HYPEBEAST

Hypebeast Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08359)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

ANNUAL RESULTS

The board of Directors (the "**Board**") of the Company is pleased to present the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2018, together with the audited comparative figures for the year ended 31 March 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	NOTES	**2018** *HK$'000*	2017 *HK$'000*
Revenue	3	**385,079**	217,620
Cost of revenue		**(181,194)**	(95,305)
Gross profit		**203,885**	122,315
Other gains and losses		**1,780**	(756)
Selling and marketing expenses		**(83,643)**	(48,616)
Administrative and operating expenses		**(65,887)**	(44,559)
Finance costs		**(288)**	(323)
Share of result of a joint venture		**(653)**	–
Profit before tax		**55,194**	28,061
Income tax expense	4	**(10,023)**	(4,756)
Profit for the year	5	**45,171**	23,305
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1)**	–
Total comprehensive income for the year		**45,170**	23,305
Earnings per share	7		
– Basic (HK cent)		**2.26**	1.17
– Diluted (HK cent)		**2.25**	1.17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	NOTES	**2018** **HK$'000**	2017 *HK$'000*
Non-current assets			
Property, plant and equipment		**5,478**	4,640
Rental deposits		**1,014**	456
Interest in a joint venture		**5,234**	–
		11,726	5,096
Current assets			
Inventories		**28,990**	11,817
Trade and other receivables	8	**98,631**	57,013
Amount due from a joint venture		**133**	–
Pledged bank deposits		**1,881**	5,001
Bank balances and cash		**58,581**	67,931
		188,216	141,762
Current liabilities			
Trade and other payables	9	**47,104**	45,663
Obligation under finance lease – due within one year		**272**	–
Bank borrowings – due within one year		**4,663**	5,013
Tax payables		**6,223**	1,631
		58,262	52,307
Net current assets		**129,954**	89,455
Total assets less current liabilities		**141,680**	94,551

	NOTES	**2018**	2017
		HK$'000	*HK$'000*
Non-current liabilities			
Obligation under finance lease – due after one year		**261**	–
Deferred tax liabilities		**170**	221
		431	221
Net assets		**141,249**	94,330
Capital and reserves			
Share capital	10	**20,000**	20,000
Share premium		**25,275**	25,275
Reserves		**95,974**	49,055
		141,249	94,330

NOTES:

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 25 September 2015. The Company's shares were first listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 April 2016.

Its registered office is located at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands. The address of its principal place of business is located at 12/F, 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 and the operation of an online retail platform. Its parent and ultimate holding company is CORE Capital Group Limited, 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of Annual Improvements to HKFRSs 2014 – 2016 Cycle

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. 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 cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following 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 exchanges rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs and Interpretations issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[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 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

[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 2021

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 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 fair value through other comprehensive income. All other financial assets are 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.

- 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 *Financial Instruments: Recognition and Measurement* ("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.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company (the "Directors") anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- All financial assets and financial liabilities as at 31 March 2018 will continue to be measured on the same basis as are currently measured under HKAS 39.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 April 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening accumulated profits at 1 April 2018.

HKFRS 15 ***Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

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 result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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* ("HKAS 17") 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. Upon the application of 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 flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK$34,884,000 (2017: HK$3,354,000). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Under the application of HKFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of HK$2,425,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except as described above, the Directors do not expect the application of the other new and revised to HKFRSs and amendments in issue but not yet effective in the current year will have material impact on the consolidated financial statements.

3. 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 retail platform 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 2018

	Digital media *HK$'000*	**E-commerce** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue – external customers:			
Provision of advertising services	**257,952**	**–**	**257,952**
Publication of magazines	**1,911**	**–**	**1,911**
Operation of online retail platform *(Note)*	**–**	**125,216**	**125,216**
Total segment revenue	**259,863**	**125,216**	**385,079**
Segment results	**68,256**	**11,268**	**79,524**
Finance costs			**(288)**
Share of result of a joint venture			**(653)**
Share-based payment expense			**(1,749)**
Unallocated expenses			**(21,640)**
Profit before tax			**55,194**

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 retail platform *(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

Note: Included in revenue from operation of online retail platform for each of the years ended 31 March 2018 and 2017, total amount of commission fee from consignment sales are approximately HK$5,071,000 and HK$5,889,000 respectively. The remaining amount of approximately HK$120,145,000 and HK$61,338,000 respectively represents sales of goods through the online retail platform.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of finance costs, share of result of a joint venture, share-based payment expense and other unallocated expenses including depreciation expenses, rental expenses and directors' 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.

