HYPEBEAST
LIMITED

ANNUAL REPORT 年報
2016 - 2017

HYPEBEAST

–

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 and Chief Executive Officer)
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

COMPLIANCE OFFICER

Ms. Lee Yuen Tung Janice

AUTHORISED REPRESENTATIVES

Mr. Ma Pak Wing Kevin
Ms. Cheung Nga Man

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

COMPLIANCE ADVISER

Lego Corporate Finance Limited

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

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers 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

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

LEGAL ADVISER

As to Hong Kong Law
Deacons

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

WEBSITE

hypebeast.xyz

STOCK CODE

08359

CHAIRMAN'S STATEMENT

Dear Shareholders:

The end of this recent fiscal year also marks the beginning of Hypebeast's second year as a publicly held company, and is a year during which we celebrated many accomplishments, achieved important milestones and attained key successes with respect to our scale of business, our platforms and service offerings, our audience reach and our financial results.

As of March 2017, Hypebeast boasted more than 132 full-time employees. We opened our US office in New York City, which provides us with a physical presence in our largest market for digital media sales and places us amongst a world leading community in fashion and culture. We also work closely with a close-knit group of freelancers and contributors from around the world, centered around cultural hub cities of London, Tokyo, Seoul, Hong Kong, Los Angeles and New York. This extended network allows us to stay ahead of global trends in youth culture that closely connect with our readers and customers, and we are now more capable than ever of delivering cutting edge content and showcasing the very best of fashion, music, art and design on a global scale.

Our augmented headcount and collective skill set allow us to globalize and localize our content in order to continue providing engaging and inspirational content to our readers and subscribers. In 2017, we launched Hypebeast Korea to widespread support and acclaim. With its increasing influence in the global landscape, South Korea presents a tremendous opportunity for expansion for the company, both in terms of broadening our audience reach within the country and bringing Korean fashion and culture to the international stage. In the coming months and years, we will continue to identify and capitalise on new opportunities to expand our readership and influence globally.

Collectively, our digital media platforms recorded an aggregate 9.9 million unique visitors for March 2017, representing a 64.1% increase compared to the same period last year. We also substantially increased our social media presence, with our total Facebook and Instagram following growing from an aggregate 5.4 million as of 31 March 2016 to 9.3 million as of 31 March 2017, a 73% increase over the course of the financial year. These results point to our ability to engage with our readership in the course of delivering the very best of fashion and culture to our target audience.

In terms of service offerings, we introduced HYPEMAKER, our creative agency, in 2017. We have been providing creative and advertising services to brands since the inception of the company through cross-functional teams consisting of our sales, in-house creative and data-analytics and support staff. This strong foundation accelerated the official formation of our global creative studio HYPEMAKER, which provides total creative solutions to diverse brands from ideation, content amplification, creative production to data analysis services. HYPEMAKER will take the insight and experience we've gained over the years and offer a focused suite of bespoke creative services to brands from all different sectors to effectively reach young consumers.

Our e-commerce platform, HBX, made headway in 2017 with respect to curating the best of fashion, as well as expanding and refining its offerings to include hallmark fashion, footwear and lifestyle brands and products. We also worked with several talented designers and influential brand names in the creation of Hypebeast collaboration products, which was positively received by our readers and customers. Fashion and culture continue to be core aspects of our business, and HBX will continue to source and make available the best and most coveted items to its customers.

CHAIRMAN'S STATEMENT

Our team's focus on delivering engaging content to readers and providing quality digital media service and e-commerce products to our customers resulted in success in terms of financial performance. Our company's revenue grew 43.3% to HK$217.6 million for the fiscal year ended 31 March 2017 compared to the same period last year. Our focus on profitable growth resulted in an increase in the company's net profit after tax to HK$23.3 million in the fiscal year ended 31 March 2017. Our management team is and continues to be committed to delivering value to shareholders and investors in its pursuit of profitable growth.

From our company's beginnings to what is now our 11th year of operations, we remain consistent and focused on our goals to drive culture forward, to enrich people's lives, to connect people through creativity and inspiration, and to shape a better understanding of different cultures across the globe. Transforming these aspirations into reality continues to be an ongoing endeavour for us, and our progress thus far would not have been possible without the hard work and dedication of our employees. I wish to give my wholehearted thanks to each and every one of our global team for their continued commitment to Hypebeast, and I hope we can have your continued support as we push on with our goals in the future.

Hypebeast remains a key player in the market, reflective of Hypebeast's ability to stay competitive, despite the fact that the economic growth and business environment continue to be challenging. For the best interest of shareholders, Hypebeast will keep exploring new business opportunities locally and globally while undertaking initiatives to manage its costs and risks. Having said that, I would also like to take this opportunity to appreciate Hypebeast's Board of Directors and management team for their invaluable support and commitment.

As much as I am proud of all the company's achievements this year, I am also grateful for support from our readers, subscribers, customers, shareholders and those we work with in our community, without whom none of our accomplishments would have ever been possible. I look forward to continuing our journey to success together.

By Order of the board
MA Pak Wing Kevin
Chairman and Executive Director
Hong Kong, 19 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

	Year ended 31 March 2016			**Year ended 31 March 2017**		
	Revenue HK$'000	Gross Profit HK$'000	Gross Profit Margin %	**Revenue HK$'000**	**Gross Profit HK$'000**	**Gross Profit Margin %**
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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 6 of the notes to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this report, 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 our 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.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 March 2017 is set out below:

Objectives	Implementation Plan	Actual business progress up to 31 March 2017
Enhance content of our digital media platforms	– enrichment of our original digital media content by recruitment of additional editors to join our editorial team to expand the variety of the content and provide continuous updates on the latest trends in fashion, lifestyle, culture and music on our digital media platforms as well as customising our digital media platforms for different language preferences; – enhancement of our production capabilities and quality advertising services through the recruitment of additional digital content and video production personnel for video editing and production management; and – enhancement of our data analytics capabilities to research and analyse the preferences and needs of our followers and visitors through the recruitment of additional data analysts.	To support continued development of original digital media content across our website and social media properties, we complemented our existing editorial team with 13 additional staff editors in Hong Kong. We also engaged the services of 12 additional freelance editors in the United States, the United Kingdom and Korea. Further, to enhance our production capabilities, we have recruited 1 additional digital content and video production staff since April 2016. We also engaged the services of 1 additional freelance producer in the United States. The collective skillset, editorial and production experience, and awareness of cultural trends brought on with the addition of these staff and freelance editors and production personnel allow us to enhance the quality of our editorial and custom content and to continue driving trends in fashion, lifestyle, culture and music catered to the preferences and interests of our visitors and followers. During the period from the Listing Date to 31 March 2017, we successfully grew the number of unique visitors across our Hypebeast, Hypebae and Popbee website platforms from approximately 6.0 million unique visitor to approximately 9.9 million unique visitors, an increase of approximately 64.1%. Over the past year, the number of unique visitors to our language specific platforms, which currently delivers custom content in Chinese, Japanese and Korean, increased from approximately 1 million unique visitors to approximately 2.3 million unique visitors, representing a growth of approximately 130%. We expect to strengthen the skillset and experience of our editorial and production teams and drive growth across different language specific platforms by procuring additional talent.

