety of third-party branded products in our e-commerce platform. Our gross profit margins vary between business segments attributable to our different product and service portfolios. Our service and product mix may change over time and the magnitude of such change has a direct impact on our revenue and profitability. The following table sets forth a breakdown of our revenue, gross profit and gross profit margins by business segments for the periods indicated:

	Year ended 31 March						Six months ended 30 September					
	2014			2015			2014			2015		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	
	(unaudited)											
Digital												
media	33,101	25,696	77.6	47,651	36,127	75.8	21,508	17,792	82.7	38,498	29,584	76.8
E-commerce	39,732	17,898	45.0	51,280	21,665	42.2	24,555	11,423	46.5	25,593	13,097	51.2
Overall	<u>72,833</u>	<u>43,594</u>	59.9	<u>98,931</u>	<u>57,792</u>	58.4	<u>46,063</u>	<u>29,215</u>	63.4	<u>64,091</u>	<u>42,681</u>	66.6

FINANCIAL INFORMATION

Changes in service and product mix have affected, and are expected to continue to affect, our financial performance as different products or services generate different gross profits depending on factors such as cost structures and marketing and pricing strategies. The fluctuation of our overall gross profit margin was principally attributable to change in sales mix in our services and products. Going forward, we will continue to evaluate and adjust portfolio of our service and product offerings from time to time so as to focus on products with higher profit margins, greater market demand and better potential to maintain or increase our profitability.

Attraction and retention of talented staff and staff costs

We believe our employees are the most important asset, and we intend to continue to invest in hiring and retaining talented employees to find better ways to serve our customers and grow our business. During the Track Record Period, we retained a management team with extensive industry experiences and a creative workforce. As at 30 September 2015, excluding temporary employees, we had 101 full-time employees, an increase of 59 employees or approximately 140.5%, from 42 as at 1 April 2013. We expect to grow our headcount in selected functions, particularly in editorial, production and sales and marketing functions.

We believe that it is important to attract and develop our newly hired personnel and to retain our key existing employees in order to continue to grow and manage our business successfully.

Besides, we believe that a positive work environment encourages better staff relation and retention, as well as enhancing the quality of our service by motivating staff. We are committed to foster a work environment which attracts and inspires people to excel in their work performance by implementing an incentive scheme to align remuneration with performance. As part of our continuing efforts to enhance the quality of our service, we will also encourage our staff to attend internal and external training to keep abreast of latest development in order to support our business growth.

Our total staff costs including Director's remuneration amounted to approximately HK\$11.3 million, HK\$19.4 million and HK\$12.4 million for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively. The overall increase in staff costs was due to expansion of our workforce.

FINANCIAL INFORMATION

For illustrative purpose only, the table below illustrates the sensitivity on our net profit after tax resulting from hypothetical fluctuation in staff costs for the years/period indicated:

Hypothetical fluctuations <i>(Note 1)</i>	+/-20% HK\$'000
Increase/decrease in staff costs	
Year ended 31 March 2014	+/-2,257
Year ended 31 March 2015	+/-3,880
Six months ended 30 September 2015	+/-2,480
Decrease/increase in net profit after tax <i>(Note 2)</i>	
Year ended 31 March 2014	-/+1,885
Year ended 31 March 2015	-/+3,240
Six months ended 30 September 2015	-/+2,071

Notes:

1. Hypothetical fluctuation is assumed to be 20% with reference to the change in our average staff costs (including Director's remuneration) during the Track Record Period.
2. Save for the hypothetical fluctuation in staff costs and related income tax effect, all other factors are assumed to be unchanged.

For each of the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, our net profit after tax amounted to approximately HK\$10.3 million, HK\$9.1 million and HK\$7.1 million, respectively. For illustrative purpose, we would have recorded a breakeven in our net profit if our staff costs increased by approximately 109.4%, 55.9% and 68.2%, respectively, during the corresponding period.

Effectiveness of sales and marketing efforts

We believe attracting visitors to our digital media platforms in a cost-efficient way and converting them into profitable online shoppers of our e-commerce platform is critical to our continued growth. We have incurred and will continue to incur significant expenses in marketing through a broad range of channels to drive website traffic, win new customers, grow revenue and enhance our overall brand awareness. Marketing expenses include expenses for online marketing, such as via search engine marketing and social media platform. In addition, our Directors believe that our brand and digital media platforms are highly effective marketing channels for our e-commerce business. Visitors of our digital media platforms and accounts on social media platforms may find an item we reported of particular interest and our e-commerce platform provides a convenient way for them to purchase the item.

CRITICAL ACCOUNTING POLICIES, JUDGEMENT AND ESTIMATES

We have identified certain accounting policies and estimates that are significant to the preparation of our combined financial statements in accordance with HKFRSs. The Accountants' Report in Appendix I to this prospectus set forth these significant accounting policies and estimates in note 4 and note 5. Some of our accounting policies involve subjective assumptions and estimates, as well as judgments that affect the application of policies and reported amounts

FINANCIAL INFORMATION

of assets, liabilities, income and expenses. Our estimates are based on historical experience and other factors that are considered to be relevant. Actual results may differ under different assumptions and conditions. We believe the following accounting policies, estimates and judgements are of critical importance to us in the preparation of our combined financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Our revenue includes revenues from sales of goods through online stores, advertising services including provision of advertisement spaces and services, creative agency services and publication of magazines.

E-commerce

Revenue from the e-commerce business is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- our Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- our Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Consignment sales

When the goods sold on our e-commerce platform are derived from consignment arrangements under which our Group in substance acts as an agent that takes physical possession of the goods, but does not assume all of the risks and rewards, the consideration received and receivable is recognised as revenue net of all costs borne by the consignor and consignor's margin at which time all the above conditions in relation to the sales of goods through online stores are satisfied.

FINANCIAL INFORMATION

Provision of advertising spaces

Income from the provision of advertising spaces is recognised on a straight-line basis over the period of publicity, at which time all the following conditions are satisfied:

- it is probable that the economic benefits associated with the transaction will flow to our Group upon the satisfaction of target impression rate or click rate set out in respective contract; and
- the relevant services relating to the production of our advertisement has been rendered.

Creative agency services

Creative agency services consist of project-based production of advertisement (including photo shooting, video production and editorial work prior to the publishing on advertising spaces) and the provision of advertising spaces. Income from creative agency services is recognised on a straight-line basis over the period of publicity, at which time all the following conditions are satisfied:

- it is probable that the economic benefits associated with the transaction will flow to our Group upon the satisfaction of target impression rate or click rate set out in respective contract; and
- the relevant services relating to the production of the advertisement has been rendered.

Publication of magazines

Income from publication of magazines is recognised when authorisation for access to magazines has been granted to the subscribers.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sales.

FINANCIAL INFORMATION

Revenue recognition as principal or agent

Management of our Group take into account the specific features and contractual terms in relation to sales transaction and exercises judgement in determining whether the group entities are acting as principal or agent in revenue generating activities. In particular, when our Group, based on the relevant agreements, is acting as an agent for products selling on our online stores, the sale is treated as a consignment sale. The consideration received and receivable from such transaction is recognised as service income calculated based on revenue net of all costs shared by the consignor, while for other arrangement where our Group is acting as the principal, the revenue is recognised on a gross basis in accordance with the accounting policies stated above. The total amount of consignment sales recognised on net basis for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015 were approximately HK\$1.1 million, HK\$6.3 million and HK\$1.7 million, respectively.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, our Group takes into consideration the estimation of future cash flows. The amount of the impairment loss 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 been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of trade receivables as at 31 March 2014 and 2015 and 30 September 2015 was approximately HK\$15.4 million, HK\$11.4 million and HK\$19.6 million, respectively, net of allowance of doubtful debts of approximately HK\$1.0 million, HK\$1.7 million and HK\$1.2 million, respectively.

Estimated write-down of inventories

When there is objective evidence of write down in value, in which case the inventories are in obsolete condition or the costs of inventories are lower than the net realisable value, the amount of the write-down is measured as the difference between the asset's carrying amount and the net realisable value. The management estimates the net realisable value based on the estimated selling price for inventories less all estimated costs necessary to make the sale. To the extent that the net realisable value exceeds the carrying amount, a material write-down may arise. The carrying amount of inventories as at 31 March 2014 and 2015 and 30 September 2015 was approximately HK\$5.1 million, HK\$10.5 million and HK\$14.3 million, respectively. Inventories of approximately HK\$209,000, HK\$10,000 and nil were written down during the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively.

FINANCIAL INFORMATION

SUMMARY OF RESULTS OF OPERATIONS

The following table sets forth the combined statements of profit or loss and other comprehensive income during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	Year ended 31 March		Six months ended 30 September	
	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Revenue	72,833	98,931	46,063	64,091
Cost of revenue	(29,239)	(41,139)	(16,848)	(21,410)
Gross profit	43,594	57,792	29,215	42,681
Other gain and losses	(1,639)	(1,511)	(867)	(252)
Selling and marketing expenses	(14,187)	(22,145)	(9,958)	(13,850)
Administrative and operating expenses	(15,315)	(23,072)	(11,122)	(14,145)
Listing expenses	–	–	–	(4,741)
Finance costs	(41)	(87)	(27)	(72)
Profit before tax	12,412	10,977	7,241	9,621
Income tax expense	(2,106)	(1,922)	(1,188)	(2,562)
Profit and total comprehensive income for the year/period	10,306	9,055	6,053	7,059

DESCRIPTION OF SELECTED ITEMS IN STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our business is operated under the digital media segment and the e-commerce segment. In our digital media segment, we generate revenue from the provision of advertising services including provision of advertising spaces and creative agency services as well as publication of magazines for subscription. In our e-commerce segment, we generate revenue from sale of third-party branded products through our e-commerce platform. Our total revenue increased by approximately 35.9% from approximately HK\$72.8 million for the year ended 31 March 2014 to approximately HK\$98.9 million for the year ended 31 March 2015. Our revenue increased by approximately 39.0% from approximately HK\$46.1 million for the six months ended 30 September 2014 to approximately HK\$64.1 million for the six months ended 30 September 2015.

FINANCIAL INFORMATION

The following table sets forth, for the periods indicated, the breakdown of our revenue by business segments:

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	Revenue <i>HK\$'000</i>	Percentage of segment revenue %	Revenue <i>HK\$'000</i>	Percentage of segment revenue %	Revenue <i>HK\$'000</i>	Percentage of segment revenue %	Revenue <i>HK\$'000</i>	Percentage of segment revenue %
	(unaudited)							
Digital media	33,101	45.4	47,651	48.2	21,508	46.7	38,498	60.1
E-commerce	39,732	54.6	51,280	51.8	24,555	53.3	25,593	39.9
Total	<u>72,833</u>	<u>100.0</u>	<u>98,931</u>	<u>100.0</u>	<u>46,063</u>	<u>100.0</u>	<u>64,091</u>	<u>100.0</u>

The following table sets forth the breakdown of our revenue by geographical locations for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	Revenue <i>HK\$'000</i>	%	Revenue <i>HK\$'000</i>	%	Revenue <i>HK\$'000</i>	%	Revenue <i>HK\$'000</i>	%
	(unaudited)							
The US	32,541	44.7	47,472	48.0	20,304	44.1	32,700	51.0
Hong Kong	6,336	8.7	10,105	10.2	5,326	11.6	9,162	14.3
PRC	3,741	5.1	7,460	7.5	3,576	7.8	4,067	6.3
United Kingdom	4,709	6.5	6,030	6.1	3,985	8.7	2,598	4.1
Canada	3,417	4.7	3,127	3.2	1,264	2.7	2,380	3.7
Singapore	3,080	4.2	4,744	4.8	2,326	5.0	1,206	1.9
Australia	3,112	4.3	3,319	3.4	1,922	4.2	1,418	2.2
Others ^(Note)	15,897	21.8	16,674	16.8	7,360	15.9	10,560	16.5
	<u>72,833</u>	<u>100.0</u>	<u>98,931</u>	<u>100.0</u>	<u>46,063</u>	<u>100.0</u>	<u>64,091</u>	<u>100.0</u>

Note: Others include sales to other countries which individually contributed less than 3% of the total revenue of our Group for each respective financial year or period, including the Sanctioned Countries.

The increase in our revenue during the Track Record Period was primarily attributable to (i) the increase in revenue from the US mainly due to our engagement of certain consultants overseas since mid-2014, who assisted us in negotiating with and maintaining a good relationship with our existing digital media customers or introduced new digital media customers to us. For details of consultants, please refer to the section headed “Business — Consultants and freelancers” in this prospectus; and (ii) the increase in revenue from the PRC and Hong Kong mainly due to our increased efforts in enriching Chinese-language content, which attracted brand owners and advertising agencies targeting Chinese-speaking communities for our advertising services.

FINANCIAL INFORMATION

The following table sets forth the breakdown of our revenue from the digital media segment by platform type for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	Revenue	Percentage of segment revenue	Revenue	Percentage of segment revenue	Revenue	Percentage of segment revenue	Revenue	Percentage of segment revenue
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Digital media								
– Hypebeast	31,053	93.8	45,294	95.1	20,677	96.1	35,314	91.7
– Hypetrak	500	1.5	861	1.8	346	1.6	830	2.2
– Popbee	1,548	4.7	1,496	3.1	485	2.3	2,354	6.1
Total	33,101	100	47,651	100	21,508	100	38,498	100

Our revenue generated from the Hypebeast platform contributed significantly to over 90% of the total revenue for digital media services during the Track Record Period. The reasons of its notable increase were in line with the increase in revenue from the whole digital media segment, primarily due to (i) the increased number of advertisement contracts primarily resulting from the increased popularity of our digital media platforms; and (ii) our commencement of creative agency services in February 2014.

The following table sets forth the selected operational data for the periods indicated:

	Year ended 31 March		Six months ended 30 September	
	2014	2015	2014	2015
Digital media business				
Revenue (HK\$'000)	33,101	47,651	21,508	38,498
Number of contracts	280	366	162	221
Average contract value (HK\$'000)	114	142	133	220
Average MUV ('000) (Notes 1 & 2)				
– Hypebeast	2,058	2,609	2,322	3,167
– Hypetrak	533	536	475	509
– Popbee	71	90	63	233
Total average MUV ('000) (Notes 1 & 2)	2,662	3,235	2,860	3,909
Average MPV ('000) (Note 1)				
– Hypebeast	26,400	31,019	25,859	39,423
– Hypetrak	3,047	2,734	2,600	3,698
– Popbee	573	758	470	2,033
Total average MPV ('000) (Note 1)	30,020	34,511	28,929	45,154

Notes:

- (1) The average MUV/MPV is calculated by total MUVs/MPVs for the year/period divided by the number of months in the year/period.
- (2) The aggregate number of unique visitors of our integrated digital platforms or followers of our accounts on social media platforms may include the same visitor or follower more than once if he/she visits two or more of our websites or our accounts on social media platforms.

FINANCIAL INFORMATION

Our revenue for our digital media services increased notably during the Track Record Period with continuous increase in both the number of contracts and the average contract value as compared to the previous year or period. Our increased aggregate average MPVs and MUVs for our platforms during the Track Record Period, as a reflection of the increased level of traffic to our integrated digital platforms, helped to increase the number of impressions achieved by the advertisements posted on our platforms and attract more advertisers and marketers to use our digital media services.

Revenue from the e-commerce segment

Our revenue from the e-commerce business is recognised when our goods are delivered and title have passed, once the goods leave our warehouse. The increase in revenue from the e-commerce segment during the Track Record Period was mainly because we sold a larger number of products for our existing brands and we continued to seek for new brands that was appealing to our online shoppers.

The following table sets forth the breakdown of revenue, number of items sold and average selling price from the e-commerce business for the periods indicated:

	Year ended 31 March		Six months ended 30 September	
	2014	2015	2014	2015
Revenue ^(Note) (HK\$'000)	39,732	51,280	24,555	25,593
No. of items sold	96,000	130,000	67,000	67,000
Average selling price (HK\$/item)	413.9	394.5	366.5	382.0
Average value per order (HK\$/order)	984.1	1,049.1	1,023.1	1,066.4
Average number of items per order (items/order)	2.4	2.7	2.8	2.7

Note: The total amount of the revenue generated from the e-commerce segment included commission fee from consignment sales of approximately HK\$1.1 million, HK\$6.3 million and HK\$1.7 million for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively.

In order to diversify our product portfolios, we continued to select and attract new brands that were sought after by our audience during the Track Record Period. Some of such new brands are popular but with relatively lower selling prices. Our average selling price decreased during the Track Record Period because more items of such relatively lower prices were sold. On the other hand, our number of items sold increased during the year ended 31 March 2015 mainly due to our efforts to diversify the product portfolios on our e-commerce platform. Our number of items sold for the six months ended 30 September 2015 were similar to that for the corresponding period in 2014. Our average value per order and average number of items per order remained relatively stable for each of the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015.

FINANCIAL INFORMATION

Cost of revenue

Our cost of revenue mainly comprises (i) the cost of goods sold attributable to the cost of products sold on our e-commerce platform; (ii) staff costs mainly for our production and editorial teams; (iii) editorial and production costs; (iv) inbound freight charges for the delivery of our merchandise to our warehouses for our e-commerce business; and (v) others. Editorial and production costs mainly represent expenses paid to third-party service providers and expenses for editorial works incurred for providing our advertising services and editorial shoot fees. Others mainly represent server fees, printing cost, network cost, packing materials and other miscellaneous expenses. The following table sets forth, for the periods indicated, a breakdown of our cost of revenue by nature:

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Cost of goods sold	20,268	69.3	27,417	66.7	11,903	70.6	11,221	52.4
Staff costs	3,269	11.2	4,984	12.1	1,720	10.2	3,808	17.8
Editorial and production costs	2,514	8.6	4,980	12.1	1,667	9.9	3,978	18.6
Inbound freight charges	1,263	4.3	1,894	4.6	1,005	6.0	1,149	5.4
Others	1,925	6.6	1,864	4.5	553	3.3	1,254	5.8
	<u>29,239</u>	<u>100.0</u>	<u>41,139</u>	<u>100.0</u>	<u>16,848</u>	<u>100.0</u>	<u>21,410</u>	<u>100.0</u>

The following table sets out the breakdown of our cost of revenue by business segment during the Track Record Period:

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Digital media	7,405	25.3	11,524	28.0	3,716	22.1	8,914	41.6
E-commerce	21,834	74.7	29,615	72.0	13,132	77.9	12,496	58.4
Total	<u>29,239</u>	<u>100.0</u>	<u>41,139</u>	<u>100.0</u>	<u>16,848</u>	<u>100.0</u>	<u>21,410</u>	<u>100.0</u>

Cost of revenue from our digital media segment mainly includes staff costs, editorial and production costs and others. Cost of revenue from our e-commerce segment mainly includes cost of goods sold, inbound freight charges and others.

FINANCIAL INFORMATION

Our cost of goods sold accounted for approximately 69.3%, 66.7% and 52.4% for the cost of revenue for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively. For illustrative purpose only, the table below illustrates the sensitivity on our net profit after tax resulting from hypothetical fluctuation in cost of goods sold for the years/period indicated:

Hypothetical fluctuations ^(Note 1)	+/-25% HK\$'000
<i>Increase/decrease in cost of goods sold</i>	
Year ended 31 March 2014	+/-5,067
Year ended 31 March 2015	+/-6,854
Six months ended 30 September 2015	+/-2,805
<i>Decrease/ increase in profit after tax</i> ^(Note 2)	
Year ended 31 March 2014	-/+4,231
Year ended 31 March 2015	-/+5,723
Six months ended 30 September 2015	-/+2,342

Notes:

1. Hypothetical fluctuation is assumed to be 25% with reference to the change in our cost of goods sold during the Track Record Period.
2. Save for the hypothetical fluctuation in cost of goods sold and related income tax effect, all other factors are assumed to be unchanged.

For illustrative purpose, we could have recorded a breakeven in our net profit after tax if our cost of goods sold increased by approximately 60.9%, 39.6% and 75.3%, respectively, for the year ended 31 March 2014 and 2015 and the six months ended 30 September 2015.

Gross profit and gross profit margin

Our gross profit was approximately HK\$43.6 million, HK\$57.8 million and HK\$42.7 million for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively, representing gross profit margin of approximately 59.9%, 58.4% and 66.6% for the same periods, respectively. The decrease in gross profit margin in the digital media segment was mainly because more tailor-made advertising services were provided and more production staff were employed during the Track Record Period. The increase in the gross profit margin for the e-commerce segment for the six months ended 30 September 2015 compared to the same period in the previous year was mainly due to (i) the improvement of gross profit margins of certain existing brands including the brand supplied by our largest supplier and other top selling brands from an increase in the retail selling prices and a higher mark-up as compared to the same period in 2014 in relation to a change in the pricing strategy adopted by the brand owners to enhance their brand image and market position; (ii) an adjustment of our product mix as we sourced more products with higher gross profit margins; and (iii) the introduction of a number of new brands which carried higher gross profit margins during the six months ended 30 September 2015 as part of our effort to enhance your brand portfolio and increase our product variety. We strive to maintain and enhance the overall gross profit margin of our e-commerce segment by (i) increasing the variety of products offered on our e-commerce platform such that we are not

FINANCIAL INFORMATION

Selling and marketing expenses

Our selling and marketing expenses primarily consist of (i) outbound freight charges for distribution of products to our customers for our e-commerce business; (ii) advertising and promotion expenses; (iii) staff costs attributable to the salary of our staff engaged in sales and marketing and distribution activities; (iv) consultancy fees; (v) commissions; (vi) payment gateway charges attributable to fees for our online payment channels for our e-commerce business; and (vii) others including bank charges and duty and tax charges. Consultancy fees related to expenses paid to third-party consultants for communicating with our existing digital media customers overseas and sourcing new advertising business for us. Commissions mainly include commissions paid to our sales staff and commissions related to engaging affiliate marketing services provided by a third-party website for our e-commerce business. As a percentage of total revenue, our selling and marketing expenses accounted for approximately 19.5%, 22.4% and 21.6% for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively.

The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(unaudited)							
Outbound freight charges	5,959	42.0	7,962	36.0	3,922	39.4	3,664	26.5
Advertising and promotion expenses	2,159	15.2	4,585	20.7	2,260	22.7	1,856	13.4
Staff costs	1,772	12.5	2,653	12.0	1,421	14.3	1,363	9.8
Consultancy fees	–	–	2,472	11.2	689	6.9	3,944	28.5
Commissions	2,757	19.4	2,361	10.6	755	7.6	1,767	12.8
Payment gateway charges	763	5.4	830	3.7	436	4.4	320	2.3
Others	777	5.5	1,282	5.8	475	4.7	936	6.7
	<u>14,187</u>	<u>100.0</u>	<u>22,145</u>	<u>100.0</u>	<u>9,958</u>	<u>100.0</u>	<u>13,850</u>	<u>100.0</u>

FINANCIAL INFORMATION

Administrative and operating expenses

Our administrative and operating expenses primarily comprise (i) staff costs for our administrative staff and Directors' remuneration; (ii) website content update expenses which mainly represent expenses paid to freelancers for editing our content on our digital media platforms; (iii) travelling and entertainment expenses; (iv) rental expenses for our office and warehouses; (v) depreciation for property, plant and equipment; (vi) office and utility expenses; and (vii) others. Our other administrative and operating expenses mainly include legal and professional fees, insurance expenses, subscription fees for software systems, inventories written-off and other miscellaneous expenses related to administrative and operating activities. Inventories written-off were approximately HK\$209,000, HK\$10,000 and nil for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015. As a percentage of total revenue, our administrative and operating expenses accounted for approximately 21.0%, 23.3% and 22.1% for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively.

The following table sets forth a breakdown of our administrative and operating expenses for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Staff costs	6,065	39.6	11,582	50.2	4,987	44.8	7,139	50.5
Website content update expenses	2,284	14.9	3,146	13.6	1,580	14.2	1,996	14.1
Travelling and entertainment expenses	2,494	16.3	2,250	9.8	1,695	15.2	688	4.9
Rental expenses	1,317	8.6	1,151	5.0	581	5.2	742	5.2
Depreciation expenses	869	5.7	1,176	5.1	588	5.3	540	3.8
Office and utility expenses	964	6.3	1,293	5.6	602	5.4	568	4.0
Others	1,322	8.6	2,474	10.7	1,089	9.9	2,472	17.5
	<u>15,315</u>	<u>100.0</u>	<u>23,072</u>	<u>100.0</u>	<u>11,122</u>	<u>100.0</u>	<u>14,145</u>	<u>100.0</u>

Finance costs

Finance costs mainly comprise interest charges on our bank borrowings and finance leases. Our finance leases represented leases for motor vehicles during the Track Record Period. Finance costs amounted to approximately HK\$41,000, HK\$87,000 and HK\$72,000 for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively.

FINANCIAL INFORMATION

Income tax expense

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

(i) *Cayman Islands/BVI profits tax*

Our Group has not been subject to any taxation in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions.

(ii) *Hong Kong profits tax*

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Track Record Period.

Our income tax expense was approximately HK\$2.1 million, HK\$1.9 million and HK\$2.6 million for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively. The effective tax rate for the same period was approximately 17.0%, 17.5% and 26.6%, respectively. The higher effective tax rate for the six months ended 30 September 2015 was mainly attributable to the listing expenses incurred during the period which were not deductible for tax purpose.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had fulfilled all our income tax obligations and have not had any material unresolved income tax issues or disputes with the relevant tax authorities.

Profit for the year/period

As a result of the foregoing, our profit for the year/period recorded approximately HK\$10.3 million, HK\$9.1 million and HK\$7.1 million for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively. Our net profit margin during the Track Record Period was approximately 14.2%, 9.2% and 11.0% for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively. The lower net profit margin for the year ended 31 March 2015 was mainly due to the increased selling and marketing efforts including increased advertising and promotion expenses incurred for our e-commerce platform as a result of the expansion of our e-commerce business and the engagement of third-party consultants since mid-2014 to support our digital media services. The effect of our increased sales and marketing efforts was not fully reflected in the year ended 31 March 2015.

REVIEW OF HISTORICAL RESULTS OF OPERATION

Six months ended 30 September 2015 compared to six months ended 30 September 2014

Revenue

Our revenue increased by approximately 39.0% from approximately HK\$46.1 million for the six months ended 30 September 2014 to approximately HK\$64.1 million for the six months ended 30 September 2015 mainly resulted from the increase in revenue from the digital media segment.

FINANCIAL INFORMATION

Revenue from the digital media segment increased by approximately 79.1% from approximately HK\$21.5 million for the six months ended 30 September 2014 to approximately HK\$38.5 million for the six months ended 30 September 2015, which was mainly attributable to (i) the increase in the number of advertisement contracts primarily resulting from the increased popularity of our digital media platforms as reflected by the increased number of MPVs; and (ii) the engagement of third-party consultants for our digital media business in the US began in mid-2014.

Revenue from the e-commerce business segment grew moderately from approximately HK\$24.6 million for the six months ended 30 September 2014 to approximately HK\$25.6 million for the six months ended 30 September 2015.

