HYPEBEAST
LIMITED

ANNUAL REPORT 年報
2015 - 2016

HYPEBEAST

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Incorporated
in the Cayman Islands
with limited liability

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STOCK CODE
8359

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於開曼群島
註冊成立的有限公司

–

股份代號
8359

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "Directors") of Hypebeast Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Ma Pak Wing Kevin *(Chairman)*
Ms. Lee Yuen Tung Janice

Independent non-executive Directors
Ms. Poon Lai King
Ms. Kwan Shin Luen Susanna
Mr. Wong Kai Chi

AUDIT COMMITTEE

Mr. Wong Kai Chi *(Chairman)*
Ms. Poon Lai King
Ms. Kwan Shin Luen Susanna

REMUNERATION COMMITTEE

Ms. Poon Lai King *(Chairman)*
Mr. Ma Pak Wing Kevin
Mr. Wong Kai Chi

NOMINATION COMMITTEE

Mr. Ma Pak Wing Kevin *(Chairman)*
Ms. Poon Lai King
Ms. Kwan Shin Luen Susanna

COMPANY SECRETARY

Ms. Cheung Nga Man

AUTHORISED REPRESENTATIVES

Mr. Ma Pak Wing Kevin
Ms. Cheung Nga Man

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

COMPLIANCE ADVISER

Lego Corporate Finance Limited

LEGAL ADVISER

As to Hong Kong Law
Deacons

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Level 22, Hopewell Centre
183 Queen’s Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen’s Road Central
Hong Kong

WEBSITE

hypebeast.xyz

STOCK CODE

08359

CHAIRMAN'S STATEMENT

Dear Shareholders,

As we enter the first year of being a publicly held company, I want to thank each and everyone of our passionate employees for their ongoing support in bringing our vision to life. Through hard work, determination and perseverance, we have reached this important milestone, laying down the foundation for us to take our company to the next level. From the beginning, our mission has remained the same, to enrich people's lives and to connect people through creativity in order to shape a better understanding of different cultures. Delivering inspirational content has therefore become the core focus of our business. We have always aspired to create platforms that open our readers' eyes to all of the amazing things happening around the world. Over time, Hypebeast has grown beyond its humble beginnings as an editorial platform, and is now a cultural hub for innovation and global connections.

Since the formation of Hypebeast in 2005 and our company in 2007, we have set a very strong foundation for the future growth of our business through various strategic initiatives and creative ideas. To extend our current position as a global leader in fashion and culture, we have diversified our services in the fields of digital media, advertising, e-commerce and we will continue to focus on our target markets in order to ensure long-term growth. Year on year, we have made strides in staying ahead of the fast-paced fashion industry with a total revenue of HK$151.9 million recorded at the end of the fiscal year, which is a 53.5% increase compared to the previous year. In the future, we will strengthen our position as the market leader by continuing to set trends that will drive the future growth of our business.

Last year, we directed our efforts and resources towards our editorial team in order to further globalize and also localize our content. Due to this expansion, Hypebeast and our other digital media platforms recorded an aggregate 7.3 million unique visitors per month at the end of our fiscal year. This 64.3% increase compared to the start of the fiscal year, which had 4.4 million unique visitors per month, indicates a positive sign for the future. Furthermore, our social media presence has substantially increased, with our total Facebook following growing from 1.7 million to 2.6 million, a 54.5% boost over the course of the financial year.

Our solid foundation allows us to explore untapped markets and continually look to expand our readership. In turn, we created Hypebeast Hong Kong last October in order to generate more quality and localized content. Within five months, Hypebeast Hong Kong reached 660,000 unique visitors at the end of the fiscal year, which reflects the potential opportunities of expanding into new markets. Therefore, we are considering other Asian markets such as China with its 688 million netizens as part of our wider plan to broaden our reach in the coming years.

The world is rapidly shifting from analogue to digital, especially in advertising and marketing. Globally, internet advertising is expected to reach USD211.3 billion by 2019, and all signs point to digital marketing being the future for global advertisement. Due to this tremendous market potential, marketers are increasing their advertising spend within the digital space, which is why we will continue to expand our media and advertising business to accommodate this shift. By dedicating more resources to this operation, we've brought more leadership and talent into our sales force over the past year. We have experienced a 100.1% growth in sales from HK$47.6 million to HK$95.3 million last year. We are rapidly building our creative agency business by providing a one-stop integrated advertising service that is built on creative ideas for production and content distribution. With the ongoing expansion, we have built a strong foundation that puts us in a position to attract more international and diversified brands, enabling them to reach our global audience.

CHAIRMAN'S STATEMENT

While online sales accounted for more than a third of US retail sales growth in 2015, e-commerce is another global trend that continues to play a very important role going forward. By leveraging opportunities with strategic planning, we have implemented a more efficient fulfillment process for our e-commerce platform by bettering our pricing strategy and buying process to build a solid foundation for the future. Though our net revenue has grown 10.1% from HK$51.2 million to HK$56.5 million, we have improved our segment profit margins percentage by 6.3 points from 0.7% to 7.0% at approximately HK$3.9 million. Being our largest e-commerce market, the United States will continue to be of high importance to us. We are also carefully considering expansion into Asia. China, for instance, stands as one of the biggest e-commerce markets in the world, which makes it an attractive marketplace for our business. Taking this into account, we will strive to offer the highest level of customer service, sourcing of the best brands and products from around the world, in order to ensure greater accessibility and the best online shopping experience for our customers.

Our outlook for the future is optimistic. Hypebeast is entering 2016 with clear strategic priorities, a group of talented and driven individuals, and a profoundly engaged community. I take great pride in being a part of this team and we will continue to innovate, while adopting the right strategies to secure the highest-value opportunities for our investors. With these plans in mind, we hope to enhance our growth and ensure market leadership, which will directly translate to increased revenue, higher profitability and correspondingly stronger returns on invested capital. We are grateful for the support from our shareholders and audience and together, we hope to drive our business forward with a unified vision.

By Order of the Board
Ma Pak Wing Kevin
Chairman and Executive Director
Hong Kong, 24 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is 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 31 March 2015 and 31 March 2016, the number of brands offered on our e-commerce platform was 383 and 422, respectively, representing an increase of 39 brands for the year ended 31 March 2016. As at 31 March 2015 and 31 March 2016, the number of products offered on our e-commerce platform was over 7,100 and 8,700, respectively, representing a gross increase of approximately 1,600 products during the year ended 31 March 2016.

In the coming year, the Group targets to become one of the leading online destinations for fashion followers by continuing to set trends that will drive the future growth of its business. And it is looking forward to expanding its visitor base and enhancing its digital media production capability, which are expected to translate to increasing advertising income and revenue from sales of goods through the Group's integrated digital platforms. With these clear objectives, the Group will foster its development in line with a series of business strategies as set out in the prospectus, among which:

1. For the digital media segment, the Group is enhancing its production capability of quality advertising services of its creative agency team by different ways such as recruiting more content production executives so as to attract more brand owners and advertising agencies for using its advertising services.

2. For the e-commerce segment, the Group is carefully considering expansion into Asia, which shall include China. The Group will also strive to ensure greater accessibility and the best online shopping experience for its customers by enhancing its customer service and its inventory system.

FINANCIAL REVIEW

Revenue

	Year ended 31 March 2015			**Year ended 31 March 2016**		
	Revenue HK$'000	Gross Profit HK$'000	Gross Profit Margin %	**Revenue HK$'000**	**Gross Profit HK$'000**	**Gross Profit Margin %**
Digital media	47,651	36,127	75.8	**95,347**	**64,001**	**67.1**
E-commerce	51,280	21,665	42.2	**56,516**	**27,129**	**48.0**
Overall	98,931	57,792	58.4	**151,863**	**91,130**	**60.0**

The Group's revenue increased from approximately HK$98.9 million for the year ended 31 March 2015 to approximately HK$151.9 million for the year ended 31 March 2016, representing a growth of approximately 53.5%. Such increase was mainly due to increase in revenue from (i) provision of advertising services to brand owners and advertising agencies on our digital media platforms; and (ii) the number of items sold.

MANAGEMENT DISCUSSION AND ANALYSIS

COST OF REVENUE

The Group's cost of revenue increased from approximately HK$41.1 million for the year ended 31 March 2015 to approximately HK$60.7 million for the year ended 31 March 2016, representing an increase of approximately 47.6%. Such increase was mainly attributable to (i) the increase in editorial and production cost; and (ii) the increase in direct staff costs.