MANAGEMENT DISCUSSION AND ANALYSIS

Objectives	Implementation Plan	Actual business progress up to 31 March 2017
		Within our Data team, we committed a dedicated Data Analyst to the review of the preferences and needs of our followers and visitors, greatly enhancing our capability and throughput in the tracking and analysis of key statistics such as number of unique visitors, time spent on site, pages per visit and average views across all of our website properties and social media platforms. These enhancements provide real-time insight into the usage and behaviour of our followers and visitors as well as feedback on our editorial and creative content, allowing us to deliver a more curated experience to our followers and visitors. Our Data team works closely with the Editorial and Procurement teams in providing timely analysis and interpretation of data in support of editorial and creative decisions.
Increase sales and marketing efforts	– marketing campaigns including social media marketing, placement of advertisements, and utilising search engine marketing to raise the profile of our integrated digital platforms; and – recruitment of additional personnel for providing sales support to our media customers (including brand owners and advertising agencies) in the provision of our advertising services and support to our digital marketing activities on social media platforms such as analysing the preference of our followers, visitors and online shoppers of our integrated media platforms so as to provide feedback to our editorial team and procurement team.	We continue to invest in driving engagement across our social media properties through a combined approach of delivering engaging, platform specific custom content as well as raising the profile of our digital platforms through strategic and focussed advertising spend. During the period from the Listing Date to 31 March 2017, we successfully grew the number of followers across our Facebook, Instagram, Twitter, Snapchat social media platforms from approximately 6.0 million to approximately 9.8 million, an increase of approximately 63%. To drive continued revenue growth and expand our market share in the global digital media and advertising space, we augmented our sales team with an additional 6 staff and freelance sales executives and 4 staff and freelance sales support staff in the United States, the United Kingdom and Hong Kong. The enhanced sales and marketing team allows us to monetize the growth of our social media and website properties in pursuit of profitable growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Objectives	Implementation Plan	Actual business progress up to 31 March 2017
Improve our working environment	– rental and leasehold improvements and purchase of new computers, photographic and video production equipment to accommodate the increase of our headcount.	To facilitate the ongoing growth of our business, we leased further space at the LMK Development Estate which hosts our existing Hong Kong headquarters. This expansion provides additional office and warehouse square footage for our Hong Kong operations. As at 31 March 2017, our useable warehouse space increased from 7,500sqft to 10,000sqft compared to April 2016, greatly enhancing our storage and warehousing capacity in support of our expanding ecommerce business. Renovation of our office space was completed in November 2016, increasing the office footprint at our headquarters to 10,000 sqft compared to 5,000 sqft as at April 2016. We remain committed to providing our staff with up to date technology and equipment to increase our team's productivity and capability and enhance the quality of our output. For the period from the Listing Date to 31 March 2017, we invested approximately HK$1.5 million in computer software, computer hardware and video and photographic production equipment.
Enhance our e-commerce platform	– improvement in our data analytics capabilities through recruitment of a data analyst marketing manager to analyse the preferences and therefore the demand of our customers so as to plan for the purchase in the following season and enhancement of our customer service to serve our overseas customers in different time zones through recruitment of a customer service officer; and – enhancement of our inventory system by the addition of automated features.	We remain dedicated to the continued enhancement of our customers' shopping experience on our HBX e-commerce platform through investment in our data analytic and customer service capabilities as well as in our inventory system. Our Data Analyst Marketing Manager is responsible for leading the analysis of key customer, reader and traffic related data in support of improvements in user and customer engagement across our platforms. Within our Data team, we committed a dedicated data analyst to our HBX ecommerce platform, greatly enhancing our capability and throughput in the analysis of customer usage, behaviour, spending pattern and other key ecommerce related data. Working closely with management, the data team provides timely analysis and interpretation of data in support of strategic business decisions.

MANAGEMENT DISCUSSION AND ANALYSIS

Objectives	Implementation Plan	Actual business progress up to 31 March 2017
		We also invested in our customer service (CS) capabilities by placing an Assistant Customer Service Manager to facilitate engagement with our ecommerce customers. Our CS team offers full support in English, Mandarin and Cantonese on weekdays from 9am to 6pm (GMT +8), and customers are able to interact with us via different methods including email, live chat and voice call. Our IT team continues to deliver dedicated support and upgrades to our in-house, custom-built inventory system. We added several key features to our ecommerce system, including Apple Pay Support, which allows us to maintain a first-class customer experience as we endeavour to grow our ecommerce business and expand our offerings.
Staff development	– including external and internal training programs so as to promote staff retention and support our business growth.	Our Human Resources (HR) team is currently performing a needs assessment for our employees across different functional groups in order to develop and source training programs catered to the development goals and skill requirements of our staff. To welcome new employees to the company and provide training on business policies and procedures, the HR team is developing a standardized on-boarding program for new joiners which is expected to be implemented in mid 2017.
Working capital and general corporate purposes	– used as working capital and funding for other general corporate purposes according to our current business plans.	We remain focussed on maintaining and investing in our working capital in order to fund our expanding business and enhance our operating liquidity as we deliver business and revenue growth.

MANAGEMENT DISCUSSION AND ANALYSIS

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, representing approximately 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 approximately 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.

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 24 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ma Pak Wing Kevin (馬柏榮), aged 34, who founded the Group in 2007, was appointed as an executive director with effect from 25 September 2015. He also acts as the chief executive officer, the chairman of the Board, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

Mr. Ma is a director of CORE Capital Group Limited, a controlling shareholder of the Company. He is primarily responsible for the overall management, business direction and development strategies of the Group. Mr. Ma has over 8 years of industry experience in digital media marketing, web business development as well as social media marketing.

Mr. Ma was instrumental in developing relationships with numerous international brands through providing digital media services by the Group and was also responsible for the establishment of the HBX store in 2012, which has become one of the main businesses of the Group. 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. He 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 Yuen Tung Janice, an executive director of the Company.

Ms. Lee Yuen Tung Janice (李苑彤), aged 34, was appointed as an executive director of the Company on 18 March 2016 and as the compliance officer of the Company with effect from 9 November 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. She is responsible for the day-to-day operations of our Popbee website including leading its editorial team and marketing. Ms. Lee has over 8 years of experience in the digital media industry in editing and marketing. She 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 Pak Wing Kevin, an executive director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Kwan Shin Luen Susanna (關倩鸞), aged 49, was appointed as an independent non-executive director of the Company on 18 March 2016. Ms. Kwan is a member of the Audit Committee and Nomination Committee of the Company. Ms. Kwan has served as an independent non–executive director of Emperor Entertainment Hotel Limited (stock code: 0296) since August 2015. She currently holds the position of head of legal and compliance at a finance and investment company. Ms. Kwan has a legal practice focusing on corporate/commercial and corporate finance matters in Hong Kong for more than 20 years, including mergers & acquisitions, regulatory compliance, public offerings, private placement of securities and open offers, joint ventures and securities related legislation. 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, the United Kingdom.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Poon Lai King (潘麗琼), aged 54, was appointed as an independent non-executive director of the Company on 18 March 2016. Ms. Poon is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. She 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, a company 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, in 2012. Since January 2013, Ms. Poon served as an arts consultant for the Hong Kong Arts Development Council until the end of March 2017. 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 45, was appointed as an independent non-executive director of the Company on 18 March 2016. Mr. Wong is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Since August 2014 to March 2017, 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 the finance and accounting professional field, in which he has advanced to a Fellow Certified Practising Accountant (Australia) since March 2015. 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. 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.

SENIOR MANAGEMENT

Ms. Cheung Nga Man (張雅敏), aged 36, joined our Group as Finance Manager since 12 May 2014 and is now our Financial Controller and Company Secretary. She is primarily responsible for supervising finance activities and accounting operations, reviewing legal documents, liaising with external lawyers and providing financial strategic planning, budgeting and forecast. Ms. Cheung has over 11 years of experience in audit and finance. Ms. Cheung obtained a bachelor of commerce degree in December 2004 from the University of Melbourne, Australia and is a Certified Public Accountant and member of the Hong Kong Institute of Certified Public Accountants.

Mr. Huan Khoa Nguyen, aged 39, has been with our Group since 1 June 2014 and is now our Vice President, Head of Brand Partnerships, North America. Mr. Nguyen has over 10 years of experience working in new media, from video on demand (VOD) to digital media. With a bachelor of arts degree in psychology from the University of California, Los Angeles, he uses his liberal arts and media background to manage a team of account executives that are responsible for working with brand partners in the US. He has an extensive background in selling ideas to brands that work in the Company's space and setting up team structures that are positioned to work on 360 programs.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong Hung Sui Sean (王鴻遂), aged 32, joined our Group as a Marketing Coordinator on 11 February 2013 and is now 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. Mr. Wong obtained a bachelor of arts degree in economics for business and management in May 2007 from Occidental College, the United States.

Mr. Wong Kar Hang Patrick (黃家恆), aged 35, joined our Group as Finance Director on 15 July 2016. He is primarily responsible for the financial management of the Group, including accounting, business support, strategic planning and analysis, budgeting and forecasting, M&A and investor relations. Mr. Wong began his professional career with PricewaterhouseCoopers in Vancouver and has more than 10 years of finance and leadership experience working with top-tier, global enterprises in Canada, the United Kingdom and Hong Kong. He obtained a Bachelor of Science degree from Simon Fraser University in Canada, and is a member of both the Certified Public Accountants of Canada and the Institute of Chartered Accountants in England and Wales.