Cost of revenue

Cost of revenue increased by approximately 27.4% from approximately HK\$16.8 million for the six months ended 30 September 2014 to approximately HK\$21.4 million for the six months ended 30 September 2015, which was mainly because more resources were put to enrich our content on our digital media platforms resulting in (i) the increase in editorial and production costs of approximately HK\$2.3 million; and (ii) the increase in staff costs of approximately HK\$2.1 million primarily resulting from the increase in headcount attributable to our cost of revenue from 36 as at 30 September 2014 to 44 as at 30 September 2015.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 46.2% from approximately HK\$29.2 million for the six months ended 30 September 2014 to approximately HK\$42.7 million for the six months ended 30 September 2015. Our gross profit margin increased from approximately 63.4% for the six months ended 30 September 2014 to approximately 66.6% for the six months ended 30 September 2015, which was mainly due to the increase in gross profit margin from the e-commerce segment partially offset by the decrease in gross profit margin from the digital media segment.

Our gross profit margin from the digital media segment decreased from approximately 82.7% for the six months ended 30 September 2014 to approximately 76.8% for the six months ended 30 September 2015, which was mainly because (i) we provided more tailor-made advertising services which entailed relatively lower gross profit margins due to higher editorial and production costs paid to third-party service providers; and (ii) we endeavoured to enhance our digital media production capability by employing more production staff.

Our gross profit margin from the e-commerce segment increased from approximately 46.5% for the six months ended 30 September 2014 to approximately 51.2% for the six months ended 30 September 2015, mainly due to (i) the improvement of gross profit margin of certain existing brands including the brand supplied by our largest supplier and other top selling brands from an increase in the retail selling prices and a higher mark-up as compared to the same period in 2014 in relation to a change in the pricing strategy adopted by the brand owners to enhance their brand image and market position; (ii) an adjustment of our product mix as we sourced more products with higher gross profit margins; and (iii) the introduction of a number of new brands which carried higher gross profit margins during the six months ended 30 September 2015 as part of our effort to enhance our brand portfolio and increase our product variety.

Other gain and losses

Our net other losses decreased from approximately HK\$0.9 million for the six months ended 30 September 2014 to approximately HK\$0.3 million for the six months ended 30

FINANCIAL INFORMATION

September 2015, which was mainly attributable to the decrease in the allowance for doubtful debts and the gain recognised on disposal of a motor vehicle during the six months ended 30 September 2015.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately 39.0% from approximately HK\$10.0 million for the six months ended 30 September 2014 to approximately HK\$13.9 million for the six months ended 30 September 2015. The increase was primarily due to the increase in consultancy fee of approximately HK\$3.3 million primarily attributable to additional third-party consultants engaged for our digital media business.

Administrative and operating expenses

Our administrative and operating expenses increased by approximately 27.0% from approximately HK\$11.1 million for the six months ended 30 September 2014 to approximately HK\$14.1 million for the six months ended 30 September 2015, which was mainly due to the increase in staff cost of approximately HK\$2.2 million primarily attributable to the increase in our administrative and operations headcount from 16 as at 30 September 2014 to 25 as at 30 September 2015 driven by our business growth.

Finance costs

Our finance costs amounted to approximately HK\$27,000 and HK\$72,000 for the six months ended 30 September 2014 and 2015, respectively.

Income tax expense

Income tax expense increased by approximately 116.7% from approximately HK\$1.2 million for the six months ended 30 September 2014 to approximately HK\$2.6 million for the six months ended 30 September 2015, which was mainly due to the increase in profit before tax. The effective tax rate increased from approximately 16.4% for the six months ended 30 September 2014 to approximately 26.6% for the six months ended 30 September 2015 mainly attributable to the listing expenses incurred for the six months ended 30 September 2015 which were not deductible for tax purpose.

Profit for the period

As a result of the foregoing, profit for the period increased by approximately 16.4% from approximately HK\$6.1 million for the six months ended 30 September 2014 to approximately HK\$7.1 million for the six months ended 30 September 2015. Our net profit margin decreased from approximately 13.1% for the six months ended 30 September 2014 to approximately 11.0% for the six months ended 30 September 2015, which was mainly due to the one-off listing expenses incurred for the six months ended 30 September 2015.

FINANCIAL INFORMATION

Year ended 31 March 2015 compared to year ended 31 March 2014

Revenue

Our revenue increased by approximately 35.9% from approximately HK\$72.8 million for the year ended 31 March 2014 to approximately HK\$98.9 million for the year ended 31 March 2015, which resulted from the increase in revenue from both the digital media segment and the e-commerce segment.

Revenue from the digital media segment increased by approximately 44.1% from approximately HK\$33.1 million for the year ended 31 March 2014 to approximately HK\$47.7 million for the year ended 31 March 2015, which was mainly attributable to the increased number of advertisement contracts for our advertising services primarily resulting from (i) our effort in enriching our digital media content to attract more visitors and followers and thereby brand owners and advertising agencies for our advertising services; and (ii) engagement of our third-party consultants for our digital media business overseas since mid-2014.

Revenue from the e-commerce business segment increased by approximately 29.2% from approximately HK\$39.7 million for the year ended 31 March 2014 to approximately HK\$51.3 million for the year ended 31 March 2015, which was mainly because (i) we sold a larger number of products for our existing brands for the year ended 31 March 2015; and (ii) new fashion brands were selected and offered for sales that was appealing to our online shoppers. The number of items we sold on our e-commerce platform increased from approximately 96,000 for the year ended 31 March 2014 to approximately 130,000 for the year ended 31 March 2015, representing an increase of approximately 35.4%.

Cost of revenue

Cost of revenue increased by approximately 40.8% from approximately HK\$29.2 million for the year ended 31 March 2014 to approximately HK\$41.1 million for the year ended 31 March 2015, which was mainly due to (i) the increase in cost of goods sold of approximately HK\$7.1 million primarily resulting from the increase in the number of items sold on our e-commerce platform; (ii) the increase in editorial and production costs of approximately HK\$2.5 million mainly attributable to more resources put to enrich our digital media content and more production costs incurred for our increased number of advertisement contracts obtained; (iii) the increase in staff costs of approximately HK\$1.7 million primarily resulting from the increase in headcount attributable to our cost of revenue from 25 as at 31 March 2014 to 39 as at 31 March 2015; and (iv) the increase in inbound freight charges of approximately HK\$0.6 million driven by the increased number of items sold for our e-commerce business.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 32.6% from approximately HK\$43.6 million for the year ended 31 March 2014 to approximately HK\$57.8 million for the year ended 31 March 2015. Our gross profit margin decreased from approximately 59.9% for the year ended 31 March 2014 to approximately 58.4% for the year ended 31 March 2015, which was mainly due to the decrease in gross profit margin from both the e-commerce segment and the digital media segment.

FINANCIAL INFORMATION

Our gross profit margin from the digital media segment decreased from approximately 77.6% for the year ended 31 March 2014 to approximately 75.8% for the year ended 31 March 2015, which was mainly because more tailor-made advertising services were provided resulting in lower gross margins given the higher production costs paid to third-party services providers.

Our gross profit margin from the e-commerce business segment decreased from approximately 45.0% for the year ended 31 March 2014 to approximately 42.2% for the year ended 31 March 2015, primarily attributable to (i) larger sales of products which usually entailed lower gross profit margins; and (ii) more discounted items offered for clearance sales.

Other gain and losses

Our other losses remained relatively stable at approximately HK\$1.6 million and HK\$1.5 million for the years ended 31 March 2014 and 2015, respectively.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately 55.6% from approximately HK\$14.2 million for the year ended 31 March 2014 to approximately HK\$22.1 million for the year ended 31 March 2015. The increase was primarily due to (i) the increase in advertising and promotion expenses of approximately HK\$2.4 million mainly as a result of our increased usage of search engine marketing and paid advertisements displayed on social media platforms; (ii) the consultancy fees of approximately HK\$2.5 million paid to third-party consultants for the year ended 31 March 2015; (iii) the increase in outbound freight charges of approximately HK\$2.0 million mainly driven by the growth of our e-commerce segment; and (iv) the increase in staff costs of approximately HK\$0.9 million primarily resulting from the increase in our sales and marketing headcount from 25 as at 31 March 2014 to 35 as at 31 March 2015.

Administrative and operating expenses

Our administrative and operating expenses increased by approximately 51.0% from approximately HK\$15.3 million for the year ended 31 March 2014 to approximately HK\$23.1 million for the year ended 31 March 2015, which was mainly due to the increase in staff costs of approximately HK\$5.5 million primarily resulting from the increase of administrative and operations headcount from 15 as at 31 March 2014 to 23 as at 31 March 2015 driven by our business growth.

Finance costs

Our finance costs amounted to approximately HK\$41,000 and HK\$87,000 for the years ended 31 March 2014 and 2015, respectively.

FINANCIAL INFORMATION

Income tax expense

Income tax expense decreased by approximately 9.5% from approximately HK\$2.1 million for the year ended 31 March 2014 to approximately HK\$1.9 million for the year ended 31 March 2015, which was mainly due to the decrease in profit before tax. The effective tax rate remained relatively stable at approximately 17.0% and 17.5% for the year ended 31 March 2014 and 2015, respectively.

Profit for the year

As a result of the foregoing, profit for the year decreased by approximately 11.7% from approximately HK\$10.3 million for the year ended 31 March 2014 to approximately HK\$9.1 million for the year ended 31 March 2015. Our net profit margin decreased from approximately 14.2% for the year ended 31 March 2014 to approximately 9.2% for the year ended 31 March 2015 which was mainly due to (i) the decrease in gross profit margin from both the e-commerce segment and the digital media segment; (ii) the increase in our selling and marketing expenses as a percentage of our revenue primarily attributable to (a) the increase in our outbound freight charges for distribution of our goods and advertising and promotion expenses including search engine marketing and paid advertisements for our e-commerce platform as a result of the expansion of our e-commerce business, and (b) the engagement of consultants for our digital media business since mid-2014 to support our digital media services; and (iii) the increase in our administrative and operations staff costs driven by the growth in our scale of operation for both e-commerce and digital media segments. The effect of our increased sales and marketing efforts was not fully reflected in the year ended 31 March 2015.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are for operating expenses and capital expenditure, and have been funded through a combination of cash generated from our operations and bank borrowings. Our Directors confirm that we were able to repay our bank borrowings when they became due. We currently expect that there will not be any material change in the sources and uses of cash of our Group, except for the additional funds from proceeds of the Placing for implementing our future plans as detailed under the section headed “Statement of Business Objectives and Use of Proceeds” in this prospectus.

FINANCIAL INFORMATION

The following table summarises, for the periods indicated, our statements of cash flows:

	Year ended 31 March		Six months ended 30 September	
	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i>
Net cash generated from/ (used in) operating activities	5,547	12,856	10,027	(500)
Net cash used in investing activities	(2,234)	(1,178)	(445)	(3,115)
Net cash generated from/(used in) financing activities	1,117	(9,060)	1,521	4,173
Net increase in cash and cash equivalents	4,430	2,618	11,103	558
Cash and cash equivalents at beginning of year/period	155	4,585	4,585	7,203
Cash and cash equivalents at end of year/period	<u>4,585</u>	<u>7,203</u>	<u>15,688</u>	<u>7,761</u>

Operating activities

Six months ended 30 September 2015

For the six months ended 30 September 2015, we recorded net cash used in operating activities of HK\$0.5 million primarily as a result of the combined effect of (i) the profit before tax of approximately HK\$9.6 million; (ii) depreciation of approximately HK\$0.5 million; (iii) the increase in trade and other receivables of approximately HK\$9.7 million; (iv) the increase in inventories of approximately HK\$3.7 million; and (v) the increase in trade and other payables of approximately HK\$3.4 million.

Year ended 31 March 2015

For the year ended 31 March 2015, we recorded net cash generated from operating activities of approximately HK\$12.9 million primarily as a result of the combined effect of (i) the profit before tax of approximately HK\$11.0 million; (ii) depreciation of approximately HK\$1.2 million; (iii) allowance for doubtful debts of approximately HK\$0.7 million; (iv) the decrease in trade and other receivables of approximately HK\$7.3 million; (v) the increase in inventories of approximately HK\$5.4 million; and (vi) the increase in trade and other payables of approximately HK\$1.4 million.

FINANCIAL INFORMATION

Year ended 31 March 2014

For the year ended 31 March 2014, we recorded net cash generated from operating activities of approximately HK\$5.5 million primarily as a result of the combined effect of (i) the profit before tax of approximately HK\$12.4 million; (ii) depreciation of approximately HK\$0.9 million; (iii) allowance for doubtful debts of approximately HK\$1.0 million; (iv) the increase in trade and other receivables of approximately HK\$8.2 million; (v) the increase in inventories of approximately HK\$3.7 million; and (vi) the increase in trade and other payables of approximately HK\$4.5 million.

Investing activities

Six months ended 30 September 2015

We incurred cash outflow used in investing activities of approximately HK\$3.1 million for the six months ended 30 September 2015, primarily representing the placement of pledged bank deposits of approximately HK\$1.4 million, advances to a Director of approximately HK\$1.3 million and purchase of property, plant and equipment of approximately HK\$0.8 million.

Two years ended 31 March 2015

We incurred cash outflow used in investing activities of approximately HK\$2.2 million and HK\$1.2 million for the years ended 31 March 2014 and 2015, respectively, primarily representing purchase of property, plant and equipment.

Financing activities

Six months ended 30 September 2015

For the six months ended 30 September 2015, our Group had net cash generated from financing activities of approximately HK\$4.2 million, primarily attributable to proceeds from bank borrowings of approximately HK\$7.8 million, which was partially offset by repayment of bank borrowings of approximately HK\$2.2 million and payment of listing expenses of approximately HK\$1.3 million.

Year ended 31 March 2015

For the year ended 31 March 2015, our Group had net cash used in financing activities of approximately HK\$9.1 million, primarily attributable to a payment of dividends of approximately HK\$7.7 million, repayment to a director of approximately HK\$1.7 million, repayment of bank borrowings of approximately HK\$1.7 million, which was partially offset by proceeds from bank borrowings of approximately HK\$2.1 million.

Year ended 31 March 2014

For the year ended 31 March 2014, our Group had net cash generated from financing activities of approximately HK\$1.1 million, primarily attributable to proceeds from bank borrowings of approximately HK\$2.0 million, which was partially offset by the repayment to a director of approximately HK\$0.9 million and repayment of bank borrowings of HK\$0.4 million.

FINANCIAL INFORMATION

Net current assets

We recorded net current assets of approximately HK\$18.2 million, HK\$18.9 million, HK\$25.8 million and HK\$27.4 million as at 31 March 2014 and 2015, 30 September 2015 and 31 January 2016, respectively. The table below sets out selected information for our net current assets as at 31 March 2014 and 2015, 30 September 2015 and 31 January 2016, respectively:

	As at 31 March		As at 30 September	As at 31 January
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Current assets				
Inventories	5,123	10,539	14,255	13,428
Trade and other receivables	20,232	12,195	23,213	41,993
Amount due from a director	–	354	1,665	2,926
Amount due from a related party	21	–	–	–
Tax recoverable	–	198	–	–
Pledged bank deposits	–	–	1,410	3,897
Back balances and cash	4,585	7,203	7,761	6,050
Total current assets	<u>29,961</u>	<u>30,489</u>	<u>48,304</u>	<u>68,294</u>
Current liabilities				
Trade and other payables	8,144	9,507	12,914	25,294
Amount due to related parties	162	147	201	122
Amount due to a director	1,462	–	–	–
Obligation under finance lease – due within one year	193	193	–	–
Bank borrowings – due within one year	657	1,756	7,643	12,656
Tax payable	1,143	–	1,777	2,790
Total current liabilities	<u>11,761</u>	<u>11,603</u>	<u>22,534</u>	<u>40,862</u>
Net current assets	<u>18,200</u>	<u>18,886</u>	<u>25,769</u>	<u>27,432</u>

FINANCIAL INFORMATION

Our net current assets increased from approximately HK\$25.8 million as at 30 September 2015 to approximately HK\$27.4 million as at 31 January 2016. The increase was primarily attributable to the increase in trade and other receivables driven by the growth in our digital media segment, which was partially offset by the increase in trade and other payables and bank borrowings.

Our net current assets increased from approximately HK\$18.9 million as at 31 March 2015 to approximately HK\$25.8 million as at 30 September 2015. The increase was primarily due to the increase in trade and other receivables driven by the increase in revenue from the provision of advertising services and the increase in inventories, pledged bank deposits and bank balances and cash, which was partially offset by the increase in trade and other payables and bank borrowings.

Our net current assets slightly increased from approximately HK\$18.2 million as at 31 March 2014 to approximately HK\$18.9 million as at 31 March 2015. The increase was primarily attributable to (i) the increase in inventories primarily resulting from the expansion of our e-commerce business; and (ii) the settlement of amount due to a Director during the year ended 31 March 2015, which was partially offset by the decrease in trade receivables primarily because of the engagement of collection agencies for debt collection since October 2014 and the decrease in prepayments mainly because we procured more inventories without prepayment requirements from suppliers.

Working Capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including banking facilities and other internal resources, and the estimated net proceeds from the Placing, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Statement of Business Objectives and Use of Proceeds" in this prospectus.

FINANCIAL INFORMATION

DESCRIPTION OF CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories comprise goods sold through our e-commerce platform including third-party branded clothing, shoes, accessories and others. Others include various types of home and technology products and grooming products. No inventory is required for our digital media segment. As a percentage of total current assets, our inventories accounted for approximately 17.1%, 34.6% and 29.6% as at 31 March 2014 and 2015 and 30 September 2015, respectively. The following table sets forth our inventories by product types as of the dates indicated:

	As at 31 March		As at 30 September
	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000
Clothing	3,096	6,058	8,477
Shoes	437	1,984	2,684
Accessories	1,310	1,955	2,200
Others	280	542	894
	<u>5,123</u>	<u>10,539</u>	<u>14,255</u>

Our balance of inventories increased significantly from approximately HK\$5.1 million as at 31 March 2014 to approximately HK\$10.5 million as at 31 March 2015, which was primarily driven by the expansion of our e-commerce business which commenced operation in May 2012. Our balance of inventories increased from approximately HK\$10.5 million as at 31 March 2015 to approximately HK\$14.3 million as at 30 September 2015, which was mainly attributable to the higher level of inventories kept as at 30 September 2015 for the ongoing summer sales and the commencement of stock build-up for the expected sales in the coming winter season. Our summer sales generally run from May to October each year during which we mainly offer summer seasonal products. During the period from May to September 2015, we recorded summer sales of approximately HK\$21.7 million. During the summer sales period in 2015, we offered discounts ranging from 15% to 60% off the original sales prices of certain brands or products determined after our weekly review of inventories. We generally offered a higher discount for those high-end brands or products.

We adopt stringent inventory control and endeavour to maintain low inventory level required for our operations through effective inventory management. We manage our inventory levels principally based on data analytics to determine the appropriate amount of products with different brands, sizes and colours to be procured by considering such factors as historical sales, anticipated demand for these products, the prevailing trends and general market conditions, which our Directors consider reliable and effective in reducing the risk of procuring inventories with low marketability. We also review our inventory levels for slow moving inventory, obsolescence or declines in market value on a weekly basis. We identify and make allowances (if any) for obsolete and slow-moving inventories after considering a number of factors including the overall market environment, the amount of time such inventories have been stored, the marketability and recent sales transactions of similar inventories and sales of such inventories close to the financial year or period end. Allowance is made against when the net realisable value of inventories falls below the carrying amount of the inventories. Our inventories are

FINANCIAL INFORMATION

written down to the net realisable value item by item. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sales. Our management estimates the net realisable value based on the estimated selling price for inventories less all estimated costs of purchase and costs necessary to make the sale. To the extent that the net realisable value is lower than the carrying amount, a material write-down may arise. Our Directors are of the view that our inventories mainly consist of clothing, shoes and accessories which are not perishable and can usually be sold with reasonable profit margins during the same seasons in two consecutive years. Our Company normally writes down the full amount of inventories which are aged over two years with slower or no sales and deteriorated marketability. We wrote down inventories of approximately HK\$209,000, HK\$10,000 and nil for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively. Our Directors consider that the aforesaid inventory management policies have been implemented effectively and that our inventory provision policy is appropriate. Please refer to the section headed “Business — Inventory Procurement and Control and Delivery Procedures” in this prospectus for further information on management of the level of our inventories.

The following table sets forth the aging analysis for our inventories as at the dates indicated:

	As at 31 March		As at 30 September	
	2014	2015	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	932	4,875	4,035	3,063
31-60 days	853	2,134	2,700	2,608
61-90 days	877	2,840	456	1,133
91-180 days	1,399	365	328	3,168
Over 180 days	1,062	325	238	4,283
	5,123	10,539	7,757	14,255

Our inventories as at 30 September 2014 and 2015 mainly represented inventories for the spring/summer seasons and fall/winter seasons in 2014 and 2015, respectively. We maintained a higher level of inventories as at 31 March 2015 and 30 September 2015, as compared to that as at 30 September 2014, after taking into account the high demand for our products after September 2014 as evidenced in the subsequent sales of the inventories as at 30 September 2014. Our inventories were approximately HK\$7.8 million as at 30 September 2014 whereas our inventories as at 31 March 2015 which were aged more than 180 days were approximately HK\$325,000. This indicated that at least 95% of our inventories as at 30 September 2014 were already sold as at 31 March 2015. As our Directors expected that the demand for our products after September 2015 would maintain at a similar level as that after September 2014, we increased our purchase in advance to arrive at a higher level of inventories as at 31 March 2015 and 30 September 2015 so as to take advantage of potential sales afterwards. As at 30 September 2015, approximately 60.0% of inventories aged over 90 days were stocks for the spring/summer seasons in 2015. Our Directors consider that the building up of inventories subsequent to 30 September 2014 broadly reflected our strategy to expand our e-commerce business while allowing us to satisfy any unexpected demand for our products.

FINANCIAL INFORMATION

As at the Latest Practicable Date, approximately 98.0%, 97.9%, 72.1% and 74.1% of our inventories as at 31 March 2014, 30 September 2014, 31 March 2015 and 30 September 2015 had been sold, respectively. Approximately 74.8% and 67.3% of inventories as at 30 September 2015 which were aged within 91 to 180 days and over 180 days, respectively, were subsequently sold.

As at the Latest Practicable Date, approximately 25.9% of our inventories as at 30 September 2015 remained unsold, of which approximately 62.1% were aged within 180 days and mainly included stocks for the spring/summer seasons and the fall/winter seasons in 2015. The remaining unsold inventories as at 30 September 2015 were aged over 180 days and were primarily stocks for the fall/winter seasons in 2014 and the spring/summer seasons in 2015. Taking into account (i) the effectiveness of our inventory management policies; (ii) that our inventories are generally not perishable and can usually be sold at reasonable gross profit margins for the same season in two consecutive years according to our Directors; (iii) that we normally write down the full amount of inventories which are aged over two years; (iv) the subsequent sales of our inventories as at 31 March 2014, 30 September 2014, 31 March 2015 and 30 September 2015; and (v) our inventory turnover days were in line with the industry during the Track Record Period (please refer to the analysis of inventory turnover days below for details), our Directors considered that no provision or write-down was necessary for our inventories as at 30 September 2015.

The following table sets forth the inventory turnover days for the periods indicated:

	Year ended 31 March		Six months ended	
	2014	2015	30 September	2015
Inventory turnover days ^(Note)	<u>59</u>	<u>104</u>	<u>99</u>	<u>202</u>

Note: Inventory turnover days for the period is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by cost of goods sold and multiplying by 365 days for the years ended 31 March 2014 and 2015 and 183 days for the six months ended 30 September 2014 and 2015, respectively.

Our inventory turnover days increased from approximately 59 days for the year ended 31 March 2014 to approximately 104 days for the year ended 31 March 2015, primarily due to the lower level of inventories as at 31 March 2013 as our e-commerce business commenced operation in May 2012. Our inventory turnover days increased from approximately 104 days for the year ended 31 March 2015 to approximately 202 days for the six months ended 30 September 2015, which was mainly due to higher level of inventories primarily resulting from (i) the expansion of our e-commerce business; (ii) our inventories kept as at 30 September 2015 for the ongoing summer sales in 2015; and (iii) the stock build-up for the expected sales in the coming winter season. It is our general purchase pattern to place large orders for the mainly attributable winter season and commence to build up stocks since June each year for the expected sales in the coming winter season. We had a shorter inventory turnover days for the year ended 31 March 2014 primarily due to the lower level of inventories kept as at 31 March 2013 and 31 March 2014 during the ramp-up period of our e-commerce business.

FINANCIAL INFORMATION

Our Directors are of the view that our inventory turnover days during the Track Record Period were in line with the industry after comparing the inventory turnover days of a company which (i) operates as an online fashion retailer, offering a range of products including apparel, footwear and accessories as its main business; and (ii) has its shares listed overseas.

Our Directors consider that the increase in both inventories balance and inventory turnover days during the Track Record Period would not have a material impact on our Group's liquidity position after taking into account the following factors: (i) we recorded net current assets position during the Track Record Period; (ii) our current assets expanded during the Track Record Period primarily driven by our expanded scale of operations while the proportion of our inventories to total current assets decreased from approximately 34.6% as at 31 March 2015 to approximately 29.1% as at 30 September 2015 despite the corresponding increase in inventories; (iii) we recorded positive cash flows from operating activities a continuous increase in cash and cash equivalents during the Track Record Period; and (iv) our Group maintains a level of cash and cash equivalents balance as well as unutilised banking facilities considered adequate by the management of our Group to finance our Group's operations and mitigate the effects of fluctuations in cash flows in the management of liquidity risk.

Trade and other receivables

The following table sets forth the breakdown of our trade and other receivables as of the dates indicated:

	As at 31 March		As at
	2014	2015	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	16,380	13,053	20,807
Less: allowance for doubtful debts	(1,011)	(1,662)	(1,159)
Trade receivables – net	15,369	11,391	19,648
Rental and utilities deposits	199	125	586
Prepayments	4,664	679	2,979
Total	<u>20,232</u>	<u>12,195</u>	<u>23,213</u>

FINANCIAL INFORMATION

Trade receivables

Our trade receivables primarily consist of balances due from brand owners and advertising agencies for the digital media segment and from payment gateways for the e-commerce segment. The following table sets forth the trade receivables by segment for the periods indicated:

	As at 31 March		As at
	2014	2015	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	2015
			<i>HK\$'000</i>
Digital media	13,710	10,213	18,537
E-commerce	1,659	1,178	1,111
	<u>15,369</u>	<u>11,391</u>	<u>19,648</u>

Our trade receivables were approximately HK\$15.4 million, HK\$11.4 million and HK\$19.6 million as at 31 March 2014 and 2015 and 30 September 2015, respectively. Our balance of trade receivables decreased as at 31 March 2015 compared to that as at 31 March 2014 because we started to engage collection agencies in October 2014. The balance then increased as at 30 September 2015 compared to that as at 31 March 2015 which was mainly driven by the increase in revenue from our digital media segment.