4. INCOME TAX EXPENSE

	2018 ***HK$'000***	2017 *HK$'000*
Current tax:		
Hong Kong Profits Tax	**9,034**	4,632
Other jurisdictions	**1,040**	–
Deferred tax:		
(Credit) charge for the year	**(51)**	124
	10,023	4,756

The Group is not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions.

The Group is subject to Hong Kong Profits Tax at a rate of 16.5% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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:

	2018	2017
	HK$'000	*HK$'000*
Profit before tax	**55,194**	28,061
Tax at the Hong Kong Profits Tax rate of 16.5%	**9,107**	4,630
Tax effect of share of result of a joint venture	**108**	–
Tax effect of income not taxable for tax purpose	**(249)**	–
Tax effect of expenses not deductible for tax purpose	**636**	123
Effect of different tax rates of subsidiaries operating in other jurisdictions	**526**	–
Others	**(105)**	3
Income tax expense for the year	**10,023**	4,756

5. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration	**5,208**	3,008
Other staff costs		
– salaries and allowances	**74,182**	33,912
– discretionary bonus	**9,811**	3,895
– retirement benefits scheme contribution	**2,919**	1,577
– share-based payment expenses	**1,749**	–
Total directors and other staff costs	**93,869**	42,392
Auditor's remuneration	**1,100**	900
Cost of inventories recognised as expense	**60,560**	33,537
Depreciation of property, plant and equipment	**1,823**	1,335
Website content update expense *(Note)*	**2,746**	5,176
Write-down of inventories	**755**	492

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".

6. 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.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 March 2018 and 2017 is based on the following data:

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to the owners of the Company)	**45,171**	23,305

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,000,000**	1,989,041
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**11,207**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,011,207**	1,989,041

8. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**85,832**	53,581
Less: allowance for doubtful debts	**–**	–
	85,832	53,581
Advance to staff	**604**	99
Rental and utilities deposits	**3,969**	465
Prepayments	**7,991**	2,868
Other receivables	**235**	–
Total	**98,631**	57,013

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 retail platform and subscribers of magazines. The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Within 60 days	**47,042**	41,159
61 – 90 days	**25,128**	5,974
91 – 180 days	**10,374**	4,648
181 – 365 days	**1,842**	1,712
Over 365 days	**1,446**	88
	85,832	53,581

Included in the Group's trade receivables balance are debtors as at 31 March 2018 with an aggregate carrying amount of approximately HK$58,714,000 (2017: HK$26,814,000) 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:

	2018	2017
	HK$'000	*HK$'000*
Within 60 days	**19,924**	14,392
61 – 90 days	**25,128**	5,974
91 – 180 days	**10,374**	4,648
181 – 365 days	**1,842**	1,712
Over 365 days	**1,446**	88
	58,714	26,814

Movement in the allowance for trade receivables

	2018	2017
	HK$'000	*HK$'000*
Balance at beginning of the year	**–**	725
Impairment losses recognised on receivables	**234**	416
Written off	**(234)**	(1,141)
Balance at end of the year	**–**	–

The management has reviewed the repayment history of the long overdue customers, taken their deteriorating credit quality into consideration and identified no settlements subsequent to the end of the reporting period. Full impairment was recognised accordingly.

Included in the allowance for trade receivables are individually impaired trade receivables with an aggregate balance of approximately HK$234,000 (2017: HK$1,141,000) which have either been placed under liquidation or in severe financial difficulties.

9. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**7,245**	5,757
Deferred revenue	**360**	5,187
Commission payable	**4,044**	3,001
Accrual for campaign cost *(Note)*	**18,189**	19,050
Accrual for staff bonus	**2,023**	5,299
Other payables and accrued expenses	**15,243**	7,369
	47,104	45,663

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 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:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**6,043**	4,286
31 – 60 days	**42**	407
61 – 90 days	**46**	5
Over 90 days	**1,114**	1,059
	7,245	5,757

10. SHARE CAPITAL

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

	Number of shares	**Share capital** *HK$*
Authorised:		
As 1 April 2016, 31 March 2017 and 31 March 2018	6,000,000,000	60,000,000
Issued:		
At 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
At 31 March 2017 and 31 March 2018	2,000,000,000	20,000,000

BUSINESS REVIEW AND PROSPECT

The Group is a digital media company primarily engaged in (i) the provision of advertising and creative agency services to brands 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. Under its digital media business segment, the Group produces and distributes millennial-focused digital content reporting the latest trends on fashion, lifestyle, culture and music to its visitors and followers. Digital content is delivered via the Group's digital media platforms (including its Hypebeast, Hypebae, Hypekids and Popbee websites and mobile apps) and popular third-party social media platforms (including Facebook, Google+, Instagram, Twitter, Youtube, Wechat and Weibo). Central to the Group's digital media strategy is the development of new platforms to reach a wider scope of users and followers both demographically and geographically. In addition to its flagship Hypebeast digital media platform, the Group launched new platforms catering to cultural, fashion and lifestyle trends for diverse user segments such as young women (Hypebae, launched in 2016) and fashion-conscious parents & children (Hypekids, launched in 2017). The Group also launched local language versions of its flagship Hypebeast property across both website and social media platforms, with content now available in Traditional Chinese, Simplified Chinese, Japanese, Korean and French. This expansion in the breadth of scope of its target audience as well as the enrichment and enhancement of its digital media content supports substantial growth in the Group's visitor and follower base, thereby increasing the reach and appeal of the Group's digital media services to brands and advertising partners globally. Since April 2017, the Group's monthly unique visitors across all its platforms grew by approximately 31.3%, and this increasing support from our target audience has been instrumental in fueling the Group's business growth and development.

As part of its digital media segment, the Group also delivers bespoke creative agency services to brands, including but not limited to creative conceptualization, technical production and campaign execution in the development and creation of digital media based content. The unique combination of industry and cultural knowledge, exceptional creative and technical talent and a distinct aesthetic lens helped drive support of our creative agency service offerings amongst brands and advertisers, thereby helping the Group develop its various creative services into a focused suite of deliverables to bring to market. The Group began marketing its creative agency services as "Hypemaker" in early 2017 to consolidate its various creative service offerings under a unified brand.

The Group engages in online retail of apparel and accessories under its HBX e-commerce platform. The HBX e-commerce platform focuses on delivering the latest, trend-setting apparel and accessories to its customers, curating fashion forward pieces and collections to include in its merchandise portfolio. With its unique insight into street-wear and youth-focused fashion, the Group is able to deliver products most desired by its target demographic, thereby supporting a growing number of online shoppers. The Group is intent on enhancing the online retail experience for its customers, driving improvements from website usability to order processing to shipping and delivery. During the year ended 31 March 2018, the number of customer orders on its HBX e-commerce platform increased by approximately 91.4%, which is a testament to the increasing appeal of HBX as a leading destination for online street-wear and youth-focused fashion worldwide. As at 31 March 2017 and 31 March 2018, the number of brands offered on our e-commerce platform were 391 and 348, respectively, representing a decrease of 43 brands for the year ended 31 March 2018. As at 31 March 2017 and 31 March 2018, the number of products offered on the Group's e-commerce platform were approximately 5,300 and 6,300, respectively, representing an increase of approximately 1,000 products for the year ended 31 March 2018. The decrease in the number of brands and increase in the number of products carried on our e-commerce platform reflects our strategy of delivering a more exclusive and fashion driven shopping experience and trend focused product offerings to our customers.

In late 2017, the Group opened its first offline retail store at the Landmark shopping mall in Hong Kong from where HBX hosted a series of retail pop-ups and exhibitions. The Group will continue to explore similar opportunities to bring our online presence to the offline world.