Mr. Yeung Ka Yue (楊家儒), aged 28, joined our Group as a Programmer on 1 January 2011 and is now our Director of Engineering. Mr. Yeung is primarily responsible for leading our engineering department and overall web development. Mr. Yeung possesses over 5 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.

COMPLIANCE OFFICER

Ms. Lee Yuen Tung Janice has been appointed as our compliance officer on 9 November 2016. For details of her biography, please refer to the paragraph in the section headed “Directors” in this annual report.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of corporate transparency and accountability. The Company is committed to achieving and maintaining a high standard of corporate governance, as the board of directors of the Company (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.

To the best knowledge of the Board, the Company has complied with the Corporate Governance Code (the "CG Code") set out in Appendix 15 to the GEM Listing Rules since the Listing Date and up to 31 March 2017, save for the deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in the securities of the Company. Specific enquiry has been made of all the Directors and all Directors have confirmed that they have 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 annual report.

BOARD OF DIRECTORS

Board Composition

The Board comprises the following Directors:

Executive Directors
Mr. Ma Pak Wing Kevin *(Chairman of the Board and Chief Executive Officer)*
Ms. Lee Yuen Tung Janice

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

The biographical details of the Directors and the relationships among the members of the Board are disclosed under the section headed "Biographical Details of Directors and Senior Management" on pages 17 to 19 of this annual report.

CORPORATE GOVERNANCE REPORT

With the various experience of both the executive Directors and the independent non-executive Directors, the Board has maintained a necessary balance of skills and experience for the business of the Group and for the exercise of independent judgement.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code. During the period from the Listing Date to 31 March 2017, the Board has reviewed and discussed the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and the Company's compliance with the code provision in the CG Code and disclosures in this report. The Board is satisfied with the effectiveness of the corporate governance policies.

FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board supervises the overall 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 providing leadership, formulating business strategies, 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. All Directors make decisions objectively and act in the interests of the Company and of the shareholders at all times.

The Board reserves for its decisions on all major matters of the Company, including the approval and monitoring of all policy matters, budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The delegated functions and work tasks are regularly reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. 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.

All Directors have timely access to all relevant information as well as the advice and services of the company secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Directors may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 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.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board throughout the period from the Listing Date to 31 March 2017; and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise.

CONFIRMATION OF INDEPENDENCE

The Company has received from each independent non-executive Director a written annual confirmation of his/her independence pursuant to the requirements of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the criteria set out in the GEM Listing Rules.

DIRECTORS' AND OFFICERS' LIABILITIES

Pursuant to the code provision A.1.8 of the CG Code, the Company 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 the executive Directors has entered into a service agreement with the 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 party not less than three months' written notice.

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

According to the articles of association of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each 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. Any new Directors appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

Pursuant to the above provisions in the articles of association of the Company, Mr. Ma Pak Wing Kevin and Ms. Poon Lai King, shall retire by rotation at the forthcoming 2017 annual general meeting. It is noted that the above retiring Directors will offer themselves for re-election. The Company's circular, sent together with this annual report, contains detailed information of such retiring Directors as required by the GEM Listing Rules.

CORPORATE GOVERNANCE REPORT

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The 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 the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved. Attendance records of each Director at the Board meetings, Board committee meetings and general meeting of the Company held during the period from the Listing Date to 31 March 2017 is set out as follows:

	Attendance/Number of Meetings				
Name of Director	**Board meeting**	**Audit Committee meeting**	**Remuneration Committee meeting**	**Nomination Committee meeting**	**Annual General Meeting**
Mr. Ma Pak Wing Kevin	4/4	–	1/1	1/1	1/1
Ms. Lee Yuen Tung Janice	4/4	–	–	–	1/1
Ms. Poon Lai King	4/4	4/4	1/1	1/1	1/1
Ms. Kwan Shin Luen Susanna	4/4	4/4	–	1/1	1/1
Mr. Wong Kai Chi	4/4	4/4	1/1	–	1/1

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 (hypebeast.xyz). All the Board committees should report to the Board on their decisions or recommendations made.

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.

Audit Committee

The Audit Committee 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. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

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 system, risk management and internal control systems.

During the period from the Listing Date to 31 March 2017, the Audit Committee (i) has reviewed the Group's consolidated financial statements, results announcements and reports for the year ended 31 March 2016, for the three months ended 30 June 2016, for the six months ended 30 September 2016 and for the nine months ended 31 December 2016; (ii) has reviewed and discussed the related accounting principles and practices adopted by the Group, the relevant audit findings, the report on the Company's risk management and internal control review; (iii) has made recommendation of the re-appointment of the external auditor; and (iv) has reviewed the arrangements for employees of the Company to raise concerns about possible improprieties.

The external auditor was invited to attend the Audit Committee meetings to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditor.

Remuneration Committee

The Remuneration Committee currently consists of three members, being an executive Director, namely Mr. Ma Pak Wing Kevin, and two independent non-executive Directors, namely Ms. Poon Lai King (chairman) and Mr. Wong Kai Chi.

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, and 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 will also review and make recommendation to the Board on the Group's remuneration policy and structure, and establish formal and transparent procedures for developing such remuneration policy to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, whose remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

During the period from the Listing Date to 31 March 2017, the Remuneration Committee has reviewed and determined the payment of discretionary bonus to the executive Directors and reviewed the remuneration package of the Directors and senior management of the Company.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of senior management by band for the year ended 31 March 2017 is set out below:

	Number of individuals
Nil to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	2
	5

Details of the remuneration of each Director of the Company for the year ended 31 March 2017 are set out in note 11 to the consolidated financial statements in this annual report.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee currently consists of three members, being an executive Director, namely Mr. Ma Pak Wing Kevin (chairman), and two independent non-executive Directors, namely Ms. Kwan Shin Luen Susanna and Ms. Poon Lai King.

The primary duties of the Nomination Committee are to review the Board structure, size and composition, make recommendations to the Board regarding appointment and succession planning of directors and candidates for nomination to directorship, and assess the independence of independent non-executive Directors.

The Board has adopted a board diversity policy which outlines the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company. In reviewing 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 would bring to the Board.

During the period from the Listing Date to 31 March 2017, the Nomination Committee has reviewed the composition and diversity of the Board and considered that a balance of diversity of perspective is maintained across the Board. The Nomination Committee also recommended the re-election of retiring directors at the Company's 2016 annual general meeting and assessed the independence of all the independent non-executive Directors.

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. Reading materials on relevant topics will be issued to Directors where appropriate. Each Director received induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is sufficiently aware of his/her responsibilities and obligations under the GEM Listing Rules and other relevant legal and regulatory requirements.

During the period from the Listing Date to 31 March 2017, 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

During the period from the Listing Date to 31 March 2017, Ms. Cheung Nga Man, the company secretary, has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge in accordance with the GEM Listing Rules. The biographical details of Ms. Cheung are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 17 to 19 of this annual report.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditor of the Group about their reporting responsibilities for the Group's financial statements for the year ended 31 March 2017 is set out in the section headed "Independent Auditor's Report" in this annual report.

The remuneration paid/payable to the auditors of the Company for the year ended 31 March 2017 is set out as follows:

Services rendered	**HK$'000**
Audit services	900
Non-audit services	
– non-audit and tax related service	388

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2017, which give a true and fair view of the state of affairs of the Group.

The Board is responsible for presenting a balanced, clear and understandable assessment of the annual and interim reports, quarterly reports, inside information announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements. The senior management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the financial information and position of the Group, which are put to the Board for approval. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take to achieve the Company's strategic objectives, and for maintaining adequate risk management and internal control systems to safeguard the interests of the Shareholders and the assets of the Group.

The Group has developed its systems of risk management and internal control and the Audit Committee assists the Board in overseeing the design and implementation of the said systems. All divisions have conducted internal control assessment regularly to identify risks factors which potentially impact the business of the Group. The management of the Company assessed the likelihood of risk occurrence, monitored the control progress and reported to the Board and Audit Committee on the relevant findings.

CORPORATE GOVERNANCE REPORT

The Group has developed its disclosure policy which provides a general guide to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

The Company has engaged external professional firm for providing internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. Key issues such as accounting practices and all material controls were examined. The relevant findings and recommendations are provided to the Board and the Audit Committee.