GROSS PROFIT MARGIN

Gross profit of the Group increased by approximately 57.7% from approximately HK$57.8 million for the year ended 31 March 2015 to approximately HK$91.1 million for the year ended 31 March 2016. The increase was mainly driven by the increase in revenue for the year ended 31 March 2016 as discussed above. The overall gross profit margin increased from approximately 58.4% for the year ended 31 March 2015 to approximately 60.0% for the year ended 31 March 2016 which was mainly due to (i) the improvement of gross profit margins of from the selling of products of certain existing brands including the brand supplied by our largest supplier and other top selling brands resulted from an increase in the retail selling prices and higher mark-up as compared to the year ended 31 March 2015 as a result of pricing strategy changes 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 year ended 31 March 2016 as part of our effort to enhance our brand portfolio and increase our product variety.

LISTING EXPENSES

During the year ended 31 March 2016, the Group recognized non-recurring listing expenses of approximately HK$15.6 million (2015: Nil) as expenses in connection with listing of the Group's shares on the GEM Board of Stock Exchange (the "Listing").

OTHER GAIN AND LOSSES

Other losses of the Group decreased by HK$109,000 or 7.2% from approximately HK$1.5 million for the year ended 31 March 2015 to approximately HK$1.4 million for the year ended 31 March 2016.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses of the Group increased by approximately 41.9% from approximately HK$22.1 million for the year ended 31 March 2015 to approximately HK$31.4 million for the year ended 31 March 2016. Selling and marketing expenses primarily consist of advertising and promotion expenses and consultancy service to third party consultants. The increase was attributable to the increase in the increased usage of both services due to business expansion during the year ended 31 March 2016.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Administrative expenses of the Group increased by approximately 45.9% from approximately HK$23.1 million for the year ended 31 March 2015 to approximately HK$33.7 million for the year ended 31 March 2016. Administrative expenses mainly consist of staff costs, professional fees and freelancers costs. The increase was attributable to the increase in staff salary, bonus and freelancers costs due to business expansion during the year ended 31 March 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCE COSTS

Finance Costs increased by HK$206,000 or 236.8% from approximately HK$87,000 for the year ended 31 March 2015 to approximately HK$293,000 for the year ended 31 March 2016. The increase was mainly due to the increased usage of bank borrowing during the year ended 31 March 2016.

INCOME TAX EXPENSES

Income tax expense for the Group increased by approximately 137.8% from approximately HK$1.9 million for the year ended 31 March 2015 to approximately HK$4.6 million for the year ended 31 March 2016. The increase was mainly due to the increase in profit before tax, excluding the effect of non-deductible expenses, such as the listing expenses and non-chargeable other income items.

PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Profit and total comprehensive income for the year decreased by approximately 53.4% from approximately HK$9.1 million for the year ended 31 March 2015 to approximately HK$4.2 million for the year ended 31 March 2016. Such decrease was primarily attributable to the net effect of (i) the listing expenses incurred by the Group for the Listing during the year ended 31 March 2016; and (ii) the increase in revenue and gross profit for the year ended 31 March 2016. Excluding the one-off exceptional expenses for the Listing of the Group of approximately HK$15.6 million (2015: Nil), profit and total comprehensive income for the year ended 31 March 2016 would reach approximately HK$19.8 million (2015: approximately HK$9.1 million), representing an increase of approximately 118.4% compared to the corresponding period ended 31 March 2015.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group had total assets of approximately HK$72.0 million (2015: approximately HK$33.7 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$46.3 million (2015: approximately HK$12.1 million) and approximately HK$25.8 million (2015: approximately HK$21.5 million), respectively. The total interest-bearing loans and interest-bearing bank borrowings of the Group as at 31 March 2016 were approximately HK$11.3 million (31 March 2015: approximately 2.1 million), and current ratio as at 31 March 2016 was approximately 1.4 times (31 March 2015: approximately 2.6 times).

CAPITAL EXPENDITURE

Total capital expenditure for the year ended 31 March 2016 was approximately HK$1.0 million, which was mainly used in the purchase of property, plant and equipment.

CONTINGENT LIABILITIES

At the end of the reporting date, there were no significant contingent liabilities for the Group.

GEARING RATIO

The gearing ratio of the Group as at 31 March 2016 was approximately 43.9% (31 March 2015: approximately 9.5%), which increased significantly as the Group increased its usage of bank borrowing during the year ended 31 March 2016. The gearing ratio is calculated based on the total loans and borrowings (interest-bearing bank borrowings and bank overdrafts) divided by total equity as at the respective reporting date.

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 March 2016. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the management closely monitors the Group's liquidity position and maintain sufficient cash and cash equivalents and an adequate amount of committed credit facilities to settle the payables of the Group.

CHARGES ON GROUP ASSETS

As at 31 March 2016, the Group pledged its bank deposits to a bank of approximately HK$4.1 million as collateral to secure bank facilities granted to the Group. Besides the deposits, the bank borrowings with carrying amount of approximately HK$11.3 million and HK$2.1 million were wholly guaranteed by Mr. Ma Pak Wing Kevin (the "Chairman") as at 31 March 2016 and 2015 respectively. Which guarantee was replaced by corporate guarantee of the Company upon Listing.

FOREIGN EXCHANGE EXPOSURE

The Group undertakes certain operating transactions in foreign currency which exposes the Group to foreign currency risk. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities in US$, as HK$ is pegged with US$ under Linked Exchange Rate System, the Group's exposure to US$ exchange risk is minimal.

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.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM Board of the Stock Exchange on 11 April 2016. There has been no change in the capital structure of the Company since then. The share capital of the Company only comprises of ordinary shares.

As at 31 March 2016, the Company's issued share capital was HK$1,000 and the number of its issued ordinary share was 100 of HK$10.0 each. As at 11 April 2016 (the "Listing Date"), the Company's issued share capital was increased to HK$20,000,000 and the number of its issued ordinary shares was 2,000,000,000 of HK$0.01 each.

Detail regarding the maturity profile of debt for the year ended 31 March 2016, is presented for the Group as disclosed on note 20 of the notes to the consolidated financial statements.

COMMITMENT

The contractual commitments of the Group were primarily related to the leases of its office premises and the Director's quarter. The Group's operating lease commitments amounted to approximately HK$4.2 million as at 31 March 2016 (31 March 2015: HK$2.0 million).

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on note 6 of the notes to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Group dated 31 March 2016 (the "Prospectus") and in this report, the Group did not have other plans for material investments or capital assets as of 31 March 2016.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

In preparation for the Listing, the Group underwent corporate reorganization, the details of which are set out in the section headed "History, Reorganization and Group Structure" of the Prospectus.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group employed a total of 111 employees (31 March 2015: 97 employees). The staff costs of our Group (including salaries, allowances, other benefits and contribution to defined contribution retirement plan) for the year ended 31 March 2016 were approximately HK$28.7 million (2015: approximately HK$19.8 million).

The remuneration package for our employees generally includes salary and bonuses. Our employees also receive welfare benefits, including retirement benefits, occupational injury insurance, medical insurance and other miscellaneous items. We conduct annual review of the performance of our employees for determining the level of bonus, salary adjustment and promotion of our employees. Our executive Directors will also conduct research on the remuneration packages offered for similar positions in Hong Kong in order to keep our remuneration packages at a competitive level. We have also adopted the Share Option Scheme which has become effective upon Listing. The Share Option Scheme is designed to provide incentives and rewards to our employees.

SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries, the Group did not hold any significant investments during the year ended 31 March 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR RISK AND UNCERTAINTIES

The Group believes that the risk management practices are important and use its best effort to ensure it is sufficient to mitigate the risks present in our operations and financial position as efficiently and effectively as possible. The followings are the major risks and uncertainties of our business:

- Our business depends on our ability to offer digital media content and online retail products that attract visitors and online shoppers;
- We depend on the Internet traffic to our websites for the operation of our business;
- We rely on our e-commerce suppliers to supply goods to us for sale on our e-commerce platform;
- We generally do not enter into long term business contracts with our customers;
- 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;
- Our business depends on a strong brand, which we might not be able to maintain or enhance, and unfavorable customer feedback or negative publicity could adversely affect our brand;
- 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;
- 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;
- We are exposed to the risk of infringement of intellectual property rights owned by third Parties; and
- We rely on third-party courier to deliver goods to e-commerce customers and third-party suppliers for technical and payment services.

