HYPEBEAST

HYPEBEAST LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08359)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

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 announcement, 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 announcement 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 announcement misleading.

The board of Directors of the Company (the "Board") is pleased to present the audited consolidated annual results of the Company and its subsidiaries (collectively referred as the "Group") for the year ended 31 March 2017, together with the audited comparative figures for the year ended 31 March 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	NOTES	**2017** *HK$'000*	2016 *HK$'000*
Revenue	4	**217,620**	151,863
Cost of revenue		**(95,305)**	(60,733)
Gross profit		**122,315**	91,130
Other gain and losses		**(756)**	(1,402)
Selling and marketing expenses		**(48,616)**	(31,422)
Administrative and operating expenses		**(44,559)**	(33,665)
Listing expenses		**–**	(15,561)
Finance costs		**(323)**	(293)
Profit before tax		**28,061**	8,787
Income tax expense	5	**(4,756)**	(4,571)
Profit and total comprehensive income for the year	6	**23,305**	4,216
Earnings per share	7		
– Basic (HK cent)		**1.17**	0.26

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	NOTES	**2017** *HK$'000*	2016 *HK$'000*
Non-current assets			
Property, plant and equipment		**4,640**	2,475
Rental deposits		**456**	–
Pledged bank deposits		**–**	4,051
		5,096	6,526
Current assets			
Inventories		**11,817**	12,910
Trade and other receivables	9	**57,013**	40,333
Amount due from a director		**–**	3,060
Pledge bank deposits		**5,001**	–
Bank balances and cash		**67,931**	9,179
		141,762	65,482
Current liabilities			
Trade and other payables	10	**45,663**	32,421
Amount due to a related party		**–**	122
Bank borrowings – due within one year		**5,013**	11,292
Tax payable		**1,631**	2,325
		52,307	46,160
Net current assets		**89,455**	19,322
Total assets less current liabilities		**94,551**	25,848

	NOTES	**2017**	2016
		HK$'000	*HK$'000*
Non-current liability			
Deferred tax liabilities		**221**	97
Net assets		**94,330**	25,751
Capital and reserves			
Share capital	11	**20,000**	1
Share premium		**25,275**	–
Accumulated profits		**49,055**	25,750
		94,330	25,751

NOTES:

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.

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 year ended 31 March 2016 included 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.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfer of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle[5]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

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 is 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.

- 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 at 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.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may have an impact on 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.

HKFRS 16 ***Leases***

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and interest portion which will be presented as financing cash flow.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$3,354,000 (2016: HK$4,234,000). A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Amendments to HKAS 7 *Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as described above, the Directors anticipate that the application of the other amendments to HKFRSs and interpretation will not have material impact on the Group's financial performance and position and/or the disclosures to the consolidated financial statements of the Group.

4. 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

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

Year ended 31 March 2017

	Digital media *HK$'000*	E-commerce *HK$'000*	Consolidated *HK$'000*
Segment revenue – external customers:			
Provision of advertising services	**148,679**	**–**	**148,679**
Publication of magazines	**1,714**	**–**	**1,714**
Operation of online stores *(Note)*	**–**	**67,227**	**67,227**
Total segment revenue	**150,393**	**67,227**	**217,620**
Segment results	**39,115**	**2,435**	**41,550**
Finance costs			**(323)**
Unallocated expenses			**(13,166)**
Profit before tax			**28,061**

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

Note: Included in revenue from operation of online stores for each of the years ended 31 March 2017 and 2016, total amount of commission fee from consignment sales are approximately HK$5,889,000 and HK$5,088,000 respectively. The remaining amount of approximately HK$61,338,000 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. 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.

5. INCOME TAX EXPENSE

	2017 ***HK$'000***	2016 *HK$'000*
Current tax:		
Hong Kong Profits Tax	**4,632**	4,622
Deferred tax:		
Charge (credit) for the year	**124**	(51)
	4,756	4,571

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.

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:

	2017	2016
	HK$'000	*HK$'000*
Profit before tax	**28,061**	8,787
Tax at the Hong Kong Profits Tax rate of 16.5%	**4,630**	1,450
Tax effect of income not taxable for tax purpose	**–**	(61)
Tax effect of expenses not deductible for tax purpose	**123**	3,202
Others	**3**	(20)
Tax expense for the year	**4,756**	4,571

6. PROFIT FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration	**3,008**	494
Other staff costs		
– salaries and allowances	**33,912**	24,575
– discretionary bonus	**3,895**	2,598
– retirement benefits scheme contribution	**1,577**	1,017
Total directors and other staff costs	**42,392**	28,684
Auditor's remuneration	**900**	860
Cost of inventories recognised as expense	**33,537**	26,384
Depreciation of property, plant and equipment	**1,335**	1,245
Website content update expense *(Note)*	**5,176**	4,292
Write-down of inventories	**492**	441

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".