The Board, as assisted by the Audit Committee and the management, has reviewed the report from the management and internal audit findings, and conducted review on the effectiveness of the risk management and internal control systems, including the financial, operational and compliance controls of the Group for the year ended 31 March 2017. The annual review also covered areas on financial reporting, staff qualification, experiences and relevant resources. The Board considered that such systems are adequate and effective and ongoing review of the same nature would be conducted in subsequent years.

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 but without limitation, any government, individual or entity that is subject of any OFAC administered sanctions ("Sanctioned Countries") or ("Sanction Persons"). Under the system, the Company would seek advices from reputable external international legal counsels with necessary expertise and experience in matters relating to International Sanctions laws if the Company encounters any possible sanctions risk. During the year ended 31 March 2017, 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.

SHAREHOLDERS' RIGHT

The Company has not made any changes to its articles of association during the year under review. An up-to-date version of the articles of association is available on the websites of the Company and of the GEM.

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"). All resolutions proposed at shareholder meetings will be voted by poll pursuant to the GEM Listing Rules and the poll results will be posted on the GEM's website (www.hkgem.com) and the Company's website (hypebeast.xyz) respectively, immediately after the relevant general meeting.

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting.

PROCEDURES AND RIGHT FOR SHAREHOLDERS TO CONVENE EGM

The following procedures for shareholders to convene an EGM are subject to the Company's articles of association, and the applicable legislation and regulation, in particular the GEM Listing Rules:

(a) 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 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.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Group believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group recognizes the importance of transparent and timely disclosure of corporate information, which enables shareholders and investors to make the best investment decision.

The Group maintains a website at hypebeast.xyz as a communication platform with shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: 12/F, 10-16 Kwai Ting Road, Kwai Chung, Hong Kong
Email: info@hypebeast.com

The Company considers the annual general meeting as an important occasion 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

This is the first Environmental, Social and Governance ("ESG") report by the Group, highlighting its environmental, social, and governance performance. The report contents and mode are disclosed with reference to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

The Group is a digital media company, principally engaged in providing advertising service through our online digital media platforms and selling apparel through our e-commerce platform. This ESG report mainly covers the Group's overall performance in two subject areas, namely, environmental and social, of its main business throughout the financial year from 1 April 2016 to 31 March 2017.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders, including employees, management, shareholders and suppliers, have been involved in regular engagement sessions to discuss and make relevant comments to assist the Group in determining the disclosure aspects of the report, give advice on the potential growth of business and be prepared for future challenges.

SUSTAINABILITY MISSION AND VISION

Mission

Our company's mission is to enrich people's lives and to connect people through culture-driving media content and the latest in youth culture in order to shape a better understanding of contemporary culture for our audience and readers around the globe. Delivering inspirational content is therefore the core focus of our business, and we have always aspired to create platforms that open our readers' eyes to all of the amazing things happening around the world.

Our company was built by and around a global community of followers primarily in the millennial generation, a demographic which places strong importance and focus on environmental and social issues happening around the world. We firmly believe and place a strong commitment and a sense of responsibility in our operating approach with respect to environmental and social issues.

Vision on Environment, Social and Governance

As a digital media and e-commerce company, a majority of our transactions are conducted online. We therefore have a natural advantage versus traditional businesses in that the way our business is conducted has relatively low transaction and delivery costs, which translates to reduced energy and time required and by extension reduced emissions and a smaller environmental footprint. In areas where we may exert greater environmental impact, we developed mechanisms to improve sustainability, including working with environmentally-responsible vendors and service providers and ensuring environmentally friendly options for our office and work space are considered.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

From a social aspect, we focus on fair employment practices and in providing our employees the best possible working environment to help them succeed. Through a mix of recruitment, talent management and retention and development strategies, we promote and empower our employees so each can reach their full potential at our company. Further, we believe our social responsibilities extend to beyond our workforce – our company takes a stringent approach towards respecting intellectual property rights, consumer privacy and anti-corruption through processes and controls built into our decision making and review process.

As a responsible corporate citizen, the culture of good governance and honest corporate administration are firmly established at our company. As noted in the remainder of this report, we focus on a range of initiatives to promote environmental sustainability and social and community development.

A. ENVIRONMENT

During the reporting period, carbon emissions generated from the main activities of the Group include electricity consumption at our headquarters in Hong Kong. As the main workplace of the Group is the general office and our product and method of transaction with our customers are primarily online, the Company's day-to-day business does not involve direction production and emission of air, water, and land pollution.

Our Group's indirect emission of greenhouse gases primarily relates to electricity consumption at the head office. During the reporting period, our Group's total electricity consumption was 186,690 KWh. The total office area of the Group is 21,586 sq.ft., and the operations of the company's Hong Kong headquarters account for 100% of its emissions.

Our Group's logistics solution for its e-commerce business is outsourced to third party vendors. Management places a strong emphasis on sourcing vendors with strict adherence to environmental protection and sustainability measures, and continues to review such metrics on an annual basis in our decision to work with our logistics partners and vendors to ensure that our business continues to scale and grow with minimal impact to the environment. We do not include emissions generated by our third party vendors in the calculation of greenhouse emissions above.

When the Group measured the scope and materiality, the stakeholders agreed that due to the low frequency of business travel and the nature of the business of the Group, carbon emissions produced through business travel is considered insignificant and consequently is not included in the calculation of total emissions. Should the nature of the business change, the Group will consider including emissions produced by business travel in the calculation of the total amount of emissions.

Efforts to Reduce Emissions

1. The Group principally delivers content to and facilitates transactions for our customers through our digital media and e-commerce platforms. This provides a convenient way for customers to access our products, services and content online, reducing time and energy consumed by customers versus commuting to a traditional brick and mortar store or service provider. Further, our energy consumption is much lower than a vendor operating a physical retail store. The nature of our business naturally supports reduced environmental impact and low levels of emissions.

2. We installed LED lighting fixtures at our Hong Kong head office, which significantly reduced energy consumption versus traditional incandescent or florescent lighting. In addition, the culture of energy conservation is promoted at the Group. Management encourages each employee to turn off electric equipment (including computers, monitors and desk lamps) before he/she leaves the office and especially during periods of extended holidays or absences.

3. Energy-efficient air conditioners, refrigerators and common area appliances are equipped at the office.

4. The Group's policies do not explicitly mandate the purchase and use of energy-efficient electric appliance and other products, but in practice, energy-efficient products were sourced. We will consider incorporating a policy of purchasing energy-efficient products in the future.

Resource use

Due to our nature as a digital media and e-commerce platform, we are not involved in direct manufacturing and production of goods. No significant raw materials and resources were consumed by the Group due to its business nature.

The Group's primary resource consumption relates to its use of paper and water at its Hong Kong headquarters. Our general office has a relatively low water consumption per capita. Except tap water sourced from municipal water supplies, no other natural water resource such as surface water or underground water is used. During the reporting period, a total of 151,840 litres of water was consumed.

During the reporting period, a total of 1,400 kg of paper was been used mainly for document printing. The consumption of paper at the office is not considered to be significant on a per employee basis.

During the year, 50,504 units of packing box were used for packing e-commerce products to customers. The consumption of packing box is considered reasonable relative to the scale and volume of our e-commerce business.

Further, during the reporting period, there were no instances of non-compliance with relevant environmental-protection laws and regulations.

In the future, the Group will proactively reduce resource consumption and make further strides with respect to environmental protection.

Efforts in Reducing Waste

1. As a digital company, the nature of our business does not require significant resource consumption and waste production, contributing to a lower environmental footprint.

2. The Group's policies do not require the re-use of printing paper for draft documents, and no settings have been premade for two-sided printing on our printers. However, in practice, our employees have developed the habit of printing drafts only on recycled paper, and to the extent possible, using two-sided printing for other print jobs.

3. During work hours, administrative staff monitor water consumption. Faucets are not kept running when unused. We installed water efficient filtration systems for drinking water at our office and encourage staff to consume filtered rather than bottled water.