For other risks and uncertainties facing the Group, please refer to the section headed “Risks Factors” in the Prospectus.

An analysis of the Group’s financial risk management (included market risk, credit risk, and liquidity risk) objectives and policies are provided in note 25 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Since the Company was listed after 31 March 2016, the disclosure requirement under Rule 18.08A of the GEM Listing Rules is not applicable in this annual report. The Group will strive to achieve the milestone events as stated in the Prospectus.

USE OF PROCEEDS

The net proceeds from the placing of new shares as referred to in the prospectus was approximately HK$29.7 million.

These proceeds are designated for the purposes in accordance with the "Statement of Business Objectives and Use of Proceeds" as set out in the Prospectus., which is (i) approximately 29% of the net proceeds, representing approximately HK$8.7 million to enhance the content of our digital media platforms to retain and expand our base of followers and visitors, (ii) approximately 35% of the net proceeds, representing approximately HK$10.3 million to increase the sales and marketing efforts, (iii) approximately 18% of the net proceeds, representing approximately HK$5.5 million to improve working environment and purchase new equipment, (iv) approximately 7% of the net proceeds, HK$2.1 million to enhance our e-commerce platform by improving our services and expanding our product portfolio, (v) approximately 1% of the net proceeds, representing HK$0.4 million for staff development and (vi) approximately 10% of the net proceeds, representing HK$2.7 million for general working capital purposes.

As the Listing Date (i.e. 11 April 2016) is after the financial year end date of 31 March 2016, the Group has not yet utilized the proceeds from the Listing.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Poon Lai King (潘麗琼), aged 53, 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 for the last three preceding years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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 above, (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 last three preceding years.

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 in the section headed "Senior Management" in this annual report.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Company recognizes the importance of corporate transparency and accountability. The Company is committed in achieving and maintaining a high standard of corporate governance, as our Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

CORPORATE GOVERNANCE PRACTICE

The Company's corporate governance practices are based on the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. The Company listed on the GEM since the Listing Date, that is, after the financial year ended 31 March 2016. To the best knowledge of the Board, the Company has complied with the CG Code from the Listing Date up to the date of this annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Based on specific enquiry with the Directors, all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance from the Listing Date up to the date of this annual report.

BOARD OF DIRECTORS

Composition

The Board comprises five Directors and their respective roles are set out as follows:

Executive Directors

Mr. Ma Pak Wing Kevin *(Chairman)*	(appointed on 25 September 2015)
Ms. Lee Yuen Tung Janice	(appointed on 18 March 2016)

Independent non-executive Directors

Ms. Poon Lai King	(appointed on 18 March 2016)
Ms. Kwan Shin Luen Susanna	(appointed on 18 March 2016)
Mr. Wong Kai Chi	(appointed on 18 March 2016)

Mr. Ma Pak Wing Kevin and Ms. Lee Yuen Tung Janice are spouses. They are the executive Directors and the controlling shareholders with the meaning ascribed thereto under the GEM Listing Rules. There are no financial, business, family or other material/relevant relationships among the remaining Directors.

CORPORATE GOVERNANCE REPORT

With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group's business, the Board considered that the directors have a balance of skills and experience for the business of the Group.

The biographical details of the Directors are set out in "Biographical Details of the Directors and Senior Management" on pages 13 to 15 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with rule 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise.

FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board supervises the management of the business and affairs of the Company and ensures that it is managed in the best interests of the shareholders as a whole while taking into account the interest of other stakeholders. The Board is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Company, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The Board is regularly provided with management update report to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Company in sufficient details.

The Board is also responsible for the corporate governance functions under code provision D.3.1 of the CG Code. The Board has reviewed and discussed the corporate governance policy of the Company and is satisfied with the effectiveness of the corporate governance policy.

DIRECTORS' AND OFFICERS' LIABILITIES

Pursuant to the code provision A.1.8 of the CG Code, an issuer should arrange appropriate insurance cover in respect of legal action against its Directors. The Company has taken out directors and officers liability insurance to cover liabilities arising from legal action against the Directors.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors has entered into a service agreement with our Company on 18 March 2016 for an initial term of three years, during which either party may terminate the service agreement by giving the other not less than three months written notice.

Each of the independent non-executive Directors has entered signed a letter of appointment for a term of three years commencing from 18 March 2016. The service contracts and letters of appointment are subject to termination in accordance with their respective terms by not less than one month notice in writing served by independent non-executive Director or the Company.

CORPORATE GOVERNANCE REPORT

According to our articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company. In the upcoming AGM, one executive Director and one independent non-executive Director would retire and would be subjected to re-election.

CONFIRMATION OF INDEPENDENCE

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in rule 5.09 of the GEM Listing Rules.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Our Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of our Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

One Board meeting was held on 18 March 2016 (before the Listing Date) during the year ended 31 March 2016. The individual attendance record of the Board meeting is set out as follows:

Name of Directors	Number of Board Meetings attended/eligible to attend
Executive Directors:	
Mr. Ma Pak Wing Kevin	1/1
Ms. Lee Yuen Tung Janice	1/1
Independent non-executive Directors:	
Ms. Poon Lai King	1/1
Ms. Kwan Shin Luen Susanna	1/1
Mr. Wong Kai Chi	1/1

From the Listing Date and up to the date of this annual report, no general meeting was held.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Ma Pak Wing currently assumes the role of both chairman of the Company and chief executive of the 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, we consider it is beneficial for our Group that Mr. Ma continues to act as both chairman and chief executive officer of our Company.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEE

The Board has established three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the GEM's website www.hkgem.com and the Company's website at www.hypebeast.xyz. All the Board committees should report to the Board on their decisions or recommendations made. The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this report.

AUDIT COMMITTEE

We have established an audit committee pursuant to a resolution of our Directors passed on 18 March 2016 in compliance with Rule 5.28 of the GEM Listing Rules and with the written terms of reference in compliance with the CG Code as set out in Appendix 15 of the GEM Listing Rules.

Our audit committee currently consists of all three of our independent non-executive Directors, namely Mr. Wong Kai Chi, Ms. Poon Lai King and Ms. Kwan Shin Luen Susanna. Mr. Wong Kai Chi is the chairman of the audit committee.

The primary 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.

The Group's consolidated financial statements for the year ended 31 March 2016 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2016 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

CORPORATE GOVERNANCE REPORT

No audit committee meeting was held during the year ended 31 March 2016. From the Listing Date and up to the date of this annual report, one audit committee meeting was held to review and discuss with the management of the Company and the external auditors the accounting principles and practices adopted by the Group, as well as internal controls and other financial reporting matters. All of the independent non-executive Directors were eligible and have attended the said audit committee meeting.

REMUNERATION COMMITTEE

We have established a remuneration committee pursuant to a resolution of our Directors passed on 18 March 2016 in compliance with Rule 5.34 of the GEM Listing Rules and with the written terms of reference in compliance with paragraph B.1 of the CG Code as set out in Appendix 15 to the GEM Listing Rules.

Our remuneration committee currently consists of an executive Director, namely Mr. Ma, and two of our independent non-executive Directors, namely Ms. Poon Lai King and Mr. Wong Kai Chi. Ms. Poon Lai King is the chairman of our remuneration committee.

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. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2016.

No remuneration committee meeting was held during the year as the Listing Date is after the year ended 31 March 2016.

NOMINATION COMMITTEE

We have established a nomination committee pursuant to a resolution of our Directors passed on 18 March 2016 with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 15 to GEM Listing Rules.

Our nomination committee currently consists of one executive Director, namely Mr. Ma, and two of our independent non-executive Directors, namely Ms. Kwan Shin Luen Susanna and Ms. Poon Lai King. Mr. Ma is the chairman of the nomination committee.

The primary function of the nomination committee is to make recommendations to the Board regarding appointment of Directors and candidates to fill vacancies on the Board.

CORPORATE GOVERNANCE REPORT

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

In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

No nomination committee meeting was held during the year as the Listing Date is after the year ended 31 March 2016.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Each Director received induction on the first occasion of his appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he is sufficiently aware of his/her responsibilities and obligations under the GEM Listing Rules and other relevant legal and regulatory requirements.