Looking forward, the Group aims to become the leading online destination for fashion followers by continuing to set trends. It intends to enhance its digital media production capability, thereby increasing the quality and quantity of both its in-house editorial and sales campaign driven content, which is expected to translate to increased revenue from sales of services through the Group's integrated digital platforms and creative agency. The Group intends to deliver an industry leading online retail experience to its fashion and culture conscious customers on its e-commerce platform, both through sourcing trend leading products and enhancing website and mobile app user experience. The Group will foster its development in line with a series of business strategies, which include the following:

1. For the digital media segment, the Group is enhancing its advertising production capabilities through various methods, including attracting and retaining content production executives and creative talent so as to create high quality production campaigns and editorial features to meet the demands and expectations of brand owners, advertising agencies and its visitors and followers.

   The Group will continue to look for opportunities to increase the depth and breadth of engagement with its target audience, through strategies such as content enrichment as well as platform development.

2. For the e-commerce segment, the Group will continue delivering the best online shopping experience for its customers by enhancing the quality of its customer service, the capabilities of its inventory systems as well as improving the functionality and usability of its website and app based e-commerce platforms. The Group also intends to work closely with both up-and-coming and established fashion brands to bring trend setting fashion pieces and collections to its customers.

As part of its strategy to better manage the Group's existing business and to expand its overseas markets, the Group incorporated the following entities during the fiscal year ended 31 March 2018:

– 102 Media Lab Limited, a Hong Kong entity incorporated on 10 April 2017. It is primarily engaged in creative agency services. The company began active operations on 1 July 2017.

– Hypebeast UK Limited, a UK entity incorporated on 19 May 2017. It is primarily engaged in supporting brand relationships and production services within the digital media segment in the UK and the EU. The company began active operations on 1 October 2017.

In February 2018, the Company's US subsidiary, Hypebeast, Inc., entered into an agreement with a Joint Venture partner to form a majority owned joint venture company called The Berrics Company, LLC ("**The Berrics**"). The Berrics is engaged in the provision of skateboarding related digital content and advertising and offline event organisation services. For more details, please refer to the announcement of the Company dated 9 February 2018.

Save as disclosed herein, there have not been any important events affecting the Group since 31 March 2018 up to the date of this announcement.

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

FINANCIAL REVIEW

Revenue

	Year ended 31 March 2017			**Year ended 31 March 2018**		
	Revenue	Gross Profit	Gross Profit Margin	**Revenue**	**Gross Profit**	**Gross Profit Margin**
	HK$'000	*HK$'000*	*%*	***HK$'000***	***HK$'000***	***%***
Digital media	150,393	91,326	60.7	**259,863**	**145,585**	**56.0**
E-commerce	67,227	30,989	46.1	**125,216**	**58,300**	**46.6**
Overall	217,620	122,315	56.2	**385,079**	**203,885**	**52.9**

The Group's revenue increased from approximately HK$217.6 million for the year ended 31 March 2017 to approximately HK$385.1 million for the year ended 31 March 2018, representing a growth of approximately 77.0%. Such increase was mainly due to increase in scope and quantity of our provision of advertising and creative agency services to brand owners and advertising agencies on our digital media platforms, as well as growth in sales volume of third-party branded apparel on our e-commerce platform. The number of customer orders on our e-commerce platform increased by 91.4% compared with our last fiscal year.

Cost of Revenue

The Group's cost of revenue increased from approximately HK$95.3 million for the year ended 31 March 2017 to approximately HK$181.2 million for the year ended 31 March 2018. Such increase was mainly attributable to (i) the increase in campaign costs of creative agency services to provide high quality, tailor-made production services 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 66.7% from approximately HK$122.3 million for the year ended 31 March 2017 to approximately HK$203.9 million for the year ended 31 March 2018. The increase was mainly driven by the increase in revenue as discussed above. Overall gross profit margin decreased from approximately 56.2% for the year ended 31 March 2017 to approximately 52.9% for the year ended 31 March 2018 which was mainly attributable to the decrease in gross profit margin in our digital media segment as more tailor-made creative agency services were provided which entailed relatively lower gross profit margin and more production staff were employed during the year ended 31 March 2018.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses of the Group increased by approximately 72.0% from approximately HK$48.6 million for the year ended 31 March 2017 to approximately HK$83.6 million for the year ended 31 March 2018. Selling and marketing expenses primarily consist of advertising and social media marketing expenses for both digital media and e-commerce platforms and staff costs of our sales and marketing department. The increase in selling and marketing expenses was attributable to higher investment in social media marketing to support platform growth, an increase in sales and marketing headcount during the year ended 31 March 2018 to drive current and future business expansion and an increase in sales commissions reflective of revenue growth.