4. We encourage the use of reusable crockery and utensils as opposed to their paper and plastic counterparts.

5. Used ink cartridges are gathered and returned to designated recycling collectors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

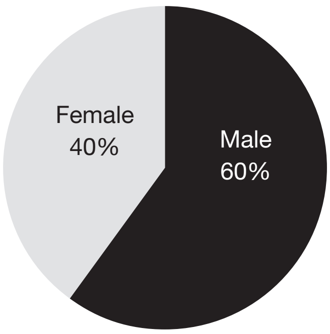
Employment and Labour Practices

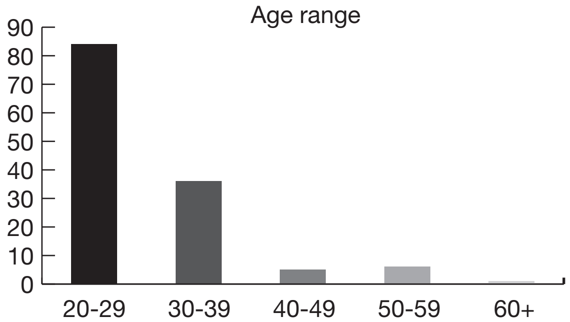
EMPLOYMENT

Employees are the most valuable asset of the Group. Apart from its compliance with the Labour Ordinance, the Group strictly follows regulations and best practices with respect to its processes and policies on recruitment, promotion, terminations, working hours, equal opportunities, cultural diversity and anti-discrimination. The employment of minors or forced labour is strictly prohibited by the Group.

The Group had a total number of 132 employees as of 31 March 2017.

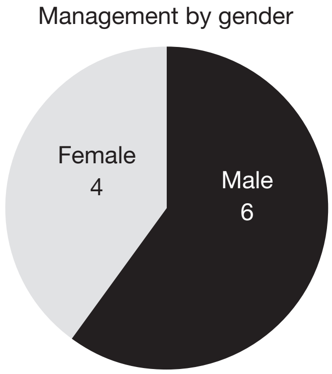
The following table shows the overall gender and age group distribution of the Group:





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following table shows the gender ratio in management:



Clear anti-discrimination policies are published in employee handbook. The Group selects and promotes staff on the basis of their qualifications and merit, without discrimination or concern for race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability.

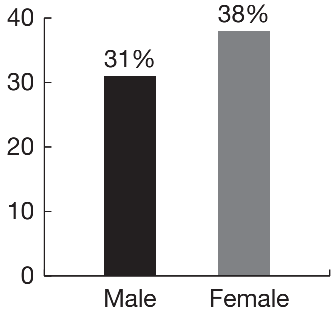
The Group offers competitive remuneration, medical benefits (including health & dental), a rental reimbursement program and promotion and advancement opportunities to attract and retain talent. Salaries are benchmarked to the objective market data and external remuneration reports. In addition, policies are in place for regular employee performance reviews, and salary adjustments are made as part of the performance evaluation process every year.

Policies on standard working hours and public holidays are followed as per the Labour Ordinance. The Group has always been people-oriented and does not support overtime work unless necessary.

Annual Turnover Rate

The turnover rate of the Group was 34% during the reporting period.

The turnover rate by gender:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Other Benefits of the Group

In addition to health and dental insurance, the Group offers other benefits including rental reimbursement, fitness membership discount, company sponsored staff outings, staff discounts with our online store, a pet friendly office, a common room with video games, TV and ping pong table, weekly fresh fruit deliveries and a coffee machine, amongst other benefits.

Development and Training

The Group currently provides orientation to new hires. Staff go on training programs relevant to their field of work on an ad hoc basis, with needs determined jointly between the staff, their direct supervisor and the Human Resources team. The Human Resources team also provides training and coaching to managers on management topics and issues. In the coming year, the Group will be launching the Hypebeast Scholarship through which a company committed cash amount would be available to eligible employees to assist with their professional development.

Health and Safety

To provide and maintain a safe and healthy workplace, the Group's Health and Safety policy adheres to regulations and guidelines laid down by the Occupational Safety & Health Council. The Group raises employees' awareness on a safe and healthy work culture proactively by disseminating safety education and guidelines such as stretching exercises to prevent strain, fatigue and injuries from sitting at the desk for an extended times. The Group also provides ergonomic office chairs and desks for employees to optimize the work environment and working posture, where the forearms are at about right angle to arms, backrest is adjustable in height and tilt, seat height is adjustable for users to sit with thighs approximately horizontal, lower legs vertical and feet resting firmly on the floor, chairs are with stable base and with castors if necessary etc. The Group also uses air filters and routinely perform air quality test and air-conditioning system cleaning work.

Employee Communication

The Group actively engages and motivates employees through various communication channels and provides internal training to allow employees to share work experience and work skills.

Labour Standard

Neither minors nor forced labour were ever employed in the Group's operations. Background checks of employees are performed to ensure they meet statutory standards in recruitment and our compliance with labour laws and regulations.

Intellectual Property

The Group attaches great importance to the respect of intellectual property rights. A policy of the Group stipulates that pirated software is forbidden to be downloaded or used in the Group. We also actively monitor copyrights attached to media content and pictures used in our editorial operations to ensure we have provided credit to all sources and adhere to copyright laws and standards.

Labour contracts and confidentiality agreements signed by employees when they begin employment with the Group include detailed and strict articles that protect intellectual properties of employees and of the Group.

Consumer Privacy

As the Group provides a payment platform for its e-commerce operations with a large number of public users, protection of customers' privacy and safeguard of personal information is essential. The Group has strict access controls to only allow certain staff to access customer information. Our server is protected behind a software firewall, and data is backed up regularly.

Stability of our IT network is monitored by our engineering team and abnormal network disconnections are prevented by multiline, built-in redundancies, spare machines and 24-hour maintenance and monitoring.

Product Responsibility

Quality Inspection

The Group insists on delivering the highest quality products to its e-commerce customers, and has set up quality control procedures to ensure all products that arrive at our warehouse and ultimately sent to our customers are carefully inspected so as to meet an exacting standard of quality. When goods arrive at the warehouse, the warehousing team inspects and crosschecks each item to ensure they are brand new products and that there are no visible defects. Once inspection is completed, the team will then carefully place the item on an assigned shelf and warehouse location.

The Group's products are stored in a secured warehouse with 24-hour surveillance and is kept locked outside of standard business hours to prevent authorized access. The facilities are air conditioned year-round to prevent humidity and other damage.

When a customer order comes in, the logistics team will inspect and crosscheck the items picked by warehouse team one last time to ensure there are no damages or defects before packing the order for shipment to the customer.

Customer Enquiries

Delivering the highest of customer service to valued customers is important to the Group, and the Group has set up a team of Customer Support Representatives to handle customer enquiries through email, live chat and phone calls. Customers worldwide can resolve their enquiries or ask questions about their order or their products through each of the aforementioned channels and expect a response typically within 3 to 4 business hours. The Customer Service Manager reviews and monitors the handling of customer enquiries, and any complaints are handled by them personally to ensure a high quality of service is consistently provided to our customers. The Customer Service Manager also monitors customer feedback at least on a weekly basis through customer feedback survey results to ensure quality standards are met.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption

The Group has strict policies on employees' acceptance of gifts and entertainment and on the solicitation of discounts from brands and retailers. Company store discount abuse and company-branded merchandise abuse are strictly prohibited.

Under the purchasing policy, the Group evaluates suppliers on a number of factors, including reputation, social and environmental efficacy, social media impact and future growth prospects.

C. COMMUNITY INVESTMENT

During this year, the Group participated in the "Sheer Bra Drive" in Hong Kong, which involves a bra donation scheme for ladies living in poor and impoverished communities in Asia.

In the coming year, the Group also plans to gather unwanted and unsold sneakers for donation to Christian Action, a Hong Kong based charitable organization. The Group has also identified another non-government organization which provides services and support to disadvantaged teenagers, and are actively investigating ways the Group and its employees can contribute.

Future Development of the Group

The Group will continue to make efforts to improve the environment and social responsibility indicators through identifying targets for donations and sponsorships, as well as encouraging staff to engage in community events.

REPORT OF DIRECTORS

The Directors hereby present this annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2017.

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 Prospectus.

The shares of the Company were listed on the GEM 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 2017 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 55 to 58 of this annual report.

