

**FIRST QUARTERLY REPORT 第一季度報告
2016**

HYPEBEAST

—

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

—

**於開曼群島
註冊成立的有限公司**

—

**STOCK CODE
8359**

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**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.

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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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FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately HK\$47.0 million for the three months ended 30 June 2016, representing an increase of approximately HK\$18.6 million or 65.5% as compared with the three months ended 30 June 2015.
- The Group's profit and total comprehensive income for the period was approximately HK\$4.4 million for the three months ended 30 June 2016, representing an increase of approximately HK\$1.2 million or 38.8% as compared with the three months ended 30 June 2015, which 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 on the e-commerce platform.
- The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2016.

FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 30 June 2016 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 30 June 2016

	NOTES	Three months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
Revenue	3	46,961	28,372
Cost of revenue		20,156	11,296
Gross profit		26,805	17,076
Other losses		(298)	(771)
Selling and marketing expenses		(10,539)	(5,910)
Administrative and operating expenses		(10,530)	(6,534)
Finance costs		(110)	(33)
Profit before tax		5,328	3,828
Income tax expense	4	(892)	(632)
Profit and total comprehensive income for the period		4,436	3,196
Earnings per share	6		
– Basic and diluted (HK cent)		0.23	0.20

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 June 2016

	Share capital HK\$'000	Share premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2016 (audited)	1	–	25,750	25,751
Capitalisation issue	15,999	(15,999)	–	–
Issue of shares under placing	4,000	48,000	–	52,000
Expenses incurred in connection with the issue of shares upon placing	–	(6,726)	–	(6,726)
Profit and total comprehensive income for the period	–	–	4,436	4,436
At 30 June 2016 (unaudited)	20,000	25,275	30,186	75,461
At 1 April 2015 (audited)	1	–	21,534	21,535
Profit and total comprehensive income for the period	–	–	3,196	3,196
At 30 June 2015 (unaudited)	1	–	24,730	24,731

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2016

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 September 2015. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The headquarter and principal place of business of the Company in Hong Kong is located at 12/F, 10-16 Kwai Ting Road, Kwai Chung, Hong Kong.

The Company's issued ordinary shares of HK\$0.01 each have been listed and traded on GEM since 11 April 2016 (the "**Listing Date**").

Pursuant to the reorganisation of the Group (the "**Reorganisation**") in connection with the listing of the shares of the Company (the "**Shares**") on GEM (the "**Listing**"), the Company became the holding company of the companies comprising the Group on 30 October 2015. Details of the Reorganisation are set out in the prospectus of the Company dated 31 March 2016 (the "**Prospectus**") under the section headed "History, Reorganisation and Corporate Structure".

The principal activity of the Company is investment holding. The Group's principal activities are the provision of advertising services to brand owners and advertising agencies on the Group's digital media platforms, and the sale of third-party branded clothing, shoes and accessories on the Group's e-commerce platform.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the Relevant Period have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules.

HKFRSs include Hong Kong Accounting Standards and interpretations. Intra-group balances and transactions, if any, have been fully and properly eliminated. The unaudited condensed consolidated financial statements of the Group for the Relevant Period should be read in conjunction with the accountants’ report of the Group for the year ended 31 March 2016 dated 24 June 2016 (“**Annual Report**”). The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the Relevant Period are consistent with those used in the Annual Report for the year ended 31 March 2016.

HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the Relevant Period. There have been no significant changes to the accounting policies applied in these financial statements for the Relevant Period presented as a result of these developments.

The unaudited condensed consolidated financial statements of the Group for the Relevant Period have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the Relevant Period have not been audited by the Company’s independent auditor, but have been reviewed by the Company’s audit committee.

The preparation of the unaudited condensed consolidated financial statements of the Group for the Relevant Period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require management to exercise their judgements in the process of applying the Group’s accounting policies.

The unaudited condensed consolidated financial statements of the Group for the Relevant Period are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company.

