Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

*This announcement, for which the Directors 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 of Hong Kong Limited (the "**Stock Exchange**") and the Rules Governing the Listing of Securities on the Stock Exchange 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.*

HYPEBEAST

Hypebeast Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code on Main Board: 00150)

(Stock code on GEM: 08359)

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Sponsor

中國通海企業融資
CHINA TONGHAI CAPITAL

TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

The Company has applied for the listing of and permission to deal in (i) 2,000,000,000 Shares in issue; and (ii) the 58,762,500 Shares which may be issued upon the exercise of the outstanding options which were granted under the Share Option Schemes, on the Main Board by way of transfer of the listing from GEM to the Main Board. The approval-in-principle has been granted by the Stock Exchange on 28 February 2019 for the Shares to be listed on the Main Board and to be de-listed from GEM.

On 30 July 2018, an application was made by the Company to the Stock Exchange for the Transfer of Listing. On 31 January 2019, a renewed application was made by the Company for the Transfer of Listing.

The last day of dealings in the Shares on GEM (stock code: 08359) will be 7 March 2019. Dealings in the Shares on the Main Board (stock code: 00150) will commence at 9:00 a.m. on 8 March 2019. The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates.

No change will be made to the English stock short name of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of the Company following the Transfer of Listing. The Company has not adopted a Chinese Stock short name since the GEM Listing.

SHARE PRICE VOLATILITY

The price of the Shares has been volatile since listing of the Company on GEM by way of placing on 11 April 2016. The placing price per Share was HK$0.13. The highest and lowest prices at which the Shares have traded on GEM since 11 April 2016 up to the Latest Practicable Date were HK$1.13 (i.e. on 12 April 2016) and HK$0.151 (i.e. on 26 April 2017), respectively. During the aforesaid period, the price per Share had risen a maximum of approximately 769.2% (by comparing the placing price and the highest price) and decreased to a minimum of approximately 16.2% (by comparing the placing price and the lowest price). The price of the Shares has been volatile and may continue to be volatile upon listing on the Main Board.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

Reference is made to the announcements issued by the Company dated 30 July 2018 and 31 January 2019, respectively in relation to the formal application (the "**Application**") and renewal application submitted to the Stock Exchange for the Transfer of Listing pursuant to the relevant provisions of the GEM Listing Rules and Main Board Listing Rules.

TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

On 30 July 2018, an application was made by the Company to the Stock Exchange for the Transfer of Listing. On 31 January 2019, a renewed application was made by the Company for the Transfer of Listing.

The Company has applied for the listing of and permission to deal in (i) 2,000,000,000 Shares in issue; and (ii) the 58,762,500 Shares which may be issued upon the exercise of the outstanding options which were granted under the Share Option Schemes, on the Main Board by way of transfer of the listing from GEM to the Main Board. The approval-in-principle has been granted by the Stock Exchange on 28 February 2019 for the Shares to be listed on the Main Board and to be de-listed from GEM.

The Board confirms that all applicable pre-conditions for the Transfer of Listing, insofar as applicable, have been fulfilled in relation to the Company and the Shares as at the date of this announcement.

SHARE PRICE VOLATILITY

The price of the Shares has been volatile since listing of the Company on GEM by way of placing on 11 April 2016. The placing price per Share was HK$0.13. The highest and lowest prices at which the Shares have traded on GEM since 11 April 2016 up to the Latest Practicable Date were HK$1.13 (i.e. on 12 April 2016) and HK$0.151 (i.e. on 26 April 2017), respectively. During the aforesaid period, the price per Share had risen a maximum of approximately 769.2% (by comparing the placing price and the highest price) and decreased to a minimum of approximately 16.2% (by comparing the placing price and the lowest price). The price of the Shares may continue to be volatile upon listing on the Main Board.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

REASONS FOR THE TRANSFER OF LISTING

The Company has been listed and traded on GEM since 11 April 2016. 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.

GEM has been positioned and perceived as a market designed to accommodate companies to which higher investment risk and higher market volatility may be attached compared to companies listed on the Main Board. Based on the continuing growth and development of the Group, the Directors believe that the Transfer of Listing will enhance the profile of the Group and the attractiveness of the Shares to both institutional and retail investors.

Given that the listing requirements for the Main Board are generally higher than that for GEM, the Directors consider the Main Board to be perceived at a more advanced status amongst investors which could attract a larger investor base and increase the trading liquidity of the Shares. Moreover, the Directors consider that the Company has gained public recognition and an enhanced profile due to the GEM Listing and that the GEM Listing has attributed to the Company's growth in business, revenue and profitability. Given companies listed on the Main Board generally have an established track record and are subject to more stringent listing requirements, the Directors believe that the Transfer of Listing will reinforce the confidence of the Group's customers, suppliers, subcontractors and other stakeholders' in the Company's financial strength, governance and credibility and will hence further promote the Company's corporate profile and recognition among public investors and the public in general, which will in turn attract attention to the Group's social media and e-commerce platforms and will thereby enhance its business performance. The Group will also have the strength to retain and continue to attract professional staff. The Board therefore believes that the listing of the Shares on the Main Board will strengthen the Group's market position and is beneficial to its future growth, financing flexibility and business development.

As at the date of this announcement, the Board has no immediate plans to change the nature of the business of the Group following the Transfer of Listing. Save as disclosed above, the Transfer of Listing will not involve any issuance of new Shares by the Company.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from the GEM Listing Date, the date on which the Shares were first listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealing in the Shares on the Main Board commences, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (stock code: 08359) will be 7 March 2019. Dealings in the Shares on the Main Board (stock code: 00150) will commence at 9:00 a.m. on 8 March 2019. The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in a board lot of 20,000 Shares each and are traded in Hong Kong dollars. The principal share registrar and transfer office of the Company in the Cayman Islands is Tricor Services (Cayman Islands) Limited and the Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited. No change will be made to the English stock short name of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing. The Company has not adopted a Chinese stock short name since the GEM Listing.

SHAREHOLDING DISTRIBUTION

The Company was listed on GEM solely by way of placing and did not involve any public offering. According to the Company's announcement dated 8 April 2016, a total of 500,000,000 Shares, representing 25% of the then issued share capital of the Company have been conditionally allocated to a total of 129 placees. The distribution of the Shares under the placing is set forth as below:

	Aggregate number of Shares held by the placee(s)	**Approximate percentage of shareholding to the total number of Shares allocated**	**Approximate percentage of shareholding to the issued share capital of the Company**
Top placee	38,000,000	7.6%	1.9%
Top five placees	158,000,000	31.6%	7.9%
Top ten placees	290,500,000	58.1%	14.5%
Top 25 placees	468,500,000	93.7%	23.4%

Subsequently, the Company has made an enquiry into its shareholding through an Independent Third Party. Based on the information received from the Independent Third Party on 25 February 2019 and to the best of the knowledge and belief of the Directors upon making all reasonable inquiries, as at 1 February 2019, being the latest practicable date in ascertaining the shareholdings in the Company, (i) the Controlling Shareholders held an aggregate of 1,489,160,000 Shares, representing approximately 74.5% of the entire issued share capital of the Company; and (ii) the identifiable Shareholders (other than the Controlling Shareholders) held an aggregate of 428,703,050 Shares, representing approximately 21.4% of the entire issued share capital of the Company. A total of not less than 1,200 Shareholders were identified by the search conducted by the Independent Third Party. The below table sets out the number of identifiable Shareholders and the Shareholders' spread other than the Shares held by the Controlling Shareholders as at 1 February 2019:

	Aggregate number of Shares held by the identifiable Shareholder(s) *(Note 1)*	**Approximate percentage of shareholding to the issued share capital of the Company**
Top identifiable Shareholder *(Note 2)*	48,380,000	2.4%
Top five identifiable Shareholders *(Note 3)*	129,760,000	6.5%
Top ten identifiable Shareholders *(Note 4)*	173,820,000	8.7%
Top 25 identifiable Shareholders *(Note 5)*	239,580,000	12.0%

Notes:

1. The shareholding search conducted on 1 February 2019 cannot identify Shareholders holding an aggregate of 82,136,950 Shares, representing approximately 4.1% of the entire issued share capital of the Company (the "**Unidentifiable Shares**").

2. As there is no Shareholder, other than the Controlling Shareholders and Ms. Lee Yuen Tung Janice (who is deemed to be interested in the Shares held by her spouse Mr. Ma Pak Wing Kevin, under the SFO), holding 5% or more of the total issued share capital of the Company according to the Disclosure of Interests Online System on the website of the Stock Exchange, only a portion of the Unidentifiable Shares (if any) could be held by the top identifiable Shareholder. Accordingly, the maximum aggregate number of Shares held by the top identifiable Shareholder would be no more than 100,000,000 Shares, representing no more than 5% of the entire issued share capital of the Company.

3. Assuming that the Unidentifiable Shares were all held by the top five identifiable Shareholders, the aggregate number of Shares held by them will be 211,896,950 Shares, representing approximately 10.6% of the entire issued share capital of the Company.

4. Assuming that the Unidentifiable Shares were all held by the top ten identifiable Shareholders, the aggregate number of Shares held by them will be 255,956,950 Shares, representing approximately 12.8% of the entire issued share capital of the Company.

5. Assuming that the Unidentifiable Shares were all held by the top 25 identifiable Shareholders, the aggregate number of Shares held by them will be 321,716,950 Shares, representing approximately 16.1% of the entire issued share capital of the Company.

PUBLIC FLOAT

Notwithstanding the effect on shareholding distribution that may be brought by the Unidentifiable Shares, the Directors confirm that (i) at least 25% of the total issued share capital of the Company was held by the public (as defined in the Main Board Listing Rules) as at the date of this announcement; (ii) the Company has at least 300 Shareholders; and (iii) not more than 50% of the Shares held by the public are held by the three largest public Shareholders. Accordingly, the public float requirements have been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

FINANCIAL INDEPENDENCE

The Group has an independent financial system and makes financial decisions according to its own business needs. There have been no financial assistance, guarantee and/or security provided by the Controlling Shareholders and their respective associates for the Group since the GEM Listing Date and up to the date of this announcement. The Directors believe that the Company is capable of obtaining financing from third parties without reliance on the Controlling Shareholders.

SHARE OPTION SCHEMES

On 18 March 2016, the Company has conditionally approved and adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme where eligible participants may be granted options entitling them to subscribe for the Shares. The purpose of the Share Option Schemes is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to it. The Pre-IPO Share Option Scheme expired on the GEM Listing Date.

Pursuant to the Post-IPO Share Option Scheme, the Company may grant options in respect of a total of 159,737,500 Shares during the remaining term of the Post-IPO Share Option Scheme. As at the date of this announcement, 40,262,500 Shares have been granted by the Company under the Post-IPO Share Option Scheme and 58,762,500 Shares are outstanding under the Share Option Schemes.

The Post-IPO Share Option Scheme will remain valid and effective following the Transfer of Listing to the Main Board and will be implemented in full compliance with the requirements under Chapter 17 of the Main Board Listing Rules. The listing of Shares which may be issued pursuant to the Post-IPO Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Main Board Listing Rules.

As at the date of this announcement, save for the options that were granted under the Pre-IPO Share Option Scheme and options that were granted and may be granted under the Post-IPO Share Option Scheme, the Company does not have any other options, warrants or similar rights or convertible equity securities in issue which will be transferred to the Main Board.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 8 August 2018 to the Directors to allot and issue new Shares and repurchase Shares will continue to be valid and remain in effect. Such general mandates will be effective until the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the revocation or variation of the authority given under the resolutions approving the general mandates by an ordinary resolution passed by the Shareholders in a general meeting; and

(c) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2018 AND THE THIRD QUARTERLY RESULTS AND THIRD QUARTERLY REPORT FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

The annual results of the Company for the year ended 31 March 2018 have been published. Please refer to the annual results announcement and the annual report of the Company for the year ended 31 March 2018 published respectively on 20 June 2018 and 28 June 2018 for details.

The third quarterly results of the Company for the nine months ended 31 December 2018 have been published. Please refer to the third quarterly results announcement and the third quarterly report of the Company for the nine months ended 31 December 2018 published respectively on 12 February 2019 and 14 February 2019 for details.

PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively.