The Directors do not recommend the payment of any dividend for the year end 31 March 2017.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2017, which includes a description of the principal risks and uncertainties facing the Group, an analysis using financial key performance indicators of the Group's business, particulars of important events affecting the Group, an indication of likely future developments in the Group's business, and discussion on the Company's environmental policies and performance and the relationships with its stakeholders, can be found in the sections headed "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" of this annual report. The review forms part of this directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, 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 Group during the year ended 31 March 2017.

REPORT OF DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 22 to the consolidated 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 2017, 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$94.3 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 since the Listing Date and up to 31 March 2017.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group, as extracted from the consolidated financial statements of the Company for the last four years ended 31 March 2017 is set out on page 102 of the annual report. This summary does not form part of the audited financial statements.

SHARE OPTION SCHEMES

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

On 18 March 2016, the Company 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 principal terms of the share option schemes are summarized below:

REPORT OF DIRECTORS

	Details	Pre-IPO Scheme	Post-IPO Scheme
1.	Purpose	To motivate eligible persons to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group.	To motivate eligible persons to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.
2.	Participants	Any director or proposed director (including an independent non-executive director) of any member of our Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group, any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group, a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of our Group, or a close associate (as defined under the GEM Listing Rules) of any of the foregoing persons.	
3.	Total number of shares available for issue	No further option could be granted under the Pre-IPO Scheme.	20,000,000 shares (being 10% of the issued share capital as at the date of this annual report)
4.	Maximum entitlement of each participant	Determined by the Board.	Substantial shareholders/independent non-executive directors: 0.1% of the issued shares/aggregate value not exceeding HK$5 million in the 12-month period up to and including the date of such grant Other participants: in any 12-month period shall not exceed 1% of the issued shares from time to time The applicable requirements of Rule 23.03(4) and 23.04(1) of the GEM Listing Rules shall be complied with.

REPORT OF DIRECTORS

	Details	Pre-IPO Scheme	Post-IPO Scheme
5.	Period within which the securities must be taken up under an option	An option may be exercised during a period to be determined and notified by the Board to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the share option schemes.	
6.	Minimum period for which an option must be held before it can be exercised	Determined by the Board.	
7.	Acceptance of offer	The duplicate letter comprising acceptance of the share option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within the period specified in the letter containing the offer of the grant of the share option.	
8.	Basis of determining the exercise price	Determined by the Board.	Determined by the Board but shall not be less than whichever is the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the grant of options; (ii) the average of the closing prices of the ordinary shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant of options; and (iii) the nominal value of an ordinary share of the Company.
9.	Remaining life of the scheme	Expired on 11 April 2016.	It will be valid and effective for a period of 10 years commencing on 11 April 2016.

Details of the outstanding options granted under the Pre-IPO Scheme for the year ended 31 March 2017 are set out below:

Category of grantee	Date of grant	Exercise period	Exercise price per share (HK$)	Number of shares represented by the outstanding share options as at the Listing Date	Number of shares represented by the outstanding share options as at 31 March 2017
Employees in aggregate	18 March 2016	From 18 March 2018 to 17 March 2026	0.026	750,000	750,000
		From 18 March 2019 to 17 March 2026	0.026	8,250,000	8,250,000
		From 18 March 2019 to 17 March 2026	0.052	4,500,000	4,500,000
		From 18 March 2019 to 17 March 2026	0.078	6,000,000	6,000,000
		From 18 March 2020 to 17 March 2026	0.104	3,000,000	3,000,000
Total				22,500,000	22,500,000

No share options have been granted/exercised/cancelled/lapsed under the Pre-IPO Scheme during the year ended 31 March 2017.

As at 31 March 2017, the Company has no outstanding share options under the Post-IPO Scheme. No share options have been granted/exercised/cancelled/lapsed under the Post-IPO Scheme during the year ended 31 March 2017.

Further details of the Pre-IPO Scheme and Post-IPO Scheme are set out in the Prospectus.

REPORT OF DIRECTORS

EQUITY-LINKED AGREEMENTS

Other than the share option schemes 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 2017 and up to the date of this report were as follows:

Executive Directors
Mr. Ma Pak Wing Kevin
Ms. Lee Yuen Tung Janice

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

In accordance with the Company's articles of association, Mr. Ma Pak Wing Kevin and Ms. Poon Lai King will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming 2017 annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 17 to 19 of the annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, no transactions, arrangements or 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 2017 or at any time during the year ended 31 March 2017.

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 signed a letter of appointment for an initial term of three years commencing from 18 March 2016. The 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.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the year.

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.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 31 March 2017, 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 ordinary shares of the Company:

Name of Director	Nature of interest	Number of ordinary shares of the Company	Percentage of the Company's total issued shares*
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%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 March 2017.

Notes:

1. These shares were held by CORE Capital Group Limited ("CORE Capital"), a controlled corporation of Mr. Ma Pak Wing Kevin.

2. Ms. Lee Yuen Tung Janice was deemed to be interested in 1,500,000,000 shares of the Company through the interest of her spouse, Mr. Ma Pak Wing Kevin.

Long positions in ordinary shares of associated corporation – CORE Capital Group Limited, the Company's holding company:

Name of Director	Nature of interest	Number of ordinary shares of CORE Capital	Percentage of CORE Capital's total issued shares*
Mr. Ma Pak Wing Kevin	Beneficial owner	1	100%
Ms. Lee Yuen Tung Janice	Interest of spouse	1	100%

* The percentage represents the number of ordinary shares divided by the number of CORE Capital's issued shares as at 31 March 2017.

Save as disclosed above, as at 31 March 2017, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from those as disclosed in the above paragraph under "Directors' and Chief Executives' Interest in Shares, Underlying Shares and Debentures of the Company and its Associated Corporation", at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or children under 18 year or age, or were any rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable to the Directors to acquire such rights in any other body corporation.

REPORT OF DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2017, the following parties (other than the Directors or the chief executive of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name of substantial shareholder	Nature of interest	Number of ordinary shares of the Company	Percentage of the Company's total issued shares*
CORE Capital *(note)*	Beneficial owner	1,500,000,000	75%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 March 2017.

Note: The interest of CORE Capital was also disclosed as the interests of Mr. Ma Pak Wing Kevin in the above paragraph "Directors' and Chief Executives' Interest in Shares, Underlying Shares and Debentures of the Company and its Associated Corporation".

Save as disclosed above, as at 31 March 2017, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2017, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

— The largest customer: 4.9%

— The total of the five largest customers: 12.7%

REPORT OF DIRECTORS

For the year ended 31 March 2017, the percentage of cost of services attributable to the Group's major suppliers is set out below:

Cost of Revenue

— The largest supplier: 7.7%

— The total of the five largest suppliers: 30.7%

None of the Directors, their close 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 2017, 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.

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 2017.

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 2017, 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.

REPORT OF DIRECTORS

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 2017, 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 20 to 29 of this annual report.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

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

Hong Kong, 19 June 2017

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

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 55 to 58, which comprise the consolidated statement of financial position as at 31 March 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certificated Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
We identified the impairment of trade receivables as a key audit matter as significant judgement is required to determine whether the amounts are recoverable with reference to a collective consideration of factors including the default rates of prior years, historical payment pattern of customers, ageing profile of receivable balances, and settlements subsequent to year end. As disclosed in note 16 to the consolidated financial statements, the Group has trade receivables amounting to approximately HK$53,581,000 as at 31 March 2017. No impairment was recognised during the year ended 31 March 2017.	Our audit procedures in relation to the impairment of trade receivables included: • Obtaining an understanding of how the management estimate impairment of trade receivables; • Evaluating management's judgement in determining the amounts which are recoverable with reference to historical payment pattern of customers, analysis of historical trade receivables turnover days, aging analysis and subsequent settlement of trade receivables; • Testing the aging analysis of trade receivables, on a sample basis, against source documents; and • Checking subsequent settlements, on a sample basis, against source documents.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Written down of inventories	
We identified the written down of inventories as a key audit matter as significant judgement is required to identify inventories which the selling price is lower than carrying amount or is unable to be sold in foreseeable future based on collective consideration of factors including condition of the inventories, and sales subsequent to year end. The amount of the written down is measured as the difference between the carrying amount and the net realisable value of inventories. The management estimates 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. As disclosed in note 15 to the consolidated financial statements, the carrying amount of inventories was approximately HK$11,817,000 as at 31 March 2017 of which HK$492,000 have been written down during the year ended 31 March 2017.	Our audit procedures in relation to the written down of inventories included: • Obtaining an understanding of how the management evaluate the valuation of inventories; • Assessing the reasonableness of methods and assumptions applied to estimate the net realisable value of inventories with reference to (1) historical sales pattern and prior year experience including inventory ratios (i.e. inventory turnover days), (2) aging analysis of inventories, (3) subsequent sales; • Testing the aging analysis, on sample basis, to source documents; and • Testing the selling price subsequent to year end, on a sample basis, to source documents.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Yuen Wing Hang.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 June 2017