ADMINISTRATIVE AND OPERATING EXPENSES

Administrative and operating expenses of the Group increased by approximately 47.9% from approximately HK$44.6 million for the year ended 31 March 2017 to approximately HK$65.9 million for the year ended 31 March 2018 but decreased as a percentage of revenue from 20.5% in 2017 to 17.1% in 2018. Administrative and operating expenses mainly consist of headoffice and corporate staff costs, professional fees, freelancers costs and others. The increase in amount was attributable to the increase in staff headcount and freelancers costs to drive current and future business expansion during the year ended 31 March 2018, however this was balanced against the decrease in administrative and operating expenses as a percentage of revenue which is reflective of management’s cost control initiatives, in pursuit of profitable growth.

INCOME TAX EXPENSES

Income tax expense for the Group increased from approximately HK$4.8 million for the year ended 31 March 2017 to approximately HK$10.0 million for the year ended 31 March 2018. The increase was mainly due to the increase in profit before tax during the year ended 31 March 2018.

PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Profit and total comprehensive income for the year increased by approximately 93.8% from approximately HK$23.3 million for the year ended 31 March 2017 to approximately HK$45.2 million for the year ended 31 March 2018, primarily attributable to the increase in revenue and gross profit. Net profit margin increased from 10.7% for the year ended 31 March 2017 to 11.7% for the year ended 31 March 2018. Such increase was mainly due to management’s cost control initiatives which was partially offset by more tailor-made creative agency services provided which entailed relatively lower gross profit margin for the year ended 31 March 2018. Management is keenly focused on driving margin growth alongside business and topline expansion.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group had total assets of approximately HK$199.9 million (31 March 2017: HK$146.9 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$58.7 million (31 March 2017: HK$52.5 million) and approximately HK$141.2 million (31 March 2017: HK$94.3 million), respectively. The total interest-bearing loans and interest-bearing bank borrowings of the Group as at 31 March 2018 were approximately HK$4.7 million (31 March 2017: HK$5.0 million), and current ratio as at 31 March 2018 was approximately 3.2 times (31 March 2017: 2.7 times).

CAPITAL EXPENDITURE

Total capital expenditure for the year ended 31 March 2018 was approximately HK$3.2 million (2017: HK$3.5 million), which was mainly used in the purchase of computer, audiovisual and media production equipment.

CONTINGENT LIABILITIES

At the end of the reporting date, the Group had no significant contingent liabilities.

GEARING RATIO

The gearing ratio of the Group as at 31 March 2018 was approximately 3.7% (31 March 2017: 5.3%), which decreased as the Group repaid bank borrowings and increased its reserves during the year ended 31 March 2018. The gearing ratio is calculated as 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 2018. 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, management closely monitors the Group's liquidity position and maintains sufficient cash and cash equivalents and committed credit facilities relative to the payables of the Group.

CHARGES ON GROUP ASSETS

As at 31 March 2018, the Group pledged its bank deposits to a bank of approximately HK$1.9 million as collateral to secure its bank facilities. In addition to the pledged bank deposits, as at 31 March 2018, the Group's bank borrowings with carrying amount of approximately HK$4.7 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$ and EURO. As HK$ is pegged with US$ under the Linked Exchange Rate System, and the Group's business operations and strategies involves expenditure in Europe by EURO, the Group's exposure to US$ and EURO 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 began listing on GEM of the Stock Exchange on 11 April 2016 (the "**Listing Date**"). There has been no change in the capital structure of the Company since the Listing Date. The share capital of the Company comprises of ordinary shares.