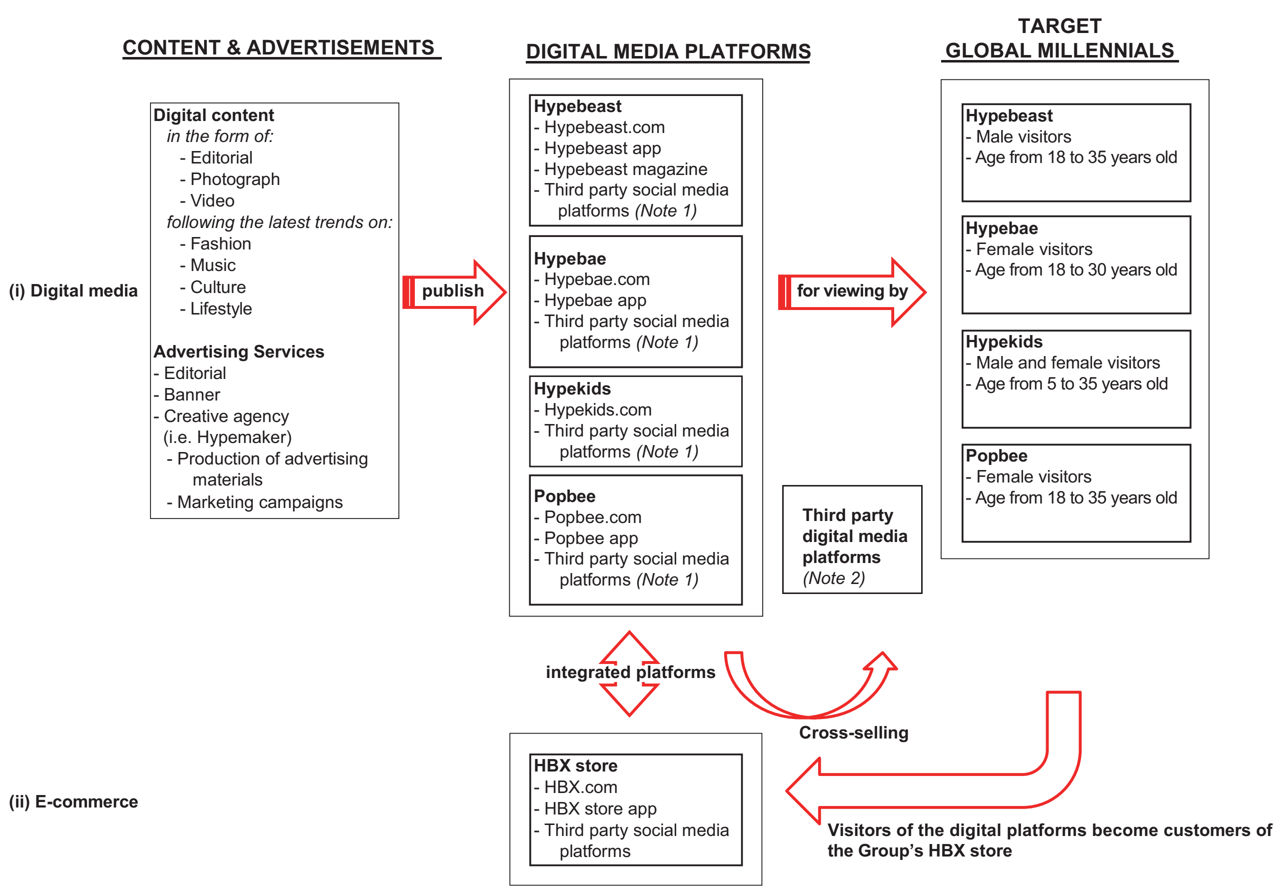
COMPLIANCE WITH THE GEM LISTING RULES

To the best knowledge of the Directors, the Group did not have any serious or potentially serious breach of or material non-compliance with the GEM Listing Rules since the GEM Listing Date and up to the date of this announcement.

BUSINESS UPDATE

The Company has been listed and traded on GEM since the GEM Listing Date. 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. There has been no change to the Group's principal business and Controlling Shareholders from the GEM Listing Date up to the date of this announcement.

Set out below is the scope of the Group's services:



Notes:

1. Third party social media platforms utilised by the Group include Instagram, Facebook, Weibo, Twitter and YouTube.

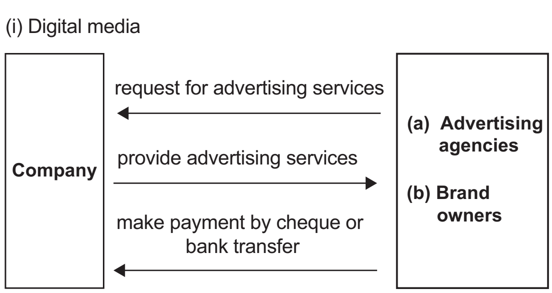
2. Third party digital media platforms refer to advertisements placed on online platforms other than the Group's digital media platforms.

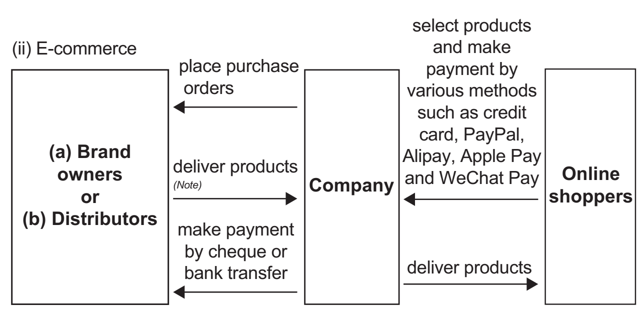
A breakdown of the monetisation strategies, customers and sources of revenue of the Group's different business segments is set out as follows:

Monetisation strategies	**Customers**	**Sources of revenue**
Digital media	(i) Brand owners (ii) Advertising agencies	Provision of advertising services, which mainly include provision of advertisement spaces and creative agency services.
E-commerce*(Note)*	Online shoppers	Sale of third-party branded products (normally as principal) *(Note)* such as clothing, shoes and accessories.

Note: Except for consignment sales, the Group acts as the principal for the sale of third-party branded products and bears the risk of the inventory. The Group will bear freight charges for delivering products to the Group's overseas customers if the orders (excluding discounted, sale, archives and printed products) are over the set minimum amounts. The set minimum amounts range from US$100 to US$300 for the Group's customers in areas outside Hong Kong and Macau. Delivery to the Group's customers in Hong Kong and Macau is free if at least one regular priced item is purchased.

The following simplified diagram illustrates the typical process of how the Group offers its digital advertising services and conducts its e-commerce business:





Note: Procurement is made by way of wholesale or consignment.

Digital media business segment

Under the digital media business segment, the Group provides free digital content to its followers and visitors on its digital media platforms and popular third-party social media platforms whilst the Group generates revenue by providing digital advertising services (including the provision of advertisement spaces and services and creative agency services) to its customers.

The Group's platforms

Under the Group's 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, Popbee and Hypekids websites and Hypebeast, Popbee and Hypebae mobile apps) and popular third-party social media platforms (including Instagram, Facebook, Weibo, Twitter and YouTube).

Central to the Group's digital media strategy is the enhancement of content on its digital media platforms to reach a wider group of users and followers both demographically and geographically. Since the GEM Listing Date, the Group has established and promoted new platforms, containing articles on cultural, fashion and lifestyle trends for diverse user segments such as Hypebae, a digital media platform which targets female audience. In addition, Hypekids, a digital media platform which targets fashion-conscious parents and children. The aggregate number of MUVs across the Hypebeast, Hypebae, Hypekids and Popbee platforms grew from approximately 6.0 million in March 2016 to approximately 12.7 million in December 2018, representing an increase of approximately 111.7%. The Group also launched multiple language versions of its flagship Hypebeast platform for its website, app and various social media platforms, with content now available in English, Traditional Chinese, Simplified Chinese, Japanese, Korean and French. The Directors believe that this expansion in the breadth of scope of its target audience as well as the enrichment and enhancement of its digital media content support substantial growth in the number of visitors and followers of the Group's platforms, thereby increasing the reach and appeal of the Group's digital media services to brands and advertising partners globally. The number of MUVs who visit the Group's language-specific platforms (i.e. non-English platforms), which currently deliver localised content in Simplified Chinese, Japanese, Korean, Traditional Chinese and French grew from approximately 2.4 million in March 2016 to approximately 3.2 million in December 2018, representing an increase of approximately 33.3%.

The Group's digital advertising services

The Group offers a portfolio of services to its customers such as brand owners and advertising agencies under the advertising service agreements, including the provision of advertisement spaces and services on its digital media platforms and its magazines as well as creative agency services. For the three years ended 31 March 2018 and the nine months ended 31 December 2018, the Group recorded an increase in the number of advertising service agreements with its customers and an increase in aggregate contract value. During the two years ended 31 March 2017 and 2018, the number of digital media customers who also engaged the Group in the previous financial year were approximately 110 and 150, respectively.

Provision of advertisement services and spaces

The Group provides a range of advertising services from producing advertising materials in graphical and photo format to leasing advertisement space on its websites or printed magazines. The Group utilises advertisement space on its websites to promote products of its digital media customers.

The income generated from the provision of advertisement services and spaces is the main source of income for the Group's digital media business. For the three years ended 31 March 2018 and the nine months ended 31 December 2018, revenue generated from the provision of advertisement space and services represented approximately 91.1%, 83.9%, 72.8% and 68.4% of the revenue of the Group's digital media business, respectively.

For the three years ended 31 March 2018 and the nine months ended 31 December 2018, revenue generated from publication of magazines represented approximately 0.8%, 1.1%, 0.7% and 0.5%, of the revenue of the Group's digital media business, respectively.

Creative agency services

As part of its digital media segment, the Group also delivers bespoke creative agency services to brands, including but not limited to creative conceptualisation, technical production and campaign execution in the development and creation of digital media based content. The combination of industry and cultural knowledge, renowned creative and technical talent and respected aesthetic sense help to promote the Group's creative agency services 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.

For the three years ended 31 March 2018 and the nine months ended 31 December 2018, revenue generated from the provision of creative agency services represented approximately 8.1%, 15.0%, 26.5% and 31.1% of the revenue of the Group's digital media business, respectively.

For the three years ended 31 March 2018 and the nine months ended 31 December 2018, revenue of the Group's digital media segment reached approximately HK$95.3 million, HK$150.4 million, HK$259.9 million and HK$306.8 million, respectively. The Group experienced a growth in revenue of its digital media segment of approximately 99.8%, 57.8%, 72.8% and 48.4% for the three years ended 31 March 2018 and the nine months ended 31 December 2018, respectively, as compared with the previous year/period.

E-commerce business segment

The Group is engaged in online retail of mainly apparel, footwear and accessories under its HBX e-commerce platform. The HBX e-commerce platform, which commenced operations in 2012, has focused on delivering the latest apparel, footwear and accessories to its customers, curating trendy pieces and collections to be included in its merchandise portfolio. The Directors believe that the Group has unique insights into streetwear and youth-focused fashion, and is able to deliver products which are appealing to the Group's target demographic, as evidenced by the growing number of online shoppers at its e-commerce platform. The Group is dedicated to enhancing the customers' online retail experience and driving improvements on areas from website usability to order processing as well as shipping and delivery.

HBX is one of the major destinations for online streetwear and youth-focused fashion of the Group's customers in numerous countries. For the three years ended 31 March 2018 and the nine months ended 31 December 2018, the number of customer orders on the Group's HBX e-commerce platform increased by approximately 9.4%, 6.0%, 91.8% and 55.5%, respectively. As at 31 March 2016, 31 March 2017 and 31 March 2018 and 31 December 2018, the number of brands offered on the Group's e-commerce platform was 422, 391, 348 and 282, respectively. As at 31 March 2016, 31 March 2017 and 31 March 2018 and 31 December 2018, the number of products offered on the Group's e-commerce platform was approximately 8,700, 5,300, 6,300 and 8,600, respectively. The overall decrease in the number of brands and products carried on the Group's e-commerce platform during the three years ended 31 March 2018 and the nine months ended 31 December 2018 reflects the Group's strategy of delivering a more curated shopping experience and trend-focused product offerings to the Group's customers.

For the three years ended 31 March 2018 and the nine months ended 31 December 2018, the revenue of the Group's e-commerce business reached approximately HK$56.5 million, HK$67.2 million, HK$125.2 million and HK$180.6 million, respectively. The Group experienced a growth in revenue from its e-commerce platform of approximately 10.1%, 18.9%, 86.3% and 114.2%, respectively, for the three years ended 31 March 2018 and the nine months ended 31 December 2018 as compared to the previous year/period.

Top customers

For the three years ended 31 March 2018 and the nine months ended 31 December 2018, revenue from the five largest customers of the Group accounted for approximately 15.0%, 12.5%, 16.8% and 10.3% of the total revenue, respectively. For the three years ended 31 March 2018 and the nine months ended 31 December 2018, revenue attributable to the Group's largest customer accounted for approximately 4.8%, 5.0%, 6.1% and 3.5% of the Group's total revenue, respectively. The Directors consider that the Group is not overly reliant on any particular customer.

The five largest customers for the three years ended 31 March 2018 and the nine months ended 31 December 2018 have been customers of the Group ranging from approximately one to five years. The five largest customers include media and marketing companies, beverage company and footwear and sportswear companies. The Group generally grants its top five customers a credit period that ranges from 30 to 60 days, depending on various factors such as credit worthiness and transaction history of the particular customer.

The five largest customers for the three years ended 31 March 2018 and the nine months ended 31 December 2018 are Independent Third Parties and to the best knowledge and belief of the Directors, none of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors beneficially own more than 5% of the Shares) had any interests in any of the five largest customers of the Group during the three years ended 31 March 2018 and the nine months ended 31 December 2018 and up to the date of this announcement. Save as disclosed in the paragraph headed "Overlapping of customers and suppliers" in this section, none of the customers were the Group's five largest suppliers during the three years ended 31 March 2018 and the nine months ended 31 December 2018.

Sanctioned countries

Certain countries or organisations, including the US, the EU, the United Nations, Canada and Australia, maintain comprehensive or other broad economic sanctions targeting the Sanctioned Countries and activities with Sanctioned Persons.

To the best information and knowledge of the Directors, the Company did not provide any services or sell any of its products to any person in the Sanctioned Countries for the three years ended 31 March 2018 and the nine months ended 31 December 2018.

Top suppliers

For the three years ended 31 March 2018 and the nine months ended 31 December 2018, purchases from the five largest suppliers of the Group accounted for approximately 15.4%, 30.7%, 19.0% and 25.8% of the total purchases, respectively. For the three years ended 31 March 2018 and the nine months ended 31 December 2018, purchases from the Group's largest supplier accounted for approximately 6.9%, 7.7%, 4.5% and 11.0% of the Group's total purchases, respectively. The Directors consider that the Group is not overly reliant on any particular supplier.

The five largest suppliers for each of the three years ended 31 March 2018 and the nine months ended 31 December 2018 have been suppliers of the Group ranging from approximately one to five years. The five largest suppliers include fashion brand owners and distributors of apparel, footwear and accessories. The Group is generally granted by its top five suppliers a credit period that ranges from 30 to 60 days from the date of invoice, or payment is required to be settled in full before delivery. The Group generally settles supplier payments via wire transfer.

The five largest suppliers for the three years ended 31 March 2018 and the nine months ended 31 December 2018 are Independent Third Parties and to the best knowledge and belief of the Directors, none of the Directors, their respective associates or any Shareholders (which to the knowledge of the Directors beneficially own more than 5% of the Shares) had any interests in any of the five largest suppliers of the Group during the three years ended 31 March 2018 and the nine months ended 31 December 2018 and up to the date of this announcement. Save as disclosed in the paragraph headed "Overlapping of customers and suppliers" in this section of this announcement, none of the suppliers were the Group's five largest customers during the three years ended 31 March 2018 and the nine months ended 31 December 2018.