7. EARNINGS PER SHARE

As at 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 2016 and 2017 is based on the following data:

	2017	2016
	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)	**23,305**	4,216

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,989,041**	1,600,000

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 Reorganisation had been effective on 1 April 2015.

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

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during both reporting periods, nor has any dividend been proposed since the end of respective reporting periods.

9. TRADE AND OTHER RECEIVABLES

	At as 31 March	
	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**53,581**	35,001
Less: allowance for doubtful debts	**–**	(725)
	53,581	34,276
Advance to staff	**99**	141
Rental and utilities deposits	**465**	588
Prepayment to suppliers	**2,868**	1,227
Deferred listing expenses	**–**	4,101
Total	**57,013**	40,333

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	
	2017	2016
	HK$'000	*HK$'000*
Within 60 days	**41,159**	26,187
61 – 90 days	**5,974**	2,044
91 – 180 days	**4,648**	5,598
181 – 365 days	**1,712**	447
Over 365 days	**88**	–
	53,581	34,276

Included in the Group's trade receivables balance are debtors as at 31 March 2017 with an aggregate carrying amount of approximately HK$26,814,000 (2016: HK$19,258,000) 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:

	As at 31 March	
	2017	2016
	HK$'000	*HK$'000*
Within 60 days	**14,392**	11,169
61 – 90 days	**5,974**	2,044
91 – 180 days	**4,648**	5,598
181 – 365 days	**1,712**	447
Over 365 days	**88**	–
	26,814	19,258

Movement in the allowance for trade receivables

	Year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Balance at beginning of the year	**725**	1,662
Impairment losses recognised on receivables	**416**	1,024
Written off	**(1,141)**	(1,961)
Balance at end of the year	**–**	725

Included in trade receivables as at 31 March 2016 are amounts net of individually impaired receivables amounting to HK$725,000 (2017: nil). 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.

Included in the allowance for trade receivables are individually impaired trade receivables with an aggregate balance of approximately HK$1,141,000 (2016: HK$1,961,000) which have either been placed under liquidation or in severe financial difficulties.

10. TRADE AND OTHER PAYABLES

	As at 31 March	
	2017	2016
	HK$'000	*HK$'000*
Trade payables	**5,757**	3,937
Deferred revenue	**5,187**	44
Commission payable	**3,001**	3,363
Listing expenses payable	**–**	9,923
Accrual for campaign cost *(Note)*	**19,050**	7,113
Accrual for staff bonus	**5,299**	2,598
Audit and professional fee payable	**1,110**	1,110
Other payables and accrued expenses	**6,259**	4,333
	45,663	32,421

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:

	As at 31 March	
	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**4,286**	2,491
31 – 60 days	**407**	60
61 – 90 days	**5**	320
Over 90 days	**1,059**	1,066
	5,757	3,937

11. SHARE CAPITAL

Share capital as at 1 April 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
As at 31 March 2016, 1 April 2016 and 31 March 2017	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
As at 31 March 2016 and 1 April 2016	100	1
Capitalisation issue	1,599,999,900	15,999,999
Issue of shares under placing	400,000,000	4,000,000
As at 31 March 2017	2,000,000,000	20,000,000

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.

BUSINESS REVIEW AND PROSPECT

The Group is a digital media company primarily engaged 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, Hypebae and Popbee websites and apps) and popular third-party social media platforms (including Facebook, Google+, Instagram, Twitter, Pinterest, Youtube, Weibo and Snapchat). The Group started to market its growing creative agency services under the Hypemaker name in early 2017 to support growth and development of service offerings.

The Group's e-commerce platform typically carries approximately 400 trend leading third-party branded products. As at 31 March 2016 and 31 March 2017, the number of brands offered on our e-commerce platform was 422 and 391, respectively, representing a decrease of 31 brands for the year ended 31 March 2017. As at 31 March 2016 and 31 March 2017, the number of products offered on the Group's e-commerce platform was approximately 8,700 and 5,300, respectively, representing a decrease of approximately 3,400 products during the year ended 31 March 2017. The decrease in the number of products carried on our e-commerce platform reflects our strategy of delivering a more curated shopping experience and trend focused product offerings to our customers.