3. REVENUE

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.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- (i) Digital media segment – Provision of advertising services and publication of magazines
- (ii) E-commerce segment – Operation of online stores for the sale of third-party branded clothing, shoes and accessories

	Three months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Digital media	33,414	15,626
E-commerce	13,547	12,746
	46,961	28,372

4. INCOME TAX EXPENSE

	Three months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Hong Kong profits tax	892	632

Hong Kong profits tax has been provided at the rate of 16.5% based on the estimated assessable profits of the Group for the periods as stated above.

5. DIVIDEND

During the Relevant Period, the Group has not declared and paid any dividend. Furthermore, the Board does not recommend the payment of an interim dividend for the Relevant Period.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	Three months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit and total comprehensive income for the period)	4,436	3,196
	2016 '000	2015 '000
Number of Shares:		
Weighted average number of shares for the purpose of calculating basic earnings per share	1,956,044	1,600,000

Basic earnings per share for the three months ended 30 June 2016 are 0.23 HK cent (2015: 0.20 HK cent) per share. The weighted average 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 2015.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased from approximately HK\$28.4 million for the three months ended 30 June 2015 to approximately HK\$47.0 million for the three months ended 30 June 2016, representing a growth of approximately 65.5%. 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 on the e-commerce platform.

Cost of Revenue

The Group's cost of revenue increased from approximately HK\$11.3 million for the three months ended 30 June 2015 to approximately HK\$20.2 million for the three months ended 30 June 2016, representing an increase of approximately 78.4%. Such increase was mainly attributable to (i) the increase in editorial and production cost; and (ii) the increase in direct staff costs for the purpose of expansion and development.

Gross Profit Margin

Gross profit of the Group increased by approximately 57.1% from approximately HK\$17.1 million for the three months ended 30 June 2015 to approximately HK\$26.8 million for the three months ended 30 June 2016. The increase was mainly driven by the increase in revenue for the three months ended 30 June 2016 as discussed above. The overall gross profit margin decreased from approximately 60.2% for the three months ended 30 June 2015 to approximately 57.1% for the three months ended 30 June 2016 which was mainly due to the decrease in gross profit margin in the digital media segment as more tailor-made advertising services were provided and more production staff were employed during the period.

Other Gain and Losses

Other losses of the Group decreased by HK\$0.5 million or 61.3% from approximately HK\$0.8 million for the three months ended 30 June 2015 to approximately HK\$0.3 million for the three months ended 30 June 2016. This decrease was mainly due to exchange loss.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by approximately 78.3% from approximately HK\$5.9 million for the three months ended 30 June 2015 to approximately HK\$10.5 million for the three months ended 30 June 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 higher usage of both services to drive business and revenue expansion during the three months ended 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Administrative and Other Operating Expenses

Administrative expenses of the Group increased by approximately 61.1% from approximately HK\$6.5 million for the three months ended 30 June 2015 to approximately HK\$10.5 million for the three months ended 30 June 2016. Administrative expenses mainly consist of staff costs, professional fees and freelancer costs. The increase was attributable to increase in staff salary and freelancer costs to drive business expansion during the three months ended 30 June 2016.

Finance Costs

Finance costs increased by approximately HK\$77,000 or 233.3% from approximately HK\$33,000 for the three months ended 30 June 2015 to approximately HK\$110,000 for the three months ended 30 June 2016. The increase was mainly due to the increased usage of bank borrowing.

Income Tax Expense

Income tax expense for the Group increased by approximately 41.1% from approximately HK\$632,000 for the three months ended 30 June 2015 to approximately HK\$892,000 for the three months ended 30 June 2016. The increase was mainly due to the increase in profit before tax, excluding the effect of non-deductible expenses and non-chargeable other income items.