Overlapping of customers and suppliers

As disclosed in the Prospectus, some of the Group's customers of the digital media segment such as brand owners concurrently supply products to the Group for sale on its HBX e-commerce platform while some of the suppliers of branded products utilise the Group's advertising services.

The Directors confirmed that negotiations of the terms of the sales to and purchases from these customers/suppliers were conducted on a case-by-case basis, and the services supplied to and products sourced from these customers/suppliers were neither inter-connected nor inter-conditional with each other. The salient terms of the transactions with such customers/suppliers are similar to those with the Group's other customers and suppliers, which the Directors consider are on normal commercial terms. The Directors confirmed that, during the three years ended 31 March 2018 and the nine months ended 31 December 2018, products that the Group purchased from these suppliers were not subsequently sold to these same suppliers, nor vice versa. The Directors confirmed that none of the Directors, their respective close associates, or any Shareholder who, to the knowledge of the Directors, owns more than 5% of the Group's issued share capital, has any interest in any of these customers/suppliers for the three years ended 31 March 2018 and the nine months ended 31 December 2018.

During the three years ended 31 March 2018 and the nine months ended 31 December 2018, the Group provided services to certain customers (the "**Subject Customers**") which were also the Group's suppliers or within the same group as the Group's suppliers (the "**Subject Suppliers**"). The Group procured products from the Subject Suppliers as part of its e-commerce business and the Group provided services to the Subject Customers in its digital media business. During the three years ended 31 March 2018 and the nine months ended 31 December 2018, one, one, two and two of the Group's customers were the Group's five largest suppliers and one, one, one and one of the Group's supplier was the Group's five largest customers for the corresponding years/period, respectively. Save as disclosed above, none of the Group's customers were the Group's five largest suppliers and none of the Group's suppliers were the Group's five largest customers during the three years ended 31 March 2018 and the nine months ended 31 December 2018. Sales to the Subject Customers contributed to approximately 3.3%, 2.0%, 5.6% and 6.6% of the total revenue for each of the three years ended 31 March 2018 and the nine months ended 31 December 2018, respectively.

The amount of purchases from the Subject Suppliers contributed to approximately 2.4%, 7.7%, 8.9% and 15.7% of the total purchases for each of the three years ended 31 March 2018 and the nine months ended 31 December 2018, respectively. The Group's gross profit derived from the provision of advertising services to the Subject Customers were approximately HK$3.8 million, HK$2.5 million, HK$8.2 million and HK$15.6 million for the three years ended 31 March 2018 and the nine months ended 31 December 2018, respectively.

Update on expansion strategy

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 as set out in the Prospectus, which include the following:

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

   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 to provide quality online shopping experience to 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. The Group's e-commerce platform, HBX, continued to curate trend-focused merchandise portfolio, and during the year ended 31 March 2018, the Group introduced a number of new brands to its portfolio of merchandise and strived to drive forward its collaborations with existing brands. Further, in the second half of 2017, the Group opened its first physical retail presence at The Landmark, a shopping mall in Central, Hong Kong, where the Group launched a series of pop-ups and exhibitions with acclaimed brands and artists. The pop-up experience is another avenue to bring trend-focused content which the Group is known for from the digital world to the real world, while simultaneously building brand recognition and acting as a showcase for the Group's products and ideas.

As part of the Group's strategy to better manage its existing business and to expand its market share in the US, Asia and the UK, the Group established a number of subsidiaries since the GEM Listing Date up to the date of this announcement.

United States

After the GEM Listing, the Group incorporated a number of wholly-owned subsidiaries in the United States including Hypebeast, Inc., HBX New York, Inc. and HBX 41 Division LLC. The Group's US operations primarily involve supporting the Group's relationships with its customers and the Group's production services of its digital media business in the US. The Group also intends to bolster its retail presence by establishing a retail store in New York City, the United States with expected operation commencement date in early 2020. The capital costs of setting up the retail store include renovation expenses of approximately HK$12.4 million and initial inventory purchases of approximately HK$2.6 million. Such capital costs will be funded by the Group's internal resources. The table below also sets out a breakdown of the estimated operating costs of the retail shop in New York for the first 12 months of operations:

Items	**Estimated costs** *HK$'000*
Rental expenses	550
Staff costs	2,495
Utilities, insurance and administrative expenses	1,823
Total	4,868

The Group also incorporated The Berrics, an indirect non-wholly owned subsidiary of the Company after capital contributions, which is owned as to 51% by the Group and as to 49% by the JV Partner. For further details of the joint venture company, please refer to the paragraph headed "Establishment of the joint venture company" in this announcement.

Asia

The Group incorporated 102 Media Lab Limited, an indirect wholly-owned subsidiary of the Company in Hong Kong in April 2017, which is primarily engaged in the provision of creative agency services, which commenced operations in May 2017. Further, the Group is in the process of establishing companies in the PRC for its intended e-commerce/retail expansion in the PRC which is expected to be launched in 2019.

United Kingdom

The Group incorporated Hypebeast UK Limited, an indirect wholly-owned subsidiary of the Company in the UK in May 2017 and commenced its UK operations in October 2017. The Group's UK operations primarily involve supporting the Group's relationships with its customers and the Group's production services of its digital media business in the UK and the EU.

Establishment of the joint venture company

As disclosed in the announcement of the Company dated 9 February 2018, Hypebeast, Inc. entered into the JV Agreement on 8 February 2018 with the JV Partner, an online skateboarding website platform based in Los Angeles, the United States, in relation to the formation of The Berrics in the United States. On the same day, Hypebeast Inc., also entered into the Contribution Agreement with, among others, the JV Partner and The Berrics in relation to the capital contribution of The Berrics. Pursuant to the Contribution Agreement, the Company contributed US$750,000 in cash which was funded by the Group’s internal resources. The purpose of setting up The Berrics is to engage in the business of operating a skateboard media business and other relevant activities, such as the provision of skateboarding related digital content and advertising and offline event organisation services. Through the formation of The Berrics, the Company and the JV Partner are able to complement each other’s strengths and share resources, which create synergy between the two companies as it is anticipated that The Berrics will reach a broader demographic of viewers and customers within the skateboarding community and introduce new business opportunities and other contacts outside of the Company’s own networks. Further, the Directors are of the view that the joint venture will enhance the Group’s financial performance as a result of the potential additional business opportunities under its digital media segment from brand owners, broaden the scope of reach in viewers and customers and increase the Group’s sales of skateboard-related apparel, footwear and accessories on its e-commerce platform.

The tables below show the key financial information of The Berrics for/as at the period/date as set forth:

	For the nine months ended 31 December 2018 *HK$’000*
Revenue	8,440
Loss and total comprehensive expense for the period	(4,320)
Loss for the period attributable to equity holders of the Company	(2,203)

	As at 31 December 2018 *HK$’000*
Total assets	16,629
Current assets	4,200
Net assets	5,657

The Berrics generated revenue in the amount of approximately HK$8.4 million for the nine months ended 31 December 2018. It recorded operating loss of approximately HK$4.3 million during the same period.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress together with the utilisation of the net proceeds from the GEM Listing for the period from the GEM Listing Date to 31 December 2018 is set out below:

Objectives	Implementation plan	Actual business progress up to 31 December 2018	Use of proceeds
Enhance the content of the Group's digital media platforms	– enrich the Group's original digital media content by recruiting additional editors to join the Group's editorial department who will be responsible in expanding the variety of the content and provide continuous updates on the latest trends in fashion, lifestyle, culture and music on the Group's digital media platforms as well as customising the Group's digital media platforms for different language preferences;	To support (i) the Group's continued development in original digital media content creation for posting on the Group's websites and social media platforms; (ii) the development and operation of the Group's Hypebae and Hypekids platforms since the GEM Listing Date; and (iii) the content in multiple languages on the Hypebeast digital media platforms, the Group expanded its existing editorial department by employing 25 additional editors and editorial staff in Hong Kong and the United States and engaged the services of 31 additional freelance editors in the United Kingdom, Japan, the PRC, France, Taiwan and South Korea.	– Use of proceeds as stated in the Prospectus: HK$8.7 million – Actual use of net proceeds from the GEM Listing Date to 31 December 2018: HK$8.7 million
	– enhance the Group's production capabilities and quality advertising services through recruiting additional digital content and video production personnel for video editing and production management; and	The Group has recruited 34 additional digital content and video production personnel since the GEM Listing Date in both Hong Kong and the United States. With the enhanced quality of the Group's curated and customised editorial content, the number of unique visitors across the Group's Hypebeast, Hypebae, Hypekids and Popbee platforms grew from approximately 6.0 million MUVs in March 2016 to approximately 12.7 million MUVs in December 2018, representing an increase of approximately 111.7%. The number of unique visitors who visited the Group's language specific platforms, which deliver localised content in Traditional Chinese, Simplified Chinese, Japanese, Korean and French, grew from approximately 2.4 million MUVs in March 2016 to approximately 3.2 million MUVs in December 2018, representing an increase of approximately 33.3%.	

Objectives	Implementation plan	Actual business progress up to 31 December 2018	Use of proceeds
	– enhance the Group's data analytics capabilities in researching and analysing the preferences and needs of the Group's followers and visitors through recruiting additional data analysts	From the GEM Listing Date to 31 December 2018, the Group hired an additional seven data analysts to join the Group's data department who are responsible for analysing the preferences and needs of followers and visitors of the Group's platforms. The additional resources enhanced the Group's capacity and throughput in tracking and analysing key statistics and metrics such as the number of unique visitors, time spent on the Group's websites, number of pages per visit and average number of views across all of the Group's websites and social media platforms.	
Increase the Group's sales and marketing efforts	– organise marketing campaigns including social media marketing, placement of advertisements, and utilising marketing on search engines to raise the profile of the Group integrated digital platforms; and	Followers increased across the Group's webpages on Facebook, Instagram, Twitter, Weibo, WeChat and other social media platforms from approximately 5.8 million MUVs in March 2016 to approximately 21.0 million MUVs in December 2018, representing an increase of approximately 262.1% as a result of the Group's strategies on (i) delivering and engaging in platform - specific and customised content; and (ii) raising the Group's digital platform profile through strategic and focused spending on advertisements.	– Use of proceeds as stated in the Prospectus: HK$10.3 million – Actual use of net proceeds from the GEM Listing Date to 31 December 2018: HK$10.3 million
	– recruiting additional personnel for providing sales support to the Group's media customers (including brand owners and advertising agencies) in the provision of the Group's advertising services and support to the Group's digital marketing activities on social media platforms such as analysing the preference of the Group's followers, visitors and online shoppers of the Group's integrated media platforms so as to provide feedback to the Group's editorial department and procurement department	The Group recruited six additional sales executive in Hong Kong and the United States, and augmented the Group's marketing department with an addition of eight consultants in the United Kingdom, Japan, South Korea, Taiwan and the PRC. The Directors believe that the enhanced sales and marketing departments allowed the Group to monetise the growth of the Group's websites on social media platforms and the Group's platforms in pursuit of profitable growth.	

Objectives	Implementation plan	Actual business progress up to 31 December 2018	Use of proceeds
Improve the Group's working environment	– expand the Group's offices and warehouse through corresponding rental and leasehold improvements and purchase of new computers, photographic and video production equipment to accommodate the increase of the Group's headcount	The Group had leased additional office space where its headquarters is located. This expansion provides additional space for the Group's office and warehouse used by the Group's operations in Hong Kong. The gross floor area of the Group's warehouse increased from approximately 7,000 sq. ft. as at the GEM Listing Date to approximately 10,000 sq. ft. as at the date of this announcement, significantly enhancing the Group's storage capacity at the Group's warehouse to accommodate the Group's expanding e-commerce business. As at the date of this announcement, the gross floor area of the Group's headquarters is approximately 10,000 sq. ft. as compared to approximately 5,000 sq. ft. as at the GEM Listing Date. The Group remains committed in providing its staff with up-to-date technology and equipment to increase its productivity and capability and enhance the quality of its output. During the period from the GEM Listing Date to 31 December 2018, the Group invested approximately HK$3.2 million in office expansion, computer software, computer hardware and video and photography production equipment.	– Use of proceeds as stated in the Prospectus: HK$5.5 million – Actual use of net proceeds from the GEM Listing Date to 31 December 2018: HK$5.5 million
Enhance the Group's e-commerce platform	– improve the Group's data analytics capabilities through recruiting a data analyst marketing manager to analyse the preferences and therefore the demand of the Group's customers so as to plan for the purchase in the following season and enhancement of the Group's customer service to serve the Group's overseas customers in different time zones through recruiting a customer service officer; and	The Group's senior data and digital marketing manager is responsible for leading the analysis of key customers, reader-related and traffic-related data in support of improvements in user and customer engagement across the Group's platforms. Within the Group's data department, the Group committed a dedicated data analyst to the Group's HBX e-commerce platform, enhancing the Group's capability and throughput in the analysis of customer usage, behaviour, spending pattern and other key e-commerce related data. Working closely with the rest of management, the data department provides timely analysis and interpretation of data in support of strategic business decisions.	– Use of proceeds as stated in the Prospectus: HK$2.1 million – Actual use of net proceeds from the GEM Listing Date to 31 December 2018: HK$2.1 million

Objectives	Implementation plan	Actual business progress up to 31 December 2018	Use of proceeds
		The Group also invested in the Group's customer service capabilities by committing an assistant customer support manager based in the United States to facilitate engagement with the Group's e-commerce customers. The Group's customer service department offers full support in English, Mandarin and Cantonese during office hours (Hong Kong time), and customers are able to interact with the Group using different methods including email, live chat and voice call.	
	– enhance the Group's inventory system by the addition of automated features	The Group's information technology department continues to deliver dedicated support and upgrades to the Group's in-house custom-built inventory system. The Group added several key features to the Group's e-commerce system, including Apple Pay support, WeChat payment, and auto-sizing and recommendation functions which allow the Group to maintain a first-class customer experience as the Group endeavour to grow its e-commerce business and expand its offerings.	
Staff development	– provide external and internal training programs so as to promote staff retention and support the Group's business growth	The Group's human resources department is performing an assessment on the needs of the Group's employees across different functional groups for the purpose of developing and sourcing training programmes catered to their development goals and skill requirements. In December 2017, training on business policies and procedures was given to new staff by the Group's human resources department.	– Use of proceeds as stated in the Prospectus: HK$0.4 million – Actual use of net proceeds from the GEM Listing Date to 31 December 2018: HK$0.4 million
Working capital and general corporate purposes	– to be used as working capital and funding for other general corporate purposes according to the Group's business plans	The Group remains focused on maintaining and investing in the Group's working capital to fund the Group's business expansion and to enhance the Group's operating liquidity which facilitate the growth of the Group's business.	– Use of proceeds as stated in the Prospectus: HK$2.7 million – Actual use of net proceeds from the GEM Listing Date to 31 December 2018: HK$2.7 million

The net proceeds from the placing of new Shares as referred to in the Prospectus was approximately HK$29.7 million, all of which has been utilised as at 31 December 2018.