During the year ended 31 March 2016, all Directors participated in the continuous professional developments regarding the duties and responsibility of the Directors under the relevant legal and regulatory requirement which included reading materials in relation to legal or regulatory update and/or attending training course provided by the legal advisors.

COMPANY SECRETARY

Ms. Cheung Nga Man ("Ms. Cheung"), an employee of the Company, was appointed by the Board as the company secretary of the Company ("Company Secretary") on 9 March 2016. The biographical details of Ms. Cheung are set out under the section headed "Biographical Details of Directors and Senior Management".

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.

During the year ended 31 March 2016, Ms. Cheung was not yet subjected to the relevant professional training requirement in accordance with Rule 5.15 of the GEM Listing Rules as the Listing Date is after the year ended 31 March 2016.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The remuneration paid/payable to the auditor of the Company during the year ended 31 March 2016 is set out as follows:

Services rendered	**HK$'000**
Statutory audit services	860
Non-audit services	
— as reporting accountant for the Company's listing on GEM by way of placing	2,600
— non-audit and tax related service	430

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group.

INTERNAL CONTROLS AND RISK ASSESSMENT

The Board has overall responsibility for the internal control system of the Group. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the Shareholders and the assets of the Group. During the year ended 31 March 2016, the Board had conducted a review of the effectiveness of the internal control system which covered all material controls, including financial, operational and compliance controls and risk managements functions of the Group.

Furthermore, as disclosed in the Prospectus, the board had developed its system on evaluating the sanctions risks prior to determining whether the company should embark on any business opportunities in the Countries, or with the individuals sanctioned by the US, the EU, the United Nations, Canada or Australia, including without limitation, any government, individual or entity that is subject of any OFAC administered sanctions ("Sanctioned Countries") or ("Sanction Persons"). Under the system, advices from reputable external international legal counsels with necessary expertise and experience in matters relating to International Sanctions laws would be seek if the Company encounter any possible sanctions risk. During the year ended 31 March 2016, the Board had conducted a review of the system's effectiveness in preventing any prohibited or otherwise restricted sales to Sanctioned Countries and Sanctioned Persons.

The Board considered the internal controls system of the Group to be adequate and effective for the year ended 31 March 2016.

SHAREHOLDERS' RIGHT

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

CORPORATE GOVERNANCE REPORT

PROCEDURES AND RIGHT FOR SHAREHOLDERS TO CONVENE EGM

The following procedures for shareholders to convene an extraordinary general meeting are subject to the Articles of Association (as amended from time to time), and the applicable legislation and regulation, in particular the GEM Listing Rules (as amended from time to time):

(a) Pursuant to Article 58 of the articles of association, any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the "Eligible Shareholder(s)") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition;

(b) The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business in Hong Kong at 12/F, 10-16 Kwai Ting Road, Kwai Chung, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists;

(c) the Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders;

(d) the Requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM;

(e) If within 21 days of such deposit the Board fails to proceed to convene such meeting the Eligible Shareholder(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

RIGHT TO PUT ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, shareholders who wish to move a resolution may by means of Requisition convene an EGM following the procedures set out above.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at www.hypebeast.xyz.

The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communications between the Board and the Shareholders.

All Directors and senior management will make an effort to attend, and all Shareholders will be given at least 20 clear business days' notice of the annual general meeting and are encouraged to attend the annual general meeting and other Shareholders' meetings.

REPORT OF DIRECTORS

The Directors hereby present their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2016.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in the Cayman Islands on 25 September 2015.

In preparing for the Listing, the Company became the holding company of the companies comprising the Group underwent the Reorganisation upon the completion of the Reorganisation on 30 October 2015. Details of the Reorganisation are set out in the Company's Prospectus dated 31 March 2016.

The shares of the Company were listed on the GEM Board of the Stock Exchange with effect from 11 April 2016.

PRINCIPAL ACTIVITIES

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.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 March 2016 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 39.

The Directors do not recommend the payment of any dividend for the year end 31 March 2016.

BUSINESS REVIEW

Business review of the Group for the year ended 31 March 2016 has been stated in the Management Discussion and Analysis on pages 6 to 12 of this report. A description of the principal risks and uncertainties facing the Group, and an analysis using financial key performance indicators of the Group's business, can be found in the Management Discussion and Analysis set out on pages 6 to 12 of this annual report. This discussion forms part of this directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognizes its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimize these impacts if possible. The Group aims to promote efficient use of resources and adopting green technologies for emission reduction.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries during the Year.

REPORT OF DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 March 2016 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital during the year are set out in note 23 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DISTRIBUTABLE RESERVES

As at 31 March 2016, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Law of Cayman Islands, amounted to approximately HK$25.8 million.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Shares have been listed on the GEM of the Stock Exchange since 11 April 2016. Save as the Listing, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2016.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group, as extracted from the Prospectus and the consolidated financial statements of the Company for the three years ended 31 March 2016 is set out on page 84 of the annual report. This summary does not form part of the audited financial statements.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 18 March 2016 (the "Scheme"). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

On 18 March 2016, the Group has conditionally approved and adopted the pre-IPO share option scheme (the "Pre-IPO Scheme") and the post-IPO share option scheme (the "Post-IPO Scheme") where eligible participants may be granted options entitling them to subscribe for the Company's shares. The purpose of the share option scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to it. The Pre-IPO Scheme was subsequently expired on the Listing Date. The Post-IPO Scheme which will remain in force for a period of 10 years from the effective date of the Post-IPO Scheme. The principal terms of the share option schemes are summarized in the sections headed "Pre-IPO Share Option Scheme" and "Post-IPO Share Option Scheme" in Appendix IV to the prospectus of the Company dated 31 March 2016.

REPORT OF DIRECTORS

For the year ended 31 March 2016, 22,500,000 shares was granted under the Pre-IPO Scheme representing approximately 1.13% of the issued share capital. No share options has been granted under the Post-IPO Scheme. No share options was exercised, expired or lapsed under the Pre-IPO Scheme and Post IPO scheme for the year ended 31 March 2016.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS

The Directors of the Company during the year ended 31 March 2016 and up to the date of this report were as follows:

Executive Directors	
Mr. Ma Pak Wing Kevin	(appointed on 25 September 2015)
Ms. Lee Yuen Tung Janice	(appointed on 18 March 2016)
Independent non-executive Directors	
Ms. Poon Lai King	(appointed on 18 March 2016)
Ms. Kwan Shin Luen Susanna	(appointed on 18 March 2016)
Mr. Wong Kai Chi	(appointed on 18 March 2016)

In accordance with the Company's Articles of Association, all directors, including independent non-executive directors, are subject to retirement by rotation and eligible for re-election. At each annual general meeting, not less than one third of the Directors then in office shall retire and every Director is subject to retirement by rotation at least once every three years.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this report, no contracts of significance to which the company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2016 or at any time during the year ended 31 March 2016.

REPORT OF DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service agreement with our Company on 18 March 2016 for a term of three years, during which either party may terminate the service agreement by giving the other not less than three-months written notice.

Each of the independent non-executive Directors has entered signed a letter of appointment for an initial term of three years commencing from 18 March 2016. The service contracts and letters of appointment are subject to termination in accordance with their respective terms by not less than one-month notice in writing served by independent non-executive Director or the Company.

Save as disclosed above, none of the Directors has entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment compensation other than the statutory compensation.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Company are set out in note 11 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

The remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contribution to the Group may also receive options to be granted under the Share Option Scheme.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 13 to 15 of the annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

REPORT OF DIRECTORS

Long positions in shares of the Company:

Name of Shareholder	Nature of interest	Number of Shares immediately after completion of the Capitalisation Issue and the Placing	Percentage of interest in our Company immediately after completion of the Capitalisation Issue and the Placing
CORE Capital *(Note 1)*	Registered owner	1,500,000,000	75%
Mr. Ma *(Note 2)*	Interest in a controlled corporation	1,500,000,000	75%
Ms. Lee *(Note 3)*	Interest of 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 the issue of 1,599,999,900 shares to be made upon capitalisation of certain sum standing to the credit of the share premium account (the "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. Mr. Ma is the sole shareholder of CORE Capital.

3. 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.

Short positions in shares of the Company:

As at 31 March 2016, there is no short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO).