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	6	**217,620**	151,863
Cost of revenue		**(95,305)**	(60,733)
Gross profit		**122,315**	91,130
Other gain and losses	8	**(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	7	**(323)**	(293)
Profit before tax		**28,061**	8,787
Income tax expense	9	**(4,756)**	(4,571)
Profit and total comprehensive income for the year	10	**23,305**	4,216
Earnings per share	13		
– 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	14	**4,640**	2,475
Rental deposits		**456**	–
Pledged bank deposits	18	**–**	4,051
		5,096	6,526
Current assets			
Inventories	15	**11,817**	12,910
Trade and other receivables	16	**57,013**	40,333
Amount due from a director	17	**–**	3,060
Pledged bank deposits	18	**5,001**	–
Bank balances and cash	18	**67,931**	9,179
		141,762	65,482
Current liabilities			
Trade and other payables	19	**45,663**	32,421
Amount due to a related party	17	**–**	122
Bank borrowings – due within one year	20	**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
Deferred tax liabilities	21	**221**	97
Net assets		**94,330**	25,751
Capital and reserves			
Share capital	22	**20,000**	1
Share premium		**25,275**	–
Accumulated profits		**49,055**	25,750
		94,330	25,751

The consolidated financial statements on pages 55 to 101 were approved and authorised for issue by the Board of Directors on 19 June 2017 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Share capital HK$'000	Share premium HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 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
Profit and total comprehensive income for the year	–	–	23,305	23,305
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)
At 31 March 2017	20,000	25,275	49,055	94,330

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**28,061**	8,787
Adjustments for:		
Depreciation of property, plant and equipment	**1,335**	1,245
Loss (gain) on disposal of property, plant and equipment	**8**	(369)
Allowance for doubtful debts	**416**	1,024
Write-down of inventories	**492**	441
Finance costs	**323**	293
Interest income	**(1)**	–
Operating cash flows before movements in working capital	**30,634**	11,421
Decrease (increase) in inventories	**601**	(2,812)
Increase in deposits, trade and other receivables	**(17,552)**	(24,793)
Decrease in amount due to a related party	**(122)**	(25)
Increase in trade and other payables	**18,038**	22,914
Cash generated from operations	**31,599**	6,705
Income taxes paid	**(5,326)**	(2,099)
NET CASH FROM OPERATING ACTIVITIES	**26,273**	4,606
INVESTING ACTIVITIES		
Repayment from a director	**4,742**	–
Interest received	**1**	–
Proceeds from disposal of property, plant and equipment	**–**	359
Purchase of property, plant and equipment	**(3,508)**	(997)
Placement of pledged bank deposits	**(950)**	(4,051)
Advance to a director	**–**	(2,706)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**285**	(7,395)
FINANCING ACTIVITIES		
Proceeds from issued of new shares by way of placing	**52,000**	–
Proceeds from bank borrowings	**1,200**	15,732
Listing expenses paid	**(13,204)**	(4,101)
Repayment of bank borrowings	**(7,479)**	(6,493)
Interest paid on bank borrowings	**(323)**	(288)
Repayment of finance lease	**–**	(80)
Interest paid on finance lease	**–**	(5)
NET CASH FROM FINANCING ACTIVITIES	**32,194**	4,765
NET INCREASE IN CASH AND CASH EQUIVALENTS	**58,752**	1,976
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR	**9,179**	7,203
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	**67,931**	9,179

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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.

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

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 years 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.

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

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.

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

HKFRS 9 *Financial Instruments* (Continued)

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.

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

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.

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

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 as disclosed in note 26 (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.

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

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. 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 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*.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to settle the carrying amount of its liabilities.

Current and deferred tax is recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including motor vehicles (classified as finance leases) held for use in the supply of services, or for administrative purposes, are stated in the 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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.

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, amount due to a related party 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is 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 2017 is approximately HK$5,889,000 (2016: HK$5,088,000).

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

In determining the recoverability of trade receivables, the management assesses the recoverable amount of each individual receivables at the end of the reporting period based on objective evidence such as default rates of prior years, historical payment pattern of customers, ageing profile of receivable balances, and settlements subsequent to year end.

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. 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 2017 was approximately HK$53,581,000 (2016: HK$34,276,000), net of allowance of doubtful debts of approximately nil (2016: HK$725,000).

Estimated written-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 2017 was approximately HK$11,817,000 (2016: HK$12,910,000). Inventories of approximately HK$492,000 (2016: HK$441,000) have been written down during the year ended 31 March 2017.

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

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

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 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:

	2017	2016
	HK$'000	HK$'000
Reportable segment assets		
Digital media	**52,715**	32,092
E-commerce	**12,677**	15,989
Total segment assets	**65,392**	48,081
Reconciliation of reportable segment total to group total:		
Segment assets	**65,392**	48,081
Unallocated assets:		
Property, plant and equipment	**4,640**	2,475
Deposits and other receivables	**3,894**	5,162
Amount due from a director	**–**	3,060
Pledged bank deposits	**5,001**	4,051
Bank balances and cash	**67,931**	9,179
Consolidated total assets	**146,858**	72,008
Reportable segment liabilities		
Digital media	**10,592**	10,476
E-commerce	**3,353**	3,981
Total segment liabilities	**13,945**	14,457

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

	2017 HK$'000	2016 HK$'000
Reconciliation of reportable segment total to group total:		
Segment liabilities	**13,945**	14,457
Unallocated liabilities:		
Other payables and accrued expenses	**31,718**	17,964
Amount due to a related party	**–**	122
Bank borrowings	**5,013**	11,292
Tax payable	**1,631**	2,325
Deferred tax liabilities	**221**	97
Consolidated total liabilities	**52,528**	46,257

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

Other segment information

2017

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	–	–	–	3,508	3,508
Loss on disposal of property, plant and equipment	–	–	–	8	8
Depreciation	–	–	–	1,335	1,335
Allowance for doubtful debts	416	–	416	–	416
Write-down of inventories	–	492	492	–	492

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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	
	2017 HK$'000	2016 HK$'000
United States	**112,783**	82,588
Hong Kong	**37,353**	23,247
United Kingdom	**16,979**	17,462
Others (Note)	**50,505**	28,566
	217,620	151,863

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 customer

No single customer has been accounted for 10% or more of the Group's revenue for both reporting periods.

7. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interests on:		
Bank loans	323	288
Finance lease	–	5
	323	293

8. OTHER GAIN AND LOSSES

	2017 HK$'000	2016 HK$'000
Allowance for doubtful debts	416	1,024
Net exchange losses	911	747
Loss (gain) on disposal of property, plant and equipment	8	(369)
Others	(579)	–
	756	1,402

9. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Current tax:		
Hong Kong Profits Tax	4,632	4,622
Deferred tax (note 21):		
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.

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:

	2017 HK$'000	2016 HK$'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

10. PROFIT FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note 11)	**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".

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**
2017						
Fees	**600**	**360**	**144**	**144**	**144**	**1,392**
Other emoluments						
Salaries, allowances and other benefits	**980**	**600**	**–**	**–**	**–**	**1,580**
Retirement benefit scheme contribution	**18**	**18**	**–**	**–**	**–**	**36**
	1,598	**978**	**144**	**144**	**144**	**3,008**

	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

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

Of the five individuals with the highest emoluments in the Group, two (2016: nil) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2016: five) individuals were as follows:

	2017 HK$'000	2016 HK$'000
Salaries and allowances	**3,260**	3,482
Discretionary bonus	**210**	382
Retirement benefits scheme contribution	**53**	71
	3,523	3,935

Their emoluments were fell within the following band:

	No. of employees	
	2017	2016
Nil to HK$1,000,000	**1**	4
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	–
	3	5

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

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 2017 and 2016.