SUMMARY OF THE GROUP'S FINANCIAL PERFORMANCE

The following table sets forth the selected financial information of the Group for the three years ended 31 March 2018 and the nine months ended 31 December 2018:

	Year ended 31 March			Nine months ended 31 December	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000* (unaudited)
Revenue	151,863	217,620	385,079	291,028	487,381
Cost of revenue	(60,733)	(95,305)	(181,194)	(134,623)	(240,177)
Gross profit	91,130	122,315	203,885	156,405	247,204
Other gains and losses	(1,402)	(756)	1,780	1,093	(1,841)
Selling and marketing expenses	(31,422)	(48,616)	(83,643)	(64,651)	(109,649)
Administrative and operating expenses	(33,665)	(44,559)	(65,887)	(41,702)	(65,487)
Listing expenses	(15,561)	–	–	–	–
Professional fee relating to proposed transfer of listing	–	–	–	–	(5,361)
Finance costs	(293)	(323)	(288)	(232)	(401)
Share of result of a joint venture	–	–	(653)	–	(2,230)
Profit before tax	8,787	28,061	55,194	50,913	62,235
Income tax expenses	(4,571)	(4,756)	(10,023)	(8,805)	(12,298)
Profit for the year/period	4,216	23,305	45,171	42,108	49,937

Revenue

The following table sets forth the breakdown for revenue by segment for the three years ended 31 March 2018 and the nine months ended 31 December 2018:

	Year ended 31 March			Nine months ended 31 December	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000* (unaudited)
Digital media	95,347	150,393	259,863	206,728	306,779
E-commerce	56,516	67,227	125,216	84,300	180,602
	151,863	217,620	385,079	291,028	487,381

The following table sets forth the breakdown of revenue by geographical locations for the periods indicated:

	Year ended 31 March						Nine months ended 31 December			
	2016		**2017**		**2018**		**2017**		**2018**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000* (unaudited)	*%*
The US	82,588	54.4	112,783	51.8	157,086	40.8	126,410	43.4	186,843	38.3
Hong Kong	23,247	15.3	37,353	17.2	53,351	13.9	42,005	14.4	64,911	13.3
PRC	12,486	8.2	21,940	10.1	47,219	12.3	39,200	13.5	58,299	12.0
United Kingdom	17,462	11.5	16,979	7.8	33,169	8.6	23,903	8.2	37,122	7.6
South Korea	1,170	0.8	1,875	0.9	5,330	1.4	4,285	1.5	21,037	4.3
Japan	798	0.5	2,030	0.9	6,148	1.6	4,417	1.5	17,844	3.7
Canada	2,770	1.8	3,671	1.7	6,342	1.6	4,638	1.6	8,228	1.7
Singapore	3,171	2.1	2,541	1.2	5,079	1.3	3,271	1.1	10,391	2.1
Australia	2,568	1.7	3,717	1.7	5,449	1.4	4,185	1.5	6,711	1.4
Others *(Note)*	5,603	3.7	14,731	6.7	65,906	17.1	38,714	13.3	75,995	15.6
Total	151,863	100.0	217,620	100.0	385,079	100.0	291,028	100.0	487,381	100.0

Note: Others include sales to other countries which individually contributed less than 3% of the total revenue of the Group for each respective financial year or period.

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 the Group's digital media platforms. For the year ended 31 March 2017, there was an increase in the number of contracts that the Group had entered into with its customers as compared to the same period in 2016. In addition, the average contract value of these service contracts remained relatively stable for the year ended 31 March 2016 and 2017 respectively.

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 (i) the increase in revenue from provision of advertising services to brand owners and advertising agencies on the Group's digital media platforms; (ii) the increase in the average contract value of contracts and the number of contracts entered into with the Group's customers; and (iii) the growth in sales volume of third-party branded apparel on the Group's e-commerce platform, resulting from the increased sales orders from the Group's customers.

The Group's revenue increased from approximately HK$291.0 million for the nine months ended 31 December 2017 to approximately HK$487.4 million for the nine months ended 31 December 2018, representing a growth of approximately 67.5%. Such increase was mainly due to increase in scope and quantity of the provision of advertising and creative agency services to brand owners and advertising agencies on the Group's digital media platforms, as well as growth in sales volume of third-party branded apparel on its e-commerce platform.

Revenue from digital media segment

Digital media segment primarily represents advertising services including the provision of advertising spaces and creative agency services. Revenue from advertising services is recognised on a straight-line basis over the period of publicity.

The following table sets forth the breakdown of revenue from digital media segment by service type for the periods indicated:

	Year ended 31 March			Nine months ended 31 December	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	(unaudited)
Provision of advertisement spaces	86,895	126,108	189,009	149,512	209,952
Creative agency services	7,691	22,571	68,943	56,017	95,325
Publication of magazine	761	1,714	1,911	1,199	1,418
Others	–	–	–	–	84
Total	95,347	150,393	259,863	206,728	306,779

The following table sets forth the breakdown of revenue from digital media segment by platform type for the periods indicated:

	Year ended 31 March			Nine months ended 31 December	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	(unaudited)
Hypebeast	85,591	138,509	238,871	190,684	285,115
Hypebae	5,558	3,945	7,440	4,543	10,906
Hypekids	–	–	2,219	2,173	711
Popbee	4,198	7,939	11,333	9,328	10,047
	95,347	150,393	259,863	206,728	306,779

The following table sets forth the selected operational data for digital media segment for the periods indicated:

	Year ended 31 March			Nine months ended 31 December	
	2016	**2017**	**2018**	**2017**	**2018**
				(unaudited)	(unaudited)
Revenue *(HK$'000)*	95,347	150,393	259,863	206,728	306,779
Number of contracts	465	697	889	635	921
Average contract value *(HK$'000)*	205	216	292	326	333

The Group's revenue for digital media services increased continuously for the three years ended 31 March 2018 and the nine months ended 31 December 2018 with the continuous increase in terms of the number of contracts. The Group also recorded an increase in average contract value during the three years ended 31 March 2018 and the nine months ended 31 December 2018, which had contributed to the increase in revenue for the digital media segment. The aggregate number of MUVs across the Hypebeast, Hypebae, Hypekids and Popbee platforms increased from approximately 6.0 million in March 2016 to approximately 12.7 million in December 2018, which had driven the increase in number of impressions achieved by the advertisements posted on the Group's platforms and had attracted more advertisers and marketers to use its digital media services. The significant increase in revenue from the provision of creative agency services for the year ended 31 March 2018 and the nine months ended 31 December 2018 were mainly due to the Group's effort to consolidate its various creative service offerings under a unified brand "Hypemaker" in early 2017 to collaborate with brands in delivering bespoke advertising and creative agency services, including but not limited to creative conceptualisation, technical production and campaign execution in the development and creation of digital media based content which are designed and created based on the preferences of the Group's customers. Since the launch of the services, the Group has established itself as a quality bespoke service provider and the Group was able to continuously secure contracts from its clients of larger scale and with higher contract value. As the visitor and subscriber following increased, the Directors believe that the Hypemaker creative agency service has since then made significant progress in its scope and size of engagements with new and existing advertisers.

Revenue from e-commerce segment

Revenue from the e-commerce segment is recognised when goods are delivered and title has passed, once the goods have left the Group's warehouse. The following table sets forth the breakdown of revenue, number of items sold and average selling price from the e-commerce segment for the periods indicated:

	Year ended 31 March			Nine months ended 31 December	
	2016	**2017**	**2018**	**2017**	**2018**
				(unaudited)	(unaudited)
E-commerce					
Revenue *(HK$'000)*	56,516	67,227	125,216	84,300	180,602
No. of items sold	138,052	150,308	214,852	152,190	233,139
Average selling price *(HK$/item)*	409	447	583	561	775
Average value per order *(HK$/order)*	1,054	1,183	1,149	1,155	1,413
Average number of items per order *(items/order)*	2.6	2.6	2.0	2.0	1.8

The Group's revenue from e-commerce increased continuously for the three years ended 31 March 2018 and the nine months ended 31 December 2018 with both the increase in sales volume and the average selling price during the periods. The average value per order and the average number of items per order remained relatively stable during the respective periods.

The Group recorded significant increase in revenue, amounting to 86.3%, under its e-commerce segment for the year ended 31 March 2018 as compared to the same period in 2017. The increase was mainly because (i) the Group had included the sale of apparels of a number of new third-party brands on its e-commerce platform in the year ended 31 March 2018, among which one of the new brands introduced in 2017 became the top-selling brand for the year ended 31 March 2018; (ii) there was an increase in number of items sold on its e-commerce platform, from approximately 150,000 items sold for the year ended 31 March 2017 to approximately 215,000 for the same period in 2018; and (iii) the average selling price per order had also increased to HK$583 per item for the year ended 31 March 2018 from HK$447 per item for the same period in 2017.

Revenue from the e-commerce segment increased significantly to HK$180.6 million for the nine months ended 31 December 2018 as compared to HK$84.3 million for the same period in the previous year, which was mainly due to (i) an increase in number of items sold on its e-commerce platform, from approximately 152,000 items sold for the nine months ended 31 December 2017 to approximately 233,000 items sold for the same period in 2018; and (ii) the increase in the average selling price per order from HK$561 per item for the nine months ended 31 December 2017 to HK$775 per item for the same period in 2018.

The Directors are of the view that the significant increase in revenue for the Group's e-commerce segment for the year ended 31 March 2018 and the nine months ended 31 December 2018 was also attributable to (i) improvement in on-site experience; (ii) implementation of focused marketing strategies; (iii) engagement of device-users and customers; and (iv) improvement in the prestige and breadth of brands offered.

The Group has been improving on-site experience through various methods, including but not limited to revamping its HBX website for improvements in design, layout, presentation and usability, extending payment options such as WeChat Pay and Apple Pay, introducing the archives section and expansion of the women's and kid's sections offering a wider breadth of products. Further, the Group has focused on more targeted traffic, including marketing promotions based on inventory levels and geographic locations (such as catering to country specific events and holidays such as Single's Day in the PRC and Thanksgiving in the United States).

The Group also focused on engaging mobile device users in addition to website users in order to cater to an increasing shift to mobile-based online shopping amongst the demographic of customers. The Group developed native in-app functions such as additional payment solutions, enhanced navigation and browsing and improved user interactions with certain social media platforms. Further, the Group had engaged in mobile-exclusive marketing strategies such as cross promotion with technology partners to increase exposure of its mobile app on platform app stores and offering coveted products exclusively through the mobile app to drive engagement of customers using mobile devices.

The Group believes the improvement in website usability, a more focused approach in its marketing and promotion strategies, increase in engagement of mobile users and improvement in its brand offerings were also key drivers for the increase in the number of orders and items sold on the HBX e-commerce platform during the three years ended 31 March 2018 and the nine months ended 31 December 2018.

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 production costs of advertising services to provide quality and tailor-made production to clients; and (ii) the increase in direct staff costs for the purpose of current and future expansion and development.

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 production costs of creative agency services to provide quality and tailor-made production to clients; and (ii) the increase in direct staff costs for the purpose of current and future expansion and development.

The Group's cost of revenue increased from approximately HK$134.6 million for the nine months ended 31 December 2017 to approximately HK$240.2 million for the nine months ended 31 December 2018, representing an increase of approximately 78.5%. Such increase was mainly attributable to the increase in (i) product and inventory related costs to support growth in the Group's e-commerce business; (ii) campaign production costs to deliver high quality, bespoke content, for its creative agency; and (iii) direct staff costs to support increases in the size of the Group's contracts and level of production within its contractual pipeline for the period.

Gross profit and gross profit margin

The following table sets forth the breakdown for gross profit and gross profit margin by segment for the three years ended 31 March 2018 and the nine months ended 31 December 2018:

	Year ended 31 March						Nine months ended 31 December			
	2016		2017		2018		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000* (unaudited)	*%*
Digital media	64,001	67.1	91,326	60.7	145,585	56.0	115,862	56.0	163,437	53.3
– Hypebeast	56,929	66.5	84,346	60.9	132,680	55.5	106,174	55.7	150,136	52.7
– Hypebae	4,715	84.8	2,648	67.1	5,380	72.3	3,055	67.2	7,678	70.4
– Hypekids	–	–	–	–	1,864	84.0	1,834	84.4	557	78.3
– Popbee	2,357	56.1	4,332	54.6	5,661	50.0	4,799	51.4	5,066	50.4
E-commerce	27,129	48.0	30,989	46.1	58,300	46.6	40,543	48.1	83,767	46.4
Overall	91,130	60.0	122,315	56.2	203,885	52.9	156,405	53.7	247,204	50.7

The following table sets forth the gross profit and gross profit margin for major service types from the digital media segment for the periods indicated:

	Year ended 31 March						Nine months ended 31 December			
	2016		2017		2018		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000* (unaudited)	*%*
Provision of advertisement spaces	59,617	68.0	81,862	64.0	121,627	63.7	83,205	55.7	116,310	55.4
Creative agency services	4,384	57.0	9,464	41.9	23,958	34.8	32,657	58.3	47,127	49.4
Total	64,001	67.1	91,326	60.7	145,585	56.0	115,862	56.0	163,437	53.3

The gross profit margin for the provision of creative agency services was relatively lower, which was mainly attributable to the Group incurring additional production costs for rendering the creative agency services and media projects which included pre-production and post-production video shooting and editing and photography retouching in view of its wide scope of services as well as bespoke nature involving professional staff and equipment.