As at 31 March 2016, there is no interest or short positions of every person, other than a director and chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

REPORT OF DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2016, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

— The largest customer 4.8%

— The total of the five largest customers 17.2%

For the year ended 31 March 2016, the percentage of cost of services attributable to the Group's major suppliers is set out below:

Cost of Revenue

— The largest supplier 6.9%

— The total of the five largest suppliers 15.4%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers and major suppliers noted above.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year ended 31 March 2016, the Group had not entered into any connected transactions or continuing connected transactions that are not exempted under Rule 20.71 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the public float as required under the GEM Listing Rules.

USE OF PROCEEDS FROM THE COMPANY'S PLACING

The net proceeds from the placing of new shares as referred to in the prospectus was approximately HK$29.7 million. Up to date of this report, the net proceeds from the Listing were not utilized.

As at the date of this report, the Directors do not anticipate any change to the plan as to the use of proceeds. The Company intends to apply the net proceeds from the Placing in the manner consistent with that stated under the section headed "Statement of Business Objectives and Use of Proceeds" of the Prospectus.

REPORT OF DIRECTORS

COMPETING AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Company and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 March 2016.

None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during year ended 31 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 the Company and any of its subsidiaries or has interest in such business.

INTERESTS OF THE 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. As notified by Lego Corporate Finance Limited, as at 31 March 2016, save for the compliance adviser agreement dated 15 March 2016 entered into between the Company and Lego Corporate Finance Limited, neither Lego Corporate Finance Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company's corporate governance report is set out on pages 16 to 24 of this report.

AUDITOR

Messrs. Deloitte Touche Tohmatsu was appointed as the first auditor of the Company and will retire and, being eligible, offer itself for re-appointment as auditor of the Company at the forthcoming annual general meeting.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting date are set out in note 32 to the consolidated financial statements.

By Order of the Board
Ma Pak Wing Kevin
Chairman and Executive Director

Hong Kong, 24 June 2016

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HYPEBEAST LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hypebeast Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 39, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with HKFRSs and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue	6	**151,863**	98,931
Cost of revenue		**(60,733)**	(41,139)
Gross profit		**91,130**	57,792
Other gain and losses	8	**(1,402)**	(1,511)
Selling and marketing expenses		**(31,422)**	(22,145)
Administrative and operating expenses		**(33,665)**	(23,072)
Listing expenses		**(15,561)**	–
Finance costs	7	**(293)**	(87)
Profit before tax		**8,787**	10,977
Income tax expense	9	**(4,571)**	(1,922)
Profit and total comprehensive income for the year	10	**4,216**	9,055
Earnings per share	13		
– Basic (HK cent)		**0.26**	0.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	14	**2,475**	2,923
Rental deposits		**–**	268
Pledged bank deposits	18	**4,051**	–
		6,526	3,191
Current assets			
Inventories	15	**12,910**	10,539
Trade and other receivables	16	**40,333**	12,195
Amount due from a director	17	**3,060**	354
Tax recoverable		**–**	198
Bank balances and cash	18	**9,179**	7,203
		65,482	30,489
Current liabilities			
Trade and other payables	19	**32,421**	9,507
Amounts due to related parties	17	**122**	147
Obligation under finance lease – due within one year	21	**–**	193
Bank borrowings – due within one year	20	**11,292**	1,756
Tax payable		**2,325**	–
		46,160	11,603
Net current assets		**19,322**	18,886
Total assets less current liabilities		**25,848**	22,077

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Obligations under finance lease – due after one year	21	**–**	97
Bank borrowings – due after one year	20	**–**	297
Deferred tax liabilities	22	**97**	148
		97	542
Net assets		**25,751**	21,535
Capital and reserves			
Share capital	23	**1**	1
Accumulated profits		**25,750**	21,534
		25,751	21,535

The consolidated financial statements on pages 34 to 83 were approved and authorised for issue by the Board of Directors on 24 June 2016 and are signed on its behalf by:

DIRECTOR

DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

	Share capital HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2014	1	20,224	20,225
Profit and total comprehensive income for the year	–	9,055	9,055
Dividend paid (note 12)	–	(7,745)	(7,745)
At 31 March 2015	1	21,534	21,535
Profit and total comprehensive income for the year	–	4,216	4,216
At 31 March 2016	1	25,750	25,751

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**8,787**	10,977
Adjustments for:		
Depreciation of property, plant and equipment	**1,245**	1,176
Gain on disposal of property, plant and equipment	**(369)**	–
Allowance for doubtful debts	**1,024**	651
Written-down of inventories	**441**	10
Finance costs	**293**	87
Operating cash flows before movements in working capital	**11,421**	12,901
Increase in inventories	**(2,812)**	(5,426)
(Increase) decrease in trade and other receivables	**(24,793)**	7,293
Decrease in amount due from a related party	**–**	21
Decrease in amounts due to related parties	**(25)**	(15)
Increase in trade and other payables	**22,914**	1,363
Cash generated from operations	**6,705**	16,137
Income taxes paid	**(2,099)**	(3,281)
NET CASH FROM OPERATING ACTIVITIES	**4,606**	12,856
INVESTING ACTIVITIES		
Placement of pledged bank deposits	**(4,051)**	–
Purchase of property, plant and equipment	**(997)**	(824)
Advance to a director	**(2,706)**	(354)
Proceeds from disposal of property, plant and equipment	**359**	–
NET CASH USED IN INVESTING ACTIVITIES	**(7,395)**	(1,178)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	2016 HK$'000	2015 HK$'000
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**15,732**	2,139
Advance from a director	**–**	270
Repayment of bank borrowings	**(6,493)**	(1,712)
Listing expenses paid	**(4,101)**	–
Repayment to a director	**–**	(1,732)
Interest paid on bank borrowings	**(288)**	(75)
Repayment of finance lease	**(80)**	(193)
Interest paid on finance lease	**(5)**	(12)
Dividends paid	**–**	(7,745)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**4,765**	(9,060)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,976**	2,618
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR	**7,203**	4,585
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	**9,179**	7,203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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. The Company's shares were first listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 April 2016 (the "Listing").

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 parent and ultimate holding company is CORE Capital Group Limited ("CORE Capital"), a private company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Ma Pak Wing Kevin ("Mr. Ma").

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which are the same as the functional currency of the Company.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the group reorganisation as described below, the Company became the holding company of the companies now comprising the Group on 30 October 2015 (the "Group Reorganisation").

Prior to the Group Reorganisation, 101 Media Lab Limited, the Group's sole operating subsidiary, was solely-owned by Mr. Ma.

In preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Group underwent the following reorganisation steps:

(1) On 6 August 2015, CORE Capital was incorporated to act as the holding company of the Company, with Mr. Ma as the sole shareholder;

(2) On 25 September 2015 and 7 October 2015, the Company and COREone Limited ("COREone") were incorporated as wholly-owned subsidiaries of CORE Capital respectively.

(3) On 30 October 2015, Mr. Ma transferred the entire issued share capital of 101 Media Lab Limited to COREone.

Upon completion of the above steps, 101 Media Lab Limited 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 consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 March 2015 and 2016 include the results of operations and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the periods, or since their respective dates of incorporation when there is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2015 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at 31 March 2015, taking into account the respective dates of incorporation.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has consistently applied the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning on 1 April 2015 for both current and prior year.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[5]
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.

5 Effective for annual periods beginning on or after 1 January 2019.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

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 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.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are generally measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 9 *Financial Instruments* (Continued)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company (the "Directors") anticipate that the adoption of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 *Revenue from Contracts with Customers*

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 Directors anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 16 *Leases*

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors will assess the impact of the application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

The Directors do not anticipate that the application of the other new and revised standards and amendments issued but not yet effective will have a material effect on the amounts recognised in the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 March 2016. Further, the disclosure requirements set out in the GEM Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in the consolidated financial statements based on the new requirements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The consolidated financial statements have been prepared on the historical cost basis. 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 these consolidated financial statements 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 consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Consolidation 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 are included in the consolidated 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 and when necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Sales of goods through online stores (Continued)

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 space) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

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 consolidated statement 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 each individual 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items 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 consolidated statement 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated statement 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 consolidated statement of financial position when a group 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For certain categories of loans and receivables, 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 average 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.

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 in its entirety, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 entities 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 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 have expired. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on tangible assets (Continued)

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 recognised 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 recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

Borrowing costs which are not capitalised to qualifying assets are recognised 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.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 consolidated financial statements.