Our customers for e-commerce business and magazine subscription generally settle their invoices upon checkout via secure payment gateways, and the fund is transferred to our Company's account normally in 2 working days after the transaction date.

Our Group's trading terms with our digital media customers are mainly on credit. Before accepting any new customers whose credit limit exceeds USD100,000, our Group assesses the potential media customer's credit quality based on our internal credit assessment policy. The credit period is generally for a period of 30 to 60 days for our media customers.

Our Group seeks to maintain strict control over our outstanding receivables and has a credit control team to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In addition, we use payment reminders to encourage the timely payment of invoices or engage collection agencies for payment collection when the outstanding balances are long past due.

During the Track Record Period, we engaged a collection agency in the US for debt collection services. Pursuant to the agreement between us and the agency in October 2014, we authorise and appoint the agency to collect and receive all sums of money due or payable to us, and the agency is entitled to a specified percentage of the sum collected as its fees. In addition, the agency undertakes to us that its work will comply with applicable laws and regulations. During the Track Record Period, the total amounts of trade receivables collected by the agency was approximately USD94,000.

FINANCIAL INFORMATION

Our policy for impairment on trade receivables is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgment and estimates of our management. Provisions would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. We had allowance for doubtful debts of approximately HK\$1.0 million, HK\$1.7 million and HK\$1.2 million as at 31 March 2014 and 2015 and 30 September 2015, respectively. Our Directors confirm that our management has considered the repayment history of these long overdue customers, their deteriorating credit quality and that no amount had been settled subsequent to the end of the reporting period, therefore full impairment was recognised accordingly. During the six months ended 30 September 2015, our management determined that trade receivables with an aggregate balance of approximately HK\$0.6 million included in allowance for trade receivables as at 30 September 2015 was directly written off as the debtors had been wound up.

The following table sets forth the aging analysis of our trade receivables net of allowance of doubtful debts (based on dates of invoices) as at the dates indicated:

	As at 31 March		As at
	2014	2015	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	2015
Within 60 days	7,084	9,607	14,388
61-90 days	637	1,213	1,498
91-180 days	5,498	571	3,762
181-365 days	2,150	–	–
Total	<u>15,369</u>	<u>11,391</u>	<u>19,648</u>

The following table sets forth the aging analysis of trade receivables which were past due but not impaired, as at the dates indicated:

	As at 31 March		As at
	2014	2015	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	2015
Within 60 days	2,025	225	1,063
61-90 days	637	1,213	1,498
91-180 days	5,498	571	3,762
181-365 days	2,150	–	–
	<u>10,310</u>	<u>2,009</u>	<u>6,323</u>

FINANCIAL INFORMATION

As of 31 March 2014 and 2015 and 30 September 2015, trade receivables with an aggregate carrying amount of approximately HK\$10.3 million, HK\$2.0 million and HK\$6.3 million were past due but not impaired, respectively. Our Directors were of the view that such trade receivables related to customers for whom there is no significant financial difficulty and based on our experience, no impairment allowance was necessary in respect of these overdue balances as there had not been a significant change in credit quality of those customers and such amounts were still considered recoverable based on historical experience. Our Directors further confirm that we did not hold any collaterals as security over these debtors.

As at the Latest Practicable Date, approximately HK\$14.1 million or 71.7% of our trade receivables outstanding as at 30 September 2015 were settled.

The table below sets forth a summary trade receivable turnover days as at the dates indicated:

	Year ended 31 March		Six months ended
	2014	2015	30 September 2015
Trade receivable turnover days (days) ^(Note)	<u>67</u>	<u>49</u>	<u>44</u>

Note: Trade receivable turnover days for the period is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by 365 days for the years ended 31 March 2014 and 2015 and 183 days for the six months ended 30 September 2015.

Our decrease in trade receivable turnover days during the Track Record Period was mainly due to our engagement of collection agency for payment collection since October 2014.

Rental and utilities deposits

Our rental and utilities deposits remained relatively stable at HK\$0.2 million and HK\$0.1 million as at 31 March 2014 and 2015 respectively, and further increased to approximately HK\$0.6 million as at 30 September 2015.

Prepayments

Our prepayments mainly comprise prepayments for purchase of inventories and prepaid insurance expenses. Our prepayments decreased from approximately HK\$4.7 million as at 31 March 2014 to approximately HK\$0.7 million as at 31 March 2015, which was mainly due to the decrease in prepayments for purchase of inventories primarily because we procured more products without prepayment requirements from the suppliers for the year ended 31 March 2015. Our prepayments increased from approximately HK\$0.7 million as at 31 March 2015 to approximately HK\$3.0 million as at 30 September 2015, which was mainly attributable to our prepayments for expenses in relation to the Listing.

FINANCIAL INFORMATION

Pledged bank deposits

Pledged bank deposits of approximately HK\$1.4 million as at 30 September 2015 represented deposits pledged to a bank to secure banking facilities granted to us, which were repayable on demand and were therefore classified as current assets.

Trade and other payables

The table below sets forth the breakdown of trade and other payables as of the dates indicated:

	As at 31 March		As at 30 September
	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	4,103	4,881	5,984
Other payables			
– Deferred revenue	57	871	1,467
– Commission payables	1,791	1,464	1,443
– Other payables and accruals	2,193	2,291	4,020
	<u>4,041</u>	<u>4,626</u>	<u>5,666</u>
Trade and other payables	<u>8,144</u>	<u>9,507</u>	<u>12,914</u>

Trade payables

Our trade payables are primarily payables relating to the purchase of inventories. Our trade payables were approximately HK\$4.1 million and HK\$4.9 million and HK\$6.0 million as at 31 March 2014 and 2015 and 30 September 2015, respectively. The higher balance of trade payables as at 30 September 2015 was mainly due to the increase in purchase of inventories for the expected sales in the coming seasons during the six months ended 30 September 2015.

FINANCIAL INFORMATION

Our suppliers generally offer us a credit period of 30 days. The following table sets forth the aging analysis of our trade payables (base on dates of invoices) as at the dates indicated:

	As at 31 March		As at
	2014	2015	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	2,106	2,351	3,868
31-60 days	824	857	955
61-90 days	320	77	212
Over 90 days	853	1,596	949
	<u>4,103</u>	<u>4,881</u>	<u>5,984</u>

The following table sets out the trade payable turnover days during the Track Record Period:

	Year ended 31 March		Six months
	2014	2015	ended
			30 September
			2015
Trade payable turnover days (days) ^(Note)	<u>47</u>	<u>60</u>	<u>89</u>

Note: Trade payable turnover days for the period is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of goods sold and multiplying the resulting value by 365 days for the years ended 31 March 2014 and 2015 and 183 days for the six months ended 30 September 2015.

Our trade payable turnover days were approximately 47 days, 60 days and 89 days for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively. The increase in trade payable turnover days for the year ended 31 March 2015 compared to that for the year ended 31 March 2014 was mainly due to our lower level of trade payables as at the beginning of the year ended 31 March 2014 as our e-commerce business commenced operations in May 2012. Our trade payable turnover days further increased for the six months ended 30 September 2015 mainly due to the increased purchase for the expected sales in the coming seasons.

As at the Latest Practicable Date, approximately HK\$4.9 million or 81.4% of trade payables outstanding as at 30 September 2015 had been settled.

FINANCIAL INFORMATION

Other payables

Our other payables mainly represent deferred revenue, commission payables, accrued expenses for payroll and welfare payables, accrued production costs for our advertising services and others. Deferred revenue primarily include advances received for our ongoing advertising services not yet completed as at the end of each reporting period. Other payables increased by approximately 15.0% from approximately HK\$4.0 million as at 31 March 2014 to approximately HK\$4.6 million as at 31 March 2015, which was mainly attributable to the increase in deferred revenue of approximately HK\$0.8 million driven by the increase in revenue from our provision of advertising services. Other payables increased by approximately 50.0% from approximately HK\$4.6 million as at 31 March 2015 to approximately HK\$6.9 million as at 30 September 2015, which was mainly attributable to the increase in deferred revenue driven by the growth of our digital media segment and the accrual for the Listing expenses as at 30 September 2015.

Amounts due from (to) related parties and a director

Our amount due from a related party was HK\$21,000, nil and nil as at 31 March 2014 and 2015 and 30 September 2015, respectively, and our amount due to one of the related parties was approximately HK\$40,000, HK\$25,000 and HK\$79,000 as at 31 March 2014 and 2015 and 30 September 2015, respectively, all of which were of trade nature, unsecured, non-interesting bearing and with credit terms of 30 days. Our amount due to the other related party which amounted to approximately HK\$122,000 as at 31 March 2014 and 2015 and 30 September 2015 and amount due from (to) our Director, Mr. Ma, were all unsecured, non-interesting bearing and repayable on demand. The amount due from our Director, Mr. Ma, will be settled upon Listing.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure

The following table sets out our capital expenditure for the periods indicated:

	Year ended 31 March		Six months ended
	2014	2015	30 September 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure on payment for			
Property, plant and equipment	<u>2,814</u>	<u>824</u>	<u>753</u>

Our Group's capital expenditure principally consisted of expenditures on payments for property, plant and equipment in our operations. Our Group incurred capital expenditures of approximately HK\$2.8 million, HK\$0.8 million and HK\$0.8 million for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively, which came from leasehold improvements, furnitures and fixtures, motor vehicles and office equipment.

FINANCIAL INFORMATION

Planned capital expenditures

Save for the planned usage of the net proceeds from the Placing as disclosed in “Statement of Business Objectives and Use of Proceeds” and the additions of property, plant and equipment necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditures as at the Latest Practicable Date.

We expect to fund our contractual commitments and capital expenditures principally through part of the net proceeds we receive from the Placing, and cash generated from our operating activities and proceeds from borrowings. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

Operating lease commitments

As at the end of the reporting periods during the Track Record Period, we had commitments for future minimum lease payments in respect of our office and warehouses under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 March		As at
	2013	2014	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i>
			<i>HK\$'000</i>
Within one year	1,206	1,644	1,156
In the two to three years	<u>1,232</u>	<u>394</u>	<u>60</u>
	<u>2,438</u>	<u>2,038</u>	<u>1,216</u>

PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, we did not own any properties. For further details, please refer to “Business — Properties” in this prospectus.

FINANCIAL INFORMATION

INDEBTEDNESS

The following table sets out our total debts as at 31 March 2014 and 2015, 30 September 2015 and 31 January 2016.

	As at 31 March		As at 30 September	As at 31 January
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)
Amount due to a related party, unsecured and unguaranteed	<u>122</u>	<u>122</u>	<u>122</u>	<u>122</u>
Bank borrowings (according to scheduled repayment term)				
– due within one year	657	1,756	5,281	8,049
– due after one year	<u>969</u>	<u>297</u>	<u>2,362</u>	<u>4,607</u>
	<u>1,626</u>	<u>2,053</u>	<u>7,643</u>	<u>12,656</u>
Carrying amounts that contained a repayment on demand clause (shown under current liabilities)	<u>–</u>	<u>–</u>	<u>7,643</u>	<u>12,656</u>
Obligation under finance lease				
– due within one year	193	193	–	–
– due after one year	<u>290</u>	<u>97</u>	<u>–</u>	<u>–</u>
	<u>483</u>	<u>290</u>	<u>–</u>	<u>–</u>
Total	<u>2,231</u>	<u>2,465</u>	<u>7,765</u>	<u>12,778</u>

FINANCIAL INFORMATION

Bank borrowings

The following table sets out the bank borrowings as at the dates indicated.

	As at 31 March		As at 30 September	As at 31 January
	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000	2016 HK\$'000 (Unaudited)
Bank loans, guaranteed with variable rate	<u>1,626</u>	<u>2,053</u>	<u>7,643</u>	<u>12,656</u>
Secured	–	–	4,230	10,386
Unsecured	<u>1,626</u>	<u>2,053</u>	<u>3,413</u>	<u>2,270</u>
	<u>1,626</u>	<u>2,053</u>	<u>7,643</u>	<u>12,656</u>
Carrying amount repayable (according to scheduled repayment term):				
– within one year	657	1,756	5,281	8,049
– more than one year but not exceeding two years	679	297	2,362	4,607
– more than two years but not exceeding five years	<u>290</u>	–	–	–
	<u>1,626</u>	<u>2,053</u>	<u>7,643</u>	<u>12,656</u>
Carrying amounts that contained a repayment on demand clause (shown under current liabilities)	<u>–</u>	<u>–</u>	<u>7,643</u>	<u>12,656</u>

FINANCIAL INFORMATION

The following table sets out the range of effective interest rates for our bank borrowings as at the end of each reporting period during the Track Record Period and as at 31 January 2016:

	As at 31 March		As at 30	As at 31
	2014	2015	September	January
			2015	2016
Bank borrowings	3.25%	2.75%-3.25%	2.75%-4.25%	2.75%-4.25%

During the Track Record Period, our increase in bank borrowings was mainly due to the additional bank borrowings obtained in the respective periods. Our bank borrowings were approximately HK\$7.6 million as at 30 September 2015, which were repayable on demand and were therefore classified as current liabilities. Taking into account our financial position, our Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Our Directors believe that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the relevant loan agreements. All the bank borrowings of our Group during the Track Record Period were guaranteed by our Director, Mr. Ma, and certain of which were secured by our deposits.

At the close of business on 31 January 2016, being the latest practicable date for the purpose of this indebtedness statement, we had outstanding bank borrowings of approximately HK\$12.7 million which were guaranteed by Mr. Ma and certain of which were secured by our deposits. All guarantees provided will be released on or before Listing.

As at 31 January 2016, being the latest practicable date for the purpose of this indebtedness statement, we had total banking facilities of approximately HK\$22.6 million from our lending banks, of which approximately HK\$12.7 million was utilised and HK\$9.9 million was unutilised.

Save as disclosed above, our outstanding bank borrowings did not contain any material covenants. Our Directors confirm that there were no breach of any covenants under our bank borrowings during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material delay or default in payment of trade and non-trade payables and of bank borrowings nor experience any difficulties in obtaining banking facilities with terms that are commercially acceptable to us. As at the Latest Practicable Date, we did not have any plan for material external debt financing.

FINANCIAL INFORMATION

Obligation under finance lease

Our Group acquired a motor vehicle under finance lease during the Track Record Period. The obligation under finance lease was secured by the lessor's title to the leased asset. The lease term was 3 years. Interest rate underlying the finance lease was fixed at 2% per annum. As at 30 September 2015, the finance lease arrangement was transferred due to the disposal of the motor vehicle in August 2015. The table below sets forth our obligation under finance lease as at the dates indicated:

	As at 31 March		As at 30 September	As at 31 January
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	193	193	–	–
More than one year but not exceeding two years	193	97	–	–
More than two years but not exceeding five years	97	–	–	–
	<u>483</u>	<u>290</u>	<u>–</u>	<u>–</u>

Contingent liabilities

As at 31 January 2016, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees.

Save as aforesaid and apart from intra-group liabilities, as at 31 January 2016, our Group did not have any material outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangement or contingencies except as disclosed under the paragraph headed "Indebtedness" in this section.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on an arm's length basis, normal commercial terms and/or terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole and would not distort our results of operations during the Track Record Period or make the results of operations not reflective of our future performance.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	Year ended 31 March		Six months ended 30 September
	2014	2015	2015
Gross Profit Margin (%) <i>(Note 1)</i>	59.9	58.4	66.6
Net Profit Margin (%) <i>(Note 2)</i>	14.2	9.2	11.0
Return on equity (%) <i>(Note 3)</i>	68.4	43.4	28.2 <i>(Note 10)</i>
Return on total assets (%) <i>(Note 4)</i>	41.4	27.0	16.6 <i>(Note 10)</i>
Interest coverage (times) <i>(Note 5)</i>	303.7	127.2	134.6
			As at
	As at 31 March		30 September
	2014	2015	2015
Current ratio (times) <i>(Note 6)</i>	2.5	2.6	2.1
Quick ratio (times) <i>(Note 7)</i>	2.1	1.7	1.5
Gearing ratio (%) <i>(Note 8)</i>	10.4	10.9	26.7
Net debt to equity ratio <i>(Note 9)</i>	Net cash	Net cash	Net cash

Notes:

1. Gross profit margin is calculated based on gross profit divided by revenue for the respective year/period. See the section headed "Review of Historical Results of Operation" for more details on our gross profit margins.
2. Net profit margin is calculated based on net profit for the respective year/period divided by revenue for the respective year/period. See the section headed "Review of Historical Results of Operation" for more details on our net profit margins.
3. Return on equity is calculated based on the net profit for the respective year/period divided by average balance of total equity as of the respective period and multiplied by 100%. Average balance is calculated as the sum of the opening balance and closing balance of the relevant year/period divided by two.
4. Return on total assets is calculated based on net profit for the respective year/period divided by average balance of total assets of the respective period and multiplied by 100%. Average balance is calculated as the sum of the opening balance and closing balance of the relevant year/period divided by two.
5. Interest coverage is calculated based on the profit before interest and tax divided by finance costs arising from interest-bearing bank borrowings and obligation under finance lease for the respective year/period.
6. Current ratio is calculated based on the total current assets divided by the total current liabilities as of the respective dates.
7. Quick ratio is calculated based on total current assets less inventories and divided by total current liabilities as of the respective dates.
8. Gearing ratio is calculated based on the total debt comprising bank borrowings and obligation under finance lease divided by equity as of the respective dates multiplied by 100%.

FINANCIAL INFORMATION

9. Net debt to equity ratio is calculated based on net debts (being bank borrowings and obligation under finance lease net of cash and cash equivalents) divided by total equity as of the respective dates.
10. Return on equity and return on total assets for the six months ended 30 September 2015 are not comparable to that for each of the years ended 31 March 2014 and 2015, respectively.

Return on equity

Our return on equity was approximately 68.4% and 43.4% for the years ended 31 March 2014 and 2015, respectively. The decrease was mainly due to (i) the increase in total equity primarily resulting from our profit accumulation; and (ii) the decrease in net profit for the year ended 31 March 2015 primarily resulting from the decrease in gross profit margin and the increase in selling and marketing expenses for the year ended 31 March 2015.

Return on total assets

Our return on total assets was approximately 41.4% and 27.0% for the years ended 31 March 2014 and 2015, respectively. The decrease was primarily attributable to the decrease in gross profit margin and the increase in selling and marketing expenses for the year ended 31 March 2015.

Interest coverage

Our interest coverage was approximately 303.7 times, 127.2 times and 134.6 times for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2015, respectively. The decrease in interest coverage for the year ended 31 March 2015 compared to that for the previous period was primarily attributable to the increase in finance costs due to increased bank borrowings and the decrease in net profit for the year ended 31 March 2015. Our interest coverage increased for the six months ended 30 September 2015 mainly due to the increase in profit for the period.

Current ratio

Our current ratio remained relatively stable at approximately 2.5 times, 2.6 times as at 31 March 2014 and 2015, respectively. Our current ratio decreased to approximately 2.1 times as at 30 September 2015 was mainly due to the new borrowings we obtained during the six months ended 30 September 2015.

Quick ratio

Our quick ratio was approximately 2.1 times, 1.7 times and 1.5 times as at 31 March 2014 and 2015 and 30 September 2015, respectively. Our lower quick ratio of approximately 1.7 times as at 31 March 2015 was primarily due to our lower balance in trade and other receivables as at 31 March 2015 as we started to engage collection agencies in October 2014 and our higher balance as at 31 March 2015 in inventories due to our expansion of e-commerce business during the year ended 31 March 2015. Our quick ratio slightly decreased to approximately 1.5 times as at 30 September 2015 mainly due to the new borrowings obtained during the six months ended 30 September 2015.

FINANCIAL INFORMATION

Gearing ratio

Our gearing ratio was approximately 10.4%, 10.9% and 26.7% as at 31 March 2014 and 2015 and 30 September 2015, respectively. The higher gearing ratio as at 30 September 2015 was mainly attributable to new bank borrowings obtained during the six months ended 30 September 2015.

Net debt to equity ratio

We were in a net cash position as at 31 March 2014 and 2015 and 30 September 2015.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, foreign currency, credit and liquidity. Our overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance.

Interest rate risk

Our Group are exposed to cash flow interest rate risk in relation to variable rate bank borrowings and bank balances. We currently do not enter into any hedging instrument for cash flow interest rate risk.

Our exposures to interest rates on financial liabilities are detailed below. Our cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Best Lending Rate due to our Hong Kong dollars denominated borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year/period. A 50 basis points increase or decrease in the prevailing rates of relevant banks is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for variable rate bank borrowings, with all other variables held constant, our Group's post-tax profit for the years/period ended 31 March 2014 and 2015 and 30 September 2015 would decrease/increase by approximately HK\$7,000, HK\$9,000 and HK\$16,000, respectively.

No sensitivity analysis of bank balances of our Group is presented as all bank balances carry interest rate below 0.1% as at 31 March 2014 and 2015 and 30 September 2015.

FINANCIAL INFORMATION

Foreign currency risk

Our Group undertakes certain operating transactions in foreign currency, which exposes our Group to foreign currency risk. Our Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should such need arise.

Credit risk

Our Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statements of financial position. Our Group's credit risk is primarily attributable to its trade receivables and bank balances. In order to minimise the credit risk, the management of our Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, our Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period to ensure that adequate allowance are made for irrecoverable amounts. In this regard, the management consider that our Group's credit risk is significantly reduced.

Our Group has concentration of credit risk as approximately 22%, 20% and 8% of our Group's trade receivables as at 31 March 2014, 31 March 2015 and 30 September 2015 are due from our Group's largest customer, which is mainly engaged in the provision of advertising services. For this customer, given its good repayment history, the management consider that the credit risk associated with the balances of this customer is low.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Liquidity risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and amounts due to a director and related parties.

DISCLOSURE REQUIRED UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 17.15 to 17.21 of the GEM Listing Rules.

FINANCIAL INFORMATION

LISTING EXPENSES

Our Directors are of the view that the financial results of our Group for the year ending 31 March 2016 is expected to be materially adversely affected by, among others, the listing expenses in relation to the Placing, the nature of which is non-recurring. Assuming the Placing Price of HK\$0.13 per Placing Share, being the mid-point of the indicative range of the Placing Price stated in this prospectus, the listing expenses are estimated to be approximately HK\$24.0 million. The Selling Shareholder will bear the listing expenses of approximately HK\$1.7 million and the listing expenses to be borne by us are expected to be approximately HK\$22.3 million. We expect to incur total listing expenses (including underwriting commission to be paid to the Underwriters) of approximately HK\$22.3 million, of which approximately HK\$15.7 million has been or is expected to be recognised in our combined statements of profit or loss and other comprehensive income and approximately HK\$6.6 million is expected to be recognised as a deduction in equity directly. Listing expenses of approximately HK\$4.7 million were reflected in our combined statements of profit or loss and other comprehensive income for the six months ended 30 September 2015 and an additional amount of approximately HK\$11.0 million is expected to be recognised in our combined statements of profit or loss and other comprehensive income subsequent to the Track Record Period and upon Listing.

Our Directors would like to emphasise that the amount of the listing expenses stated above is a current estimation for reference purpose and the actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the year ending 31 March 2016 is expected to be materially adversely affected by the non-recurring listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

DIVIDEND

During the year ended 31 March 2015, dividends of approximately HK\$7.7 million were declared and paid by HBHK to its former sole shareholder, who was one of the Directors of our Company. Save for the aforesaid, no dividends have been declared and paid by the companies now comprising our Group to their then respective shareholders during the Track Record Period and up to the Latest Practicable Date.

After completion of the Placing, our Shareholders will be entitled to receive dividends only when declared by our Directors. The declaration of future dividends will be subject to our Directors' discretion and will depend on, among other things, our earnings, cash flow, financial condition, capital requirements, statutory reserve requirements and any other factors our Directors may consider relevant. The amount of dividend will be determined upon the completion of financial audit and will be referred to distributable profit shown on audited financial report. As a result, there can be no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Currently, we do not have any dividend policy.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

Under the Companies Law, we may pay dividends out of our profit or our share premium account in accordance with the provisions of our Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, we remain able to pay our debts as and when they fall due in the ordinary course of business. Our Company was incorporated on 25 September 2015 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at 30 September 2015.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of our Group prepared in accordance with Rule 7.31(1) of the GEM Listing Rules is set out to illustrate the effect of the Placing on our net tangible assets as of 30 September 2015 as if the Placing had taken place on 30 September 2015. The unaudited pro forma statement of adjusted combined net tangible assets of our Group has been prepared for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets as of 30 September 2015 or any future date following the Placing.

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group is prepared based on the audited combined net tangible assets of the Group as at 30 September 2015 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets of our Group as at 30 September 2015 HK\$'000 (Note 1)	Estimated net proceeds from the Placing HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of our Group HK\$'000	Unaudited pro forma adjusted combined net tangible assets of our Group per Share HK\$ (Note 3)
Based on a minimum Placing Price of HK\$0.12 per Placing Share	28,594	30,606	59,200	0.030
Based on a maximum Placing Price of HK\$0.14 per Placing Share	28,594	38,206	66,800	0.033

FINANCIAL INFORMATION

Notes:

1. The amount of audited combined net tangible assets of our Group as at 30 September 2015 amounted to approximately HK\$28,594,000.
2. The estimated net proceeds from the Placing are based on 400,000,000 New Shares to be issued at a minimum Placing Price of HK\$0.12 per Placing Share or a maximum Placing Price of HK\$0.14 per Placing Share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred and borne by our Group subsequent to 30 September 2015. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or which may be granted under the Post-IPO Share Option Scheme or any shares which may be issued or repurchased by our Company pursuant to our Company's general mandates.
3. The unaudited pro forma adjusted combined net tangible assets of our Group per Share is arrived at on the basis of 2,000,000,000 Shares in total, assuming that the Placing of 400,000,000 New Shares and the Shares to be issued pursuant to the Capitalisation Issue had been completed on 30 September 2015. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or which may be granted under the Post-IPO Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to our Company's general mandates.
4. No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 30 September 2015.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the date of this prospectus, there had not been material changes to our business model, revenue structure and cost structure. Our principal business remained to include the provision of advertising services to brand owners and advertising agencies and primarily the sale of third-party branded clothing, shoes and accessories on our e-commerce platform. As far as we are aware, there had not been material changes in the overall economic and market conditions in the media and e-commerce industries that would otherwise have materially and adversely affected our business operation or financial conditions.