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 increased advertising income and revenue from sales of goods through the Group's integrated digital platforms. The Group also considers expansion into the rest of Asia. With these clear objectives, the Group will foster its development in line with a series of business strategies as set out in the prospectus of the Company dated 31 March 2016 (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 will strive to ensure greater accessibility and the best online shopping experience for its customers by enhancing its customer service and inventory systems.

As part of its strategy to better manage the Group's existing business and to expand its market share in the US, Asia and the UK, the Group incorporated several entities after 31 March 2016:

– Hypebeast Inc., a US entity incorporated on 14 October 2016. It is engaged in the digital media segment in the US. The company began active operations on 1 April 2017.

– COREtwo Limited, a BVI entity incorporated on 14 October 2016. It is the sole shareholding company of Hypebeast Inc.

– HBX New York Inc, a US entity incorporated on 16 February 2017. It will be engaged in running retail operations in New York City in the future. The company does not yet have active operations.

– 102 Media Lab Limited, a Hong Kong entity incorporated on 10 April 2017. It will be engaged in creative agency services. The company does not yet have active operations.

– Hypebeast UK Limited, a UK entity incorporated on 19 May 2017. It will be engaged in the digital media segment in the UK. The company does not yet have active operations.

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.

FINANCIAL REVIEW

Revenue

	Year ended 31 March 2016			**Year ended 31 March 2017**		
	Revenue	Gross Profit	Gross Profit Margin	**Revenue**	**Gross Profit**	**Gross Profit Margin**
	HK$'000	*HK$'000*	%	***HK$'000***	***HK$'000***	**%**
Digital media	95,347	64,001	67.1	**150,393**	**91,326**	**60.7**
E-commerce	56,516	27,129	48.0	**67,227**	**30,989**	**46.1**
Overall	151,863	91,130	60.0	**217,620**	**122,315**	**56.2**

The Group's revenue increased from approximately HK$151.9 million for the year ended 31 March 2016 to approximately HK$217.6 million for the year ended 31 March 2017, representing a growth of approximately 43.3%. Such increase was mainly due to increase in revenue from provision of advertising services to brand owners and advertising agencies on our digital media platforms.

Cost of Revenue

The Group's cost of revenue increased from approximately HK$60.7 million for the year ended 31 March 2016 to approximately HK$95.3 million for the year ended 31 March 2017. Such increase was mainly attributable to (i) the increase in campaign costs of advertising services to provide high quality, tailor-made production to clients and (ii) the increase in direct staff costs for the purpose of current and future expansion and development.

Gross Profit Margin

Gross profit of the Group increased by approximately 34.2% from approximately HK$91.1 million for the year ended 31 March 2016 to approximately HK$122.3 million for the year ended 31 March 2017. The increase was mainly driven by the increase in revenue as discussed above. The overall gross profit margin slightly decreased from approximately 60.0% for the year ended 31 March 2016 to approximately 56.2% for the year ended 31 March 2017 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 year ended 31 March 2017.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses of the Group increased by approximately 54.7% from approximately HK$31.4 million for the year ended 31 March 2016 to approximately HK$48.6 million for the year ended 31 March 2017. Selling and marketing expenses primarily consist of advertising and promotion expenses and consultancy service fee to third party consultants. The increase was attributable to the higher usage of both services during the year ended 31 March 2017 to drive current and future business expansion.

ADMINISTRATIVE AND OPERATING EXPENSES

Administrative and operating expenses of the Group increased by approximately 32.4% from approximately HK$33.7 million for the year ended 31 March 2016 to approximately HK$44.6 million for the year ended 31 March 2017. Administrative and operating expenses mainly consist of staff costs, professional fees, freelancers costs and others. The increase was attributable to the increase in staff salary, staff headcount, bonus and freelancers costs to drive current and future business expansion during the year ended 31 March 2017.

INCOME TAX EXPENSES

Income tax expense for the Group increased from approximately HK$4.6 million for the year ended 31 March 2016 to approximately HK$4.8 million for the year ended 31 March 2017. The slight 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 increased by approximately 452.8% from approximately HK$4.2 million for the year ended 31 March 2016 to approximately HK$23.3 million for the year ended 31 March 2017. Such increase 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 2017. Excluding the one-off expenses for the Listing of the Group of approximately HK$15.6 million for the year ended 31 March 2016, profit and total comprehensive income for the corresponding year was approximately HK$19.8 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2017, the Group had total assets of approximately HK$146.9 million (31 March 2016: HK$72.0 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$52.5 million (31 March 2016: HK$46.3 million) and approximately HK$94.3 million (31 March 2016: HK$25.8 million), respectively. The total interest-bearing loans and interest-bearing bank borrowings of the Group as at 31 March 2017 were approximately HK$5.0 million (31 March 2016: HK$11.3 million), and current ratio as at 31 March 2017 was approximately 2.7 times (31 March 2016: 1.4 times).