The decrease in gross profit margin for the provision of creative agency services during the three years ended 31 March 2018 and the nine months ended 31 December 2018 was mainly due to the consolidation of the Group's various creative service offerings under a unified brand "Hypemaker" which began in early 2017. In line with the increase in the scope and size of engagement of the creative agency service offerings, the Group incurred more production costs during the inception phase of the "Hypemaker" brand due to its bespoke nature, including the increase in the cost of recruitment of professional staff and the costs of production materials, equipment and travel and communication expenses.

The decrease in gross profit margin for the provision of advertisement spaces during the three years ended 31 March 2018 and the nine months ended 31 December 2018 was mainly due to the higher staff costs as a percentage of revenue for the provision of advertisement spaces, as a result of the growth in headcount in editorial staff to manage the Group's increased editorial content on multiple digital media platforms during the Track Record Period, the increase in average staff costs in line with expansion in the breadth of scope of the Group's target audience as well as the enrichment and enhancement of its digital media content in the Group's expanded integrated digital media platforms.

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 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 (i) the Group provided more tailor-made creative agency services which entailed relatively lower gross profit margin due to higher production costs incurred; and (ii) the Group endeavoured to enhance its digital media production capability by employing more production staff from 41 for the year ended 31 March 2016 to 53 for the year ended 31 March 2017.

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 overall gross profit margin slightly 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 due to the decrease in gross profit margin in the digital media segment as a result of (i) the increase in provision of creative agency services which had relatively lower gross profit margin compared to the provision of advertising spaces due to its more bespoke nature; and (ii) the increase in production staff from 53 for the year ended 31 March 2017 to 99 for the year ended 31 March 2018 in order to enhance the content of the Group's digital media platforms.

Gross profit of the Group increased by approximately 58.1% from approximately HK$156.4 million for the nine months ended 31 December 2017 to approximately HK$247.2 million for the nine months ended 31 December 2018. The overall gross profit margin decreased from approximately 53.7% for the nine months ended 31 December 2017 to approximately 50.7% for the nine months ended 31 December 2018 and was mainly due to the decrease in gross profit margin in the digital media segment as a result of an increase in the provision of creative agency services which had relatively lower gross profit margin compared to the provision of advertising spaces due to its more bespoke nature; and a higher percentage of revenue derived from the e-commerce business, which had comparatively lower margins.

The Group believes a key factor behind its revenue and business expansion is its ability and capability in offering bespoke advertising services which include both the provision of advertising spaces as well as creative agency services. Through offering a full suite of advertising services supported by the "Hypebeast" brand, the Group had been able to capture a wider scope of business opportunities from brand owners and companies, which had contributed to the increase in number of contracts and average contract value for the three years ended 31 March 2018 and the nine months ended 31 December 2018.

While gross profit for creative agency services is relatively lower as compared to the provision of advertising spaces, the Directors are of the view that the expansion in revenue base attributable to the provision of creative agency services has assisted and will assist the growth of the scale of operation of the Group and its financial results. The Directors are of the view that, since the introduction of the "Hypemaker" branded creative services in early 2017, the Group has continuously increased its scope of services and size of engagement in relation to its creative agency services with the setup of a larger professional production team and the build up of the Group's track record. As the Group gains more experience in production and increases its efficiency and effectiveness in organising production campaigns of greater scale and becomes accustomed to take into account the expected gross profit margin for the purpose of preparing for quotations of the Group's service offerings, gross profit and gross profit margin for the Group's digital media segment are expected to remain stable and improve in the long run as compared to the results recorded during the three years ended 31 March 2018 and the nine months ended 31 December 2018.

Selling and marketing expenses

Selling and marketing expenses primarily consist of advertising and social media marketing expenses and staff costs for the Group's sales and marketing department. Selling and marketing expenses amounted to HK$31.4 million, HK$48.6 million, HK$83.6 million and HK$109.6 million for the three years ended 31 March 2018 and the nine months ended 31 December 2018, which accounted for 20.7%, 22.3%, 21.7% and 22.5% of total revenue for the same periods respectively.

Selling and marketing expenses of the Group increased by approximately 54.8% 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. The increase was attributable to the higher usage of such advertisement and promotion and third-party consultancy services and the increase in staff employed during the year ended 31 March 2017 to drive current and future business expansion.

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. The increase was due to (i) the higher investment cost incurred in social media marketing to support platform growth, in particular, for the promotion of the Hypebae and Hypekids platforms; (ii) the increase in the number of staff employed during the year ended 31 March 2018 to drive current and future business expansion, in particular, for the provision of creative agency services which required experienced personnel in the production of creative content and campaign organisation; and (iii) the increase in sales commission resulting from the business growth.

Selling and marketing expenses of the Group increased by approximately 69.4% from approximately HK$64.7 million for the nine months ended 31 December 2017 to approximately HK$109.6 million for the nine months ended 31 December 2018. The increase in selling and marketing expenses was attributable to the increase in (i) investment in the Group's social media marketing and advertising to support digital and e-commerce platforms' growth and exposure; (ii) associated distribution charges with the growth in the Group's e-commerce business; (iii) commission paid for the increases in the size of its contracts and level of production within its contractual pipeline for the period; and (iv) investment in new headcounts within the Group's sales and marketing team to drive current and future business development and revenue expansion.

Administrative and operating expenses

Administrative and operating expenses mainly consist of staff costs, professional fees, freelancers costs and other costs and expenses. Administrative and operating expenses amounted to HK$33.7 million, HK$44.6 million, HK$65.9 million and HK$65.5 million for the three years ended 31 March 2018 and the nine months ended 31 December 2018, which accounted for 22.2%, 20.5%, 17.1% and 13.4% of total revenue for the same periods respectively.

Administrative and operating expenses of the Group increased by approximately 32.3% 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. The increase was attributable to the increase in staff costs, staff headcount, bonus payment and freelancers costs to drive current and future business expansion during the year ended 31 March 2017.

Administrative and operating expenses of the Group increased by approximately 47.8% 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. The increase was attributable to the increase in administrative and operating staff headcount at the Group's headquarters from 27 as at 31 March 2017 to 37 as at 31 March 2018 to drive current and future business expansion during the year ended 31 March 2018.

Administrative and operating expenses of the Group increased by approximately 57.1% from approximately HK$41.7 million for the nine months ended 31 December 2017 to approximately HK$65.5 million for the nine months ended 31 December 2018. The increase was mainly attributed to the increase in (i) staff headcount to support the expansion of the Group; (ii) rental and utilities cost for the new headquarters in Hong Kong and other local offices located in the US and UK; (iii) travel cost to support the Group's global business; and (iv) stock-based compensation in relation to option granted to employees.

Professional fee relating to proposed transfer of listing

There was approximately HK$5.4 million in one-off legal and professional fees paid for the Transfer of Listing recorded in the nine months ended 31 December 2018 while no such cost was recognised for the three years ended 31 March 2018 and the nine months ended 31 December 2017.

Income tax expenses

Income tax expenses 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.

Income tax expenses 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.

Income tax expenses for the Group increased from approximately HK$8.8 million for the nine months ended 31 December 2017 to approximately HK$12.3 million for the nine months ended 31 December 2018. The increase was mainly due to the increase in profit before tax, especially in other jurisdictions with relatively higher tax rate, during the relevant period.

The effective tax rates for the three years ended 31 March 2018 and the nine months ended 31 December 2018 were approximately 52.0%, 16.9%, 18.2% and 19.8%, respectively. The significantly high effective tax rate for the year ended 31 March 2016 was mainly attributable to the tax effect from the listing expenses incurred which were not deductible for tax purpose. For the two years ended 31 March 2018 and the nine months ended 31 December 2018, the effective tax rates were higher than the statutory tax rate in Hong Kong which was mainly due to the higher tax rates in the U.S. and the U.K., which the Group also had operations.

Profit for the year/period

Profit for the year increased by approximately 454.8% 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 GEM 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 GEM Listing of the Group of approximately HK$15.6 million for the year ended 31 March 2016, profit for the corresponding year was approximately HK$19.8 million. Excluding the one-off expenses for the GEM listing of the Group, the net profit margin was 13.0% and 10.7% for the year ended 31 March 2016 and 2017 respectively. The decrease was mainly attributable to the decrease in gross profit margin as mentioned above.

Profit for the year increased by approximately 94.0% 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. 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 primarily attributable to management's cost control initiatives, which was partially offset by more tailor-made creative agency services provided which entailed lower gross profit margin for the year ended 31 March 2018. The Group intends to focus on driving margin growth alongside business and topline expansion.

Profit for the period increased by approximately 18.6% from approximately HK$42.1 million for the nine months ended 31 December 2017 to approximately HK$49.9 million for the nine months ended 31 December 2018. Such increase was primarily attributable to the increase in revenue and gross profit as well as effective corporate cost management for the nine months ended 31 December 2018. Despite this, excluding the one-off expenses for the Transfer of Listing of HK$5.4 million and losses relating to business integration for The Berrics of HK$2.2 million for the Group incurred during the nine months ended 31 December 2018, the net profit margin decreased from 14.5% for the nine months ended 31 December 2017 to 10.2% for the nine months ended 31 December 2018, which was mainly attributable to the increase in operating expenses incurred for the expansion of business as mentioned in previous sections.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had total assets of approximately HK$333.2 million (31 March 2018: HK$199.9 million), which were financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$140.0 million (31 March 2018: HK$58.7 million) and approximately HK$193.2 million (31 March 2018: HK$141.2 million), respectively. The total interest-bearing loans and interest-bearing bank borrowings of the Group as at 31 December 2018 were approximately HK$27.8 million (31 March 2018: HK$4.7 million), and current ratio as at 31 December 2018 was approximately 2.3 times (31 March 2018: 3.2 times).

Consolidated Statement of Financial Position

	As at 31 March			As at 31 December
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	2,475	4,640	5,478	9,863
Rental deposits	4,051	456	1,014	5,923
Interest in a joint venture	–	–	5,234	3,005
	6,526	5,096	11,726	18,791
Current assets				
Inventories	12,910	11,817	28,990	56,962
Trade and other receivables	40,333	57,013	98,631	186,042
Amount due from a joint venture	3,060	–	133	5,330
Pledged bank deposits	–	5,001	1,881	6,405
Bank balances and cash	9,179	67,931	58,581	59,870
	65,482	141,762	188,216	314,609
Current liabilities				
Trade and other payables	32,421	45,663	47,104	96,036
Amount due to a related party	122	–	–	–
Obligation under finance lease				
– due within one year	–	–	272	–
Bank borrowings				
– due within one year	11,292	5,013	4,663	27,775
Tax payables	2,325	1,631	6,223	16,200
	46,160	52,307	58,262	140,011
Net current assets	19,322	89,455	129,954	174,598
Total assets less current liabilities	25,848	94,551	141,680	193,389

	As at 31 March			As at 31 December
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Obligation under finance lease				
– due after one year	–	–	261	–
Deferred tax liabilities	97	221	170	170
	97	221	431	170
Net assets	25,751	94,330	141,249	193,219
Capital and reserves				
Share capital	1	20,000	20,000	20,000
Share premium	–	25,275	25,275	25,275
Reserves	25,750	49,055	95,974	147,944
	25,751	94,330	141,249	193,219

The Group's net current assets increased continuously at each period end from HK$19.3 million as at 31 March 2016 to HK$174.6 million as at 31 December 2018 which was mainly due to the continuous increase in working capital in support of business growth.

Inventories

The Group's inventories principally comprise third-party apparel and footwear for resale to end customers. The balance of the Group's inventories was HK$12.9 million, HK$11.8 million, HK$29.0 million and HK$57.0 million as at 31 March 2016, 2017 and 2018 and 31 December 2018, respectively. The significant increase in inventories as at 31 March 2018 and 31 December 2018 was mainly due to the increase in customers' demand reflective of the significant increase in sales volumes and revenue from the Group's e-commerce business.

The following table sets forth the turnover days of inventories for the periods indicated.

	Year ended 31 March			Nine months ended 31 December
	2016	**2017**	**2018**	**2018**
Average inventory turnover days *(note)*	162	135	123	122

Note: Average inventory turnover days is calculated using the arithmetic mean of the beginning and closing balances of inventories for the relevant year/period divided by cost of goods sold for the relevant year/period and multiplied by 365/275 days in the relevant year/period.

The Group's average inventory turnover days improved during the three years ended 31 March 2018 mainly due to more products for popular brands being offered on the Group's e-commerce platform in line with its strategy to enhance its e-commerce platform by improving its services and delivering trend-focused product offerings to the Group's customers. The Group's average turnover days of inventory slightly decreased from 123 days for the year ended 31 March 2018 to 122 days for the nine months ended 31 December 2018, which is reflective of steady and effective stock management throughout the nine months ended 31 December 2018.

In addition to pricing and promotional strategies, the Group monitors various metrics in relation to its inventories such as sell-through, gross margin by product, product performance, stock turns and inventory aging to ensure inventory balances are properly and actively managed relative to sales performance, and to ensure there are no significant unsold inventory. The Group does not anticipate recording any significant write-offs or valuation adjustments in relation to its inventory balance.

As at 31 January 2019, HK$9.4 million or 18.0% of inventories as at 31 December 2018 had been sold.