For the four months ended 31 January 2016, we recorded a significant growth in revenue derived from our digital media segment. We entered into 149 advertising service agreements with aggregate contract value of approximately HK\$49.0 million for the four months ended 31 January 2016, as compared to 141 advertising service agreements with aggregate contract value of approximately HK\$19.6 million for the four months ended 31 January 2015. Such significant growth was mainly attributable to our brand image, marketing capabilities and ability to deliver the services requested by our customers as well as the engagement of our consultants since mid-2014 to assist us in communicating with our existing digital media customers or introducing new digital media customers to us. Our average MPVs and MUVs were approximately 52.6 million and 6.4 million, respectively, for our integrated digital platforms for the four months ended 31 January 2016 with the increased popularity of our digital media platforms. Despite the significant growth in revenue, our Group recorded a decrease in the gross profit margin of our digital medial segment for the four months ended 31 January 2016 as compared to that for the six months ended 30 September 2015, primarily because during the period, our Group was engaged in a large-scale advertising and creative agency project with a multi-national brand that involved higher editorial and production costs and therefore carried a lower gross profit margin. Moving forward, while we will continue to focus on digital media projects with higher gross profit margins, we will, notwithstanding the lower gross profit margins, also consider to engage in some relatively large-scale advertising and creative agency projects with certain multi-national brands if and when opportunities arise. Our Directors consider that the engagement of such relatively large-scale projects will help us to promote our brand and

FINANCIAL INFORMATION

services and therefore build up our client base internationally. Meanwhile, our Group continued to deploy more resources in developing our digital media business such as increasing the headcount of our production and editorial teams with a view to enhancing our digital media content quality and our production capability. There can be no assurance that our efforts will be sufficient to maintain or improve our gross profit margin of our digital media business in the future as operational and financial conditions may change which are outside of our control. Please refer to the section headed “Risk Factor — We may not be able to sustain the gross profit margins at the levels recorded during the Track Record Period” in this prospectus.

Compared with our digital media segment, the performance of our e-commerce segment was relatively stable subsequent to the Track Record Period. We sold approximately 46,000 and 48,000 items on our e-commerce platform during the four months ended 31 January 2015 and 2016, respectively. In November 2015, as a traditional shopping peak season for retail given the celebration of the Thanksgiving Day followed by the Black Friday and Cyber Monday in the US, we sold approximately 16,000 items on our e-commerce platform, as compared to approximately 12,000 items in November 2014, primarily due to the expansion of our e-commerce business and the increase in the variety of products we offered on our e-commerce platforms.

It is expected that approximately HK\$15.7 million of non-recurring listing expenses have been or would be recognised in our combined statements of profit or loss and other comprehensive income, which would materially affect our financial performance, for the year ending 31 March 2016.

Our largest supplier during the Track Record Period has indicated to us that it will limit our total purchase amount to USD200,000 (equivalent to approximately HK\$1.6 million) per annum from 2016 onwards. We understand that the largest supplier implemented such policy as a result of the change in its distribution strategy. For the two years ended 31 March 2015 and the six months ended 30 September 2015, our total purchase with our largest supplier were approximately HK\$4.0 million, HK\$3.4 million and HK\$3.0 million, representing approximately 16.9%, 10.3% and 19.8% of our total purchases, respectively. Furthermore, in the same periods, our revenue generated from the sales of products supplied by our largest supplier was HK\$3.1 million, HK\$5.2 million and HK\$2.2 million, representing approximately 4.3%, 5.3% and 3.4% of our total revenue, respectively. For details, please refer to the section headed “Business — Our Suppliers” in this prospectus.

Our Directors confirmed that, up to the date of this prospectus, save as disclosed above, there has been no material adverse change in our financial or trading position or prospects since 30 September 2015 and there has been no event since 30 September 2015 which would materially affect the information in our combined financial statement included in the Accountants’ Report set forth in Appendix I to this prospectus, in each case except as otherwise disclosed herein.

FOREIGN EXCHANGE LIABILITY

As at the Latest Practicable Date, our Group had no material exposure to foreign exchange liabilities.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed “Business — Our Strategies” in this prospectus for the Group’s business objectives and strategies.

IMPLEMENTATION PLANS

In order to implement the business objectives and strategies as described above, set forth below are the implementation plans of the Group for each of the six-month periods from the Latest Practicable Date until 31 March 2018. It should be noted that the implementation plans are formulated on the bases and assumptions referred to in the paragraph headed “Bases and Assumptions” in this section. These bases and assumptions are subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” in this prospectus.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

	From the Listing to 30 September 2016 (HK\$)	For the six months ending 31 March 2017 (HK\$)	For the six months ending 30 September 2017 (HK\$)	For the six months ending 31 March 2018 (HK\$)	Total (HK\$)	Approximate percentage of net proceeds (%)
Enhance content of our digital media platforms						
– Understand preference of target visitors/users	492,000	369,000	–	–	861,000	3%
– Enrich our digital media content	2,736,000	2,052,000	–	–	4,788,000	16%
– Enhance our production capability of advertising services	1,710,000	1,282,500	–	–	2,992,500	10%
Subtotal	<u>4,938,000</u>	<u>3,703,500</u>	<u>–</u>	<u>–</u>	<u>8,641,500</u>	<u>29%</u>
Increase sales and marketing efforts						
– Marketing campaigns including social media marketing, placing advertisements, utilising search engine marketing	683,000	683,000	2,048,500	2,048,500	5,463,000	19%
– Recruitment of additional sales executives	1,852,000	1,389,000	–	–	3,241,000	11%
– Recruitment of social marketing experts	904,000	678,000	–	–	1,582,000	5%
Subtotal	<u>3,439,000</u>	<u>2,750,000</u>	<u>2,048,500</u>	<u>2,048,500</u>	<u>10,286,000</u>	<u>35%</u>
Improve our working environment						
– Rental and leasehold improvement	2,255,072	566,304	566,304	566,320	3,954,000	13%
– Purchase of equipment	1,493,000	–	–	–	1,493,000	5%
Subtotal	<u>3,748,072</u>	<u>566,304</u>	<u>566,304</u>	<u>566,320</u>	<u>5,447,000</u>	<u>18%</u>
Enhance our e-commerce platform						
– Understand preference of target customers	484,000	363,000	–	–	847,000	3%
– Enhance our inventory system	–	–	–	1,300,000	1,300,000	4%
Subtotal	<u>484,000</u>	<u>363,000</u>	<u>–</u>	<u>1,300,000</u>	<u>2,147,000</u>	<u>7%</u>
Staff development	200,000	200,000	–	–	400,000	1%
Working capital and other general corporate purposes	2,743,500	–	–	–	2,743,500	10%
Total	<u><u>15,552,572</u></u>	<u><u>7,582,804</u></u>	<u><u>2,614,804</u></u>	<u><u>3,914,820</u></u>	<u><u>29,665,000</u></u>	<u><u>100%</u></u>

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BASES AND ASSUMPTIONS

The Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 March 2018.

- (a) there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong, and any other places in which any member of the Group carries on or will carry on business and provides or will provide human resources related services;
- (b) the Group will not be materially affected by any risk factors set out in the section headed “Risk Factors” in this prospectus;
- (c) there will be no material changes in the bases (such as inflation, interest rate and foreign exchange rate) or rates of taxation in Hong Kong or in any other places in which any member of the Group operates or will operate or is incorporated;
- (d) the Placing will be completed in accordance with and as described in the section headed “Structure and Conditions of the Placing” in this prospectus;
- (e) the Group is able to retain its customers and suppliers;
- (f) the Group will be able to retain key staff in the management and the main operational departments; and
- (g) the Group will be able to continue its operations in substantially the same manner as the Group has been operating during the Track Record Period and the Group will be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors believe that the Listing of the Shares on GEM will enhance its corporate profile and brand image and the net proceeds from the Placing will strengthen its financial position and will enable the Group to implement its business plans set out in this section. Furthermore, a public listing status on the Stock Exchange will offer the Group access to capital market for corporate finance exercise to assist in future business development, enhance its corporate profile and strengthen its competitiveness.

The net proceeds from the issue of the New Shares under the Placing based on the Placing Price of HK\$0.13 per Share, being the mid-point of the Placing Price range, are estimated to be approximately HK\$29.7 million, after deducting the estimated underwriting commission and total expenses in the aggregate amount of approximately HK\$22.3 million, paid and payable by our Company from the gross proceeds of the Placing.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

We intend to apply the net proceeds of the issue of the New Shares under the Placing in the following manner:

- (a) approximately 29% of the total estimated net proceeds, or HK\$8.7 million, will be used to enhance the content of our digital media platforms to retain and expand our base of followers and visitors through:
 - (i) enrichment of our original digital media content by recruitment of 13 additional editors to join our editorial team by 30 September 2016 for expanding the variety of the content and providing continuous update to the latest trends in fashion, lifestyle, culture and music on our digital media platforms as well as customising our digital media platforms for different language preferences;
 - (ii) enhancement of our production capabilities of quality advertising services by recruitment of 7 additional digital content and video production personnel by 30 September 2016 for video editing and production management;
 - (iii) enhancement of in our data analytics capabilities to research on and analyse the preferences and needs of our followers and visitors by recruitment of one additional data analyst by 30 September 2016;
- (b) approximately 35% of the total estimated net proceeds, or HK\$10.3 million, will be used to increase our sales and marketing efforts through:
 - (i) marketing campaigns including social media marketing, placing of advertisements, and utilising search engine marketing to raise the profile of our integrated digital platforms;
 - (ii) recruitment of 10 additional personnel by 30 September 2016, for providing sales support to our media customers (including brand owners and advertising agencies) in the provision of our advertising services and support to our digital marketing activities on social media platforms such as analysing the preference of our followers, visitors and online shoppers of our integrated media platforms so as to provide feedback to our editorial team and procurement team;
- (c) approximately 18% of the total estimated net proceeds, or HK\$5.5 million, will be used to improve our working environment including rental and leasehold improvement and purchase new computers, photographic and video production equipment to accommodate the increase of our headcount;

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- (d) approximately 7% of the total estimated net proceeds, or HK\$2.1 million, will be used to enhance our e-commerce platform by improving our services and expanding our product portfolio through:
 - (i) improvement in our data analytics capabilities through recruitment of a data analyst marketing manager to analyse the preferences and therefore the demand of our customers so as to plan for the purchase in the following season and enhancement of our customer service to serve our overseas customers in different time zones through recruitment of a customer service officer; and
 - (ii) enhancement of our inventory system by the addition of automated features;
- (e) approximately 1% of the total estimated net proceeds, or HK\$0.4 million, will be used for staff development including external and internal training programs so as to promote staff retention and support our business growth; and
- (f) approximately 10% of the total estimated net proceeds, or HK\$2.7 million, will be used for general working capital purposes.

As a result of recruitment of additional staff using part of the proceeds from the Placing, the Directors expected that our Group would incur total staff costs (including staff costs, consultancy fees, commissions paid to our sales staff and consultants and web content update expenses) of approximately HK\$48.4 million and HK\$66.8 million (the “**Expected Staff Costs**”) for the two years ending 31 March 2016 and 2017, respectively, as compared with approximately HK\$27.2 million for the year ended 31 March 2015. However, prospective investors should note that the actual staff costs to be incurred for the two years ending 31 March 2016 and 2017 may be different from the Expected Staff Costs as events and circumstances frequently do not occur as expected and the difference may be material.

The net proceeds from the issue of the New Shares will be utilised by 31 March 2018 and approximately 10% will be used as working capital and funding for other general corporate purposes according to our current business plans. If the Placing Price is fixed at the high end of the Placing Price range, being HK\$0.14 per Placing Share, the net proceeds we receive from the issue of the New Shares will increase by approximately HK\$3.8 million. If the Placing Price is fixed at the low end of the Placing Price range, being HK\$0.12 per Placing Share, the net proceeds we receive from the issue of the New Shares will decrease by approximately HK\$3.8 million. To the extent that the net proceeds are either more or less than expected, for instance in the event that the Placing Price is set at the high-end or low-end of the indicative Placing Price range, we will adjust our allocation of the net proceeds for the above purposes on a pro-rata basis.

The possible use of our proceeds outlined above may change in light of our evolving business needs and conditions, management requirements together with prevailing market circumstances. In the event of any material modification to the use of proceeds as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required by the Stock Exchange.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

According to the current estimates, the Directors consider that the net proceeds from the issue of the New Shares under the Placing and the Group's internal resources will be sufficient to finance the Group's business plans up to the year ending 31 March 2018.

To the extent that the net proceeds from the issue of the New Shares under the Placing are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with authorised financial institutions.

The net proceeds of the Sale Shares, being an aggregate of 100,000,000 Shares, assuming a Placing Price of HK\$0.13 per Placing Share, being the mid-point of the proposed Placing Price range of HK\$0.12 and HK\$0.14 per Placing Share, would be approximately HK\$11.3 million, after deducting the proportional underwriting commission and listing expenses to be borne by it. The net proceeds of the Sale Shares will be attributable to the Selling Shareholder only and will not belong to our Company.

UNDERWRITING

UNDERWRITERS

Joint Bookrunners and Joint Lead Managers

Quam Securities Company Limited

Koala Securities Limited

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company and the Selling Shareholder will conditionally allot, issue and/or sell the Placing Shares to the Underwriters, on and subject to the terms and conditions in the Underwriting Agreement, at the Placing Price.

Subject to, among other conditions, the Listing Committee granting the listing of, and permission to deal in, the Placing Shares as mentioned in this prospectus, all Shares in issue, all Shares to be issued pursuant to the Capitalisation Issue and any Shares which may be issued upon the exercise of any options granted or may be granted under the Share Option Schemes and to certain other conditions set out in the Underwriting Agreement being satisfied or waived on or before the dates and times respectively set out in the Underwriting Agreement (and in any event not later than 30 days after the date of this prospectus), the Underwriters have agreed to procure at the Placing Price subscription for and/or purchase or, failing which, to subscribe for and/or purchase by itself as principal at the Placing Price on the terms and conditions of the Underwriting Agreement.

Grounds for termination

The obligations of the Underwriters to subscribe for and/or purchase or procure places to subscribe for and/or purchase the Placing Shares are subject to termination. Each of the Sponsor and the Joint Bookrunners (for themselves and on behalf of the Underwriters) may in its sole and absolute discretion, upon giving notice orally or in writing to our Company, without liability to any or all of the parties thereof, terminate the Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date upon the occurrence of any of the following events:

- (a) there has come to the notice of the Sponsor or the Joint Bookrunners:
 - (i) that any statement contained in any of the Post Hearing Information Pack (the “PHIP”), the placing documents such as this prospectus and the placing letters (the “Placing Documents”) and the formal notice (including any supplement or amendment thereto) or any other document to be published by our Company in connection with the Placing was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading, or that any forecasts, expressions of opinion, intention or expectation expressed in the PHIP, the Placing Documents, the formal notice and/or any document issued by our Company in connection with the Placing (including any supplement or amendment thereto) are not fair and honest nor based on reasonable assumptions; or

UNDERWRITING

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute an omission therefrom; or
- (iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreement (other than any of the Underwriters); or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, the Controlling Shareholders, the executive Directors or the Selling Shareholder pursuant to the terms of the Underwriting Agreement; or
- (v) any adverse change or development involving an adverse change or a prospective adverse change in the earnings, business, operations, assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of the Group; or
- (vi) any breach of any of the warranties or undertakings given by any of our Company, the Controlling Shareholders, the executive Directors or the Selling Shareholder under the Underwriting Agreement or any matter or event showing any of such warranties or undertakings to be untrue, incorrect, inaccurate or misleading in any respect when given or repeated; or
- (vii) approval by the Listing Committee of the listing of, and permission to deal in, the Shares in issue and to be issued or sold under the Placing and the Share Option Schemes is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws this prospectus (and any other documents used in connection with the contemplated subscription or purchase of the Placing Shares) or the Placing; or
- (ix) any loss or damage sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (x) any profit forecast which appears in any of the PHIP or this prospectus is or becomes incapable of being met or unlikely to be met; or

UNDERWRITING

- (b) there develops, occurs, exists or comes into force:
- (i) any act of force majeure or any event, or series of events, beyond the control of the Sponsor or the Joint Bookrunners including, without limitation, acts of government, economic sanctions, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, acts of war, acts of God, acts of terrorism, outbreak of diseases or epidemics (including, but not limited to, SARS and H5N1 and such related/mutated forms) or interruption or delay in transportation and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or any other state of emergency or calamity or crisis in or affecting Hong Kong, the PRC, the United States, Canada, the European Union, the United Kingdom, Australia, the Cayman Islands, Singapore or any other jurisdiction relevant to any member of the Group (collectively, the “**Relevant Jurisdictions**”); or
 - (ii) any change or development involving a prospective change or development, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or any monetary or trading settlement system or matters and/or disaster in the Relevant Jurisdictions (including, without limitation, any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the New York Stock Exchange or the London Stock Exchange or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currencies (including but not limited to a change in the system under which the value of the Hong Kong currency is linked to that of the United States), or any disruption in securities settlement or clearance services or procedures in or affecting any of the Relevant Jurisdictions); or
 - (iii) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions, or there is any disruption in commercial banking or securities settlement or clearance services in those jurisdictions; or
 - (iv) any new law or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or
 - (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by the Relevant Jurisdictions; or
 - (vi) a change or development occurs involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (or the implementation of any exchange control) in any of the Relevant Jurisdictions adversely affecting an investment in the Shares; or

UNDERWRITING

- (vii) any material litigation or claim of any third party being threatened or instigated against any member of the Group; or
- (viii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (ix) the chairman or chief executive officer of our Company vacating his or her office in circumstances where the operations of the Group may be adversely affected; or
- (x) the commencement by any regulatory or political body or organisation of any action against a Director or an announcement by any regulatory or political body or organisation that it intends to take any such action; or
- (xi) a contravention by any member of the Group of the Companies (WUMP) Ordinance, the Companies Ordinance or the Companies Law or any of the GEM Listing Rules or applicable laws; or
- (xii) a prohibition on our Company for whatever reason from allotting its Shares pursuant to the terms of the Placing; or
- (xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription or purchase of the Shares) or any aspect of the Placing with the GEM Listing Rules or any other applicable law; or
- (xiv) other than with the approval of the Sponsor and Joint Bookrunners, the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription or purchase of the Shares) pursuant to the Companies (WUMP) Ordinance or the GEM Listing Rules; or
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (xvi) a petition is presented for the winding up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (xvii) any change or prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus,

UNDERWRITING

which in the sole opinion of the Sponsor or the Joint Bookrunners (for themselves and on behalf of the Underwriters):

- (i) is or is likely to or will or may have a material adverse effect on the business, financial, trading or other condition or prospects of our Company or the Group as a whole or, in the case of (b)(vi) above, to any present or prospective shareholder of our Company in his/her/its capacity as such; or
- (ii) has or will have or may have a material adverse effect on the success of the Placing or the level of Placing Shares being applied for, accepted, subscribed for or purchased or the distribution of Placing Shares or dealings in the Shares in the secondary market; or
- (iii) makes it inadvisable, inexpedient or impracticable to proceed with or market the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated in this prospectus; or
- (iv) would have the effect of making any part of the Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the Underwriting Agreement.

Commission and expenses

Our Company shall pay or cause to be paid to the Underwriters, a combined management and underwriting commission equal to 5% of the Placing Price multiplied by the number of New Shares, out of which the Underwriters will meet any sub-underwriting commissions and selling concessions in respect of such New Shares. The Selling Shareholder shall pay or cause to be paid to the Underwriters, a combined management and underwriting commission equal to 5% of the Placing Price multiplied by the number of Sale Shares, out of which the Underwriters will meet any sub-underwriting commissions and selling concessions in respect of such Sale Shares. Assuming the Placing Price of HK\$0.13 per Placing Share, being the mid-point of the indicative range of the Placing Price stated in this prospectus, the listing expenses are estimated to be approximately HK\$24.0 million. The Selling Shareholder will bear the listing expenses of approximately HK\$1.7 million and the listing expenses to be borne by us are expected to be approximately HK\$22.3 million.

INDEMNITY

Our Company, the Controlling Shareholders and the executive Directors jointly and severally and the Selling Shareholder have agreed to indemnify the Sponsor, the Joint Bookrunners and the Underwriters for certain losses which they may suffer, including, among other things, losses arising from the performance of their obligations under the Underwriting Agreement and any breach by us of the provisions of the Underwriting Agreement.

UNDERWRITING

UNDERWRITERS' INTEREST IN OUR COMPANY

The Joint Bookrunners and the other Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed “Underwriting — Underwriting Arrangements — Commission and expenses” above. None of the Underwriters or any of their close associates has any shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) to subscribe for or purchase or nominate persons to subscribe for or purchase any Shares.

SPONSOR AND ITS INDEPENDENCE

Quam Capital as the Sponsor satisfies the independence criteria applicable to the Sponsor as set out in Rule 6A.07 of the GEM Listing Rules. The Sponsor made an application on our behalf to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein. The Sponsor has received or will receive a sponsor fee of approximately HK\$4.4 million in connection with the Listing. The sponsor fee relates solely to services provided by the Sponsor in its capacity as a sponsor, and not other services which it may provide, such as (without limitation) book-building, pricing and underwriting.

SPONSOR'S INTERESTS IN OUR COMPANY

Save for the advisory and documentation fees to be paid to Quam Capital as the sponsor to the Placing, neither Quam Capital nor any of its directors or their close associates has or may have any interest in any class of securities in any members of our Group or any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group nor any interest in the Placing.

No director or employee of Quam Capital who is involved in providing advice to our Company has or may have, as a result of the Placing, any interest in any class of securities of our Company or any of our subsidiaries (including options or rights to subscribe for such securities that may be subscribed for or purchased by any such director or employee pursuant to the Placing).

Certain close associates of the Sponsor whose usual and ordinary courses of business involve trading of and dealing in securities may derive commissions from the trading of and dealing in securities of our Company or provide margin financing in connection thereto or purchase or sell securities of our Company or hold securities of our Company for investment purposes after the Listing.

No director or employee of Quam Capital has a directorship or substantial shareholding (as defined under the GEM Listing Rules) in our Company or any of our subsidiaries.

UNDERWRITING

UNDERTAKINGS

Undertaking pursuant to the Underwriting Agreement

Undertakings by our Company

We have undertaken to the Sponsor, the Joint Bookrunners and the Underwriters that we will not and each of the Controlling Shareholders has undertaken to the Sponsor, the Joint Bookrunners and the Underwriters that it/he shall procure that our Company will not, except pursuant to the Placing, the Capitalisation Issue and the Share Option Schemes, at any time from the date of the Underwriting Agreement until the date falling six months after the Listing Date (the “**First Six-month Period**”) without the prior written consent of the Sponsor and the Joint Bookrunners (on behalf of the Underwriters) and unless in compliance with the GEM Listing Rules:

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of our Company or any of the subsidiaries or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise,

and in the event of our Company doing any of the foregoing during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”), our Company will, and each of the Controlling Shareholders shall procure that our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

UNDERWRITING

Our Company has further undertaken to the Sponsor, the Joint Bookrunners and the Underwriters that we will not and each of the Controlling Shareholders has undertaken to the Sponsor, the Joint Bookrunners and the Underwriters that it/he shall procure that we will not at any time within the Second Six-month Period, enter into any of the foregoing transactions in (i), (ii), (iii) and (iv) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transaction, the Controlling Shareholders in aggregate will cease to be controlling shareholders of our Company within the meaning of the GEM Listing Rules.

Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders has jointly and severally undertaken to our Company, the Sponsor, the Joint Bookrunners and the Underwriters that except pursuant to the Placing, at any time during the First Six-month Period, it/he will not, and will procure that none of its associates (as defined in the GEM Listing Rules) or companies controlled by it/him or any nominee or trustee holding in trust for it/him will, without the prior written consent of the Sponsor and the Joint Bookrunners (on behalf of the Underwriters) and unless in compliance with the GEM Listing Rules:

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, owned directly or indirectly by it/him (including holding as a custodian) or with respect to which it/he has beneficial ownership (collectively the “**Lock-up Shares**”) (the foregoing restriction is expressly agreed to preclude it/him from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than it/him. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or

UNDERWRITING

- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above, whether any such transaction above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

Each of the Controlling Shareholders has further undertaken that within the Second Six-month Period, it/he will not enter into any of the foregoing transactions described in (i), (ii), (iii) or (iv) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transaction, the Controlling Shareholders in aggregate will cease to be controlling shareholders of our Company within the meaning of the GEM Listing Rules.

Each of the Controlling Shareholders has further undertaken that subject to the restrictions set out above, until the expiry of the Second Six-month Period, if any of them enters into any of the foregoing transactions described in (i), (ii), (iii) or (iv) above or agree or contract to or publicly announce any intention to enter into any such transactions, it/he will take all reasonable steps to ensure that it/he will not create a disorderly or false market in the Shares or other securities of our Company.

STRUCTURE AND CONDITIONS OF THE PLACING

PRICE PAYABLE ON SUBSCRIPTION

Applicants shall have to pay on application the maximum Placing Price of HK\$0.14 per Placing Share plus 1.0% brokerage fee, 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee amounting to a total of approximately HK\$2,828.22 per board lot of 20,000 Shares.

PLACING PRICE

The Placing Price will not be more than HK\$0.14 per Placing Share and will not be less than HK\$0.12 per Placing Share. Subscribers must on application pay the maximum Placing Price of HK\$0.14 per Placing Share plus 1.0% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee. Assuming the Placing Price of HK\$0.14 or HK\$0.12 per Share (being the highest or lowest points of the indicative Placing Price range respectively), subscribers shall pay HK\$2,828.22 or HK\$2,424.19 for every board lot of 20,000 Shares respectively.

The Placing Price is expected to be fixed pursuant to the Price Determination Agreement between our Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or before Tuesday, 5 April 2016 (or such later date as may be agreed between our Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters)). If, for any reason, our Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price by the Price Determination Date or such later date as may be agreed between our Company (for itself and on behalf of the Selling Shareholder) and the Joint Bookrunners (for themselves and on behalf of the Underwriters), or the Price Determination Agreement is not signed, the Placing will not become unconditional and will lapse. In such event, our Company shall issue an announcement to be published on the GEM website and our Company's website at hypebeast.xyz.

Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Placing Price as stated in this prospectus.

If, the Joint Bookrunners (for themselves and on behalf of the Underwriters) with the consent of our Company (for itself and on behalf of the Selling Shareholder) consider it appropriate (for instance, if the level of interest is below the indicative Placing Price range), the indicative Placing Price range may be reduced below the range which is stated in this prospectus at any time prior to the Price Determination Date. In such case, our Company (for itself and on behalf of the Selling Shareholder) shall, as soon as practicable following the decision to make such reduction, and in any event not later than 9:00 a.m. on the Price Determination Date publish an announcement on the reduction of the indicative Placing Price range on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at hypebeast.xyz.

The final Placing Price, the indication of level of interest in the Placing and the basis of allocations of the Placing Shares will be announced on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at hypebeast.xyz on or before Friday, 8 April 2016.

STRUCTURE AND CONDITIONS OF THE PLACING

CONDITIONS OF THE PLACING

Acceptance of all applications for the Placing Shares is conditional upon, among others:

(a) Listing

The Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing and the Share Option Schemes, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on GEM.