Revenue recognition as principal or agent

The Directors take into account the specific features and contractual terms in relation to sales transactions and exercise 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 a 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 year ended 31 March 2016 is approximately HK$5,088,000 (2015: HK$6,306,000).

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 2016 was approximately HK$34,276,000 (2015: HK$11,391,000), net of allowance of doubtful debts of approximately HK$725,000 (2015: HK$1,662,000).

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

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 Directors estimate the net realisable value based on the estimated selling price for inventories less all estimated costs necessary to make the sales. 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 2016 was approximately HK$12,910,000 (2015: HK$10,539,000). Inventories of approximately HK$441,000 (2015: HK$10,000) have been written down during the year ended 31 March 2016.

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

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue and results by operating and reportable segments:

Year ended 31 March 2016

	Digital media HK$'000	E-commerce HK$'000	Combined HK$'000
Segment revenue – external customers:			
Provision of advertising services	**94,586**	**–**	**94,586**
Publication of magazines	**761**	**–**	**761**
Operation of online stores (Note)	**–**	**56,516**	**56,516**
Total segment revenue	**95,347**	**56,516**	**151,863**
Segment results	**28,808**	**3,980**	**32,788**
Finance costs			**(293)**
Unallocated expenses			**(23,708)**
Profit before tax			**8,787**

Year ended 31 March 2015

	Digital media HK$'000	E-commerce HK$'000	Combined HK$'000
Segment revenue – external customers:			
Provision of advertising services	47,034	–	47,034
Publication of magazines	617	–	617
Operation of online stores (Note)	–	51,280	51,280
Total segment revenue	47,651	51,280	98,931
Segment results	15,730	348	16,078
Finance costs			(87)
Unallocated expenses			(5,014)
Profit before tax			10,977

Note: Included in revenue from operation of online stores for each of the years ended 31 March 2015 and 2016, total amount of commission fee from consignment sales are approximately HK$6,306,000 and HK$5,088,000 respectively. The remaining amount of approximately HK$44,974,000 and HK$51,428,000 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 remuneration 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.

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

	2016 HK$'000	2015 HK$'000
Reportable segment assets		
Digital media	**32,092**	11,391
E-commerce	**15,989**	11,219
Total segment assets	**48,081**	22,610
Reconciliation of reportable segment total to group total:		
Segment assets	**48,081**	22,610
Unallocated assets:		
Property, plant and equipment	**2,475**	2,923
Deposits and other receivables	**5,162**	392
Amount due from a director	**3,060**	354
Tax recoverable	**–**	198
Pledged bank deposits	**4,051**	–
Bank balances and cash	**9,179**	7,203
Consolidated total assets	**72,008**	33,680
Reportable segment liabilities		
Digital media	**10,476**	2,084
E-commerce	**3,981**	5,752
Total segment liabilities	**14,457**	7,836
Reconciliation of reportable segment total to group total:		
Segment liabilities	**14,457**	7,836
Unallocated liabilities:		
Other payables and accrued expenses	**17,964**	1,671
Amounts due to related parties	**122**	147
Obligation under finance lease	**–**	290
Bank borrowings	**11,292**	2,053
Tax payable	**2,325**	–
Deferred tax liabilities	**97**	148
Consolidated total liabilities	**46,257**	12,145

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

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, 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, obligation under finance lease, bank borrowings, current and deferred tax liabilities that are not attributable to respective segment.

Other segment information

2016

Amounts included in the measure of segment profit or loss and segment assets:

	Digital media HK$'000	E-commerce HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital additions	–	–	–	997	997
Gain on disposal of property, plant and equipment	–	–	–	(369)	(369)
Depreciation	–	–	–	1,245	1,245
Allowance for doubtful debts	1,024	–	1,024	–	1,024
Write-down of inventories	–	441	441	–	441

2015

Amounts included in the measure of segment profit or loss and segment assets:

	Digital media HK$'000	E-commerce HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital additions	–	–	–	824	824
Depreciation	–	–	–	1,176	1,176
Allowance for doubtful debts	651	–	651	–	651
Write-down of inventories	–	10	10	–	10

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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	
	2016	2015
	HK$'000	HK$'000
United States	**82,588**	47,472
Hong Kong	**23,247**	10,105
United Kingdom	**17,462**	6,084
Others (Note)	**28,566**	35,270
	151,863	98,931

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 are as follows:

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Customer A from digital media segment	**N/A[1]**	9,982

[1] The corresponding revenue did not contribute over 10% of the total sales of the Group for the relevant year.

During the year ended 31 March 2016, there was no single customer contributing over 10% of the total revenue of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interests on:		
Bank loans	**288**	75
Finance lease	**5**	12
	293	87

8. OTHER GAIN AND LOSSES

	2016 HK$'000	2015 HK$'000
Allowance for doubtful debts	**1,024**	651
Net exchange losses	**747**	860
Gain on disposal of property, plant and equipment	**(369)**	–
	1,402	1,511

9. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
Current tax:		
Hong Kong Profits Tax	**4,622**	1,941
Deferred tax (note 22):		
Credit for the year	**(51)**	(19)
	4,571	1,922

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands (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 both years.

9. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 HK$'000	2015 HK$'000
Profit before tax	**8,787**	10,977
Tax at the Hong Kong Profits Tax rate of 16.5%	**1,450**	1,811
Tax effect of income not taxable for tax purpose	**(61)**	(11)
Tax effect of expenses not deductible for tax purpose	**3,202**	142
Others	**(20)**	(20)
Tax expense for the year	**4,571**	1,922

10. PROFIT FOR THE YEAR

	2016 HK$'000	2015 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note 11)	**494**	448
Other staff costs		
– salaries and allowances	**24,575**	17,318
– discretionary bonus	**2,598**	1,393
– retirement benefits scheme contribution	**1,017**	687
Total directors and other staff costs	**28,684**	19,846
Auditor's remuneration	**860**	200
Cost of inventories recognised as expense	**26,384**	27,417
Depreciation of property, plant and equipment	**1,245**	1,176
Website content update expense (note)	**4,292**	3,146
Write-down of inventories	**441**	10

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. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the GEM Rules and disclosure requirement of the CO, is as follows:

	Mr. Ma HK$'000 (Note a)	Ms. Lee Yuen Tung, Janice HK$'000 (Note b)	Ms. Kwan Shin Luen, Susanna HK$'000 (Note c)	Mr. Wong Kai Chi HK$'000 (Note d)	Ms. Poon Lai King HK$'000 (Note e)	Total HK$'000
2016						
Fees	**196**	**15**	**5**	**5**	**5**	**226**
Other emoluments						
Salaries, allowances and other benefits	**264**	**–**	**–**	**–**	**–**	**264**
Retirement benefit scheme contribution	**4**	**–**	**–**	**–**	**–**	**4**
	464	**15**	**5**	**5**	**5**	**494**

	Mr. Ma HK$'000 (Note a)	Ms. Lee Yuen Tung, Janice HK$'000 (Note b)	Ms. Kwan Shin Luen, Susanna HK$'000 (Note c)	Mr. Wong Kai Chi HK$'000 (Note d)	Ms. Poon Lai King HK$'000 (Note e)	Total HK$'000
2015						
Fees	180	–	–	–	–	180
Other emoluments						
Salaries, allowances and other benefits	264	–	–	–	–	264
Retirement benefit scheme contribution	4	–	–	–	–	4
	448	–	–	–	–	448

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION (CONTINUED)

Notes:

(a) Mr. Ma was appointed as an executive director with effect from 25 September 2015. Mr. Ma is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(b) Ms. Lee Yuen Tung, Janice was appointed as an executive director with effect from 18 March 2016.

(c) Ms. Kwan Shin Luen, Susanna was appointed as an independent non-executive director with effect from 18 March 2016.

(d) Mr. Wong Kai Chi was appointed as an independent non-executive director with effect from 18 March 2016.

(e) Ms. Poon Lai King was appointed as an independent non-executive director with effect from 18 March 2016.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the independent non-executive directors shown above were mainly for their services as directors of the Company.