Trade and other receivables

The following table sets forth the components of the Group's trade and other receivables as at the dates indicated:

	As at 31 March			As at 31 December
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Trade receivables	34,276	53,581	85,832	152,764
Advances to staff	141	99	604	1,331
Rental and utilities deposits	588	465	3,969	5,922
Prepayment and others	1,227	2,868	8,226	10,932
Event prepayment	–	–	–	15,093
Deferred listing expenses	4,101	–	–	–
	40,333	57,013	98,631	186,042

Trade and other receivables of the Group as at 31 March 2016, 2017 and 2018 and 31 December 2018 amounted to approximately HK$40.3 million, HK$57.0 million, HK$98.6 million and HK$186.0 million, respectively. The increase from approximately HK$40.3 million as at 31 March 2016 to approximately HK$57.0 million as at 31 March 2017 was mainly attributable to the increase in sales for the year ended 31 March 2017. Trade and other receivables of the Group increased from approximately HK$57.0 million as at 31 March 2017 to approximately HK$98.6 million as at 31 March 2018 primarily due to the increase in sales for the year ended 31 March 2018. Trade and other receivables of the Group increased from HK$98.6 million as at 31 March 2018 to HK$186.0 million as at 31 December 2018, which was mainly due to (i) the increase in trade receivables of HK$66.9 million over the period reflective of the increase in revenue from the Group's digital media business; (ii) increase in prepayments for the renovation of new offices and retail premise in the US and other receivables of HK$2.7 million; and (iii) the one-off event prepayments of HK$15.1 million relating to an event the Group hosted in New York City which featured retail activations from 54 brands from around the world.

The following table sets forth the aging analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date as at the dates indicated:

	As at 31 March			As at 31 December
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Within 60 days	26,187	41,159	47,042	124,862
61 – 90 days	2,044	5,974	25,128	7,426
91 – 180 days	5,598	4,648	10,374	15,432
181 – 365 days	447	1,712	1,842	4,762
Over 365 days	–	88	1,446	282
Total	34,276	53,581	85,832	152,764

As at 31 March 2016, 2017 and 2018 and 31 December 2018, trade receivables of HK$19.3 million, HK$26.8 million, HK$58.7 million and HK$56.1 million, respectively, were past due but not impaired. The Directors confirm that these related to customers with no significant financial difficulty and based on the Group's experience, the Directors were of the view that no impairment allowance was necessary in respect of these overdue balances as the balances were considered fully recoverable.

The table below sets forth the Group's turnover days of trade receivables as at the dates indicated:

	Year ended 31 March			Nine months ended 31 December
	2016	**2017**	**2018**	**2018**
Average turnover days of trade receivables *(Note)*	55	74	66	67

Note: Average turnover days of trade receivables is calculated using the average balance of trade receivables divided by revenue for the relevant year/period and multiplied by 365/275 days in the relevant year/period. Average balance of trade receivables is the arithmetic mean of the beginning and the ending balance for the relevant year/period.

The Group's average turnover days of trade receivables remained relatively stable ranging from 55 days to 74 days during the three years ended 31 March 2018. As at 31 January 2019, approximately HK$43.6 million or 28.5% of trade receivables as at 31 December 2018 had been settled. No provisions have been made by the Group. The Group's average turnover days of trade receivables remained relatively stable, increasing slightly to 67 days as at 31 December 2018 compared to 66 days as at 31 March 2018.

Trade and other payables

The following table sets forth the components of the Group's trade and other payables as at the dates indicated:

	As at 31 March			As at 31 December
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Trade payables	3,937	5,757	7,245	11,593
Deferred revenue	44	5,187	360	–
Commission payables	3,363	3,001	4,044	12,102
Listing expenses payable	9,923	–	–	–
Accrual for production cost	7,113	19,050	18,189	34,033
Accrual for staff bonus	2,598	5,299	2,023	12,406
Other payables and accrued expenses	5,443	7,369	15,243	25,902
	32,421	45,663	47,104	96,036

Trade and other payables of the Group increased from approximately HK$32.4 million as at 31 March 2016 to approximately HK$45.7 million as at 31 March 2017 was mainly attributable to the Group's business expansion. Trade and other payables of the Group remained relatively stable at approximately HK$45.7 million and HK$47.1 million as at 31 March 2017 and 2018 respectively. Trade and other payables of the Group increased from HK$47.1 million as at 31 March 2018 to HK$96.0 million as at 31 December 2018, which was mainly attributable to the increase in (i) trade payables of HK$4.3 million primarily as a result of the improvement in cash management as the renegotiation and readjustment of payment terms and pattern with the Group's vendors; (ii) commission payables of HK$8.1 million and accrual for production cost of HK$15.8 million over the period reflective of the increase in the size of the Group's contracts and level of production within its contractual pipeline; and (iii) accrual for staff bonus of HK$10.4 million to be distributed for the staff contribution during the nine months ended 31 December 2018.

Trade payables primarily related to purchase of inventories. The suppliers generally offered the Group a credit period of 30 days. The table below sets forth the Group's turnover days of trade payables as at the dates indicated:

	Year ended 31 March			**Nine months ended 31 December**
	2016	**2017**	**2018**	**2018**
Average turnover days of trade payables (Note)	61	53	39	27

Note: Average turnover days of trade payables is calculated using the average balance of trade payables divided by cost of goods sold for the relevant year/period and multiplied by 365/275 days in the relevant year/period. Average balance of trade payables is the arithmetic mean of the beginning and the ending balance for the relevant year/period.

The Group's average turnover days of trade payables decreased as at 31 December 2018 mainly due to the timely settlement of payables to maintain credit management and enhance business relationship with suppliers. As at 31 January 2019, approximately HK$9.0 million or 77.6% of the Group's trade payables as at 31 December 2018 had been settled.

Bank borrowings

The Group's bank borrowings recorded approximately HK$11.3 million, HK$5.0 million, HK$4.7 million and HK$27.8 million as at 31 March 2016, 2017 and 2018 and 31 December 2018, respectively, and such bank borrowings were due within one year. The balance as at 31 December 2018 was secured by a deposit pledge and bore interest at rates ranging from 2.30% to 4.25% per annum. In addition to the pledged bank deposits, as at 31 December 2018, the Group's bank borrowings with carrying amount of approximately HK$27.8 million was guaranteed by a corporate guarantee of the Company.

GEARING RATIO

The gearing ratio of the Group as at 31 December 2018 was approximately 14.4% (31 March 2018: 3.3%; 31 March 2017: 5.3%; and 31 March 2016: 43.9%), which increased significantly as the Group increased its usage of bank borrowings for its e-commerce operation during the nine months ended 31 December 2018. 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.

COMMITMENT

The contractual commitments of the Group were primarily related to the leases of its office premises and the Director's quarters. The Group's operating lease commitments amounted to approximately HK$101.0 million as at 31 December 2018 (31 March 2018: HK$34.9 million; 31 March 2017: HK$3.4 million; 31 March 2016: HK$4.2 million). Such increase was mainly related to the lease entered into by the Group on 21 June 2018 for its office and retail premise in the US.

MATERIAL ACQUISITIONS AND DISPOSALS OF BUSINESSES

Save as disclosed under the section headed "Business update — Establishment of the joint venture company" in relation to The Berrics, the Group did not have other material acquisition or disposals of corporate interests or businesses during the three years ended 31 March 2018 and the nine months ended 31 December 2018 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed a total of 263 employees (31 December 2017: 246 employees). The staff costs of the Group (including salaries, allowances, other benefits and contribution to defined contribution retirement plan) for the nine months ended 31 December 2018 were approximately HK$84.8 million (nine months ended 31 December 2017: HK$61.0 million).

The remuneration package for the Group's employees generally includes salary and bonuses. The Group's employees also receive welfare benefits, including retirement benefits, occupational injury insurance, medical insurance and other miscellaneous items. The Group conducts annual review of the performance of the Group's employees for determining the level of bonus, salary adjustment and promotion of the Group's employees. The Group also conducts research on the remuneration packages offered for similar positions in Hong Kong in order to keep the Group's remuneration packages at a competitive level. The Company has also adopted the Post-IPO Share Option Scheme which has become effective upon the GEM Listing. The Post-IPO Share Option Scheme is designed to provide incentives and rewards to the Group's employees.

SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries, the Group did not hold any significant investments during the three years ended 31 March 2018 and the nine months ended 31 December 2018.

MAJOR RISKS AND UNCERTAINTIES

The Directors believe that the risk management practices are important and endeavour with their best effort to ensure it is sufficient to mitigate the risks present in the Group's operations and financial position as efficiently and effectively as possible. Set forth below are the major risks and uncertainties faced by the Group's business:

The Group's business depends on its ability to offer digital media content and online retail products that attract visitors and online shoppers

The Group's future growth depends on the Group's ability to retain visitors to the Group's websites and social media platforms, as well as the Group's ability to continue to attract new online shoppers and gain purchases from the Group's e-commerce platform. Constantly changing fashion trends and consumer preferences have affected and will continue to affect the Group's business. To maintain the Group's attractiveness, the Group's websites and social media platforms need to be constantly updated to provide the latest trends in fashion, lifestyle, culture and music. If the Group fails to update the Group's websites and social media platforms regularly, readers may lose interest in the Group's online platforms and may not return again to look for information on new products.

Further, if privacy concerns or regulatory restrictions prevent the Group from collecting or using data the Group collected in the course of the Group's business to analyse consumer preference or if there are any defects in the Group's data analytic model, the Group's prediction on consumer behaviour may not be accurate. With regard to the accuracy of the Group's data, the Group relies on the information provided by the Group's registered users or online shoppers as well as information obtained by monitoring the Group's visitors' browsing behaviour. The Group does not verify the authenticity of all such data. If the information that the Group collects is materially inaccurate or false, this may also adversely affect the Group's prediction on market trends as well as the Group's business implementation and monetisation strategies. If the Group does not stay abreast of constantly changing consumer preferences and anticipate product trends that will appeal to existing and potential visitors and online shoppers or fail to identify and respond to such trends, it could result in decreased number of visitors and online shoppers and reduced attractiveness of the Group's websites as a marketing platform for advertisers. This may in turn lead to significant adverse effects on the Group's business, financial condition and results of operations.

The Group depends on the Internet traffic to its websites for the operation of its business

The Group's Hypebeast, Hypebae, Popbee and Hypekids websites, together with the Group's social media platforms, attract a large number of readers by featuring up-to-date fashion, lifestyle, culture and music trends that are appealing to millennials. Through the Internet, the Group's websites as well as the advertisements on these websites are delivered to followers and visitors of the Group's platforms around the globe. The Directors believe that the Group's digital media customers choose the Group for its ability to deliver the advertising materials to their target viewers. As such, the revenue from the Group's digital media business depends on the Group's ability to attract Internet traffic to the Group's websites. In addition, sales from the Group's e-commerce segment also depend heavily on the number of Internet users browsing the Group's e-commerce platform. In view of the importance of Internet traffic to the Group's websites and e-commerce platform, should there be (i) any reduction in the number of followers and visitors of the Group's websites and e-commerce platform; (ii) any decrease in the popularity of the Group's websites and e-commerce platform in the markets the Group operates; (iii) any failure by the Group or third parties to make improvement, upgrades or enhancement to the Group's websites and e-commerce platform in a timely manner; (iv) any lasting or prolonged severe interruption due to network failures or other factors; or (v) any other adverse developments specific to the Group's websites and e-commerce platform, the Group's business, financial condition and results of operations could be adversely affected.

The Group relies on its e-commerce suppliers to supply goods to the Group for sale on the Group's e-commerce platform

The Group generally plans its procurement for the Group's e-commerce platform approximately three to six months before the commencement of each fashion season. Generally, the Group does not enter into any long term contracts with suppliers of the Group's e-commerce platform. Such arrangement gives the Group flexibility in deciding the brands and types of products to procure for the next season, which involves consideration on the forthcoming market trends and the popularity of the brands as revealed by the Group's market analysis. Further, due to the Group's brand recognition and relationship with suppliers, favourable terms were offered by some of the Group's suppliers such as consignment sale arrangements, discounted prices and extended credit periods.

The Group may also experience delays in or not be able to replenish the Group's popular items if they are sold out quickly and the Group's suppliers may impose a maximum order volume on the Group's orders. The Group cannot guarantee that its suppliers will continue to provide goods to the Group and will provide the goods in an amount that is sufficient to meet the demand of the Group's e-commerce customers. The Group's agreements with its suppliers typically do not restrict its suppliers from selling products to other buyers or distributors. The

Group also cannot guarantee that the Group's suppliers will continue to offer products to the Group on commercially attractive terms. Even if the Group maintains good relationships with its suppliers, they may be unable to remain in business due to economic conditions, labour actions, regulatory or legal decisions, natural disasters or other causes. In the event that the Group is unable to source products at all or at favourable terms, the revenue and operation of its e-commerce segment may be materially affected.

The Group generally does not enter into long term business contracts with its customers

As the Group's contracts with the Group's digital media customers are generally on an individual project basis, the Group generally does not enter into any long term business contracts with its digital media customers. Accordingly, the Group may not be able to make accurate estimation as to its future revenue streams and there is no assurance that the Group will maintain or increase the level of its business with existing or potential customers. Should the Group's digital media customers decide to reallocate their budgets and choose the Group's competitors due to the market conditions or the Group fails to provide attractive digital media content and pricing structures to attract or retain customers or any other factors, the demand for the Group's services may not grow or may even decline and the Group's business, results of operations and financial condition may be materially and adversely affected.

The Group also does not enter into any long term contracts with its e-commerce customers. Should the Group's e-commerce customers change their shopping behaviour or the Group fails to offer goods which are appealing to its customers for sale on the Group's e-commerce platform, the Group's business results of operations and financial condition may be materially and adversely affected.