12. 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.

13. 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 **HK$'000**	2016 HK$'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 **'000**	2016 '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.

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 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
Additions	1,078	884	1,546	–	3,508
Disposals	–	–	(30)	–	(30)
At 31 March 2017	3,369	1,705	4,428	437	9,939
ACCUMULATED DEPRECIATION					
At 1 April 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
Provided for the year	522	206	607	–	1,335
Eliminated on disposals	–	–	(22)	–	(22)
At 31 March 2017	2,081	646	2,135	437	5,299
CARRYING VALUES					
At 31 March 2017	1,288	1,059	2,293	–	4,640
At 31 March 2016	732	381	1,362	–	2,475

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 1 April 2015 was under finance lease arrangement. 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 for the year ended 31 March 2016.

15. INVENTORIES

	2017 HK$'000	2016 HK$'000
Finished goods	**11,817**	12,910

16. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'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 HK$'000	2016 HK$'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

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	2017 HK$'000	2016 HK$'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 HK$'000	2016 HK$'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.

17. AMOUNT DUE TO A RELATED PARTY AND FROM A DIRECTOR

(a) Amount due to a related party

The amount represented amount due to Mr. Ma Tak Yuen, Mr. Ma Tak Yuen is a close family member of Mr. Ma. 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	
	2017	2016	2015	**2017**	2016
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount due from a director					
Mr. Ma	**–**	3,060	354	**4,742**	3,060

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 2017 and 2016. Deposits amounting to HK$5,001,000 as at 31 March 2017 (2016: HK$4,051,000) have been pledged to secure a bank borrowing and the banking facilities. The bank borrowing and the facilities are subject to review of any time and in any event by 1 April 2017 and are therefore classified as current assets.

Bank balances carry interest at prevailing market rates at 0.01% per annum as at 31 March 2017 and 2016.

19. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'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:

	2017 HK$'000	2016 HK$'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

20. BANK BORROWINGS

	As at 31 March	
	2017	2016
	HK$'000	HK$'000
Bank loans, unsecured, guaranteed with variable rate	**5,013**	11,292
Carrying amount repayable (according to scheduled repayment term):		
– Within one year	**5,013**	7,478
– More than one year, but not exceeding two years	**–**	3,814
	5,013	11,292
Carrying amount that contain a repayment on demand clause (shown under current liabilities)	**5,013**	11,292

Details of guarantee provided are set out in note 27.

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

	2017	2016
Effective interest rate (per annum):		
Variable-rate borrowings	**2.75% to 4.25%**	2.75% to 4.25%

21. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised by the Group and movements thereon during the years ended 31 March 2017 and 2016:

	Accelerated tax depreciation HK$'000
At 1 April 2015	(148)
Credit to profit or loss	51
At 31 March 2016	(97)
Charge to profit or loss	(124)
At 31 March 2017	(221)

22. 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.

23. 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 and bank borrowings, as disclosed in Notes 17(a) and 20, 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.

24. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 **HK$'000**	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	**127,076**	51,295
Financial liabilities		
At amortised cost	**14,880**	29,747

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from/to a director and related party, pledged bank deposits, bank balances and cash, trade and other payables 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. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

24. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk

The Group is primarily exposed 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.

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 2017 would decrease/increase by approximately HK$21,000 (2016: HK$47,000).

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(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:

	2017		2016	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
United States Dollar ("US$")	**99,610**	**4,459**	27,942	3,068

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.

24. 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 2017					
Non-derivative financial liabilities					
Trade and other payable	**–**	**9,867**	**–**	**9,867**	**9,867**
Bank borrowings	**2.75**	**5,072**	**–**	**5,072**	**5,013**
		14,939	**–**	**14,939**	**14,880**

	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	11,667	–	11,667	11,292
		30,122	–	30,122	29,747

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 2017, the aggregate carrying amounts of these bank borrowings amounted to HK$5,013,000 (2016: HK$11,292,000). 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.

24. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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 2017	2.75	5,072	–	5,072	5,013
As at 31 March 2016	2.75	11,667	–	11,667	11,292

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 13% of the Group's trade receivables as at 31 March 2017 (2016: 18%) 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.

Fair value measurements of financial instruments

The fair values of the financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

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

25. 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 2017, the retirement benefits scheme contribution arising from the MPF Scheme charged to profit or loss were approximately HK$1,614,000 (2016: HK$1,021,000).

26. COMMITMENTS

Operating lease

The Group as lessee

	2017 **HK$'000**	2016 HK$'000
Minimum lease payments under operating leases during the year in respect of premises	**2,581**	1,644

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:

	2017 **HK$'000**	2016 HK$'000
Within one year	**2,772**	1,994
In the second year inclusive	**582**	2,240
	3,354	4,234

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 2017, operating lease commitments included commitments of HK$180,000 (2016: HK$180,000) to Mr. Lee Chung Ming and Ms. Chan Lai Kuen who are the parents-in-law of Mr. Ma (see Note 27).

27. 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 **2017** **HK$'000**	 2016 HK$'000
District Distribution Co. Limited (note)	Purchase of inventories	**–**	997
District Distribution Co. Limited – Taiwan (note)	Subscription of magazines	**–**	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 to certain independent third parties on 2 November 2015. 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 were wholly guaranteed by Mr. Ma as at 31 March 2016.

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.

28. 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		
			2017 %	2016 %	**2017 %**	2016 %	
COREone Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
101 Media Lab Limited	Hong Kong	HK$1,000	**–**	–	**100%**	100%	Provision of advertising services, operation of online stores and publication of magazines
COREtwo Limited	BVI#	US$1	**100%**	–	**–**	–	Inactive
Hypebeast Inc.	BVI#	US$5,000	**–**	–	**100%**	–	Inactive
HBX New York Inc.	USA*	US$100	**–**	–	**100%**	–	Inactive

COREtwo Limited and Hypebeast Inc. were newly incorporated on 14 October 2016.

* HBX New York Inc. was newly incorporated on 15 February 2017.

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

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSET		
Amount due from a subsidiary	**29,693**	–
Unlisted investments in subsidiaries	**–**	–
	29,693	–
CURRENT ASSETS		
Bank balances and cash	**8**	–
Amount due from a subsidiary	**–**	1
	8	1
CURRENT LIABILITIES		
Other payables	**–**	9,923
Amount due to a subsidiary	**–**	5,638
	–	15,561
NET CURRENT ASSETS (LIABILITIES)	**8**	(15,560)
NET ASSETS (LIABILITIES)	**29,701**	(15,560)
CAPITAL AND RESERVES		
Share capital (see note 22)	**20,000**	1
Share premium	**25,275**	–
Accumulated losses	**(15,574)**	(15,561)
	29,701	(15,560)

Movements in the Company's reserves

	Share premium HK$'000	**Accumulated losses HK$'000**	**Total HK$'000**
Issuance of share capital of 25 September 2015 (date of incorporation)	–	–	–
Loss for the year and other comprehensive expense	–	(15,561)	(15,561)
At 31 March 2016 and 1 April 2016	–	(15,561)	(15,561)
Loss for the year and other comprehensive expense	–	(13)	(13)
Capitalisation issue	(15,999)	–	(15,999)
Expenses incurred in connection with the issue of shares upon placing	(6,726)	–	(6,726)
Issue of shares under placing	48,000	–	48,000
At 31 March 2017	25,275	(15,574)	9,701

FINANCIAL SUMMARY

For the four years ended 31 March 2014, 2015, 2016, and 2017

RESULTS

	2017 **HK$'000**	2016 HK$'000	2015 HK$'000	2014 HK$'000
Revenue	**217,620**	151,863	98,931	72,833
Profit before taxation	**28,061**	8,787	10,977	12,412
Income tax expense	**(4,756)**	(4,571)	(1,922)	(2,106)
Profit and total comprehensive income for the year	**23,305**	4,216	9,055	10,306

As at 31 March 2014, 2015, 2016 and 2017

ASSETS AND LIABILITIES

	2017 **HK$'000**	2016 HK$'000	2015 HK$'000	2014 HK$'000
Total Assets	**146,858**	72,008	33,680	33,412
Total Liabilities	**(52,528)**	(46,257)	(12,145)	(13,187)
Net Assets	**94,330**	25,751	21,535	20,225