(b) Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional in all respects including, if relevant, the waiver of any condition(s) by the Joint Bookrunners (for themselves and on behalf of the Underwriters). This requires (i) the Underwriting Agreement not being terminated in accordance with its terms or otherwise prior to 8:00 a.m. on the Listing Date, which is expected to be on Monday, 11 April 2016 and (ii) that all other conditions set out in the Underwriting Agreement are fulfilled, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event, not later than Saturday, 30 April 2016, being the date which is 30th day after the date of this prospectus.

(c) Price Determination Agreement

The Price Determination Agreement between our Company (for itself and on behalf of the Selling Shareholder), the Joint Bookrunners (for themselves and on behalf of the Underwriters) being entered into and becoming effective on or before the Price Determination Date.

If any such condition has not been fulfilled or waived (as the case may be) prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be caused to be published by our Company on the GEM website and the Company's website at hypebeast.xyz on the next business day following such lapse.

STRUCTURE AND CONDITIONS OF THE PLACING

THE PLACING

The 500,000,000 Placing Shares comprising 400,000,000 New Shares and 100,000,000 Sale Shares are being offered in the Placing, representing in aggregate 25% of our Company's enlarged share capital immediately after the completion of the Placing and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued upon the exercise of the options granted or which may be granted under the Share Option Schemes). The Placing Shares will be conditionally placed with professional, institutional and/or other investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing is fully underwritten by the Underwriters, subject to the terms and conditions of the Underwriting Agreement, including the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) agreeing the Placing Price. The minimum subscription or purchase size for each subscriber or purchaser of the Placing Share is 20,000 Placing Shares and thereafter in integral multiples of board lot size of 20,000 Shares, Investors subscribing for or purchasing the Placing Shares are required to pay the Placing Price plus 1.0% brokerage, 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee for each board lot of 20,000 Shares.

BASIS OF ALLOCATION

Allocation of the Placing Shares to selected professional, institutional and/or other investors pursuant to the Placing will be effected in accordance with the "book-building" process, undertaken by the Underwriters. Final allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Placing Shares after the Listing. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a broad professional and institutional shareholder base for the benefit of our Company and our Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules which provides that not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

Without the prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE PLACING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Listing Division grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

In respect of the dealings in the Shares which may be settled through CCASS, investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS

Dealings in the Shares on GEM are expected to commence at 9.00 a.m. on Monday, 11 April 2016. Our Shares will be traded in board lots of 20,000 Shares each and are freely transferable. The GEM stock code for the Shares is 8359.

The following is the text of a report, prepared and addressed to the directors of the Company and to the Sponsor, received from our Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong for the purpose of incorporation in this prospectus.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

31 March 2016

The Directors
Hypebeast Limited

Quam Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “**Financial Information**”) relating to Hypebeast Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for each of the two years ended 31 March 2015 and the six months ended 30 September 2015 (the “**Track Record Period**”) for inclusion in the prospectus of the Company dated 31 March 2016 in connection with the initial listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Prospectus**”).

The Company, which acts as an investment holding company, was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 25 September 2015. Pursuant to a group reorganisation, as more fully explained in the section head “History, Reorganisation and Corporate Structure” to the Prospectus (the “**Group Reorganisation**”), the Company became the holding company of the companies now comprising the Group on 30 October 2015.

All the companies now comprising the Group have adopted 31 March as their financial year end dates. At the date of this report, the Company has direct and indirect interests in the following subsidiaries comprising the Group:

Name of subsidiaries	Place of incorporation	Date of incorporation	Issued and fully paid-up share capital	Attributable equity interest held by the Group			Principal activities	
				At 30				
				At 31 March 2014	September 2015	At date of this report		
COREone Limited ("COREone")*	British Virgin Islands ("BVI")	7 October 2015	US\$1	N/A	N/A	N/A	100%	Investment holding
101 Media Lab Limited ("HBHK")	Hong Kong	27 December 2006	HK\$1,000	100%	100%	100%	100%	Provision of advertising services, operation of online stores and publication of magazines

* COREone is a directly held subsidiary of the Company.

No statutory financial statements have been prepared for the Company and COREone since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements.

The statutory financial statements of HBHK for each of the two years ended 31 March 2015 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and were audited by the certified public accountants set out below:

Name of subsidiary	Financial periods	Name of auditors
HBHK	Year ended 31 March 2014	C K Won & Co., Certified Public Accountants
	Year ended 31 March 2015	Deloitte Touche Tohmatsu, Certified Public Accountants

For the purpose of this report, the sole director of HBHK has prepared financial statements of HBHK for the six months ended 30 September 2015 in accordance with accounting policies which conform with HKFRSs (the “**HBHK September 2015 Financial Statements**”). We have carried out an independent audit on the HBHK September 2015 Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the statutory financial statements of HBHK for each of the years ended 31 March 2014 and 2015, the HBHK September 2015 Financial Statements and the management accounts of the Company for the period from 25 September 2015 (date of incorporation) to 30 September 2015 (collectively referred to as the “**Underlying Financial Statements**”) in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountants” as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period as set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in note 2 to Section A below, after making adjustments as the directors of the Company considered necessary in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of respective group entities who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 to Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 March 2014 and 2015 and 30 September 2015 and of the Company as at 30 September 2015, and of the combined financial performance and combined cash flows of the Group for the Track Record Period.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the six months ended 30 September 2014 together with the notes thereon have been extracted from the Group’s unaudited combined financial information for the same period (the “**Interim Financial Information**”) which was prepared by the directors of the Company solely for the purpose of this report. We have conducted our review of the Interim Financial Information 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. Our review of the Interim Financial Information consists of making enquiries, 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 on the Interim Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 March		Six months ended 30 September	
		2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Revenue	6	72,833	98,931	46,063	64,091
Cost of revenue		<u>(29,239)</u>	<u>(41,139)</u>	<u>(16,848)</u>	<u>(21,410)</u>
Gross profit		43,594	57,792	29,215	42,681
Other gain and losses	8	(1,639)	(1,511)	(867)	(252)
Selling and marketing expenses		(14,187)	(22,145)	(9,958)	(13,850)
Administrative and operating expenses		(15,315)	(23,072)	(11,122)	(14,145)
Listing expenses		–	–	–	(4,741)
Finance costs	7	<u>(41)</u>	<u>(87)</u>	<u>(27)</u>	<u>(72)</u>
Profit before tax		12,412	10,977	7,241	9,621
Income tax expense	9	<u>(2,106)</u>	<u>(1,922)</u>	<u>(1,188)</u>	<u>(2,562)</u>
Profit and total comprehensive income for the year/period	10	<u>10,306</u>	<u>9,055</u>	<u>6,053</u>	<u>7,059</u>

STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group		As at 30 September 2015 HK\$'000	The Company As at 30 September 2015 HK\$'000
		As at 31 March 2014 HK\$'000	2015 HK\$'000		
NON-CURRENT ASSETS					
Property, plant and equipment	14	3,275	2,923	2,936	–
Rental deposits		176	268	24	–
		<u>3,451</u>	<u>3,191</u>	<u>2,960</u>	<u>–</u>
CURRENT ASSETS					
Inventories	15	5,123	10,539	14,255	–
Trade and other receivables	16	20,232	12,195	23,213	–
Amount due from a director	17(b)	–	354	1,665	316
Amount due from a related party	17(a)	21	–	–	–
Tax recoverable		–	198	–	–
Pledged bank deposits	18	–	–	1,410	–
Bank balances and cash	18	4,585	7,203	7,761	–
		<u>29,961</u>	<u>30,489</u>	<u>48,304</u>	<u>316</u>
CURRENT LIABILITIES					
Trade and other payables	19	8,144	9,507	12,914	422
Amounts due to related parties	17(a)	162	147	201	–
Amount due to a director	17(c)	1,462	–	–	–
Amount due to a subsidiary	30	–	–	–	4,635
Obligation under finance lease – due within one year	21	193	193	–	–
Bank borrowings – due within one year	20	657	1,756	7,643	–
Tax payable		1,143	–	1,777	–
		<u>11,761</u>	<u>11,603</u>	<u>22,535</u>	<u>5,057</u>
NET CURRENT ASSETS (LIABILITIES)		<u>18,200</u>	<u>18,886</u>	<u>25,769</u>	<u>(4,741)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>21,651</u>	<u>22,077</u>	<u>28,729</u>	<u>(4,741)</u>
NON-CURRENT LIABILITIES					
Obligation under finance lease – due after one year	21	290	97	–	–
Bank borrowings – due after one year	20	969	297	–	–
Deferred tax liabilities	22	167	148	135	–
		<u>1,426</u>	<u>542</u>	<u>135</u>	<u>–</u>
NET ASSETS (LIABILITIES)		<u>20,225</u>	<u>21,535</u>	<u>28,594</u>	<u>(4,741)</u>
CAPITAL AND RESERVES					
Share capital	23	1	1	1	–
Accumulated profits (losses)		20,224	21,534	28,593	(4,741)
		<u>20,225</u>	<u>21,535</u>	<u>28,594</u>	<u>(4,741)</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2013	1	9,918	9,919
Profit and total comprehensive income for the year	<u>–</u>	<u>10,306</u>	<u>10,306</u>
At 31 March 2014	1	20,224	20,225
Profit and total comprehensive income for the year	–	9,055	9,055
Dividends paid (<i>note 12</i>)	<u>–</u>	<u>(7,745)</u>	<u>(7,745)</u>
At 31 March 2015	1	21,534	21,535
Profit and total comprehensive income for the period	<u>–</u>	<u>7,059</u>	<u>7,059</u>
At 30 September 2015	<u><u>1</u></u>	<u><u>28,593</u></u>	<u><u>28,594</u></u>
(Unaudited)			
At 1 April 2014	1	20,224	20,225
Profit and total comprehensive income for the period	<u>–</u>	<u>6,053</u>	<u>6,053</u>
At 30 September 2014	<u><u>1</u></u>	<u><u>26,277</u></u>	<u><u>26,278</u></u>

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March		Six months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
OPERATING ACTIVITIES				
Profit before tax	12,412	10,977	7,241	9,621
Adjustments for:				
Depreciation of property, plant and equipment	869	1,176	588	540
Loss on write-off (gain on disposal) of property, plant and equipment	56	–	–	(369)
Allowance for doubtful debts	1,011	651	584	146
Write-down of inventories	209	10	–	–
Finance costs	41	87	27	72
Operating cash flows before movements in working capital	14,598	12,901	8,440	10,010
Increase in inventories	(3,670)	(5,426)	(2,634)	(3,716)
(Increase) decrease in trade and other receivables	(8,171)	7,293	1,876	(9,656)
(Decrease) increase in amount due to related parties	(342)	(15)	522	54
(Increase) decrease in amount due from a related party	(21)	21	(64)	–
Increase in trade and other payables	4,468	1,363	2,191	3,408
Cash generated from operations	6,862	16,137	10,331	100
Income taxes paid	(1,315)	(3,281)	(304)	(600)
NET CASH FROM OPERATING ACTIVITIES	5,547	12,856	10,027	(500)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(2,234)	(824)	(445)	(753)
Proceeds from disposal of property, plant and equipment	–	–	–	359
Advances to a director	–	(354)	–	(1,341)
Repayment from a director	–	–	–	30
Placement of pledged bank deposits	–	–	–	(1,410)
NET CASH USED IN INVESTING ACTIVITIES	(2,234)	(1,178)	(445)	(3,115)

	Year ended 31 March		Six months ended	
	2014	2015	30 September	
	HK\$'000	HK\$'000	2014	2015
			HK\$'000	HK\$'000
			(unaudited)	
FINANCING ACTIVITIES				
Proceeds from bank borrowings	2,000	2,139	2,139	7,808
Advances from a director	491	270	–	–
Repayment to a director	(862)	(1,732)	(171)	–
Repayment of bank borrowings	(374)	(1,712)	(323)	(2,218)
Repayment of finance lease	(97)	(193)	(97)	(81)
Interest paid on bank borrowings	(35)	(75)	(21)	(67)
Interest paid on finance lease	(6)	(12)	(6)	(5)
Dividends paid	–	(7,745)	–	–
Listing expenses paid	–	–	–	(1,264)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<u>1,117</u>	<u>(9,060)</u>	<u>1,521</u>	<u>4,173</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,430	2,618	11,103	558
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	<u>155</u>	<u>4,585</u>	<u>4,585</u>	<u>7,203</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD, representing bank balances and cash	<u>4,585</u>	<u>7,203</u>	<u>15,688</u>	<u>7,761</u>

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 25 September 2015. Its registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is located at 12/F, LMK Development Estate, 10-16 Kwai Ting Road, Kwai Chung, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of digital content and website advertisement spaces and operation of online stores. Its ultimate holding company is CORE Capital Group Limited ("**CORE Capital**"), a private company incorporated in the BVI.

The Financial Information is presented in Hong Kong dollars ("**HK\$**"), which are the same as the functional currency of the Company and its subsidiaries.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Prior to the Group Reorganisation, HBHK was solely owned by Mr. Ma Pak Wing, Kevin ("**Mr. Ma**"). For the purpose of the listing of the Company's shares on the Stock Exchange, the Group underwent the following reorganisation steps: (1) the incorporation of CORE Capital, acting as the holding company of the Company, with Mr. Ma as the sole shareholder; (2) the incorporation of the Company and COREone as wholly owned subsidiaries of CORE Capital; and (3) transfer of the issued shares of HBHK from Mr. Ma to COREone. Upon completion of the above steps, HBHK becomes an indirectly wholly-owned subsidiary of the Company. Accordingly, the Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity. The Financial Information has been prepared as if the Company had always been the holding company of the Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the Track Record Period. The combined statements of financial position of the Group as at 31 March 2014 and 2015 and 30 September 2015 are prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates, taken into account the respective dates of incorporation.

The financial information contained in this document does not constitute the statutory annual financial statements of HBHK for the financial year ended 31 March 2015, but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As HBHK is a private company, HBHK is not required to deliver its financial statements to the Registrar of Companies, and have not done so.

The auditor of HBHK has reported on these financial statements for the year ended 31 March 2015. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied all HKFRSs which are effective for annual periods beginning on 1 April 2015 throughout the Track Record Period.

At the date of this report, the following new standards and amendments which may be relevant to the Group have been issued but are not yet effective. The Group has not early applied these standards and amendments.

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to HKAS 1	Disclosure Initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ³
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle ³

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

³ Effective for annual periods beginning on or after 1 January 2016.

⁴ Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

One of the key requirements of HKFRS 9 that are applicable to the Group includes the impairment of financial assets, of which HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The management of the Group are of the view that the expected credit loss model may result in early provision of credit losses which are not yet incurred. However, it is not practicable to provide a reasonable estimate of the effect from using an expected credit loss model in respect of its financial assets until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The management of the Group anticipates that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the management of the Group anticipates that the application of the other new standards and amendments will have no material impact on the Group's financial performance and positions and/or on the disclosures to the Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong and the Hong Kong Companies Ordinance.

Basis of preparation

The Financial Information has been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except leasing transactions that are within the scope of HKAS 17 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of combination

The Financial Information incorporates the financial statements of entities controlled by the Company and its subsidiary. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the combined statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

The Group's turnover includes revenues from sales of goods through online stores, provision of advertising services, creative agency project and publication of web magazines.

Sales of goods through online stores

Revenue from the sale of goods through online stores is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Consignment sales

When the goods sold on the Group's online stores are derived from consignment arrangements under which the Group in substance acts as an agent that takes physical possession of the goods, but does not assume all of the risks and rewards, the consideration received and receivable is recognised as revenue net of all costs borne by the consignor and consignor's margin at which time all the above conditions in relation to the sales of goods through online stores are satisfied.

*Provision of advertising services*Provision of advertising spaces

Income from the provision of advertising spaces is recognised on a straight-line basis over the period of publicity, at which time all the following conditions are satisfied:

- it is probable that the economic benefits associated with the transaction will flow to the Group upon the satisfaction of target impression rate or click rate set out in respective contract; and
- the relevant services which related to the production of the advertisement has been rendered.

Creative agency project

Creative agency projects consist of project-based production of advertisement (including photo shooting, video production and editorial work prior to the publishing on advertising spaces) and the provision of advertising spaces. Income from creative agency project is recognised on a straight-line basis over the period of publicity, at which time all the following conditions are satisfied:

- it is probable that the economic benefits associated with the transaction will flow to the Group upon the satisfaction of target impression rate or click rate set out in respective contract; and
- the relevant services which related to the production of the advertisement has been rendered.

Publication of magazines

Income from publication of magazines is recognised when authorisation for access to magazines has been granted to the subscribers.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of a group entity, transactions in currencies other than the entity's functional currency (foreign currency) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit before tax' as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined statements of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Such liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to settle the carrying amount of its liabilities.

Current and deferred tax is recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including motor vehicles (classified as finance leases) held for use in the supply of services, or for administrative purposes, are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sales.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when an entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's and the Company's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a related party, amount due from a director, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to receive cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entity are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related parties/a subsidiary, amount due to a director and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Borrowing costs

Borrowing costs which are not capitalized to qualifying assets are recognized in profit or loss in the period in which they are incurred.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 4, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the management of the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Revenue recognition as principal or agent

The management of the Group takes into account the specific features and contractual terms in relation to sales transaction and exercises judgement in determining whether the group entities are acting as principal or agent in revenue generating activities. In particular, when the Group, based on the relevant agreements, is acting as an agent for products selling on its online stores, the sale is treated as a consignment sale. The consideration received and receivable from such transaction is recognised as service income calculated based on revenue net of all costs shared by the consignor, while for other arrangement where the Group is acting as the principal, the revenue is recognised on a gross basis in accordance with the accounting policies stated in note 4. The total amount of consignment sales recognised on net basis for the years ended 31 March 2014 and 2015 and the six months ended 30 September 2014 and 2015 are approximately HK\$1,052,000, HK\$6,306,000, HK\$3,105,000 (unaudited) and HK\$1,724,000 respectively.

Key sources of estimation uncertainty

The followings are 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 within the next financial year.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss 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 been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of trade receivables as at 31 March 2014 and 2015 and 30 September 2015 was approximately HK\$15,369,000, HK\$11,391,000 and HK\$19,648,000 respectively, net of allowance of doubtful debts of approximately HK\$1,011,000, HK\$1,662,000 and HK\$1,159,000 respectively.

Estimated write-down of inventories

When there is objective evidence of write down in value, in which case the inventories are in obsolete condition or the carrying amount of inventories are lower than the net realisable value, the amount of the write-down is measured as the difference between the asset's carrying amount and the net realisable value. The management estimates the net realisable value based on the estimated selling price for inventories less all estimated costs of purchase and costs necessary to make the sale. To the extent that the net realisable value is lower than the carrying amount, a material write-down may arise. The carrying amount of inventories as at 31 March 2014 and 2015 and 30 September 2015 was approximately HK\$5,123,000, HK\$10,539,000 and HK\$14,255,000 respectively. Inventories of approximately HK\$209,000, HK\$10,000, Nil (unaudited) and Nil have been written down during the years ended 31 March 2014 and 2015 and six months ended 30 September 2014 and 2015 respectively.

6. REVENUE AND SEGMENT INFORMATION

Information reported to the Chief Executive Officer ("**CEO**") of the Group, being the chief operating decision maker ("**CODM**") for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered, or service provided. The CEO has chosen to organise the Group's results according to the category of the business segment and differences in nature of the goods and services that each segment delivers. No operating segments identified by CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

Digital media segment	–	Provision of advertising services and publication of magazines
E-commerce segment	–	Operation of online stores for the sale of third-party branded clothing, shoes and accessories

For the year ended 31 March 2014, the digital media segment of the Group only comprised of the provision of advertising spaces and publication of magazines. During the year ended 31 March 2015, creative agency projects were newly developed by the Group for external customers.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

Year ended 31 March 2014

	Digital media <i>HK\$'000</i>	E-commerce <i>HK\$'000</i>	Combined <i>HK\$'000</i>
Segment revenue – external customers:			
Provision of advertising services	32,593	–	32,593
Publication of magazines	508	–	508
Operation of online stores (<i>Note</i>)	–	39,732	39,732
	<u>33,101</u>	<u>39,732</u>	<u>72,833</u>
Total segment revenue			
	<u>33,101</u>	<u>39,732</u>	<u>72,833</u>
Segment results	<u>11,892</u>	<u>5,056</u>	16,948
Finance costs			(41)
Unallocated expenses			<u>(4,495)</u>
Profit before tax			<u><u>12,412</u></u>

Year ended 31 March 2015

	Digital media <i>HK\$'000</i>	E-commerce <i>HK\$'000</i>	Combined <i>HK\$'000</i>
Segment revenue – external customers:			
Provision of advertising services	47,034	–	47,034
Publication of magazines	617	–	617
Operation of online stores (<i>Note</i>)	–	51,280	51,280
	<u>47,651</u>	<u>51,280</u>	<u>98,931</u>
Total segment revenue			
	<u>47,651</u>	<u>51,280</u>	<u>98,931</u>
Segment results	<u>15,730</u>	<u>348</u>	16,078
Finance costs			(87)
Unallocated expenses			<u>(5,014)</u>
Profit before tax			<u><u>10,977</u></u>

Six months ended 30 September 2014

	Digital media <i>HK\$'000</i> (unaudited)	E-commerce <i>HK\$'000</i> (unaudited)	Combined <i>HK\$'000</i> (unaudited)
Segment revenue – external customers:			
Provision of advertising services	21,136	–	21,136
Publication of magazines	372	–	372
Operation of online stores (<i>Note</i>)	–	24,555	24,555
	<u>21,508</u>	<u>24,555</u>	<u>46,063</u>
Total segment revenue			
	<u>21,508</u>	<u>24,555</u>	<u>46,063</u>
Segment results	<u>8,175</u>	<u>1,282</u>	9,457
Finance costs			(27)
Unallocated expenses			<u>(2,189)</u>
Profit before tax			<u><u>7,241</u></u>

Six months ended 30 September 2015

	Digital media <i>HK\$'000</i>	E-commerce <i>HK\$'000</i>	Combined <i>HK\$'000</i>
Segment revenue – external customers:			
Provision of advertising services	38,075	–	38,075
Publication of magazines	423	–	423
Operation of online stores (<i>Note</i>)	–	25,593	25,593
	<u>38,498</u>	<u>25,593</u>	<u>64,091</u>
Total segment revenue			
	<u>38,498</u>	<u>25,593</u>	<u>64,091</u>
Segment results	<u>15,438</u>	<u>2,274</u>	17,712
Finance costs			(72)
Unallocated expenses			<u>(8,019)</u>
Profit before tax			<u><u>9,621</u></u>

Note: Included in revenue from operation of online stores for each of the years ended 31 March 2014 and 2015 and each of the six months ended 30 September 2014 and 2015, total amount of commission fee from consignment sales are approximately HK\$1,052,000, HK\$6,306,000, HK\$3,105,000 (unaudited) and HK\$1,724,000 respectively. The remaining amount of approximately HK\$38,680,000, HK\$44,974,000, HK\$21,450,000 (unaudited) and HK\$23,869,000 respectively represents sales of goods through the online stores.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment results represent the profit earned by each segment without allocation of finance costs, central administrative costs and other unallocated expenses including depreciation expenses, rental expenses, listing expense and director's fee that are not directly attributable to segments as disclosed in the above table. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

	As at 31 March		As at 30
	2014	2015	September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment assets			
Digital media	15,370	11,391	18,537
E-commerce	9,785	11,219	17,081
	<u> </u>	<u> </u>	<u> </u>
Total segment assets	<u>25,155</u>	<u>22,610</u>	<u>35,618</u>
Reconciliation of reportable segment total to group total:			
Segment assets	25,155	22,610	35,618
Unallocated assets:			
Property, plant and equipment	3,275	2,923	2,936
Deposits and other receivables	376	392	1,874
Amount due from a director	–	354	1,665
Amount due from a related party	21	–	–
Tax recoverable	–	198	–
Pledged bank deposits	–	–	1,410
Bank balances and cash	4,585	7,203	7,761
	<u> </u>	<u> </u>	<u> </u>
Combined total assets	<u>33,412</u>	<u>33,680</u>	<u>51,264</u>
Reportable segment liabilities			
Digital media	1,791	2,084	1,931
E-commerce	4,160	5,752	7,451
	<u> </u>	<u> </u>	<u> </u>
Total segment liabilities	<u>5,951</u>	<u>7,836</u>	<u>9,382</u>
Reconciliation of reportable segment total to group total:			
Segment liabilities	5,951	7,836	9,382
Unallocated liabilities:			
Other payables and accrued expenses	2,193	1,671	3,532
Amounts due to related parties	162	147	201
Amount due to a director	1,462	–	–
Obligation under finance lease	483	290	–
Bank borrowings	1,626	2,053	7,643
Tax payable	1,143	–	1,777
Deferred tax liabilities	167	148	135
	<u> </u>	<u> </u>	<u> </u>
Combined total liabilities	<u>13,187</u>	<u>12,145</u>	<u>22,670</u>

For the purposes of monitoring segment performances and collecting resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, deposits and other receivables, amount due from a director, amount due from a related party, tax recoverable, pledged bank deposits and bank balances and cash that are not attributable to respective segment.
- all liabilities are allocated to operating segments other than other payables and accrued expenses, amounts due to related parties, amount due to a director, obligation under finance lease, bank borrowings, current and deferred tax liabilities that are not attributable to respective segment.

Other segment information

Year ended 31 March 2014

	Digital media HK\$'000	E-commerce HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Combined HK\$'000
<i>Amounts included in the measure of segment profit or loss and segment assets:</i>					
Capital additions	–	–	–	2,814	2,814
Depreciation	–	–	–	869	869
Allowance for doubtful debts	1,011	–	1,011	–	1,011
Write-down of inventories	–	209	209	–	209
Loss on written off of property, plant and equipment	–	–	–	56	56
	<u>–</u>	<u>–</u>	<u>–</u>	<u>56</u>	<u>56</u>

Year ended 31 March 2015

	Digital media HK\$'000	E-commerce HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Combined HK\$'000
<i>Amounts included in the measure of segment profit or loss and segment assets:</i>					
Capital additions	–	–	–	824	824
Depreciation	–	–	–	1,176	1,176
Allowance for doubtful debts	651	–	651	–	651
Write-down of inventories	–	10	10	–	10
	<u>–</u>	<u>10</u>	<u>10</u>	<u>–</u>	<u>10</u>

Six months ended 30 September 2014

	Digital media HK\$'000 (unaudited)	E-commerce HK\$'000 (unaudited)	Segment total HK\$'000 (unaudited)	Unallocated HK\$'000 (unaudited)	Combined HK\$'000 (unaudited)
<i>Amounts included in the measure of segment profit or loss and segment assets:</i>					
Capital additions	–	–	–	445	445
Depreciation	–	–	–	588	588
Allowance for doubtful debts	584	–	584	–	584
	<u>–</u>	<u>–</u>	<u>584</u>	<u>–</u>	<u>584</u>

Six months ended 30 September 2015

	Digital media	E-commerce	Segment total	Unallocated	Combined
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Amounts included in the measure of segment profit or loss and segment assets:</i>					
Capital additions	-	-	-	753	753
Depreciation	-	-	-	540	540
Allowance for doubtful debts	146	-	146	-	146
Gain on disposal of property, plant and equipment	-	-	-	(369)	(369)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(369)</u>	<u>(369)</u>

Geographical information

Revenue by geographical location

An analysis of the Group's revenue from external customers by geographical location, determined based on the location of the online sales request for e-commerce segment and the location of customers for digital media segment are detailed below:

	Year ended 31 March		Six months ended 30 September	
	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
United States	32,541	47,472	20,304	32,700
Hong Kong	6,336	10,105	5,326	9,162
Others (Note)	33,956	41,354	20,433	22,229
	<u>72,833</u>	<u>98,931</u>	<u>46,063</u>	<u>64,091</u>

Note: Including other countries which individually contributing less than 10% of the total revenue of the Group for each respective reporting period.