Profit and Total Comprehensive Income for the Period

Profit and total comprehensive income increased by approximately 38.8% from approximately HK\$3.2 million for the three months ended 30 June 2015 to approximately HK\$4.4 million for the three months ended 30 June 2016. Such increase was primarily attributable to the increase in revenue and gross profit for the three months ended 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 its digital media platforms; and (ii) the sale of third-party branded clothing, shoes and accessories on its e-commerce platform. The Group produces and distributes millennial-focused digital content that reports the latest trends on fashion, lifestyle, culture and music to users of the Group's digital content who do not subscribe to updates of the Group's digital content ("**visitors**") and users who subscribe to updates of the Group's digital content ("**followers**"). Digital content is delivered via the Group's 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). The Group's e-commerce platform typically carries over 400 trend leading third-party branded products. As at 30 June 2015 and 30 June 2016, the number of brands offered on the Group's e-commerce platform was 365 and 431, respectively, representing an increase of 66 brands for the three months ended 30 June 2016. As at 30 June 2015 and 30 June 2016, the number of products offered on the Group's e-commerce platform was over 7,192 and 9,514, respectively, representing a gross increase of approximately 2,322 products during the three months ended 30 June 2016.

Looking forward, 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. It intends to expand its visitor base and enhance its digital media production capability, which are expected to translate to increase 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, which include the following:

1. For the digital media segment, the Group is enhancing the production capability of quality advertising services of its creative agency team through various methods, including recruiting more content production executives so as to attract more brand owners and advertising agencies using its advertising services.
2. For the e-commerce segment, the Group is carefully considering expansion into the rest of 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 inventory systems.

With the Group's experienced management team and reputation in the market, the Directors consider the Group to be well-positioned to compete against its competitors under potential future challenges that are commonly faced by all its competitors.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in the Shares, the Underlying Shares or Debentures of the Company or Any Associated Corporations

As at 30 June 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:

Long positions in shares of the Company:

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares held</u>	<u>Approximate percentage of shareholding</u>
Mr. Ma Pak Wing Kevin (Note 1)	Interest in a controlled corporation	1,500,000,000	75%
Ms. Lee Yuen Tung Janice (Note 2)	Interest of spouse	1,500,000,000	75%

Notes:

- CORE Capital Group Limited is the beneficial owner of 1,500,000,000 Shares, representing 75% of our issued share capital of the Company. CORE Capital Group Limited is directly wholly-owned by Mr. Ma Pak Wing Kevin.
- Ms. Lee Yuen Tung Janice is the spouse of Mr. Ma Pak Wing Kevin. Under the SFO, Ms. Lee Yuen Tung Janice is deemed to be interested in the same number of Shares in which Mr. Ma Pak Wing Kevin is interested.

DISCLOSURE OF INTERESTS (CONTINUED)

Save as disclosed above, as at 30 June 2016, there was no other interest or 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).

Substantial Shareholders' Interests and Short Positions in the Shares, the Underlying Shares or Debentures of the Company

So far as the Directors are aware, as at 30 June 2016, other than the Directors and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long positions in share of the Company:

<u>Name of Shareholder</u>	<u>Capacity/Nature of interest</u>	<u>Number of shares held</u>	<u>Approximate percentage of shareholding</u>
CORE Capital Group Limited (Note)	Beneficial owner	1,500,000,000	75%

Note: CORE Capital Group Limited is the beneficial owner of 1,500,000,000 Shares, representing 75% of our issued share capital.

Save as disclosed above, as at 30 June 2016, there is no other interest or short positions of any other persons/entities in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

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 three months ended 30 June 2016.

None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of their respective close associates has engaged in or has interest 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 the three months ended 30 June 2016.

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 30 June 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.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the Listing Date and up to 30 June 2016, save as the Listing, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

Since the Listing Date and up to 30 June 2016, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors (the "**Code of Conduct**") on terms no less exacting than the required standards of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct since the Listing Date and up to 30 June 2016.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the Relevant Period.

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.

For the three months ended 30 June 2016, 22,500,000 shares has been 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 Relevant Period.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with its written terms of reference in compliance with paragraphs C3.3 and C3.7 of the CG Code, and Rule 5.28 of GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, namely Mr. Wong Kai Chi, Ms. Poon Lai King and Ms. Kwan Shin Luen Susanna, all being independent non-executive Directors. Mr. Wong Kai Chi currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Relevant Period.

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

Hong Kong, 3 August 2016

As at the date of this report, the executive Directors are Mr. Ma Pak Wing Kevin and Ms. Lee Yuen Tung Janice; and the independent non-executive Directors are Ms. Poon Lai King, Mr. Wong Kai Chi and Ms. Kwan Shin Luen Susanna.