CAPITAL EXPENDITURE

Total capital expenditure for the year ended 31 March 2017 was approximately HK$3.5 million (2016: 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 2017 was approximately 5.3% (31 March 2016: 43.9%), which decreased significantly as the Group repaid bank borrowings and increased its reserves during the year ended 31 March 2017. 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.

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 2017. The Group strives to reduce exposure to credit risk by performing ongoing credit assessment and evaluation 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 2017, the Group pledged its bank deposits to a bank of approximately HK$5.0 million as collateral to secure bank facilities granted to the Group. In addition to the pledged bank deposits, as at 31 March 2017, the Group's bank borrowings with carrying amount of approximately HK$5.0 million was guaranteed by a corporate guarantee of the Company.

FOREIGN EXCHANGE EXPOSURE

The Group undertakes certain operating transactions in foreign currency which exposes the Group to foreign currency risk. The Group's foreign currency denominated monetary assets and liabilities are primarily held in US$, as HK$ is pegged with US$ under the 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 closely monitors foreign exchange exposure and will consider and execute the hedging of significant foreign currency exposure should such need arise.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM 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 and the number of its issued ordinary share was 100 of HK$0.01 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.

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$3.4 million as at 31 March 2017 (31 March 2016: HK$4.2 million).

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on note 4 of the notes to the consolidated financial statements in this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this announcement, the Group did not have other plans for material investments or capital assets as of 31 March 2017.

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 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group employed a total of 132 employees (31 March 2016: 111 employees). The staff costs of the Group (including salaries, allowances, other benefits and contribution to defined contribution retirement plan) for the year ended 31 March 2017 were approximately HK$42.4 million (2016: HK$28.7 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. The Company has 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 2017.

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 inventory system, (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.

An analysis of the utilisation of the net proceeds from the Listing Date up to 31 March 2017 is set out below:

	Use of proceeds as stated in the Prospectus	**Planned use of net proceeds as stated in the Prospectus from the Listing Date to 31 March 2017**	**Actual use of net proceeds from the Listing Date to 31 March 2017**
	HK$ million	*HK$ million*	*HK$ million*
Enhance content of our digital media platforms	8.7	8.7	7.0
Increase sales and marketing efforts	10.3	6.2	4.8
Improve our working environment	5.5	4.3	5.5
Enhance our e-commerce platform	2.1	0.8	2.1
Staff development	0.4	0.4	–
Working capital and general corporate purposes	2.7	2.7	1.2
	29.7	23.1	20.6

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the actual proceeds were applied based on the development of the Group's business and industry.

The enhancement of our digital media platform and our sales and marketing efforts will be an ongoing endeavor for the Group as we continue recruiting the best available talent to augment and complement the skills and experience of our team. Therefore, the actual use of net proceeds of the Group was approximately $20.6 million from the Listing Date to 31 March 2017 compared to the estimated amount of approximately $23.1 million from the Listing Date to 31 March 2017 as stated in the Prospectus, primarily due to adjustment in the timing of the spending to better suit our growth and business needs.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company's shares have been listed on GEM Board of the Stock Exchange since 11 April 2016. Since the Listing Date and up to 31 March 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving and maintaining a high standard of corporate governance, as the 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.

Since the Listing Date and up to 31 March 2017, the Company has complied with the Corporate Governance Code (the "CG Code") set out in Appendix 15 to the GEM Listing Rules, save as the below deviation.

The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive 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 Kevin currently assumes the role of both chairman of the Company and chief executive officer of the Company. The Board considers that both roles being held by Mr. Ma will provide a strong and consistent leadership to the Company which will facilitate effective planning and efficient management of the 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 the Group, the Board considers that it is beneficial for the Group for Mr. Ma to continue to act as both chairman and chief executive officer of the Company.

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. Specific enquiry has been made of all the Directors and all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance since the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company currently consists of three members, being all the three independent non-executive Directors, namely Mr. Wong Kai Chi (chairman), Ms. Poon Lai King and Ms. Kwan Shin Luen Susanna. The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2017 and is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2017 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Hong Kong, 19 June 2017

As at the date of this announcement, 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.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company's website at hypebeast.xyz.