Non-current assets by geographical location

The Group's operations are solely located in Hong Kong and all non-current assets are located in Hong Kong by location of assets.

Information about major customers

Revenue from customers that individually contributing over 10% of the total sales of the Group of the corresponding years/periods are as follows:

	Year ended 31 March		Six months ended 30 September	
	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Customer A from digital media segment	<u>N/A¹</u>	<u>9,982</u>	<u>4,916</u>	<u>N/A¹</u>

¹ The corresponding revenue did not contribute over 10% of the total sales of the Group for the relevant year/period.

7. FINANCE COSTS

	Year ended 31 March		Six months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Interests on:				
Bank loans wholly repayable within five years	35	75	21	67
Finance lease wholly repayable within five years	6	12	6	5
	<u>41</u>	<u>87</u>	<u>27</u>	<u>72</u>

8. OTHER GAIN AND LOSSES

	Year ended 31 March		Six months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Allowance for doubtful debts	1,011	651	584	146
Net exchange losses	572	860	283	475
Loss on write-off (gain on disposal) of property, plant and equipment	56	–	–	(369)
	<u>1,639</u>	<u>1,511</u>	<u>867</u>	<u>252</u>

9. INCOME TAX EXPENSE

	Year ended 31 March		Six months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Current tax:				
Hong Kong Profits Tax	2,032	1,941	1,211	2,575
Deferred tax (<i>note 22</i>):				
Charge (credit) for the year/period	74	(19)	(23)	(13)
	<u>2,106</u>	<u>1,922</u>	<u>1,188</u>	<u>2,562</u>

The Group is not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions.

The Group is subject to Hong Kong Profits Tax at a rate of 16.5% for the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before tax per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		Six months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Profit before tax	<u>12,412</u>	<u>10,977</u>	<u>7,241</u>	<u>9,621</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	2,048	1,811	1,195	1,588
Tax effect of income not taxable for tax purpose	(2)	(11)	(15)	(61)
Tax effect of expenses not deductible for tax purpose	70	142	43	954
Others	<u>(10)</u>	<u>(20)</u>	<u>(35)</u>	<u>81</u>
Tax expense for the year/period	<u>2,106</u>	<u>1,922</u>	<u>1,188</u>	<u>2,562</u>

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 March		Six months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Profit for the year/period has been arrived at after charging:				
Director's remuneration (<i>note 11</i>)	418	448	224	224
Other staff costs				
– salaries and allowances	9,962	18,263	7,704	11,732
– retirement benefits scheme contribution	<u>905</u>	<u>687</u>	<u>290</u>	<u>445</u>
Total director and other staff costs	<u>11,285</u>	<u>19,398</u>	<u>8,218</u>	<u>12,401</u>
Allowance for doubtful debts	1,011	651	584	146
Auditor's remuneration	50	200	–	–
Cost of inventories recognised as expense	20,268	27,417	11,903	11,221
Depreciation of property, plant and equipment	869	1,176	588	540
Website content update expense (<i>note</i>)	2,284	3,146	1,580	1,996
Write-down of inventories	<u>209</u>	<u>10</u>	<u>–</u>	<u>–</u>

Note: Amounts represent expenses incurred and paid to freelance bloggers for content update in the web pages and were recorded as "administrative and operating expenses".

11. SOLE DIRECTOR'S AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION

Sole director's and chief executive's emoluments

Mr. Ma was appointed as an executive director of the Company on 25 September 2015. Details of the emoluments paid or payable to Mr. Ma, who is also the chief executive of the Company (including emoluments for the services as the director of the group entities prior to becoming the director of the Company) during the Track Record Period are as follows:

	Year ended 31 March		Six months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Director's fee	150	180	90	90
Salaries, allowances and benefits in kind	264	264	132	132
Retirement benefits scheme contribution	4	4	2	2
	<u>418</u>	<u>448</u>	<u>224</u>	<u>224</u>

Employees' remuneration

For the Track Record Period, the five highest paid individuals with the highest emoluments in the Group are all employees and their remunerations are as follows:

	Year ended 31 March		Six months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Salaries and allowances	1,905	3,375	1,429	1,648
Discretionary bonus	141	265	–	–
Retirement benefits scheme contribution	73	82	42	45
	<u>2,119</u>	<u>3,722</u>	<u>1,471</u>	<u>1,693</u>

The emoluments of the highest paid individuals fell within the following band:

	Year ended 31 March		Six months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
	No. of employees		No. of employees	
Nil to HK\$1,000,000	5	4	5	5
HK\$1,000,001 to HK\$1,500,000	–	1	–	–
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Group to the director or any of the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

	Year ended 31 March		Six months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Dividends recognised as distribution for the year/period	-	7,745	-	-

During the year ended 31 March 2015, dividends of HK\$7,745 per share totalling HK\$7,745,000 have been declared and paid by HBHK to its then sole shareholder who is also one of the directors of the Company. No dividend has been proposed since 30 September 2015.

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the presentation of the combined statements of profit or loss and other comprehensive income for the Track Record Period is on a combined basis as disclosed in note 2.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furnitures and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 April 2013	1,122	218	1,178	437	2,955
Additions	1,487	337	390	600	2,814
Write-off	(521)	—	—	—	(521)
At 31 March 2014	2,088	555	1,568	1,037	5,248
Additions	66	167	591	—	824
At 31 March 2015	2,154	722	2,159	1,037	6,072
Additions	104	71	578	—	753
Disposal	—	—	—	(600)	(600)
At 30 September 2015	2,258	793	2,737	437	6,225
ACCUMULATED DEPRECIATION					
At 1 April 2013	726	94	487	262	1,569
Provided for the year	378	77	257	157	869
Eliminated on write-off	(465)	—	—	—	(465)
At 31 March 2014	639	171	744	419	1,973
Provided for the year	500	124	345	207	1,176
At 31 March 2015	1,139	295	1,089	626	3,149
Provided for the period	208	71	221	40	540
Eliminated on disposal	—	—	—	(400)	(400)
At 30 September 2015	1,347	366	1,310	266	3,289
CARRYING VALUES					
At 31 March 2014	1,449	384	824	618	3,275
At 31 March 2015	1,015	427	1,070	411	2,923
At 30 September 2015	911	427	1,427	171	2,936

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	25%, or over the lease terms, whichever is shorter
Furnitures and fixtures	20%
Office equipment	20%
Motor vehicles	20%

A motor vehicle with a carrying amount of HK\$530,000, HK\$410,000 and Nil as at 31 March 2014 and 2015 and 30 September 2015 respectively is under finance lease arrangement (note 21). In August 2015, the Group disposed of a motor vehicle under finance lease arrangement with a carrying amount of HK\$200,000.

15. INVENTORIES

	As at 31 March		As at 30
	2014	2015	September
	HK\$'000	HK\$'000	2015
Finished goods	5,123	10,539	14,255

16. TRADE AND OTHER RECEIVABLES

	As at 31 March		As at 30
	2014	2015	September
	HK\$'000	HK\$'000	2015
Trade receivables	16,380	13,053	20,807
Less: allowance for doubtful debts	(1,011)	(1,662)	(1,159)
	15,369	11,391	19,648
Rental and utilities deposits	199	125	586
Prepayments	4,664	679	2,979
Total	20,232	12,195	23,213

The Group allows credit periods ranging from 30 to 60 days to its trade customers derived from provision of advertising services and creative agency projects, whereas no credit period is granted to customers from online stores and subscribers of magazines. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	As at 31 March		As at 30
	2014	2015	September
	HK\$'000	HK\$'000	2015
Within 60 days	7,084	9,607	14,388
61 – 90 days	637	1,213	1,498
91 – 180 days	5,498	571	3,762
181 – 365 days	2,150	–	–
	15,369	11,391	19,648

Included in the Group's trade receivables balance are debtors as at 31 March 2014 and 2015 and 30 September 2015 with an aggregate carrying amount of approximately HK\$10,310,000, HK\$2,009,000 and HK\$6,323,000 respectively which are past due at the end of reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	As at 31 March		As at 30
	2014	2015	September
	HK\$'000	HK\$'000	2015
Within 60 days	2,025	225	1,063
61 – 90 days	637	1,213	1,498
91 – 180 days	5,498	571	3,762
181 – 365 days	2,150	–	–
	<u>10,310</u>	<u>2,009</u>	<u>6,323</u>

Movement in the allowance for trade receivables

	Year ended 31 March		Six months
	2014	2015	ended 30
	HK\$'000	HK\$'000	September
Balance at beginning of the year/period	–	1,011	1,662
Impairment losses recognised on receivables	1,011	651	146
Written off	–	–	(649)
	<u>1,011</u>	<u>1,662</u>	<u>1,159</u>

Included in trade receivables as at 31 March 2014 and 2015 and 30 September 2015 are amounts net of individually impaired receivables amounting to HK\$1,011,000, HK\$1,662,000 and HK\$1,159,000, respectively. The management has reviewed the repayment history of these long overdue customers, considering their deteriorating credit quality and no amount had been settled subsequent to the end of the reporting period, accordingly, full impairment was recognised.

During the six months ended 30 September 2015, the management of the Group has determined that trade receivables with an aggregate balance of HK\$649,000 included in allowance for trade receivables as at 30 September 2015 is directly written off as the debtors have been wound up.

17. AMOUNTS DUE FROM (TO) RELATED PARTIES AND A DIRECTOR

(a) Amounts due from (to) related parties

Amounts due from (to) related parties are as follows:

	As at 31 March		As at 30
	2014	2015	September
	HK\$'000	HK\$'000	2015
			HK\$'000
Amount due from a related party			
District Distribution Co. Limited – Taiwan (note (i))	21	–	–
Amounts due to related parties			
District Distribution Co. Limited (note (ii))	(40)	(25)	(79)
Mr. Ma Tak Yuen (note (iii))	(122)	(122)	(122)
	(162)	(147)	(201)

District Distribution Co. Limited and District Distribution Co. Limited – Taiwan are 30% owned by Mr. Ma, the controlling shareholder of the Company, while Mr. Ma Tak Yuen is a close family member of Mr. Ma.

Notes:

- i. The amount is of trade nature, unsecured, non-interest bearing and with credit terms of 30 days. Approximately HK\$3,000 of the balance as at 31 March 2014 aged within 30 days, with the remainder aged over 1 year. The amount has been subsequently settled.
- ii. The amounts are of trade nature, unsecured, non-interest bearing and with credit terms of 30 days. The whole amount as at 31 March 2014 aged within 30 days while the whole amount as at 31 March 2015 aged over 1 year. Included in the balance as at 30 September 2015, approximately HK\$69,000 aged within 30 days, and the remainder aged over 1 year.
- iii. The amount is of non-trade nature, unsecured, non-interest bearing and repayable on demand.

(b) Amount due from a director

	Maximum amounts outstanding during the year/period ended						
	As at		As at		As at		
	1 April	As at 31 March		30	31 March		30
2013	2014	2015	2015	2014	2015	2015	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
The Group							
Amount due from a director							
Mr. Ma	–	–	354	1,665	–	354	1,665

	As at 30 September 2015	Maximum amount outstanding during the period ended 30 September 2015
The Company		
Amount due from a director		
Mr. Ma	316	316

The amounts were unsecured, non-interest bearing and repayable on demand. As represented by the directors of the Company, the amounts will be settled before the listing of the Company's shares on the Stock Exchange.

(c) Amount due to a director

The amount was unsecured, non-interest bearing and repayable on demand. The amount has been subsequently settled.

18. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances carry interest at prevailing market rates at 0.01% per annum as at 31 March 2014 and 2015 and 30 September 2015.

Pledged bank deposits represents deposits pledged to a bank to secure banking facilities granted to the Group. Deposits amounting to HK\$1,410,000 as at 30 September 2015 have been pledged to secure bank borrowings repayable on demand and are therefore classified as current assets.

19. TRADE AND OTHER PAYABLES

	As at 31 March		As at 30 September
	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000
Trade payables	4,103	4,881	5,984
Deferred revenue	57	871	1,467
Commission payable	1,791	1,464	1,443
Other payables and accrued expenses	2,193	2,291	4,020
	<u>8,144</u>	<u>9,507</u>	<u>12,914</u>

The credit period on purchases of goods is 30 days. The aging analysis of the Group's trade payables below is presented based on the invoice date at the end of the reporting period:

	As at 31 March		As at 30 September
	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	2,106	2,351	3,868
31 – 60 days	824	857	955
61 – 90 days	320	77	212
Over 90 days	853	1,596	949
	<u>4,103</u>	<u>4,881</u>	<u>5,984</u>

20. BANK BORROWINGS

	As at 31 March		As at 30
	2014	2015	September
	HK\$'000	HK\$'000	2015
			HK\$'000
Bank loans, guaranteed with variable rate	1,626	2,053	7,643
Secured	–	–	4,230
Unsecured	1,626	2,053	3,413
	<u>1,626</u>	<u>2,053</u>	<u>7,643</u>
Carrying amount repayable (according to scheduled repayment term):			
– Within one year	657	1,756	5,281
– More than one year, but not exceeding two years	679	297	2,362
– More than two years, but not exceeding five years	290	–	–
	<u>1,626</u>	<u>2,053</u>	<u>7,643</u>
Carrying amount that contain a repayment on demand clause (shown under current liabilities)	–	–	7,643

Details of guarantee provided are set out in note 29.

The range of effective interest rates (which are also equalled to contractual interest rates) on the Group's borrowings are as follows:

	As at 31 March		As at
	2014	2015	30 September
			2015
Effective interest rate (per annum):			
Variable-rate borrowings	<u>3.25%</u>	<u>2.75% to 3.25%</u>	<u>2.75% to 4.25%</u>

21. OBLIGATION UNDER FINANCE LEASE

The Group acquired a motor vehicle under finance lease. The lease term is three years. Interest rate underlying the finance lease is fixed at contract date of 2% per annum. The Group has option to purchase the motor vehicle for a nominal amount at the end of the lease term. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 March		As at 30 September	As at 31 March		As at 30 September
	2014	2015	2015	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance lease:						
Within one year	205	205	-	193	193	-
More than one year, but not exceeding two years	205	102	-	193	97	-
More than two years, but not exceeding five years	102	-	-	97	-	-
	512	307	-	483	290	-
Less: future finance charges	(29)	(17)	-	N/A	N/A	N/A
Present value of lease obligation	483	290	-	483	290	-
Less: amounts due within one year				(193)	(193)	-
				290	97	-

The Group's obligation under finance lease is secured by the lessor's title to the leased asset.

The finance lease arrangement was transferred during the period ended 30 September 2015 due to the disposal of the motor vehicle in August 2015.

22. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised by the Group and movements thereon during the Track Record Period:

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April 2013	(93)
Charge to profit or loss	(74)
	<hr/>
At 31 March 2014	(167)
Credit to profit or loss	19
	<hr/>
At 31 March 2015	(148)
Credit to profit or loss	13
	<hr/>
At 30 September 2015	<u>(135)</u>

23. SHARE CAPITAL**The Group**

Share capital as at 1 April 2013, 31 March 2014 and 2015 represented the issued share capital of HBHK. Share Capital as at 30 September 2015 represented the combined share capital of the Company and HBHK.

The Company

The Company was incorporated in the Cayman Islands on 25 September 2015. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 each. Upon incorporation, one share, representing the entire issued share capital of the Company was issued at par to and held by CORE Capital.

24. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt, which includes amounts due to related parties and a director, bank borrowings and obligation under finance lease, as disclosed in notes 17(a), 17(c), 20 and 21, respectively, net of cash and cash equivalents and equity.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

25. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	As at 31 March		As at 30
	2014	2015	September
	HK\$'000	HK\$'000	2015
			HK\$'000
The Group			
Financial assets			
Loans and receivables (including cash and cash equivalents) of amortised cost	20,351	19,341	31,094
Financial liabilities			
Amortised cost	11,665	10,193	17,674
The Company			
Financial assets			
Loans and receivables (including cash and cash equivalents) of amortised cost	–	–	316
Financial liabilities			
Amortised cost	–	–	6,321

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from (to) a director and related parties, pledged bank deposits, bank balances and cash, trade and other payables, obligation under finance lease and bank borrowings. The Company's financial instruments includes amount due from a director, other payables and amount due to a subsidiary. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates. Details of each type of market risks are described as follows:

(i) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances. The Group currently does not enter into any hedging instrument for cash flow interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Best Lending Rate arising from the Group's Hong Kong dollars denominated borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year/period. A 50 basis points increase or decrease in the prevailing rates of relevant banks is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for variable rate bank borrowings, with all other variables held constant, the Group's post-tax profit for the years/period ended 31 March 2014, 31 March 2015 and 30 September 2015 would decrease/increase by approximately HK\$7,000, HK\$9,000 and HK\$16,000, respectively.

No sensitivity analysis of bank balances of the Group is presented as all bank balances carry interest rate below 0.1%.

(ii) Foreign currency risk

The Group undertakes certain operating transactions in foreign currency, which exposes the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should such need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at the end of each reporting period are as follows:

	As at		As at		As at	
	31 March 2014		31 March 2015		30 September 2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States Dollar ("US\$")	<u>17,279</u>	<u>2,953</u>	<u>12,825</u>	<u>3,769</u>	<u>19,579</u>	<u>6,665</u>

Sensitivity analysis

The Group is mainly exposed to the risk of fluctuation against US\$. As HK\$ is pegged with US\$ under Linked Exchange Rate System, the Group's exposure to US\$ exchange risk is minimal and no sensitivity analysis is presented accordingly.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and amounts due to a director and related parties.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
The Group						
As at 31 March 2014						
Non-derivative financial liabilities						
Trade and other payable	–	7,932	–	–	7,932	7,932
Amount due to sole director	–	1,462	–	–	1,462	1,462
Amounts due to related parties	–	162	–	–	162	162
Bank borrowings	3.25	701	701	292	1,694	1,626
Obligation under finance lease	2	205	205	102	512	483
		<u>10,462</u>	<u>906</u>	<u>394</u>	<u>11,762</u>	<u>11,665</u>
As at 31 March 2015						
Non-derivative financial liabilities						
Trade and other payable	–	7,703	–	–	7,703	7,703
Amounts due to related parties	–	147	–	–	147	147
Bank borrowings	2.75	1,786	299	–	2,085	2,053
Obligation under finance lease	2	205	102	–	307	290
		<u>9,841</u>	<u>401</u>	<u>–</u>	<u>10,242</u>	<u>10,193</u>
As at 30 September 2015						
Non-derivative financial liabilities						
Trade and other payable	–	9,830	–	–	9,830	9,830
Amounts due to related parties	–	201	–	–	201	201
Bank borrowings	3.71	7,643	–	–	7,643	7,643
		<u>17,674</u>	<u>–</u>	<u>–</u>	<u>17,674</u>	<u>17,674</u>

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
The Company							
As at 30 September 2015							
Non-derivative financial liabilities							
Other payables	-	1,686	-	-	-	1,686	1,686
Amount due to a subsidiary	-	4,635	-	-	-	4,635	4,635
		<u>6,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,321</u>	<u>6,321</u>

Bank borrowings with a repayment on demand clause are included in the "repayable on demand or less than 1 year" time band in the above maturity analysis. As at 30 September 2015, the aggregate carrying amounts of these bank borrowings amounted to HK\$7,643,000. Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The following table details the Group's aggregate principal and interest cash outflows for bank borrowings with a repayment on demand clause. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
The Group							
Bank borrowings with repayment on demand clause							
As at 30 September 2015	3.71	<u>5,475</u>	<u>2,413</u>	<u>-</u>	<u>-</u>	<u>7,888</u>	<u>7,643</u>

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statements of financial position. The Group's credit risk is primarily attributable to its trade receivables and bank balances. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period to ensure that adequate allowance are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 22%, 20% and 8% of the Group's trade receivables as at 31 March 2014, 31 March 2015 and 30 September 2015 are due from the Group's largest customer which is mainly engaged in the provision of advertising services. In

respect of this customer, given its good repayment history, the management considers that the credit risk associated with the balances of this customer is low.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

c. Fair value measurements of financial instruments

The fair values of the financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the Financial Information approximate their fair values.

26. NON-CASH TRANSACTION

During the year ended 31 March 2014, the Group entered into a finance lease arrangement to acquire a motor vehicle amounted to HK\$580,000. In August 2015, the Group disposed of that motor vehicle and the related finance lease arrangement with carrying amount of approximately HK\$210,000 was transferred and derecognised.

27. COMMITMENTS

Operating lease

The Group as lessee

	Year ended 31 March		Six months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000
Minimum lease payments under operating leases during the year/period in respect of premises	1,497	1,331	671	832

(unaudited)

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	As at 31 March		As at 30 September
	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000
Within one year	1,206	1,644	1,156
In the two to three years	1,232	394	60
	<u>2,438</u>	<u>2,038</u>	<u>1,216</u>

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated and rentals are fixed for one to three years.

28. EMPLOYEE BENEFITS

The Group participates in Mandatory Provident Fund Scheme ("MPF Scheme") for all its qualifying employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the

control of an independent trustee. During the years ended 31 March 2014 and 2015 and the six months ended 30 September 2014 and 2015, the retirement benefits scheme contribution arising from the MPF Scheme charged to profit or loss were approximately HK\$909,000, HK\$691,000, HK\$292,000 (unaudited) and HK\$447,000, respectively.

29. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the statements of financial position and other details disclosed elsewhere in the Financial Information, the Group also entered into the following significant transactions with related parties during the Track Record Period:

Name of related party	Nature of transactions	Year ended 31 March		Six months ended 30 September	
		2014	2015	2014	2015
		HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
District Distribution Co. Limited	Commission fee from consignment sales	1,748	220	167	–
District Distribution Co. Limited	Purchase of inventories	–	–	–	982
District Distribution Co. Limited	Subscription of magazines	–	7	7	–
District Distribution Co. Limited – Taiwan	Subscription of magazines	4	4	4	4
Lee Chung Ming and Chan Lai Kuen (<i>note</i>)	Director's quarter	180	180	90	90
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: Mr. Lee Chung Ming and Ms. Chan Lai Kuen are the parent-in-law of Mr. Ma, a director of the Company.

In addition to the above, the bank borrowings with carrying amount of approximately HK\$1,626,000, HK\$2,053,000 and HK\$7,643,000 (note 20) are wholly guaranteed by Mr. Ma as at 31 March 2014 and 2015 and 30 September 2015 respectively.

Compensation of key management personnel

The sole director of HBHK, who is also a director of the Company, is identified as key management member of the Group, and his compensation during the Track Record Period is set out in note 11.

30. AMOUNT DUE TO A SUBSIDIARY

The amount is unsecured, interest-free and repayable on demand.

31. RESERVE OF THE COMPANY

	Accumulated losses HK\$'000
At 25 September 2015 (date of incorporation)	–
Loss and total comprehensive expense for the period	<u>(4,741)</u>
At 30 September 2015	<u><u>(4,741)</u></u>

B. DIRECTOR'S EMOLUMENTS

Under the arrangement presently in force, the emoluments of the directors of the Company for the year ending 31 March 2016, excluding discretionary bonus and share options, if any, is estimated to be approximately HK\$448,000.

C. SUBSEQUENT EVENTS

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 30 September 2015:

- (i) The companies now comprising the Group underwent and completed the Reorganisation on 30 October 2015 in preparation for the listing of the shares of the Company on the Stock Exchange. Further details of the Group Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" to the Prospectus. As a result of the Group Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.
- (ii) Pursuant to the written resolution passed by the shareholders of the Company on 18 March 2016, the principal terms of the pre-IPO share option scheme and the post-IPO share option scheme as disclosed in "Statutory and General Information — D. Pre-IPO Share Option Scheme and E. Post-IPO Share Option Scheme" in Appendix IV to the Prospectus were approved and adopted. On the same day, the Company has conditionally granted options to its senior management and employees to subscribe for the shares of the Company under the pre-IPO share option scheme for the subscription of an aggregate of 22,500,000 shares of the Company, representing 1.13% of the enlarged share capital of the Company immediately following completion of the placing and the capitalisation issue (assuming any options that have been granted under the pre-IPO share option scheme and the post-IPO share option scheme have not been exercised) at an exercise price which is equal to 20%-80% of the final placing price.
- (iii) Pursuant to the written resolution passed by the shareholders of the Company on 29 March 2016, conditional upon the crediting of the Company's share premium account as a result of the allotment and issue of the 400,000,000 shares in connection with the initial listing of the shares of the Company by way of placing, the directors of the Company are authorised to capitalise an amount of HK\$15,999,999 standing to the credit of the share premium account of the Company.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or its subsidiary in respect of any period subsequent to 30 September 2015.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this appendix does not form part of the Accountants' Report on our financial information for the Track Record Period prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set out in Appendix I to this prospectus, and is included in this prospectus for information only.

The unaudited pro forma financial information should be read in conjunction with the "Financial Information" in this prospectus and the "Accountants' Report" set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted combined net tangible assets of the Group prepared in accordance with Rule 7.31(1) of the GEM Listing Rules is set out below to illustrate the effect of the Placing on the audited combined net tangible assets of the Group as if the Placing had taken place on 30 September 2015.

The unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the net tangible assets of the Group as at 30 September 2015 or any future dates following the Placing.

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group is prepared based on the audited combined net tangible assets of the Group as at 30 September 2015 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets of the Group as at 30 September 2015 HK\$'000 (Note 1)	Estimated net proceeds from the Placing HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group per Share HK\$ (Note 3)
Based on a minimum Placing Price of HK\$0.12 per Placing Share	<u>28,594</u>	<u>30,606</u>	<u>59,200</u>	<u>0.030</u>
Based on a maximum Placing Price of HK\$0.14 per Placing Share	<u>28,594</u>	<u>38,206</u>	<u>66,800</u>	<u>0.033</u>

Notes:

- (1) The amount of audited combined net tangible assets of the Group as at 30 September 2015 amounting to approximately HK\$28,594,000 is extracted from the Accountants' Report of the Group set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Placing of New Shares are based on 400,000,000 New Shares to be issued at a minimum Placing Price of HK\$0.12 per Placing Share or a maximum Placing Price of HK\$0.14 per Placing Share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred and borne by the Group subsequent to 30 September 2015. It does not take into account of any shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or which may be granted under the Post-IPO Share Option Scheme or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandates.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group per Share is arrived at on the basis of 2,000,000,000 Shares in total, assuming that the Placing of 400,000,000 New Shares and the shares to be issued pursuant to the Capitalisation Issue had been completed on 30 September 2015. It does not take into account of any shares which may be allotted and issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or which may be granted under the Post-IPO Share Option Scheme or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandates.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 September 2015.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Hypebeast Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hypebeast Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 30 September 2015 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 31 March 2016 (the "**Prospectus**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited by way of placing (the "**Placing**") on the Group's financial position as at 30 September 2015 as if the Placing had taken place at 30 September 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for each of the two years ended 31 March 2015 and the six months ended 30 September 2015, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma 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:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2016

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 September 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Memorandum of Association (the “**Memorandum**”) and the Articles of Association (the “**Articles**”) comprise its constitution.