The Group's business depends on its ability to maintain its existing relationship with brand owners and advertising agencies and its ability to attract new digital media customers to place advertisements with the Group

The Group provides advertisement spaces and services to high-profile international brand owners and their advertising agencies. The Group's ability to continue to grow its revenue and profit will depend in large on expanding the Group's business with current digital media customers and attracting new ones. The Group relies on its reputation in the industry as well as its websites' viewing statistics to attract brand owners and advertising agencies to place advertisements with the Group. The Group cannot guarantee that its digital media platforms will remain attractive. Moreover, because some of the Group's digital media customers located overseas work in time zones different to the Group's Hong Kong office, the Group has engaged consultants to handle and deal with its overseas digital media customers on a day-to-day basis. If the Group's consultants no longer work for the Group or if the Group is not able to hire new consultants with similar capabilities, it may be difficult for the Group to maintain the relationship with its overseas customers. Further, the number of current digital media customers may not expand further and may even decline. The Group also cannot guarantee that it would secure new digital media customers to advertise on its platforms. If the Group is unable to attract new visitors and maintain or increase consumer traffic to its websites or various digital media platforms, the Group's potential digital media customers may not use, and existing digital media customers may not continue to use the Group's solutions for their promotional campaigns, and the Group's sales may decrease and its operating results will be adversely affected.

The Group's international footprint exposes the Group to a variety of different local legal, regulatory, tax, payment, and cultural standards which the Group might fail to comply with

While the Group's physical presence is largely concentrated in Hong Kong, the Group's websites and social media platforms can be viewed by Internet users around the world. For the Group's e-commerce platform, the Group sources its offering of fashion products from various countries including the US, Germany, France and Japan and the Group had sold its goods to customers globally. Therefore, the international scope of the Group's operations exposes it to several types of complexities that increase the risks associated with its business, including but not limited to:

- the need to serve its overseas customers with different cultural backgrounds and time zones resulting in difficulties in maintaining relationships with them;

- the need to effectively adjust the Group's business to target the local markets, including the offering of country-specific websites in foreign languages (the Group's Hypebeast website is available in Traditional and Simplified Chinese, Japanese, Korean, French and English);

- different local laws and regulations, including those relating to consumer protection, data privacy, labour, intellectual property, licensing, tax, trade and customs duties or other trade restrictions;

- the potential for unexpected changes in legal, political or economic conditions in the countries from which the Group sources or into which the Group sells;

- exposure to liabilities under various anti-corruption and anti-money laundering laws; and

- fluctuations in foreign exchange rates against the Hong Kong dollar.

If the Group fails to manage these risks adequately, or if one or more of these risks materialises, this could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

The Group may not be able to sustain the growth of revenue and profitability that the Group experienced previously

The Group experienced significant growth in its revenue and profitability for the three years ended 31 March 2018 and the nine months ended 31 December 2018 and will implement plans to sustain the growth momentum of its business. However, the Group had experienced a drop in the overall gross profit margin for the three years ended 31 March 2018 and the nine months ended 31 December 2018. The Group's overall gross profit margin dropped from approximately 60.0% for the year ended 31 March 2016 to approximately 52.9% for the year ended 31 March 2018. The overall gross profit margin of the Group further decreased to approximately 50.7% for the nine months ended 31 December 2018. The Group also experienced a drop in gross profit margin in each of the digital media segment and e-commerce segment for the three years ended 31 March 2018 and the nine months ended 31 December 2018. For detailed reasons for the drop in gross profit margin of the Group, please refer to the paragraph headed "Summary of the Group's financial performance — Gross profit and gross profit margin" in this announcement. External factors affecting the development of, and which may add uncertainty to, the Group's business including but are not limited to the economic conditions of the US, the EU, Asia and Hong Kong, the general industry trend, the consumption behaviour of consumers and government policies. The Group cannot guarantee that it could recruit the required skilled persons for the growth of its business at a reasonable cost. In addition, the growth and expansion of the Group's business will require significant managerial, financial and human resources and may result in significant expenditures incurred by the Group, which may or may not be recoverable, and may divert management's attention from other business concerns. There is no assurance that the Group will successfully implement the Group's strategies or that the Group's strategies, even if implemented, will result in the Group achieving its objectives. In the event that the Group fails to implement efficiently the aforementioned measures to sustain the growth of the Group's revenue and profitability or the Group fails to secure recurring business from the Group's media service and e-commerce customers, the Group's business operations and financial conditions may be adversely affected.

Any unauthorised use of the Group's 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 the Group's business and reputation

The Group regards its brand, trademarks, copyright in the digital content and other intellectual property rights as critical to its success. The Group has developed Hypebeast into a strong and well-recognised brand in the digital media and fashion industry. The Directors believe that many digital media customers approached the Group for its advertising services because of the reputation and strong brand image. The Group also believes that the followers and visitors of its platforms are attracted to the digital media platforms because of the quality digital content created by the Group's editorial teams. These visitors and followers may access the Group's HBX e-commerce platform via the link on the Hypebeast website and become the Group's e-commerce customers. The Group's continuing success and growth of both the digital media and e-commerce segments therefore depend on the Group's ability to protect and promote its brand, trademarks, copyright and other intellectual property rights. As at the date of this announcement, the Group owned certain copyrights in relation to its digital media content and advertising materials, including artistic works (such as artworks and photos), films (such as videos) or literary works (such as text) and a total of 28 trademarks in the US, Hong Kong, the EU, Australia, Canada the PRC and South Korea and 22 domain names. Unauthorised use of the intellectual properties by third parties may adversely affect the business and reputation of the Group. For example, competitors and other third parties may imitate the Group's brand or infringe its trademark by using an identical brand name or trademark or by creating brand names or inventing keywords that are confusingly similar to those owned by the Group. It may also be possible for third parties to obtain and use the Group's copyrighted materials, such as articles and blog posts on the Group's digital media platforms, without authorisation. Preventing such unauthorised use of intellectual property is inherently difficult. If the Group is unable to prevent such unauthorised use, competitors and other third parties may drive visitors and followers away from the Group, which could harm the reputation and materially and adversely affect the results of operations of the Group.

The Group generally relies on trademark and copyright laws to protect its intellectual property rights. However, the validity, enforceability and scope of protection of intellectual property in Internet-related industries could be uncertain. In particular, the laws in certain other countries may not offer intellectual property protection to the same extent as the laws of Hong Kong. In the future, if suspected infringement arises, litigation may be necessary to enforce the Group's intellectual property rights and to protect its intellectual properties. Future litigation could result in substantial costs and diversion of resources. As at the date of this announcement, the Group has applied for the trademark registration of 13 trademarks in Hong Kong, the U.S., the PRC, the EU, Japan, the United Kingdom and Canada. However, there is no assurance that these applications for trademark registration will eventually be approved or that the Group would be granted exclusive rights to use these marks as registered trademarks. If the trademarks cannot be registered, or if the registration process is delayed, such trademarks may be infringed, which may materially and adversely affect the Group's business, prospects, results of operations and financial condition. In addition, there is no assurance that the use of the trademarks by the Group will not infringe the intellectual property rights of any other third party or in breach of the laws of Hong Kong, the US, the PRC or other jurisdictions before the registration process is completed. Any claim in relation to the use of trademark by the Group, made or threatened to be made against it, in the future, regardless of merits, could result in litigation and could adversely and materially affect the business, results of operations and financial conditions of the Group.

Rapid changes in fashion trends, consumer preferences and spending patterns may affect the Group's e-commerce business and result in obsolete or slow-moving inventories

The sale of the Group's products on its e-commerce platform is subject to fashion trends, consumer preferences and spending patterns which may change rapidly. The Group's ability to analyse and predict fashion trends precisely as well as its ability to respond in a timely manner will determine the level of success of the Group's e-commerce business and growth rate. In addition, demand for products can change significantly between the time when inventories are ordered and they are sold. As such, the Group's customers may not order the products selling on its e-commerce platform in the quantities that the Group expects. If the Group fails to anticipate, identify or respond to changes in consumer preferences in a timely manner, the Group may experience a reduced demand for the products selling on its e-commerce platform, a lower level of revenue and an increased level of inventory turnover days as well as inventory obsolescence. Further, if the Group fails to manage its inventories effectively, the Group may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, the Group may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins or a loss. High inventory levels may also require the Group to commit substantial capital resources, preventing the Group from using that capital for other important purposes. As such, the Group's results of operations, financial performance and business could be materially and adversely affected.

RECENT DEVELOPMENT

The Directors confirm that subsequent to 31 December 2018 and up to the date of this announcement, there is no unfavourable trend or development which may have a material adverse impact on the Group's business and financial performance.

There has not been any change since the GEM Listing Date to the Group's principal business of (i) the provision of advertising services to brand owners and advertising agencies; and (ii) the sale of third-party branded clothes, shoes and accessories on its e-commerce platform. As far as the Directors are aware, there had not been material changes in the overall economic and market conditions in the media and e-commerce industries that would otherwise have materially and adversely affected the Group's business operation or financial conditions.

Furthermore, to keep pace with the Group's expansion, the Group entered into a tenancy agreement with an Independent Third Party on 2 May 2018 in respect of leasing premises for the Group's new corporate headquarters with a gross floor area of approximately 24,655 sq. ft. situated in Kwai Chung, Hong Kong for a term of 42 months commencing from 16 October 2018 to 15 April 2022. The annual rental expenses for the new corporate headquarters is approximately HK$7.0 million.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has obtained all licences, permits, approvals and certificates necessary to conduct its business operations during the three years ended 31 March 2018 and up to the date of this announcement. During the three years ended 31 March 2018 and up to the date of this announcement, the Group had complied with the relevant laws and regulations in relation to its business in all material respects and there were no material breaches or violations of the laws or regulations applicable to the Group that would have a material adverse effect on its business or financial condition taken as a whole.

WORKING CAPITAL

The Directors are of the opinion that, and the Sponsor concurs, after taking into account the Group's cash generating capabilities, internal resources and existing facilities available to the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this announcement.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that subsequent to the three years ended 31 March 2018 and up to the date of this announcement, there has been no material adverse change in the financial or trading position or prospects of the Group and there have been no trends or developments which may have a material adverse impact on the Group's business operations or financial performance.

SHAREHOLDING CHANGES

Between 3 July 2017 and 6 October 2017, CORE Capital, one of the Controlling Shareholders disposed of an aggregate of 15,000,000 Shares, representing approximately 0.75% of the issued share capital of the Company, to an Independent Third Party, which is an off-market transaction. In addition, Mr. Ma Pak Wing Kevin, one of the executive Directors and Controlling Shareholders had acquired 4,160,000 Shares through the Stock Exchange, representing 0.21% of the issued share capital of the Company as at the date of this announcement.

After the aforementioned transactions in relation to the Shares, the shareholding information of the Group as at the date of this announcement is set forth in the table below:

Name of shareholder	Nature of interest	Number of ordinary Shares	Percentage of total issued Shares *(Note 1)*
Mr. Ma Pak Wing Kevin *(Note 2)*	Interest in a controlled corporation	1,485,000,000	74.25%
Mr. Ma Pak Wing Kevin	Beneficial owner	4,160,000	0.21%
Ms. Lee Yuen Tung Janice *(Note 3)*	Interest of spouse	1,489,160,000	74.46%
CORE Capital	Beneficial owner	1,485,000,000	74.25%

Notes:

1. The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at the date of this announcement.

2. These Shares are held by CORE Capital, a controlled corporation of Mr. Ma Pak Wing Kevin.

3. Ms. Lee Yuen Tung Janice is deemed to be interested in 1,489,160,000 Shares through the interest of her spouse, Mr. Ma Pak Wing Kevin.

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 ended 31 March 2018.

COMPETING BUSINESS

As at the date of this announcement, none of the executive Directors or Controlling Shareholders or their respective close associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rules 8.10(1) and 8.10(2) of the Main Board Listing Rules.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company discloses below the biographical information of each Director and members of senior management:

Directors

Executive Directors

Mr. Ma Pak Wing Kevin (馬柏榮), aged 36, 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 Board.

Mr. Ma is a director of CORE Capital, a Controlling Shareholder. He is primarily responsible for the overall management, business direction and development strategies of the Group. Mr. Ma has over nine 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 HBX, the Group's e-commerce platform 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. Mr. Ma was recognised as one of the members of Business of Fashion 500 for people shaping the global fashion industry in 2013 to 2017. Mr. Ma is the husband of Ms. Lee Yuen Tung Janice, an executive Director.

Save as disclosed above, Mr. Ma (i) did not hold any other directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position in the Group; and (iii) does not have any relationship with any Directors, senior management, substantial Shareholders or Controlling Shareholders of the Company.

As at the date of this announcement, Mr. Ma has certain interests in the Shares. For further details, please refer to the section headed "Shareholding changes" in this announcement.

Mr. Ma has entered into a service agreement with the Company commencing on 18 March 2016 which has no fixed term of director's service and shall continue unless and until terminated by either party giving to the other notice in writing, but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company. For the year ended 31 March 2018, Mr. Ma received a Director's fee of HK$600,000 and salaries, allowances and other benefits of approximately HK$2.6 million and HK$18,000. His Director's fee is fixed by the Board while his annual salary is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

Save as disclosed above, there are no other matters concerning Mr. Ma that need to be brought to the attention of the holders of the securities of the Company nor any information required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Main Board Listing Rules.

Ms. Lee Yuen Tung Janice (李苑彤), aged 36, was appointed as an executive Director on 18 March 2016 and as the compliance officer of the Company with effect from 9 November 2016. Ms. Lee joined the Group as an editor-in-chief on 14 February 2008 and established the Group's Popbee website that targets Asian female millennials. She is responsible for the day-to-day operations of the Group's Popbee website including leading its editorial team and marketing. Ms. Lee has over nine 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.

Save as disclosed above, Ms. Lee (i) did not hold any other directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position in the Group; and (iii) does not have any relationship with any Directors, senior management, substantial Shareholders or Controlling Shareholders of the Company.

As at the date of this announcement, Ms. Lee is deemed to be interested in certain Shares. For further details, please refer to the section headed "Shareholding changes" in this announcement.