Employees' remuneration

For the years ended 31 March 2016 and 2015, the five highest paid individuals with the highest emoluments in the Group are all employees and their remunerations are as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries and allowances	**3,482**	3,375
Discretionary bonus	**382**	265
Retirement benefits scheme contribution	**71**	82
	3,935	3,722

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION (CONTINUED)

Employees' remuneration (Continued)

The emoluments of the highest paid individuals fell within the following band:

	No. of employees	
	2016	2015
Nil to HK$1,000,000	**4**	4
HK$1,000,001 to HK$1,500,000	**1**	1
	5	5

During the year, no emoluments were paid by the Group to the directors 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. None of the directors have waived any emoluments during the years ended 31 March 2016 and 2015.

12. DIVIDENDS

	2016	2015
	HK$'000	HK$'000
Dividends recognised as distribution for the year	**–**	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 101 Media Lab Limited to its then sole shareholder who is also one of the directors of the Company. No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2016, nor has any dividend been proposed since the end of the reporting period.

13. EARNINGS PER SHARE

As of 31 March 2016, the Company has 100 ordinary shares in issue. The Company was listed on the GEM of the Stock Exchange on 11 April 2016 by way of placing of 400,000,000 new shares and capitalisation of 1,599,999,900 shares, resulting in 2,000,000,000 ordinary shares in issue. The calculation of the basic earnings per share for each of the years ended 31 March 2015 and 2016 is based on the following data:

	2016	2015
	HK$'000	HK$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to the owners of the Company)	**4,216**	9,055

	2016	2015
	'000	'000
Number of shares		
Number of shares for the purpose of basic earnings per share	**1,600,000**	1,600,000

Basic earnings per share for the year ended 31 March 2016 are 0.26 HK cent (2015: 0.57 HK cent) per share. The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the capitalisation issue of the shares of the Company completed on 11 April 2016 and assuming the Group Reorganisation had been effective on 1 April 2014.

No diluted earnings per share was presented as there was no potential ordinary shares outstanding during both years.

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 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	137	99	761	–	997
Disposals	–	–	(8)	(600)	(608)
At 31 March 2016	2,291	821	2,912	437	6,461
ACCUMULATED DEPRECIATION					
At 1 April 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 year	420	145	469	211	1,245
Eliminated on disposals	–	–	(8)	(400)	(408)
At 31 March 2016	1,559	440	1,550	437	3,986
CARRYING VALUES					
At 31 March 2016	732	381	1,362	–	2,475
At 31 March 2015	1,015	427	1,070	411	2,923

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$411,000 as at 31 March 2015 was under finance lease arrangement (note 21). In August 2015, the Group disposed of the motor vehicle under finance lease arrangement with a carrying amount of HK$200,000 at a consideration of HK$359,000 and the related finance lease arrangement with carrying amount of HK$210,000 was transferred and derecognised. Accordingly, the Group recorded a gain on disposal in the amount of HK$369,000 classified as other gains and losses on the consolidated statement of profit or loss and other comprehensive income.

15. INVENTORIES

	2016 HK$'000	2015 HK$'000
Finished goods	**12,910**	10,539

16. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**35,001**	13,053
Less: allowance for doubtful debts	**(725)**	(1,662)
	34,276	11,391
Advance to staffs	**141**	–
Rental and utilities deposits	**588**	125
Prepayment to suppliers	**1,227**	679
Deferred listing expenses	**4,101**	–
Total	**40,333**	12,195

The Group allows credit periods ranging from 30 to 60 days to its trade customers derived from provision of advertising spaces 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	
	2016 HK$'000	2015 HK$'000
Within 60 days	**26,187**	9,607
61 – 90 days	**2,044**	1,213
91 – 180 days	**5,598**	571
181 – 365 days	**447**	–
	34,276	11,391

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in the Group's trade receivables balance are debtors as at 31 March 2016 with an aggregate carrying amount of approximately HK$19,258,000 (2015: HK$2,009,000) 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. All of the trade receivables that are neither past due nor impaired have good credit quality assessed by the Group.

Aging of trade receivables which are past due but not impaired:

	2016 **HK$'000**	2015 HK$'000
Within 60 days	**11,169**	225
61 – 90 days	**2,044**	1,213
91 – 180 days	**5,598**	571
181 – 365 days	**447**	–
	19,258	2,009

Movement in the allowance for trade receivables

	Year ended 31 March	
	2016 **HK$'000**	2015 HK$'000
Balance at beginning of the year	**1,662**	1,011
Impairment losses recognised on receivables	**1,024**	651
Written off	**(1,961)**	–
Balance at end of the year	**725**	1,662

Included in trade receivables as at 31 March 2016 are amounts net of individually impaired receivables amounting to HK$725,000 (2015: HK$1,662,000). 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.

17. AMOUNTS DUE TO RELATED COMPANIES AND FROM A DIRECTOR

(a) Amounts due to related parties

	2016 **HK$'000**	2015 HK$'000
Amounts due to related parties		
District Distribution Co. Limited (note (i))	**–**	25
Mr. Ma Tak Yuen (note (ii))	**122**	122
Balance at end of the year	**122**	147

District Distribution Co. Limited was 30% owned by Mr. Ma, the controlling shareholder of the Company, prior to his disposal of his entire interest to certain independent third parties on 2 November 2015. 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. The whole amount as at 31 March 2015 aged over 1 year and was settled in 2016.

ii. The amount is of non-trade nature, unsecured, non-interest bearing and repayable on demand. The whole amount was subsequently settled after 31 March 2016.

(b) Amount due from a director

	As at 31 March		**As at 1 April**	**Maximum amounts outstanding**	
	2016 **HK$'000**	2015 HK$'000	2014 HK$'000	**2016** **HK$'000**	2015 HK$'000
Amount due from a director					
Mr. Ma	**3,060**	354	–	**3,060**	354

The amount was unsecured, non-interest bearing and repayable on demand. The whole amount was subsequently settled after 31 March 2016.

18. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represents deposits pledged to a bank to secure banking facilities granted to the Group, which carry interest at prevailing market rates at 0.01% per annum as at 31 March 2016. Deposits amounting to HK$4,051,000 as at 31 March 2016 have been pledged to secure a bank borrowing under a 2-year's contractual repayment term and are therefore classified as non-current assets.

Bank balances carry interest at prevailing market rates at 0.01% per annum as at 31 March 2016 and 2015.

19. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	HK$'000
Trade payables	**3,937**	4,881
Deferred revenue	**44**	871
Commission payable	**3,363**	1,464
Listing expenses payable	**9,923**	–
Accrual for campaign cost (note)	**7,113**	620
Accrual for staff bonus	**2,598**	–
Audit and professional fee payable	**1,110**	–
Other payables and accrued expenses	**4,333**	1,671
	32,421	9,507

Note: Provision for campaign cost represents the accrual for expenses incurred for rendering the creative agency campaign and media project which include video shooting and photography. The Group recognised these expenses on straight-line over the advertising period matching the recognition of the revenue associated as disclosed in note 4 to the consolidated financial statements and made accrual on the expenses that has yet been billed by service providers.

The average 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:

	2016	2015
	HK$'000	HK$'000
Within 30 days	**2,491**	2,351
31 – 60 days	**60**	857
61 – 90 days	**320**	77
Over 90 days	**1,066**	1,596
	3,937	4,881

20. BANK BORROWINGS

	As at 31 March	
	2016	2015
	HK$'000	HK$'000
Bank loans, unsecured, guaranteed with variable rate	**11,292**	2,053
Carrying amount repayable (according to scheduled repayment term):		
– Within one year	**7,478**	1,756
– More than one year, but not exceeding two years	**3,814**	297
	11,292	2,053
Carrying amount that contain a repayment on demand clause (shown under current liabilities)	**11,292**	–

Details of guarantee provided are set out in note 28.

The range of effective interest rates (which are also equalled to contractual interest rates) on the Group's borrowings are as follows:

	2016	2015
	HK$'000	HK$'000
Effective interest rate (per annum): Variable-rate borrowings	**2.75% to 4.25%**	2.75% to 3.25%

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 terms. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**–**	205	**–**	193
More than one year, but not exceeding two years	**–**	102	**–**	97
	–	307	**–**	290
Less: future finance charges	**–**	(17)	**N/A**	N/A
Present value of lease obligation	**–**	290	**–**	290
Less: Amounts due within one year			**–**	(193)
			–	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 and derecognised during the year ended 31 March 2016 due to the disposal of the motor vehicle in August 2015 as disclosed in note 14 to the consolidated financial statements.

22. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised by the Group and movements thereon during the years ended 31 March 2016 and 2015:

	Accelerated tax depreciation HK$'000
At 1 April 2014	(167)
Credit to profit or loss	19
At 31 March 2015	(148)
Credit to profit or loss	51
At 31 March 2016	(97)

23. SHARE CAPITAL

Share capital as at 1 April 2014 and 31 March 2015 represented the issued share capital of 101 Media Lab Limited.

The movements in the Company's authorised and issued ordinary share capital are as follows:

	Number of shares	**Share capital HK$**
Ordinary shares of HK$0.01 each		
Authorised:		
On date of incorporation on 25 September 2015	38,000,000	380,000
Increase on 18 March 2016 (note)	5,962,000,000	59,620,000
At 31 March 2016	6,000,000,000	60,000,000
Issued:		
1 share allotted and issued, fully paid at par on the date of incorporation	1	–
Issue of shares on 30 October 2015 pursuant to the Group Reorganisation	99	1
At 31 March 2016	100	1

Note: Pursuant to the written resolutions of the sole shareholder of the Company passed on 18 March 2016, the authorised share capital of the 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.

24. CAPITAL RISK MANAGEMENT

The Directors manage 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 from prior year.

The capital structure of the Group consists of net debt, which includes amounts due to related parties, bank borrowings and obligation under finance lease, as disclosed in Notes 17(a), 20 and 21, respectively, net of cash and cash equivalents and equity.

The Directors review the capital structure from time to time. As a part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, 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

Categories of financial instruments

	2016 **HK$'000**	2015 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	**51,295**	19,341
Financial liabilities		
At amortised cost	**29,747**	10,193

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount 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. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (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 risk

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 Company currently does not enter into any hedging instrument for cash flow interest rate risk.

25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Interest rate risk management (Continued)

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. 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 ended 31 March 2016 would decrease/increase by approximately HK$47,000 (2015: HK$9,000).

No sensitivity analysis of bank balances of the Group is presented as all bank balances carry interest rate below 0.01% per annum.

(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 Directors monitor 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:

	2016		2015	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
United States Dollar ("US$")	**27,942**	**3,068**	12,825	3,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) ***Foreign currency risk (Continued)***

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 Directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Directors monitor the utilisation of bank borrowings and amounts due to 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	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2016					
Non-derivative financial liabilities					
Trade and other payable	–	18,333	–	18,333	18,333
Amounts due to related parties	–	122	–	122	122
Bank borrowings	2.75	11,292	–	11,292	11,292
		29,747	–	29,747	29,747

25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
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
		9,841	401	10,242	10,193

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 31 March 2016, the aggregate carrying amounts of these bank borrowings amounted to HK$11,292,000 (2015: nil). Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe 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 the reporting period.

	Weighted average effective interest rate %	**Repayable on demand or less than 1 year HK$'000**	**1 to 2 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount HK$'000**
Bank borrowings with repayment on demand clause					
As at 31 March 2016	**2.75**	**7,795**	**3,872**	**11,667**	**11,292**

25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

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 consolidated statement 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 Directors have 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 Directors consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 18% of the Group's trade receivables as at 31 March 2016 (2015: 20%) 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 Directors 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.

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 Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

26. 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 year ended 31 March 2016, the retirement benefits scheme contribution arising from the MPF Scheme charged to profit or loss were approximately HK$1,021,000 (2015: HK$691,000).

27. COMMITMENTS

Operating lease

The Group as lessee

	2016 **HK$'000**	2015 HK$'000
Minimum lease payments under operating leases during the year in respect of premises	**1,644**	1,331

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:

	2016 **HK$**	2015 HK$
Within one year	**1,994**	1,644
In the second year inclusive	**2,240**	394
	4,234	2,038

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated and rentals are fixed for one to two years.

As at 31 March 2016, operating lease commitments included commitments of HK$150,000 (2015: HK$330,000) to Mr. Lee Chung Ming and Ms. Chan Lai Kuen who are the parents-in-law of Mr. Ma (see Note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

28. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and other details disclosed elsewhere in these consolidated financial statements, the Group also entered into the following significant transactions with related parties during the year:

Name of related party	Nature of transactions	Year ended 31 March 2016 HK$'000	Year ended 31 March 2015 HK$'000
District Distribution Co. Limited (note)	Commission fee from consignment	**–**	220
District Distribution Co. Limited (note)	Purchase of inventories	**997**	–
District Distribution Co. Limited (note)	Subscription of magazines	**–**	7
District Distribution Co. Limited – Taiwan (note)	Subscription of magazines	**4**	4
Mr. Lee Chung Ming and Ms. Chan Lai Kuen (note)	Director's quarter	**180**	180

Note: Mr. Lee Chung Ming and Ms. Chan Lai Kuen are the parents-in-law of Mr. Ma, a director of the Company. Mr. Ma, the controlling shareholder of the Company, disposed his entire interest in District Distribution Co. Limited on 2 November 2015 as disclosed in note 17. The transaction shown above represents amount up to 2 November 2015.

In addition to the above, bank borrowings with carrying amount of approximately HK$11,292,000 (2015: HK$2,053,000) are wholly guaranteed by Mr. Ma.

Compensation of key management personnel

The Directors are identified as key management member of the Group, and their compensation during the years then ended was set out in note 11.

29. NON-CASH TRANSACTION

During the year ended 31 March 2016, the Group disposed of a motor vehicle under finance lease arrangement and the related finance lease arrangement with carrying amount of approximately HK$210,000 was transferred and derecognised.

30. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Group's subsidiaries at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation	Issued and fully paid-up share	Attributable equity interest held by the Group				Principal activities
			Directly		Indirectly		
			2016 %	2015 %	**2016 %**	2015 %	
COREone Limited	BVI	USD 1	**100%**	N/A	**–**	N/A	Investment holding
101 Media Lab Limited	Hong Kong	HK$1,000	**–**	N/A	**100%**	100%	Provision of advertising services, operation of online stores and publication of magazines

None of the subsidiaries had issued any debt securities at the end of the year.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000
NON-CURRENT ASSET	
Unlisted investments in subsidiaries	**–**
CURRENT ASSETS	
Amount due from ultimate holding company	**–**
Amount due from a subsidiary	**1**
	1
CURRENT LIABILITIES	
Other payables	**9,923**
Amount due to a subsidiary	**5,638**
	15,561
NET CURRENT LIABILITIES	**(15,560)**
NET LIABILITIES	**(15,560)**
CAPITAL AND RESERVES	
Share capital (see note 23)	**1**
Accumulated losses	**(15,561)**
	(15,560)

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movements in the Company's reserves

	Accumulated losses HK$'000	Total HK$'000
Issuance of share capital at 25 September 2015 (date of incorporation)	–	–
Loss for the year and other comprehensive expense	(15,561)	(15,561)
Issue of shares	–	1
At 31 March 2016	(15,561)	(15,560)

32. SUBSEQUENT EVENTS

Save as disclosed elsewhere in these consolidated financial statements, the following significant events took place subsequent to 31 March 2016:

(i) The Group has completed the listing of its shares on the GEM of the Stock Exchange by way of placing 500,000,000 shares (comprising 400,000,000 new shares and 100,000,000 of existing shares issued before the listing of shares on the GEM of the Stock Exchange on 11 April 2016).

(ii) On 18 March 2016, the Group has conditionally approved and adopted the pre-IPO share option scheme and the post-IPO share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the schemes. The principal terms of the share option schemes are summarised in the sections headed "Pre-IPO Share Option Scheme" and "Post-IPO Share Option Scheme" in Appendix IV to the prospectus of the Company dated 31 March 2016.

(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 on 11 April 2016, the directors of the Company has capitalised an amount of HK$15,999,999 standing to the credit of the share premium account of the Company.

FINANCIAL SUMMARY

For the three years ended 31 March 2014, 2015, and 2016

RESULTS

	2016 **HK$'000**	2015 HK$'000	2014 HK$'000
Revenue	**151,863**	98,931	72,833
Profit before taxation	**8,787**	10,977	12,412
Income tax expense	**(4,571)**	(1,922)	(2,106)
Profit and total comprehensive income for the year	**4,216**	9,055	10,306

ASSETS AND LIABILITIES

	2016 **HK$'000**	2015 HK$'000	2014 HK$'000
Total Assets	**72,008**	33,680	33,412
Total Liabilities	**(46,257)**	(12,145)	(13,187)
Net Assets	**25,751**	21,535	20,225