1. **MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. **ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on 18 March 2016. The following is a summary of certain provisions of the Articles:

(a) **Directors**

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Financial assistance to purchase shares of the Company or its subsidiaries

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company. There is no provision in the Articles that prohibits the Company from giving financial assistance for the purchase shares of its subsidiaries.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s) as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law; or
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(x) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(xi) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution — majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;

- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution

amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association

or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 27 October 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties

which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on

its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a

dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated as an exempted company in the Cayman Islands under the Companies Law with limited liability on 25 September 2015. Our principal place of business is 12/F, 10–16 Kwai Ting Road, Kwai Chung, Hong Kong and we have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Ma and Ms. Cheung Nga Man have been appointed as our authorised representatives in Hong Kong for acceptance of service of process and notices in Hong Kong. The address for service of process in Hong Kong is the same as our principal of business.

As we were incorporated in the Cayman Islands, we operate subject to Cayman Islands law and our constitution comprising the Memorandum and Articles of Association. A summary of various provisions of the Articles and relevant aspects of the Company Law is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

Our Company was incorporated on 25 September 2015. As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the same date, one fully paid Share was issued to our Company's initial subscriber, and such Share was transferred to CORE Capital on the same day. On 30 October 2015, a further 99 fully paid Shares were issued to CORE Capital.

Immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares that may be issued upon the exercise of any options granted or which may be granted under the Share Option Schemes), the authorised share capital of the Company will be HK\$60,000,000 divided into 6,000,000,000 Shares, of which 2,000,000,000 Shares will be allotted and issued as fully paid or credited as fully paid and 4,000,000,000 Shares will remain unissued.

Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraphs headed "5. Written resolutions of our sole Shareholder passed on 18 March 2016 and 29 March 2016" and "6. Repurchase by our Company of its own securities" below and the exercise of the options granted or which may be granted under the Share Option Schemes, our Directors do not have any present intention to allot and issue any of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed above and in the section headed "Share Capital" in this prospectus, there has been no alteration to the Company's share capital since its incorporation.

3. Reorganisation

In preparation for the Listing of the Shares on the Stock Exchange, the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group. Our Reorganisation involved the following major steps:

- (1) **Incorporation of CORE Capital:** On 6 August 2015, CORE Capital was incorporated with limited liability in the BVI and was authorised to issue 50,000 ordinary shares of US\$1.0 each. On the same day, one share in CORE Capital was issued, allotted and credited as fully-paid to Mr. Ma.
- (2) **Incorporation of our Company:** On 25 September 2015, our Company was incorporated with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the same day, one fully paid Share was issued to our Company's initial subscriber, and such Share was transferred to CORE Capital on the same day. On 30 October 2015, a further 99 fully paid Shares were issued to CORE Capital (see acquisition of HBHK below).
- (3) **Incorporation of COREone:** On 7 October 2015, COREone was incorporated with limited liability in the BVI and was authorised to issue 50,000 ordinary shares of US\$1.0 each. On the same day, one share in COREone was issued, allotted and credited as fully-paid to our Company.
- (4) **Acquisition of HBHK:** On 30 October 2015, COREone acquired the entire issued share capital of HBHK from Mr. Ma in consideration of our Company issuing and allotting 99 Shares to CORE Capital, credited as fully-paid.

Following the completion of the above steps, our Company was wholly-owned by Mr. Ma through CORE Capital, and our Company became the holding company of our Group.

The Group underwent the Reorganisation in preparation for the Listing. Further details are set out in the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus.

4. Changes in share capital of the subsidiaries

The subsidiaries of the Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus, there has been no alteration to the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

5. Written resolutions of our sole Shareholder passed on 18 March 2016 and 29 March 2016

Written resolutions of our sole Shareholder were passed on 18 March 2016 and 29 March 2016 approving, among others, the following:

- (a) conditional upon (1) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Placing and the Shares to be issued upon exercise of the Pre-IPO Share Options and the Post-IPO Share Options and such listing and permission not subsequently having been revoked prior to the Listing Date; (2) the Placing Price having been duly agreed between the Joint Bookrunners, our Company and the Selling Shareholder; (3) the execution and delivery of the Underwriting Agreement on or around the date of registration of the prospectus; and (4) the obligations of the Underwriters under the Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the Underwriting Agreement, on or before such date as may be specified in the Underwriting Agreement:
 - (i) the proposed Placing was approved and our Directors were authorised to approve the allotment and issue of the Placing Shares pursuant to the Placing subject to the terms and conditions thereof as set out in this prospectus;
 - (ii) the proposed Listing was approved and our Directors were authorised to implement the Listing;
 - (iii) the issuance of the 400,000,000 New Shares together with 100,000,000 Sale Shares to be sold by the Controlling Shareholders (which comprise 500,000,000 Placing Shares) for which listing is sought was approved and authorised;
 - (iv) the Pre-IPO Share Option Scheme, the principal terms of which are set out in “— D. Pre-IPO Share Option Scheme” in this appendix below, were approved and adopted and our Directors or any committee established by our Board were authorised, at their sole discretion, to (aa) administer the Pre-IPO Share Option Scheme; (bb) grant Pre-IPO Share Options to subscribe for Shares under the Pre-IPO Share Option Scheme up to the limits referred to in the Pre-IPO Share Option Scheme; (cc) allot, issue and deal with the Shares pursuant to the exercise of any Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme; and (dd) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Pre-IPO Share Option Scheme.

- (v) the Post-IPO Share Option Scheme, the principal terms of which are set out in “— E. Post-IPO Share Option Scheme” in this appendix below, were approved and adopted and our Directors or any committee established by our Board were authorised, at their sole discretion, to (aa) administer the Post-IPO Share Option Scheme; (bb) modify/amend the Post-IPO Share Option Scheme from time to time as required by the Stock Exchange; (cc) grant Post-IPO Share Options to subscribe for Shares under the Post-IPO Share Option Scheme up to the limits referred to in the Post-IPO Share Option Scheme; (dd) allot, issue and deal with the Shares pursuant to the exercise of any of the Post-IPO Share Options which may be granted under the Post-IPO Share Option Scheme; (ee) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the Post-IPO Share Options which may be granted under the Post-IPO Share Option Scheme; and (ff) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Post-IPO Share Option Scheme; and
- (vi) the general mandate, which is a general unconditional mandate was given to our Directors to allot, issue and deal with (including to make or grant offers, agreements and options, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or any arrangement that would be regulated under Chapter 20 of the GEM Listing Rules or any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association or pursuant to a specific authority granted by the Shareholders in general meeting(s) or any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, Shares with a total nominal value not exceeding 20% of the entire issued share capital immediately following completion of the Capitalisation Issue and Placing, such general mandate to remain in effect until the conclusion of our next annual general meeting unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions, or the expiration of the period within which our next annual general meeting is required to be held under any applicable Cayman Islands law or our Articles, or the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate, which occurs first;

- (vii) the repurchase mandate, which is a general unconditional mandate was given to our Directors authorising them to exercise all powers to repurchase Shares on the Stock Exchange or on any other approved stock exchange on which our securities may be listed and which is recognised by the SFC and Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or requirements of the GEM Listing Rules or of any other stock exchange on which our securities may be listed, as amended from time to time such number of Shares will represent up to 10% of the aggregate nominal amount of our entire issued share capital immediately following completion of the Capitalisation Issue and Placing, such repurchase mandate to remain in effect until the conclusion of our next annual general meeting unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions, or the expiration of the period within which our next annual general meeting is required to be held under any applicable Cayman Islands law or our Articles, or until the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate, whichever occurs first;
- (viii) the general mandate in paragraph (iv) above be extended by the addition to the aggregate nominal value of our share capital which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors under such general mandate of an amount representing the aggregate nominal value of our share capital repurchased by us pursuant to the repurchase mandate referred to in paragraph (v) above;
- (b) the authorised share capital of our Company was increased to HK\$60,000,000 divided into 6,000,000,000 Shares of HK\$0.01 each by the creation of an additional 5,962,000,000 Shares.
- (c) conditional upon the share premium account of our Company being credited as a result of the issue of the Placing Shares pursuant to the Placing, our Directors were authorised to allot and issue on the Listing Date a total of 1,599,999,900 Shares, credited as fully-paid at par, to our Shareholders whose names appear of the register of members of our Company at close of business on 18 March 2016 in proportion to their then respective shareholdings by way of capitalisation of the sum of HK\$15,999,999 standing to the credit of the share premium account of our Company, and such Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respects with the existing issued Shares.
- (d) our Articles were conditionally adopted in substitution for and to the exclusion of the existing articles of association of our Company with effect from the Listing Date.

6. Repurchase by our Company of its own securities

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the GEM must be approved in advance by an ordinary resolution, either by way of general mandate or by special approval of a particular transaction. Our Company's sole listing will be on the Stock Exchange.

Note: Pursuant to a resolution passed by the Shareholders of our Company on 18 March 2016, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising any repurchase by our Company of the Shares on the GEM, or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal value of our entire issued share capital immediately following the completion of the Placing and the Capitalisation Issue, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or applicable laws of the Cayman Islands to be held, or when revoked, varied or renewed by ordinary resolution of the Shareholders, whichever shall first occur.

Under the GEM Listing Rules and the Companies Ordinance, the shares which are proposed to be purchased by a company must be fully paid up.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole to have general authority from the Shareholders of our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value and the assets of our Company and/or the earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders as a whole.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with our Memorandum and Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our Group's current financial position as disclosed in this prospectus and taking into account our Group's current working capital position, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on our Group's working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on our Group's working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate to our Group.

(d) *General*

None of our Directors or, any of their associates currently intends to sell Shares to our Company or the subsidiaries of our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

No connected person has notified us that he has a present intention to sell Shares to our Company, or has undertaken to do so.

No purchase of Shares has been made by our Company since the date of our incorporation.

If as a result of a securities repurchase a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, the Shareholder or a group of the Shareholders of our Company acting in concert could obtain or consolidate our Company's control and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code and the provision may apply as a result of any such increase. Our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are, or may be, material:

- (a) the Underwriting Agreement;
- (b) the Deed of Indemnity; and
- (c) the Deed of Non-competition.

2. Our material intellectual property rights

As at the Latest Practicable Date, our Group had 8 registered trademarks in Hong Kong, PRC and US. Set out below is a summary of our material intellectual property rights, which were determined by our Directors on the basis of their materiality to our business operation, financial position and prospects:

(a) Trademark

As at the Latest Practicable Date, we were the registered owner of the following trademarks which we believe are material to our business:

Trademark	Place of Registration	Class	Registration Number	Registration Date	Expiry Date
HYPEBEAST	US	41, 45	3575143	17/02/2009	16/02/2019
HYPEBEAST	US	35	4304653	19/03/2013	18/03/2023
hypebeast	HK	9, 41	301516789	7/01/2010	6/01/2020
HYPETRAK	US	41	4292448	19/02/2013	18/02/2023
popbee	HK	9, 41	301950066	20/06/2011	19/06/2021
popbee	PRC	9	9794320	28/09/2012	27/09/2022
popbee	PRC	41	9794338	28/09/2012	27/09/2022
STYLEPX	HK	9, 16, 25, 35, 41	303323952	10/03/2015	09/03/2025

As at the Latest Practicable Date, we have applied for the registration for the following trademarks which we believe are material to our business:

Trademark	Place of Application	Class	Application Number	Application Date
HYPEBEAST	South Korea	35, 41, 45	41-2015-27575	11/06/2015
HYPEBEAST	HK	9, 16, 25, 35, 41, 42	303533850	11/09/2015
POPBEE	HK	16, 25, 35, 42	303533841	11/09/2015
HBX	HK	18, 25, 35	303460266	02/07/2015
HBX	HK	42	303535083	14/09/2015
HYPEBAE	HK	9, 41, 45	303700539	01/03/2016

(b) *Domain names*

As at the Latest Practicable Date, we were the registered owner of the following domain names which we believe are material to our business:

Domain name	Expiry date
HBX.COM	22/01/2018
HYPEBEAST.CN	15/07/2016
HYPEBEAST.COM	17/01/2020
HYPEBEAST.COM.CN	15/07/2016
HYPEBEAST.COM.HK	14/03/2017
HYPEBEAST.HK	04/09/2016
HYPEBEAST.JP	04/01/2017
HYPEBEAST.XYZ	29/05/2017
HYPETRAK.COM	01/03/2018
POPBEE.CN	01/03/2017
POPBEE.COM	01/03/2017

The content of these websites, registered or licenced, does not form part of this prospectus.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF**1. Particulars of Directors' service agreements and letters of appointment**

Each of our executive Directors has entered into a service agreement with our Company commencing from 18 March 2016 for a term of three years.

Each of our independent non-executive Directors has signed a letter of appointment with us for an initial term of three years commencing from 18 March 2016 (subject to termination in certain circumstances as stipulated in the relevant letters of appointment).

Each of our Director is entitled to the respective annual remuneration under the relevant service agreements/letters of appointment (excluding any discretionary bonus) as follows:

Executive Directors	<i>HK\$</i>
Mr. Ma	600,000
Ms. Lee	360,000
Independent Non-executive Directors	<i>HK\$</i>
Ms. Kwan Shin Luen, Susanna	144,000
Ms. Poon Lai King	144,000
Mr. Wong Kai Chi	144,000

All of our Directors are covered by the directors' and officers' liability insurance purchased by our Company.

2. Directors' remuneration

The aggregate remunerations paid and benefits in kind granted to our Director in respect of the financial year ended 31 March 2015 was approximately HK\$448,000. The aggregate remunerations and benefits in kind which our Directors are entitled to receive for the financial year ending 31 March 2016 is estimated to be approximately HK\$448,000, excluding any discretionary bonuses which may be paid to our Directors.

There has been no arrangement under which a Director has waived or agreed to waive any emolument for each of the year ended 31 March 2014 and 2015 and the six months ended 30 September 2015.

3. Related party transactions

Details of the related party transactions are set out under note 29 of the Accountants' Report set out in Appendix I to this prospectus.

4. Interests of Directors and chief executive in our share capital

Immediately following completion of the Placing and the Capitalisation Issue, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to our Company and the Stock Exchange pursuant to the rules under the securities transactions by directors in the GEM Listing Rules, will be as follows:

(i) *Shares*

Name of Director	Capacity/Name of interest	Number of Shares held	Percentage of shareholding in our Company
Mr. Ma ^(Note 1)	Interest in a controlled corporation	1,500,000,000	75%
Ms. Lee ^(Note 2)	Interest of a spouse	1,500,000,000	75%

Notes:

1. CORE Capital is the registered owner of 1,500,000,000 Shares, representing 75% of our issued share capital immediately upon completion of the Placing and Capitalisation Issue (without taking into account any Share which may be issued upon exercise of any option granted or which may be granted under the Share Option Schemes). CORE Capital is directly wholly owned by Mr. Ma.
2. Ms. Lee is the spouse of Mr. Ma. Under the SFO, Ms. Lee is deemed to be interested in the same number of Shares in which Mr. Ma is interested.

5. Substantial Shareholders

So far as is known to our Directors or the chief executive of our Company, immediately following the completion of the Placing and the Capitalisation Issue, other than our Directors or chief executive of the Company (for whose shareholdings, please see the paragraph headed “4. Interests of Directors and chief executive in our share capital” above in this sub-section), no other person will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Our Company

Name of shareholder	Capacity/Nature of interest	Number	Interests held immediately upon completion of the Placing and the Capitalisation Issue
			Approximate percentage
CORE Capital ^(Note)	Registered owner	1,500,000,000	75%

Note: CORE Capital is the registered owner of 1,500,000,000 Shares, representing 75% of our issued share capital immediately upon completion of the Placing and Capitalisation Issue (without taking into account any Share which may be issued upon the exercise of any options granted or which may be granted under the Share Option Schemes). CORE Capital is directly wholly owned by Mr. Ma.

6. Disclaimers

- (a) Save as disclosed in the sub-section headed “C. Further information about Directors, management and staff — 4. Interests of Directors and chief executive in our share capital” in this appendix below, none of the Directors or chief executive has any interest or short position in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), immediately after completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon the exercise of any options granted or which may be granted under the Share Option Schemes), which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the “required standard of dealings” as contained in Chapter 5 of the GEM Listing Rules, in each case once the Shares are listed.

- (b) Save as disclosed in the paragraph headed “5. Substantial Shareholders” in this sub-section, the Directors are not aware of any person (other than the Directors or the chief executive of the Company) who will, immediately after the completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon the exercise of any options granted or which may be granted under the Share Option Schemes) have an interest or short position in the Shares or underlying Shares which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.
- (c) None of the Directors or the experts under the paragraph headed “F. Other information — 8. Qualifications of experts” in this appendix below has been directly or indirectly interested in the promotion of, or in any asset(s) which has or have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) None of the Directors nor the experts named under the paragraph headed “F. Other information — 8. Qualifications of experts” in this appendix below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the Group’s business.
- (e) None of the experts named under the paragraph headed “F. Other information — 8. Qualifications of experts” in this appendix below has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

D. PRE-IPO SHARE OPTION SCHEME

The purpose of the Pre-IPO Share Option Scheme is to motivate Eligible Persons (as set out in the paragraph headed “— E. Post-IPO Share Option Scheme — 1. Purpose” in this appendix below) to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. The principal terms of the Pre-IPO Share Option Scheme approved and adopted by the written resolutions of our sole Shareholder on 18 March 2016, are substantially the same as the terms of the Post-IPO Share Option Scheme (where applicable) except for the following principal terms:

- (i) the exercise price of the Pre-IPO Share Options shall be 20% to 80% of the Placing Price. The exercise price for each grantee (as defined below) is set out in this sub-section below;

- (ii) the exercise period shall commence on the Listing Date and end on the day falling on the tenth anniversary of the Listing Date;
- (iii) no adjustment will be allowed to give rise to such effect that the subscription price of any Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme is lower than 20% of the Placing Price;
- (iv) the Pre-IPO Share Option Scheme shall be valid and effective from 18 March 2016, being the date on which the Pre-IPO Share Option Scheme was conditionally adopted by our Shareholders and expire on the Listing Date, after which period no further Pre-IPO Share Options shall be granted thereunder but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the exercise of any Pre-IPO Share Options granted;
- (v) any Pre-IPO Share Option will lapse automatically if the Listing does not take place by 30 June 2016;
- (vi) any exercise of the Pre-IPO Share Options will be subject to (a) the Listing approval being granted in respect of the Shares to be issued upon the exercise of the Pre-IPO Share Options; and (b) the commencement of dealings in Shares on the GEM of the Stock Exchange;
- (vii) the total number of Shares which may be issued and allotted upon exercise of all Pre-IPO Share Options shall be 22,500,000 Shares, representing approximately 1.13% of the enlarged issued share capital of our Company immediately upon completion of the Capitalisation Issue and Placing (without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and any Post-IPO Share Options) and paragraphs 10 and 11 under “— E. Post-IPO Share Option Scheme” in this appendix below shall not apply;
- (viii) the vesting period for the Pre-IPO Share Options are two to four years. Vesting period for each Grantee is set out in this sub-section below;
- (ix) Directors, members of our senior management and connected persons of our Company shall not exercise any Pre-IPO Share Options if as a result of such exercise our Company would not be able to comply with the minimum public float requirement under the GEM Listing Rules; and
- (x) the Pre-IPO Share Option Scheme may be altered in any respect by a resolution of our Board except that the following shall not be carried out except with prior sanction of an ordinary resolution of the Shareholders in a general meeting:
 - (a) any change to the authority of our Directors in relation to any alternation to the terms of the Pre-IPO Share Option Scheme; and
 - (b) any alternation to this paragraph (x).

Outstanding options

As at the Latest Practicable Date, the Pre-IPO Share Options to subscribe for an aggregate of 22,500,000 Shares, representing approximately 1.13% of the issued share capital of our Company upon completion of the Capitalisation Issue and the Placing (without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Option granted under the Pre-IPO Share Option Scheme and the options that may be granted under the Post-IPO Share Option Scheme), or approximately 1.11% of the enlarged issued share capital of our Company upon full exercise of all the Pre-IPO Share Options on completion of the Capitalisation Issue and Placing (without taking into account the Shares to be issued upon exercise of the options that may be granted under the Post-IPO Share Option Scheme), at an exercise price of 20% to 80% of the Placing Price, were conditionally granted by our Company to three members of the senior management and eight employees of our Group under the Pre-IPO Share Option Scheme at a consideration of HK\$1.00 per grantee.

Immediately upon completion of the Capitalisation Issue and the Placing, assuming (i) the Pre-IPO Share Options have been exercised in full (without taking into account the Shares to be issued upon exercise the options that may be granted under the Post-IPO Share Option Scheme); and (ii) 2,000,000,000 Shares are in issue, the shareholding of our Shareholders will be diluted by approximately 1.11%.

Grantees

Below is a complete list of all the grantees (the “**Grantees**”, each a “**Grantee**”) of the options conditionally granted under the Pre-IPO Share Option Scheme:

Name of Grantee (Note 1)	Address	Consideration paid for the grant	Exercise price	Number Pre-IPO Share Options granted	Date of grant	Vesting period	Approximate percentage of issued Shares immediately after the completion of the Capitalisation Issue and the Placing (Note 2)
Senior management							
Cheung Nga Man (張雅敏)	Flat G, 32/F, Block 9, Beverly Garden, Tseung Kwan O, New Territories, Hong Kong	HK\$1.00	60% of the Placing Price	3,000,000	18 March 2016	3 years	0.15%
Wong Hung Sui Sean (王鴻燾)	Flat G, 6/F, Shan Kwong Towers, 24 Shan Kwong Road, Happy Valley, Hong Kong	HK\$1.00	40% of the Placing Price	3,000,000	18 March 2016	3 years	0.15%
Yeung Ka Yue (楊家儒)	14A, 41 Broadway, Mei Foo Sun Chuen, Kowloon, Hong Kong	HK\$1.00	20% of the Placing Price	3,000,000	18 March 2016	3 years	0.15%
Other Employees							
Bray Arthur Ho Dak (貝浩德)	Room G, 3/F, Fulham Garden, 84 Pokfulam Road, Pokfulam, Hong Kong	HK\$1.00	40% of the Placing Price	1,500,000	18 March 2016	3 years	0.08%
Lam Chun Yin (林俊賢)	Flat A, 25/F, Tower 7, Tseung Kwan O Plaza, 1 Tong Tak Street, Sai Kung, New Territories	HK\$1.00	80% of the Placing Price	3,000,000	18 March 2016	4 years	0.15%
Kujundzic Petar	Unit D, 7/F, 135 Lai Chi Kok Road, Kowloon	HK\$1.00	20% of the Placing Price	2,250,000	18 March 2016	3 years	0.11%

Name of Grantee (Note 1)	Address	Consideration paid for the grant	Exercise price	Number Pre-IPO Share Options granted	Date of grant	Vesting period	Approximate percentage of issued Shares immediately after the completion of the Capitalistion Issue and the Placing (Note 2)
Shum Chi Ting (沈智婷)	Room 1, 8/F, King's House, 971 King's Road, Quarry Bay, Hong Kong	HK\$1.00	20% of the Placing Price	2,250,000	18 March 2016	3 years	0.11%
Yung Sui Kay Silkie (翁瑞祺)	Room 55, G/F, Pokfulam Village, Pokfulam, Hong Kong	HK\$1.00	60% of the Placing Price	1,500,000	18 March 2016	3 years	0.08%
Li Lok Yin (李樂賢)	Rear Portion, 3/F, Hing Yip House, 24 Sai Yee Street, Mongkok, Kowloon	HK\$1.00	60% of the Placing Price	1,500,000	18 March 2016	3 years	0.08%
Chan Man Shun (陳萬信) (Note 3)	Flat H, 2/F, Block 9, Chi Fu Fa Yuen, Pokfulam, Hong Kong	HK\$1.00	20% of the Placing Price	750,000	18 March 2016	2 years	0.04%
Lee Che Wai Warren (李梓偉)	Flat G, 9/F, Block 3, Regent Ville, 8 Wo Mun Street, Fanling, New Territories	HK\$1.00	20% of the Placing Price	750,000	18 March 2016	3 years	0.04%

Notes:

- Each Grantee, upon accepting the Pre-IPO Share Options, is deemed to have undertaken to our Company that he/she will comply with all applicable laws, legislation and regulations (including all applicable exchange control, fiscal and other laws to which he/she is subject) in connection with the acceptance of the grant of his/her Pre-IPO Share Options, the holding and exercise of his/her Pre-IPO Share Options in accordance with the rules of the Pre-IPO Share Option Scheme, the allotment and issue of the Shares to him/her upon exercise of his/her Pre-IPO Share Options and the holding of such Shares.
- These percentages are calculated on the basis of 2,000,000,000 Shares in issue immediately following completion of the Capitalistion Issue and the Placing (without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options and the options that may be granted under the Post-IPO Share Option Scheme).
- Mr. Chan Man Shun is a cousin of Mr. Ma, the Controlling Shareholder.

The shareholding in our Company after the full exercise of all the Pre-IPO Share Options by the Grantees under the Pre-IPO Share Option Scheme (without taking into account any Shares to be issued upon the exercise of any options that may be granted under the Post-IPO Share Option Scheme) will be as follows:

Name	Immediately following completion of the Capitalisation Issue and Placing and upon the exercise in full of the Pre-IPO Share Options	
	Number of Shares	% (Note)
Senior management		
Cheung Nga Man (張雅敏)	3,000,000	0.15%
Wong Hung Sui Sean (王鴻遂)	3,000,000	0.15%
Yeung Ka Yue (楊家儒)	3,000,000	0.15%
Other Employees		
Bray Arthur Ho Dak (貝浩德)	1,500,000	0.07%
Lam Chun Yin (林俊賢)	3,000,000	0.15%
Kujundzic Petar	2,250,000	0.11%
Shum Chi Ting (沈智婷)	2,250,000	0.11%
Yung Sui Kay Silkie (翁瑞祺)	1,500,000	0.07%
Li Lok Yin (李樂賢)	1,500,000	0.07%
Chan Man Shun (陳萬信)	750,000	0.04%
Lee Che Wai Warren (李梓偉)	750,000	0.04%

Note: The percentages are approximate and subject to rounding.