As at 31 March 2018, the Company's issued share capital was HK$20,000,000 and the number of its issued ordinary shares was 2,000,000,000 of HK$0.01 each.

COMMITMENT

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$34.9 million as at 31 March 2018 (31 March 2017: HK$3.4 million). The significant increase was related to the lease of office premise for the Group's Hong Kong headquarters in support of the Group's current and future development.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on note 3 of the notes to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company date 31 March 2016 (the "**Prospectus**") and in this announcement, the Group did not have other plans for material investments or capital assets as of 31 March 2018.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2018, our US subsidiary, Hypebeast, Inc., entered into a joint venture agreement with The Berrics, LLC (the "JV Partner"), an online skateboarding website platform based in Los Angeles, the United States, in relation to the formation of The Berrics Company, LLC ("The Berrics") in the United States, being a non-wholly owned subsidiary of the Company.

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 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group employed a total of 262 employees (31 March 2017: 132 employees). The staff costs of our Group (including salaries, allowances, other benefits, contribution to defined contribution retirement plan and share-based payment expense) for the year ended 31 March 2018 were approximately HK$93.9 million (2017: HK$42.4 million).

The remuneration package for our employees generally includes salary and bonuses. Our employees also receive other benefits, including retirement benefits, occupational injury insurance, medical insurance and other miscellaneous items. We conduct annual performance reviews of our employees and such performance evaluations are used in determining the level of bonus, salary adjustments and promotions for our employees. Management also conducts research on the remuneration packages across various labour markets in which the Group's operations are based in order to keep our employee compensation at a competitive level. The Company also adopted the Share Option Schemes upon Listing. The Share Option Schemes are designed to provide long-term incentives and retention-focused rewards to our key employees and management.

SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries and the formation of a joint venture company as set out above, the Group did not hold any significant investments during the year ended 31 March 2018.

USE OF PROCEEDS

The net proceeds from the placing of new shares as referred to in the Prospectus were 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 are (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 sales and marketing efforts, (iii) approximately 18% of the net proceeds, representing approximately HK$5.5 million to improve our working environment and to 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 our 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 2018 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 2018	Actual use of net proceeds from the Listing Date to 31 March 2018
	HK$ million	*HK$ million*	*HK$ million*
Enhance content of our digital media platforms	8.7	8.7	8.7
Increase sales and marketing efforts	10.3	10.3	9
Improve our working environment	5.5	5.5	5.5
Enhance our e-commerce platform	2.1	2.1	2.1
Staff development	0.4	0.4	0.1
Working capital and general corporate purposes	2.7	2.7	2.7
	29.7	29.7	28.1

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 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 and retaining 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 HK$28.1 million from the Listing Date to 31 March 2018 compared to the estimated amount of approximately HK$29.7 million from the Listing Date to 31 March 2018 as stated in the Prospectus, primarily due to differences in the timing and allocation the spend to better suit our growth and business needs.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018.

CORPORATE GOVERNANCE PRACTICE

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

During the year ended 31 March 2018, the Company has complied with the Corporate Governance Code (the "CG Code") set out in Appendix 15 to the GEM Listing Rules, save as the below deviation.

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 consolidation of these roles by Mr. Ma will provide strong and consistent leadership to the Company which will facilitate effective planning and efficient management of the Company. Furthermore, having considered Mr. Ma's extensive experience in the digital media industry, the relationships Mr. Ma has built with the customers and the historical development of the Group, the Board considers that it is beneficial for the Group for Mr. Ma to continue to act as both chairman and chief executive officer of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in the GEM Listing Rules as part of its code of conduct regarding Directors' transactions in the securities of the Company. Specific enquiry has been made of all the Directors and all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance throughout the period from 1 April 2017 to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company consists of three members, being the three independent non-executive Directors, namely Mr. Wong Kai Chi (chairman), Ms. Poon Lai King and Ms. Kwan Shin Luen Susanna. The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2018 and is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2018 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Hong Kong, 20 June 2018

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

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