Ms. Lee has entered into a service agreement with the Company commencing on 18 March 2016 which has no fixed term of director's service and shall continue unless and until terminated by either party giving to the other notice in writing, but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company. For the year ended 31 March 2018, Ms. Lee received a Director's fee of HK$360,000 and salaries, allowances and other benefits of approximately HK$1.2 million and HK$18,000. Her Director's fee is fixed by the Board while her annual salary is determined by the Board from time to time with reference to her contribution in terms of time, effort and her expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

Save as disclosed above, there are no other matters concerning Ms. Lee that need to be brought to the attention of the holders of the securities of the Company nor any information required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Main Board Listing Rules.

Independent Non-executive Directors

Ms. Kwan Shin Luen Susanna (關倩鸞), aged 51, was appointed as an independent non-executive Director on 18 March 2016. Ms. Kwan is a member of the audit committee and nomination committee of the Board. Ms. Kwan served as an independent non-executive director of New Media Group Holdings Limited (currently known as Evergrande Health Industry Group Limited) (stock code: 0708), previously a media company, from January 2008 to March 2015; and as an independent non-executive director of Emperor Entertainment Hotel Limited (stock code: 0296), an entertainment company, since August 2015. Ms. Kwan has been holding the position of head of legal and compliance at Fosun Hani Securities Limited, a securities, finance and investment company, since August 2016. Previously, Ms. Kwan was the head of legal and compliance at Core Pacific – Yamaichi International (H.K.) Limited, a finance and investment company from October 2015 to August 2016 and the vice president of legal and compliance of AMTD Group Company Limited, a financial institution, from August 2011 to September 2015. Prior to holding in-house positions, Ms. Kwan practiced as a solicitor in Hong Kong at a number of law firms between 1993 and 2010. Ms. Kwan worked as a trainee solicitor in London between August 1990 and November 1991 and as an articled clerk in Hong Kong between January 1992 and January 1993. Ms. Kwan obtained a bachelor of laws degree in August 1989 from The London School of Economics and Political Science of the University of London, United Kingdom. Ms. Kwan was admitted as a solicitor in Hong Kong in 1993 and a solicitor in England and Wales in 1994.

Ms. Poon Lai King (潘麗琼), aged 55, was appointed as an independent non-executive Director 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 Board. She has over 18 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 management consultancy business under the business name Impact Communications Company in 2012. From January 2013 to December 2016, Ms. Poon served as an arts consultant for the Hong Kong Arts Development Council. Ms. Poon has been appointed as an arts assessor (arts criticism and dance) for the Hong Kong Arts Development Council for a term from January 2018 to June 2020. Ms. Poon joined Next Magazine Publishing Limited in January 2000 as an editor. Ms. Poon then served as the deputy editor-in-chief at East Week in the news department of Sing Tao Management Services Limited, between March 2004 and December 2005; and subsequently at Next Magazine Publishing Limited between December 2005 and September 2006. Ms. Poon obtained a bachelor of arts degree in November 1985 and a master of arts degree in November 1991 from the University of Hong Kong.

Mr. Wong Kai Chi (黃啟智), aged 47, was appointed as an independent non-executive Director on 18 March 2016. Mr. Wong is also the chairman of the audit committee and a member of the remuneration committee of the Board. Since October 2017, Mr. Wong has been serving as the chief operations officer, chief human resources and I.T. officer at Tianda Group Limited. From 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 finance and accounting professional field, in which he has advanced to a Fellow Certified Practising Accountant (Australia) in March 2015. Prior to joining the Group, he was a financial analyst of GE Consumer & Industrial at General Electric International Inc., a subsidiary of General Electric Company ("**GEC**") which is a company listed on the New York Stock Exchange, being responsible for accounting, budgeting and financial analysis from August 1998 to June 2004; a vice-president, financial controllership and accounting of GE Capital (Hong Kong) Limited, a former unit of GEC, from September 2004 to April 2007; the Head of Finance and Operations (Asia Pacific) of Key Equipment Finance Asia Limited, part of a US financing company from May 2007 to December 2009, and the finance manager of Wells Fargo Bank, National Association, Hong Kong branch, from December 2009 to November 2013, being responsible for all accounting and finance matters of the Asia Pacific region. Wells Fargo Bank, National Association, is a subsidiary of Wells Fargo which is a company listed on the New York Stock Exchange. Mr. Wong obtained a bachelor of commerce degree in July 1996 from Monash University, Australia. Subsequently, he obtained a master of business administration degree in August 2005 from Deakin University, Australia through distance learning.

Save as disclosed above, each of Ms. Kwan Shin Luen Susanna, Ms. Poon Lai King and Mr. Wong Kai Chi (i) did not hold any other directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position in the Group; and (iii) does not have any relationship with any Directors, senior management, substantial Shareholders or Controlling Shareholders of the Company.

As at the date of this announcement, each of Ms. Kwan, Ms. Poon and Mr. Wong does not have, and is not deemed to have, any interests in the Shares or underlying Shares within the meaning of Part XV of the SFO.

Each of Ms. Kwan, Ms. Poon and Mr. Wong received an appointment letter from the Company for their respective appointment as an independent non-executive Director for an initial term of three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company. For the financial year ended 31 March 2018, (i) Ms. Kwan received a Director's fee of HK$144,000 for being a Director and a member of each of the audit committee and nomination committee of the Board; (ii) Ms. Poon received a Director's fee of HK$144,000 for being a Director, the chairman of the remuneration committee of the Board and a member of each of the audit committee and nomination committee of the Board; and (iii) Mr. Wong received a Director's fee of HK$144,000 for being a Director, the chairman of the audit committee of the Board and a member of the remuneration committee of the Board. The Director's fee of each of Ms. Kwan, Ms. Poon and Mr. Wong is fixed by the Board while their respective annual salary, if any, is determined by the Board from time to time with reference to his/her contribution in terms of time, effort and his/her expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the relevant Director.

Save as disclosed above, there are no other matters concerning Ms. Kwan, Ms. Poon and Mr. Wong that need to be brought to the attention of the holders of the securities of the Company nor any information required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Main Board Listing Rules.

Senior management

Ms. Cheung Nga Man (張雅敏), aged 38, joined the Group as Finance Manager since 12 May 2014 and is now the Group's Financial Controller and Company Secretary. Ms. Cheung 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 12 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 became a Certified Public Accountant and member of the Hong Kong Institute of Certified Public Accountants in February 2010.

Mr. Huan Khoa Nguyen, aged 41, has been with the Group since 1 June 2014 and is currently the Group's Vice President, Head of Brand Partnerships, North America. Mr. Nguyen has extensive experience working in new media, from video on demand (VOD) to digital media. Mr. Nguyen manages a team of account executives that are responsible for working with brand partners in the US. Mr. Nguyen obtained a bachelor of arts degree in psychology from the University of California, Los Angeles in March 2001.

Mr. Wong Hung Sui Sean (王鴻遂), aged 34, joined the Group as a Marketing Coordinator on 11 February 2013 and is currently the Group's Vice President of Retail. 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 (黃家恒), aged 36, joined the Group as a Finance Director on 18 October 2016 and is currently the Group's Vice President of Finance. Mr. Wong is primarily responsible for the financial management of the Group, including accounting, business support, strategic planning and analysis, budgeting and forecasting, mergers and acquisitions and investor relations. Mr. Wong began his professional career with PricewaterhouseCoopers in Vancouver and has more than 11 years of finance and leadership experience working with top-tier, global enterprises in Canada, the United Kingdom and Hong Kong. Mr. Wong obtained a bachelor of business administration degree from Simon Fraser University, Canada in October 2005, and was admitted as a member of both the Chartered Professional Accountants of British Columbia and The Institute of Chartered Accountants in England and Wales in December 2009 and May 2017, respectively.

Mr. Yeung Ka Yue (楊家儒), aged 30, joined the Group on 1 January 2011 as a Programmer and is currently the Group's Director of Engineering. Mr. Yeung is primarily responsible for leading the Group's engineering department and overall web development. Mr. Yeung possesses over six 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 the Group's senior management has held any directorship in any publicly listed company during the last three preceding years.

COMPANY SECRETARY

Ms. Cheung Nga Man has been appointed as the Company Secretary on 9 March 2016. For details of her biography, please refer to the paragraph headed "Senior management" above in this announcement.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the respective websites of the Company at *hypebeast.xyz* and of the Stock Exchange at *www.hkexnews.hk*:

i. the Directors' report and annual report of the Company for the year ended 31 March 2018;

ii. the first quarterly report of the Company for the three months ended 30 June 2017;

iii. the interim report of the Company for the six months ended 30 September 2017;

iv. the third quarterly report of the Company for the nine months ended 31 December 2017;

v. the first quarterly report of the Company for the three months ended 30 June 2018;

vi. the interim report of the Company for the six months ended 30 September 2018;

vii. the third quarterly report of the Company for the nine months ended 31 December 2018;

viii. the memorandum of association and the articles of association of the Company;

ix. the circulars of the Company dated 29 June 2018 and 30 June 2017 in relation to general mandates to repurchase and issue shares, proposed re-election of the retiring directors and notice of annual general meeting; and

x. announcements and other corporate communications made by the Company prior to the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

"**app(s)**"	software application(s) that can be downloaded and operated on computing devices, usually mobile devices such as mobile phones and tablet computers
"**Board**"	the board of directors of the Company
"**CCASS**"	the Central Clearing and Settlement System established and operated by HKSCC
"**CCASS Operational Procedures**"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"**Company**"	Hypebeast Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are currently listed and traded on GEM of the Stock Exchange (stock code: 08359)
"**Contribution Agreement**"	the contribution agreement dated 8 February 2018 (Pacific Standard Time) entered into between The Berrics, the JV Partner, Hypebeast, Inc. and the founding members of the JV Partner, in relation to the formation of The Berrics
"**Controlling Shareholders**"	has the meaning ascribed to it under the Main Board Listing Rules, and, in the context of this announcement, means the controlling shareholder(s) of the Company namely, Mr. Ma Pak Wing Kevin and CORE Capital
"**CORE Capital**"	CORE Capital Group Limited, a company incorporated in the BVI with limited liability on 6 August 2015 and wholly-owned by Mr. Ma Pak Wing Kevin. CORE Capital is one of the Controlling Shareholders

"**digital media**"	digitised content, such as text, graphs, audio and video, which can be created, viewed, modified and preserved on computers or transmitted over the internet. Examples include websites, apps, mobile sites, social media platforms and search engines
"**Directors**"	the directors of the Company
"**EU**"	the European Union, a political-economic union between countries that cover much of Europe
"**Euro**"	the lawful currency of the EU
"**follower(s)**"	user(s) who is/are part of a subscriber list that tracks a particular person, group, organisation, company or webpage, etc. on a social media website or application
"**GEM**"	GEM of the Stock Exchange
"**GEM Listing**"	the listing of the Shares on GEM on the GEM Listing Date
"**GEM Listing Date**"	11 April 2016, on which dealings in the Shares first commenced on GEM
"**GEM Listing Rules**"	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
"**General Rules of CCASS**"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"**Group**"	the Company and its subsidiaries
"**HKSCC**"	the Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"**HK$**"	Hong Kong dollars, the lawful currency of Hong Kong

"**Hong Kong**"	Hong Kong Special Administrative Region of the PRC
"**Hypebeast, Inc.**"	Hypebeast, Inc., a subsidiary of the Company incorporated in Delaware, the United States as a limited liability company
"**Independent Third Party(ies)**"	party(ies) which is/are independent of the Group and the connected persons of the Company
"**JV Agreement**"	the joint venture agreement dated 8 February 2018 (Pacific Standard Time) entered into between Hypebeast, Inc. and the JV Partner in relation to the formation of The Berrics
"**JV Partner**"	The Berrics, LLC, a company incorporated in California, the United States with limited liability
"**Main Board**"	the securities market (excluding the options market) operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"**Main Board Listing Rules**"	the Rules Governing the Listing of Securities on the Stock Exchange
"**millennials**"	a generation of the population who reached their adulthood around the turn of the 21st century. There is no precise date which prescribes when the generation starts and ends but birth years ranging from the early 1980s to the early 2000s are generally used to define millennials
"**MUVs**"	monthly unique visitors, the number of individuals requesting webpages from a website in a month. Such number of individuals may duplicate if they visit the website through different IP addresses
"**OFAC**"	The Office of Foreign Assets Control of the US Department of the Treasury
"**Pacific Standard Time**"	the standard time in a zone that includes the State of California, the United States

"**Post-IPO Share Option Scheme**"	the post-IPO share option scheme conditionally adopted by the Company on 18 March 2016
"**PRC**"	the People's Republic of China
"**Pre-IPO Share Option Scheme**"	the pre-IPO share option scheme conditionally adopted by the Company on 18 March 2016
"**Prospectus**"	the prospectus of the Company dated 31 March 2016
"**Sanctioned Countries**"	countries which are subject to international sanctions, including Russia, Ukraine, Belarus and the Balkans
"**Sanctioned Person(s)**"	certain person(s) and entity(ies) listed on OFAC's Specially Designated Nationals and Blocked Persons List or other restricted parties' lists maintained by the EU, the United Nations, Canada or Australia
"**Share(s)**"	ordinary share(s) of nominal value of HK$0.01 each in the share capital of the Company
"**Share Option Schemes**"	the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme
"**Shareholder(s)**"	holder(s) of Shares
"**South Korea**"	the Republic of Korea
"**Stock Exchange**"	The Stock Exchange of Hong Kong Limited
"**The Berrics**"	The Berrics Company, LLC, the joint venture company established in Delaware, the United States with limited liability on 28 December 2017
"**Transfer of Listing**"	the proposed transfer of the listing of the Shares from GEM to Main Board
"**unique visitors**"	the number of individuals requesting webpages from a website at least once during a given period, regardless of how often they visit

"**United States**" or "**US**"	the United States of America
"**US$**"	United States dollars, the lawful currency of the United States
"**%**"	per cent

By order of the Board
Hypebeast Limited
Ma Pak Wing Kevin
Chairman

Hong Kong, 28 February 2019

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. Kwan Shin Luen Susanna, Ms. Poon Lai King and Mr. Wong Kai Chi.

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.

The English text of this announcement shall prevail over the Chinese text in case of inconsistencies.