Except as set out above, no other Pre-IPO Share Options are granted or agreed to be granted by our Company under the Pre-IPO Share Option Scheme.

Financial effect

Assuming the Placing Price is at HK\$0.13 (being the mid-point of the Placing Price range) and the date of grant is 18 March 2016, the fair value of the share options conditionally granted under the Pre-IPO Share Option Scheme was approximately HK\$2.1 million. The share option expense for the options conditionally granted under the Pre-IPO Share Option Scheme shall be amortised over the vesting periods of the options. The financial impact of the share options granted under the Pre-IPO Share Option Scheme on the Group's financial statements is summarised as follows:

	Year 2017 <i>HK\$'000</i>	Year 2018 <i>HK\$'000</i>	Year 2019 <i>HK\$'000</i>	Year 2020 <i>HK\$'000</i>
Increase in employee benefit expense	684	684	645	51

The shareholding in the Company before and after the full exercise of all the Pre-IPO Share Options for those who will exercise, or control the exercise of, 5% or more of voting power at general meetings of our Company upon completion of the Capitalisation Issue and Placing (without taking into account the Shares to be issued upon exercise of the options that may be granted under the Post-IPO Share Option Scheme) will be as follows:

	Before full exercise	After full exercise
CORE Capital	75%	74.17%

We will ensure compliance with the minimum public float requirement under Rule 11.23(7) of the GEM Listing Rules. Our Directors, members of senior management and our connected persons confirm that they will not exercise any Pre-IPO Share Options if as a result of such exercise our Company would not be able to comply with the minimum public float requirement of the Listing Rules.

E. POST-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally approved and adopted in compliance with Chapter 23 of the GEM Listing Rules by the written resolutions of our sole Shareholder passed on 18 March 2016. The following summary does not form, nor is intended to be, part of the Post-IPO Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Post-IPO Share Option Scheme.

1. Purpose

The purpose of the Post-IPO Share Option Scheme is to motivate Eligible Persons (as set out in paragraph 2 below) to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Eligible Persons

Our Board may, at its sole discretion, invite any director or proposed director (including an independent non-executive director) of any member of our Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group (an “**Employee**”), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an “**Executive**”), a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of our Group, or a close associate (as defined under the GEM Listing Rules) of any of the foregoing persons (together, the “**Eligible Persons**” and each an “**Eligible Person**”).

3. Conditions and administration

The Post-IPO Share Option Scheme shall come into effect on the Listing Date, subject to:

- (a) the Stock Exchange granting approval for the listing of and permission to deal on the Shares in the Company to be issued and allotted pursuant to the exercise of the Post-IPO Share Options; and
- (b) the commencement of dealings in the Shares on the GEM of the Stock Exchange.

The Post-IPO Share Option Scheme shall be subject to the administration of our Board whose decision on all matters arising in relation to the Post-IPO Share Option Scheme or its interpretation or effect shall (except as otherwise provided in the rules of Post-IPO Share Option Scheme) be final and binding on all parties thereto. Our Board may delegate any or all of its powers in relation to the Post-IPO Share Option Scheme to any of its committees.

4. Determination of eligibility

- (a) Our Board may, at its absolute discretion, offer to grant to any Eligible Person a Post-IPO Share Option to subscribe for Shares under the Post-IPO Share Option Scheme.
- (b) The basis of eligibility of any Eligible Person to the grant of any Post-IPO Share Option shall be determined by the Directors from time to time on the basis of their contributions to the development and growth of our Group.
- (c) For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares to any person who falls within the definition of Eligible Persons shall not, by itself, unless our Directors otherwise determine, be construed as a grant of Post-IPO Share Options under the Post-IPO Share Option Scheme.
- (d) An Eligible Person or grantee shall provide our Board such information and supporting evidence as the Board may in its absolute discretion request from time to time (including, without limitation, before the offer of a grant of Post-IPO Share Option, at the time of acceptance of a grant of Post-IPO Share Option, and at the time of exercise of a Post-IPO Share Option) for the purpose of assessing and/or determining his eligibility or continuing eligibility as an Eligible Person and/or grantee or that of his close associates or for purposes in connection with the terms of a Post-IPO Share Option (and the exercise thereof) or the Post-IPO Share Option Scheme and the administration thereof.

5. Duration

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date. However, our Shareholders in general meeting may by resolution at any time terminate the Post-IPO Share Option Scheme. Upon the expiry or termination of the Post-IPO Share Option Scheme as aforesaid, no further Post-IPO Share Option shall be offered but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect. All Post-IPO Share Options granted prior to such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the terms of the Post-IPO Share Option Scheme.

6. Grant of Post-IPO Share Options

On and subject to the terms of the Post-IPO Share Option Scheme, our Board shall be entitled at any time within the period of the Post-IPO Share Option Scheme to offer the grant of any Post-IPO Share Option to any Eligible Person as our Board may in its absolute discretion select, and on acceptance of the offer, grant such part of the Post-IPO Share Option as accepted to the Eligible Person.

Subject to the provisions of the Post-IPO Share Option Scheme, our Board may in its absolute discretion when offering the grant of a Post-IPO Share Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Post-IPO Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Post-IPO Share Option) including (without prejudice to the generality of the foregoing) continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Post-IPO Share Option in respect of all or some of the Shares which the Post-IPO Share Option relates shall vest.

An offer of the grant of a Post-IPO Share Option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Post-IPO Share Option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by within the period specified in the letter containing the offer of the grant of the Post-IPO Share Option. Once such acceptance is made, the Post-IPO Share Option shall be deemed to have been granted and to have taken effect from the offer date.

7. Subscription price of Shares

The subscription price in respect of any particular Post-IPO Share Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Post-IPO Share Option (and shall be stated in the letter containing the offer of the grant of the Post-IPO Share Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of Share;
- (b) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (c) the average of the closing prices of Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the offer date.

The subscription price shall also be subject to adjustment in accordance with paragraph 13 of this section.

8. Exercise of Post-IPO Share Options

- (a) A Post-IPO Share Option shall be exercised in whole or in part by the grantee according to the procedures for the exercise of Post-IPO Share Options established by our Company from time to time. Every exercise of a Post-IPO Share Option must be accompanied by a remittance for the full amount of the subscription price for the Shares to be issued upon exercise of such Post-IPO Share Option.
- (b) A Post-IPO Share Option shall be personal to the grantee and shall not be and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Post-IPO Share Option or purport to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Post-IPO Share Option may be registered). Any breach of the foregoing shall entitle our Company to cancel, revoke or terminate any outstanding Post-IPO Share Option or part thereof granted to such grantee without any compensation.
- (c) Subject to paragraph 8(e) and any conditions, restrictions or limitations imposed in relation to the particular Post-IPO Share Option pursuant to the provisions of paragraphs 6, 10 or 12 and subject as hereinafter provided, a Post-IPO Share Option may be exercised at any time during the option period, provided that:
 - (i) if the grantee (being an individual) dies or becomes permanently disabled before exercising an Post-IPO Share Option (or exercising it in full), he (or his legal representative(s)) may exercise the Post-IPO Share Option up to the grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as our Board may determine;

- (ii) in the event of the grantee ceasing to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to our Group at the relevant time, his Post-IPO Share Option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period;
- (iii) in the event of the grantee ceasing to be an Executive by reason of his transfer of employment to an affiliate company of our Company, his Post-IPO Share Option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the Post-IPO Share Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined;
- (iv) in the event of the grantee ceasing to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time, transfer of employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or culpable termination, the Post-IPO Share Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which event the Post-IPO Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;
- (v) in the event of the grantee ceasing to be an Executive by reason of the termination of his employment by resignation or culpable termination, the Post-IPO Share Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his employment (in the case of culpable termination) and not be exercisable unless our Board otherwise determines in which event the Post-IPO Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such service or notification. A resolution of our Board resolving that the Executive's Post-IPO Share Option has lapsed pursuant to this sub-paragraph shall be final and conclusive;
- (vi) if a grantee being an executive director of the Company ceases to be an Executive but remains a non-executive director, his Post-IPO Share Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the Post-IPO Share Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined;

- (vii) if (1) our Board in its absolute discretion at any time determines that a grantee has ceased to be an Eligible Person; or (2) a grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Post-IPO Share Option or which were the basis on which the Post-IPO Share Option was granted, the Post-IPO Share Option (to the extent not already exercised) shall lapse on the date on which the grantee is notified thereof (in the case of (1)) or on the date on which the grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (2)) and not be exercisable unless our Board otherwise determines in which event the Post-IPO Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such notification or the date of such failure/non-satisfaction/non-compliance. In the case of (1), a resolution of our Board resolving that the grantee's Post-IPO Share Option has lapsed pursuant to this sub-paragraph shall be final and conclusive;
- (viii) if a grantee (being a corporation) (1) has a liquidator, provisional liquidator, receiver or any person carrying out any similar function appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee; or (2) has suspended or ceased or threatened to suspend or cease business; or (3) is unable to pay its debts (within the meaning of section 178 of the Companies (WUMP) Ordinance or any similar provisions under the Cayman Island Companies Law as amended from time to time); or (4) otherwise becomes insolvent; or (5) suffers a change in its constitution, directors, shareholding or management which in the opinion of our Board is material; or (6) commits a breach of any contract entered into between the grantee or his Associate and any member of our Group, the option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or other similar person or on the date of suspension or cessation of business or on the date when the grantee is deemed to be unable to pay its debts as aforesaid or on the date of notification by our Company that the said change in constitution, directors, shareholding or management is material or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Post-IPO Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's Post-IPO Share Option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;

- (ix) if a grantee (being an individual) (1) is unable or has no reasonable prospect of being able to pay his debts within the meaning of the Bankruptcy Ordinance or any other applicable law or has otherwise become insolvent; or (2) has made any arrangements or compositions with his creditors generally; or (3) has been convicted of any criminal offence involving his integrity or honesty; or (4) commits a breach of any contract entered into between the grantee or his Associate and any member of our Group, the Post-IPO Share Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Post-IPO Share Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's Post-IPO Share Option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;
- (x) if a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of the Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Post-IPO Share Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
- (xi) if a notice is given by the Company to the Shareholder to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all grantees (together with a notice of the existence of this provision) and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his Post-IPO Share Option at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid; and

- (xii) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have unexercised Post-IPO Share Options at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of: (1) the option period; (2) the period of two months from the date of such notice; and (3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his Post-IPO Share Option. Except insofar as exercised in accordance with this paragraph 8(c)(xii), all Post-IPO Share Options outstanding at the expiry of the relevant period referred to in this paragraph 8(c)(xii) shall lapse. Our Company may thereafter require each grantee to transfer or otherwise deal with the Shares issued on exercise of the Post-IPO Share Option to place the grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement, provided that in determining the entitlement of any grantee to exercise an Post-IPO Share Option at any particular date, our Board may in its absolute discretion relax or waive, in whole or in part, conditionally or unconditionally, any additional conditions, restrictions or limitations imposed in relation to the particular Post-IPO Share Option pursuant to the provisions of paragraph 6 and/or deem the right to exercise the Post-IPO Share Option in respect of the Shares the subject thereof to have been exercisable notwithstanding that according to the terms of the particular Post-IPO Share Option such right shall not have then vested.
- (d) The Shares to be allotted upon the exercise of a Post-IPO Share Option shall be subject to all the provisions of the Memorandum of Association and the Articles of Association of our Company and the laws of the Cayman Islands in force from time to time and shall rank *pari passu* in all respects with then existing fully-paid Shares in issue on the allotment date, and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date, other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date. Subject as aforesaid, no grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of a Post-IPO Share Option pursuant to the Post-IPO Share Option Scheme.

- (e) Our Company is entitled to refuse any exercise of a Post-IPO Share Option if such exercise is not in accordance with the terms of the Post-IPO Share Option Scheme or the procedures for exercise of Post-IPO Share Option established by our Company from time to time or if such exercise may cause to contravene or breach any laws, enactment or regulations for the time being in force in Hong Kong and the Cayman Islands or other jurisdiction where applicable or the GEM listing Rules or any rules governing the listing of the Shares on a stock exchange.

9. Lapse of Post-IPO Share Options

A Post-IPO Share Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of the occurrence of any of the following events unless otherwise relaxed or waived (conditionally or unconditionally) by our Company:

- (a) the expiry of the option period;
- (b) the expiry of any of the periods referred to in paragraph 8(c);
- (c) (subject to paragraph 8(c)(xi)) the date of the commencement of the winding-up of our Company;
- (d) there is an unsatisfied judgment, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts within the meaning of the Bankruptcy Ordinance;
- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in paragraphs 8(c)(viii), 8(c)(ix) or paragraph 9(d); or
- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Post-IPO Share Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

10. Maximum number of shares available for subscription

The maximum number of Shares to be issued upon exercise of all Post-IPO Share Options which may be granted under the Post-IPO Share Option Scheme (and under any other Post-IPO share option schemes) shall not in aggregate exceed 10% of the Shares in issue immediately after completion of the Placing and as at the Listing Date (the “**Scheme Mandate Limit**”), provided that our Company may at any time as our Board may think fit seek approval from the Shareholders to refresh the scheme mandate limit, except that the maximum number of Shares to be issued upon exercise of all Post-IPO Share Options which may be granted under the Post-IPO Share Option Scheme (and under any other post-IPO share option schemes of our Company) shall not exceed 10% of the Shares in issue as at the date of approval by the Shareholders in general meeting where such limit is refreshed. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes (including those outstanding, cancelled, and lapsed in accordance with the terms of the Post-IPO Share Option Scheme or any other share option schemes or exercised options under the said schemes of our Company) shall not be counted for the purpose of calculating the limit as refreshed. Our Company shall send a circular containing the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules to the Shareholders. In addition, our Company may seek separate approval from the Shareholders in general meeting for granting Post-IPO Share Options beyond the Scheme Mandate Limit, provided that the Post-IPO Share Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by our Company before such approval is sought and for whom specific approval is obtained. Our Company shall issue a circular to the Shareholders containing the information required under Rule 23.03(3) of the GEM Listing Rules.

Notwithstanding the preceding paragraph, the maximum number of Shares to be issued upon exercise of all outstanding Post-IPO Share Options granted and yet to be exercised under the Post-IPO Share Option Scheme (and under any other post-IPO share option schemes of the Company) shall not exceed 30% of the Shares in issue from time to time.

The maximum number of Shares issued and to be issued upon exercise of the Post-IPO Share Options granted to any one Eligible Person (including exercised and outstanding Post-IPO Share Options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of Post-IPO Share Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Post-IPO Share Options granted and which may be granted to such Eligible Person (including exercised, cancelled and outstanding Post-IPO Share Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his close associates (or his associates of such Eligible Person is a connected person) abstaining from voting. The applicable requirements of Rule 23.03(4) of the GEM Listing Rules shall be complied with.

The maximum numbers set out in this paragraph 10 above shall be subject to adjustment in accordance with paragraph 12 but shall not in any event exceed the limits imposed by Chapter 23 of the GEM Listing Rules.

11. Maximum number of Shares per grantee who is a core connected person

Each grant of Post-IPO Share Options to a Director, chief executive or substantial Shareholder of our Company or any of their respective associates under the Post-IPO Share Option Scheme shall be approved by Independent Non-executive Directors of our Company (excluding the Independent Non-executive Director of the Company who is the proposed grantee of the Post-IPO Share Options). Where any grant of Post-IPO Share Options to a substantial Shareholder or an Independent Non-executive Director of our Company or any of their respective associates would result in the securities issued and to be issued upon exercise of all Post-IPO Share Options already granted and which may be granted (including Post-IPO Share Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of Post-IPO Share Options must be approved by the Shareholders.

Our Company shall send a circular to the Shareholders containing the information required under Rule 23.04 of the GEM Listing Rules. The relevant Eligible Person, his associates and all core connected persons of our Company shall abstain from voting at such general meeting. Any vote taken at the meeting to approve the grant of such Post-IPO Share Options must be taken on a poll.

12. Cancellation of Post-IPO Share Options

Our Board shall be entitled for the following causes to cancel any Post-IPO Share Option in whole or in part by giving notice in writing to the grantee stating that such Post-IPO Share Option is thereby cancelled with effect from the date specified in such notice (the “**Cancellation Date**”):

- (a) the grantee commits or permits or attempts to commit or permit a breach of paragraphs 4(d) or 8(b) of this appendix or any terms or conditions attached to the grant of the Post-IPO Share Option;
- (b) the grantee makes a written request to our Board for, or agrees to, the Post-IPO Share Option to be cancelled; or
- (c) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Post-IPO Share Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Post-IPO Share Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case. Where our Company cancels a Post-IPO Share Option held by a grantee and issues new Post-IPO Share Options to the same grantee, the issue of such new Post-IPO Share Options may only be made under the Post-IPO Share Option Scheme with available unissued Post-IPO Share Options (excluding the cancelled Post-IPO Share Option) within the limit approved by the Shareholders set out in paragraph 10 of this section.

13. Reorganisation of capital structure

In the event of any change in the capital structure of the Company while any Post-IPO Share Option may become or remains exercisable, whether by way of a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the number of Shares subject to outstanding Post-IPO Share Options;
- (b) the subscription price of each outstanding Post-IPO Share Option; and/or
- (c) the number of Shares subject to the Post-IPO Share Option Scheme.

Where our Board determines that adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the auditors or the independent financial advisors (as our Board may select) shall certify in writing to our Board that any such adjustments to be in their opinion fair and reasonable and in compliance with Rule 23.03(13) of the GEM Listing Rules (as amended from time to time) and the notes thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September, 2005 to all issues relating to share option schemes, provided that:

- (a) the aggregate percentage of the issued share capital of our Company available for the grant of options shall remain as nearly as possible the same as it was before such change but shall not be greater than the maximum number prescribed by the GEM Listing Rules from time to time;
- (b) any such adjustments shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any Post-IPO Share Option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event;
- (c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and

- (d) any such adjustments shall, as nearly as practicable, be made on the basis that the proportion of the issued share capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issues relating to share option schemes) for which any grantee is entitled to subscribe pursuant to the options held by him shall remain the same as (but shall not be greater than) that to which he was previously entitled (as interpreted in accordance with the supplementary guidance as amended from time to time).

For the avoidance of doubt only, the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring an adjustment.

The capacity of the auditors or the independent financial advisors (as the case may be) in this paragraph 13 is that of experts and not of arbitrators and their certification or confirmation shall, in the absence of manifest error, be final, conclusive and binding on our Company and the grantees. The costs of the auditors or the independent financial advisors (as the case may be) shall be borne by our Company.

14. Distributions

Upon distribution by our Company to holders of the Shares of any cash or in specie of assets (other than dividends in the ordinary course) (“**Distribution**”), may make a downward adjustment to the subscription price of any Post-IPO Share Option granted but not exercised as at the date of such Distribution by an amount which our Board considers as reflecting the impact such Distribution will have or will likely to have on the trading price of the Shares provided that (a) our Board’s determination of any adjustments shall be final and binding on all Grantees; (b) the amount of adjustment shall not exceed the amount of such Distribution to be made to the Shareholders; (c) such adjustment shall take effect on or after the date of such Distribution by our Company; (d) any adjustment provided for in this paragraph 14 shall be cumulative to any other adjustments contemplated under paragraph 13 or approved by the Shareholders in general meeting; and (e) the adjusted subscription price shall not, in any case, be less than the nominal value of the Shares.

15. Share capital

The exercise of any Post-IPO Share Option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company. Subject thereto, our Board shall make available sufficient authorized but unissued share capital of our Company to meet subsisting requirements on the exercise of Post-IPO Share Options.

16. Disputes

Any dispute arising in connection with the Post-IPO Share Option Scheme (whether as to the number of Shares, the subject of a Post-IPO Share Option, the amount of the subscription price or otherwise) shall be referred to the auditors or the independent financial advisors (as the case may be) for decision, who shall act as experts and not as arbitrators and whose decision shall be final and binding.

17. Alteration of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme may be altered in any respect by a resolution of our Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the Shareholders in general meeting:

- (a) any material alteration to its terms and conditions or any change to the terms of options granted (except where the alterations take effect under the existing terms of the Post-IPO Share Option Scheme);
- (b) any alteration to the provisions of the Post-IPO Share Option Scheme in relation to the matters set out in Rule 23.03 of the GEM Listing Rules;
- (c) any change to the authority of our Directors in relation to any alteration to the terms of the scheme; and
- (d) any alteration to this paragraph 17, provided always that the amended terms of the Post-IPO Share Option Scheme shall comply with the applicable requirements of Chapter 23 of the GEM Listing Rules.

18. Termination

Our Company by resolution in general meeting may at any time terminate the operation of the Post-IPO Share Option Scheme. Upon the expiry or termination of the Post-IPO Share Option Scheme as aforesaid, no further Post-IPO Share Options shall be offered but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect. All Post-IPO Share Options granted prior to such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Post-IPO Share Option Scheme.

Note: The principal terms of the Post-IPO Share Option Scheme are substantially the same as the terms of the Pre-IPO Share Option Scheme, except as disclosed under “— D. Pre-IPO Share Option Scheme” in this appendix above. When read in the context of the Pre-IPO Share Option Scheme, the defined terms “Post-IPO Share Option Scheme” and “Post-IPO Share Option(s)” contained in the summary above shall, respectively, mean “Pre-IPO Share Option Scheme” and “Pre-IPO Share Option(s)” and the relevant contents shall be construed accordingly.

F. OTHER INFORMATION**1. Tax and other indemnities**

The Indemnifiers have, under a Deed of Indemnity as referred to in the paragraph headed “B. Further Information about the Business — 1. Summary of material contracts” in this appendix, given joint and several indemnities to the Company (for itself and as trustee for and on behalf of its subsidiaries) in connection with, among other things:

- (a) any taxation (including estate duty) falling on any member of the Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the date on which the Placing becomes unconditional; and
- (b) all costs which any member of the Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with any alleged or actual violation or non-compliance by any member of the Group with any laws, regulations or administrative orders or measures in Hong Kong on or before the date on which the Placing becomes unconditional, if any.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- in relation to items (a) and (b) above, provision has been made for such liability in the audited combined accounts of the Company or any member of the Group for the Track Record Period;
- in relation to item (a) above, the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Placing becomes unconditional; or
- in relation to item (a) above, the taxation liability arises in the ordinary course of business of any member of the Group or in the ordinary course of acquiring and disposing of capital assets after the date on which the Placing becomes unconditional.

The Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands and BVI is likely to fall on the Group, and the estate duty under the laws of Hong Kong has been abolished.

2. Litigation

To the best knowledge of the Directors, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claims of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its results of operations or financial condition.

3. Sponsor

The Sponsor has, on behalf of our Company, applied to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Placing as mentioned herein and any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme or that may be granted under the Post-IPO Share Option Scheme. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, the Company has appointed Lego Corporate Finance Limited as its compliance adviser to provide advisory services to the Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date.

5. Preliminary expenses and Sponsor's fees

The estimated preliminary expenses relating to the incorporation of the Company are approximately HK\$42,588 and are payable by the Company.

The Sponsor will be paid by our Company an aggregate fee of HK\$4.4 million to act as the sponsor to the Placing.

6. Promoter

The Company has no promoter as the term is defined under the GEM Listing Rules.

7. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Name: CORE Capital

Place of Incorporation: BVI

Date of Incorporation:	6 August 2015
Registered Office:	Unit 8, 3/F., Qwomar Trading Complex, Blackburne Road, Port Purcell, Road Town, Tortola, BVI VG1110
Number of Sale Shares to be sold:	100,000,000 Shares

8. Qualifications of experts

The following are the qualifications of the experts which have given their opinions or advice which are contained, or referred to, in this prospectus:

Expert	Qualification
Quam Capital	Licensed under the SFO for type 6 (advising on corporate finance) of regulated activity as defined under the SFO
Deacons	Qualified Hong Kong lawyers
DLA Piper Hong Kong	DLA Piper is a global law firm. DLA Piper Hong Kong advised on the applicability of sanctions administered by OFAC, under the laws of other countries and under international law, including US, UN, Australia and EU, on our Group's sales of products to customers in certain countries during the Track Record Period
Husch Blackwell LLP	United States attorneys-at-law
CIC	Industry consultant
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
RSM Consulting (Hong Kong) Limited	Internal Control Consultant

9. Consents of experts

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with inclusion of its report and/or letter and/or the references to its name in the form and context in which they are respectively included.

As at the Latest Practicable Date, none of the experts referred to above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

11. Miscellaneous

Except as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid for either cash or a consideration other than cash;
- (b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
- (d) since 30 September 2015 (being the date to which the latest audited combined financial information of our Group were made up) there has not been any material adverse effect in the financial or trading position of our Group;
- (e) our Company has no outstanding convertible debt securities;
- (f) no founder, management or deferred shares or debentures of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (h) there is no arrangement under which future dividends are waived or agreed to be waived;
- (i) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus; and
- (j) the register of members of our Company will be maintained in Hong Kong by the Hong Kong Share Registrar.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

G. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to in “F. Other Information — 9. Consents of experts” in Appendix IV to this prospectus, a statement of adjustment made by Deloitte Touche Tohmatsu in arriving at the figures set out in the accountants’ report of the Group set out in Appendix I to this prospectus, and copies of the material contracts referred to in “B. Further Information about the Business — 1. Summary of material contracts” in Appendix IV to this prospectus and the statement of particulars of the Selling Shareholder.

H. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Deacons at 5th Floor, Alexandra House, 18 Chater Road, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum of Association and the Articles of Association;
2. the accountant’s report of our Group for the two years ended 31 March 2014 and 2015 and the six months ended 30 September 2015 from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus and the related statement of adjustment;
3. the auditor’s reports on the financial statements underlying the financial information of the Group incorporated in the accountants’ report;
4. the report from Deloitte Touche Tohmatsu relating to our unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
5. the Hong Kong legal opinions issued by Deacons in respect of our general matters and intellectual property matters;
6. a copy of the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
7. the terms of the Pre-IPO Share Option Scheme;
8. the terms of the Post-IPO Share Option Scheme;
9. the US legal opinion issued by Husch Blackwell LLP in respect of our general matters;
10. the legal opinion prepared by DLA Piper Hong Kong in respect of International Sanctions laws;
11. the list of all the Grantees who have been conditionally granted options to subscribe for Shares under the Pre-IPO Share Option Scheme, containing details required under the GEM Listing Rules and the Companies (WUMP) Ordinance;

12. the CIC Report issued by CIC, the text of which is summarised in the section headed “Industry Overview” of this prospectus;
13. the material contracts referred to in “B. Further Information about the Business — 1. Summary of material contracts” in Appendix IV to this prospectus;
14. the service agreements and the letters of appointment referred to in “C. Further information about Directors, management and staff — 1. Particulars of Directors’ service agreements and letters of appointment” in Appendix IV to this prospectus;
15. the written consents referred to in “F. Other information — 9. Consents of experts” in Appendix IV to this prospectus;
16. the Companies Law; and
17. the statement of particulars of the Selling Shareholder.

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