

*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.*

# **HYPEBEAST**

## **Hypebeast Limited**

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

**(Stock Code: 00150)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019**

#### **ANNUAL RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Hypebeast Limited (the “**Company**”) is pleased to present the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2019, together with the audited comparative figures for the year ended 31 March 2018, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Revenue	3	672,192	385,079
Cost of revenue		<u>(336,838)</u>	<u>(181,194)</u>
Gross profit		335,354	203,885
Other gains and losses		(653)	2,014
Selling and marketing expenses		(152,719)	(83,643)
Administrative and operating expenses		(92,734)	(65,887)
Professional fee relating to transfer of listing		(7,402)	–
Impairment loss recognised on trade receivables		(681)	(234)
Finance costs		(615)	(288)
Share of result of a joint venture		<u>(3,901)</u>	<u>(653)</u>
Profit before tax		76,649	55,194
Income tax expense	5	<u>(14,851)</u>	<u>(10,023)</u>
Profit for the year	6	61,798	45,171
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>13</u>	<u>(1)</u>
Total comprehensive income for the year		<u>61,811</u>	<u>45,170</u>
Earnings per share	8		
– Basic (HK cent)		<u>3.09</u>	<u>2.26</u>
– Diluted (HK cent)		<u>3.04</u>	<u>2.25</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property, plant and equipment		9,837	5,478
Rental deposits		2,308	1,014
Interest in a joint venture		1,333	5,234
		<u>13,478</u>	<u>11,726</u>
Current assets			
Inventories		67,802	28,990
Trade and other receivables	9	173,894	98,631
Contract assets	10	8,936	–
Amount due from a joint venture		6,715	133
Pledged bank deposits		6,723	1,881
Bank balances and cash		55,727	58,581
		<u>319,797</u>	<u>188,216</u>
Current liabilities			
Trade and other payables	11	89,662	47,104
Contract liabilities	12	3,215	–
Obligation under finance lease – due within one year		–	272
Bank borrowings – due within one year		26,990	4,663
Tax payables		7,088	6,223
		<u>126,955</u>	<u>58,262</u>
Net current assets		<u>192,842</u>	<u>129,954</u>
Total assets less current liabilities		<u>206,320</u>	<u>141,680</u>

	NOTE	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Obligation under finance lease – due after one year		–	261
Deferred tax liabilities		<b>353</b>	170
		<u>353</u>	<u>170</u>
		<b>353</b>	431
		<u>353</u>	<u>431</u>
<b>Net assets</b>		<b><u>205,967</u></b>	<u>141,249</u>
<b>Capital and reserves</b>			
Share capital	13	<b>20,000</b>	20,000
Share premium		<b>25,275</b>	25,275
Reserves		<b>160,692</b>	95,974
		<u>160,692</u>	<u>95,974</u>
		<b>205,967</b>	141,249
		<u>205,967</u>	<u>141,249</u>

## NOTES:

### 1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 25 September 2015. The Company's shares were first listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 April 2016 and have been transferred from the GEM to the Main Board of the Stock Exchange on 8 March 2019 pursuant to the approval granted by the Stock Exchange on 28 February 2019.

Its registered office is located at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands. The address of its principal place of business is located at 10/F, KC100, 100 Kwai Cheong Road, Kwai Chung, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of digital content and website advertisement spaces and operation of online stores. Its parent and ultimate holding company is CORE Capital Group Limited ("**CORE Capital**"), a private company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Ma Pak Wing Kevin ("**Mr. Ma**").

The consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), which are the same as the functional currency of the Company.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**")

#### **New and amendments to HKFRSs that are mandatorily effective for the current year**

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

## **New and revised HKFRSs and interpretation to HKFRSs issued but not yet effective**

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

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>5</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> Effective for business combination and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2020

### 3. REVENUE

Segments	Digital Media		E-Commerce		Total	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of goods through online stores	–	–	238,477	120,145	238,477	120,145
Commission fee from consignment sales	–	–	3,046	5,071	3,046	5,071
Provision of advertising spaces	282,684	189,009	–	–	282,684	189,009
Provision of services for creative agency projects	146,029	68,943	–	–	146,029	68,943
Publication of magazines	1,956	1,911	–	–	1,956	1,911
<b>Total revenue from contracts with customers</b>	<b>430,669</b>	<b>259,863</b>	<b>241,523</b>	<b>125,216</b>	<b>672,192</b>	<b>385,079</b>
<b>Geographical markets</b>						
Hong Kong	44,640	39,285	47,035	14,066	91,675	53,351
The People's Republic of China (the "PRC")	82,852	27,249	23,821	19,970	106,673	47,219
United States ("US")	171,086	128,087	50,533	28,999	221,619	157,086
Other countries	132,091	65,242	120,134	62,181	252,225	127,423
<b>Total</b>	<b>430,669</b>	<b>259,863</b>	<b>241,523</b>	<b>125,216</b>	<b>672,192</b>	<b>385,079</b>
<b>Timing of revenue recognition</b>						
A point in time	110,039	53,498	241,523	125,216	351,562	178,714
Over time	320,630	206,365	–	–	320,630	206,365
<b>Total</b>	<b>430,669</b>	<b>259,863</b>	<b>241,523</b>	<b>125,216</b>	<b>672,192</b>	<b>385,079</b>

### 4. SEGMENT INFORMATION

Information reported to the Chief Executive Officer ("CEO") of the Group, being the chief operating decision maker ("CODM") for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered, or service provided. The CEO has chosen to organise the Group's results according to the category of the business segment and differences in nature of the goods and services that each segment delivers. No operating segments identified by CODM have been aggregated in arriving at the reportable segments of the Group.

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

- Digital media segment – Provision of advertising spaces, provision of services for creative agency projects and publication of magazines
- E-commerce segment – Operation of online retail platform for the sale of third-party branded clothing, shoes and accessories

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

**Year ended 31 March 2019**

	<b>Digital media</b> <i>HK\$'000</i>	<b>E-commerce</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Segment revenue – external customers:			
Provision of advertising services	428,713	–	428,713
Publication of magazines	1,956	–	1,956
Operation of online retail platform (Note)	–	241,523	241,523
	<u>430,669</u>	<u>241,523</u>	<u>672,192</u>
Total segment revenue			
	<u>430,669</u>	<u>241,523</u>	<u>672,192</u>
Segment results	<u>107,390</u>	<u>21,152</u>	128,542
Finance costs			(615)
Share of result of a joint venture			(3,901)
Share-based payment expense			(2,907)
Professional fee relating to transfer of listing			(7,402)
Unallocated expenses			<u>(37,068)</u>
Profit before tax			<u>76,649</u>

**Year ended 31 March 2018**

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



Note: Included in revenue from operation of online retail platform for each of the years ended 31 March 2019 and 2018, total amount of commission fee from consignment sales are HK\$3,046,000 and HK\$5,071,000 respectively. The remaining amount of HK\$238,477,000 and HK\$120,145,000 respectively represents sales of goods through the online retail platform.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of finance costs, share of result of a joint venture, share-based payment expense, professional fee relating to transfer of listing and other unallocated expenses including depreciation expenses, rental expenses and directors' remuneration that are not directly attributable to segments as disclosed in the above tables. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

## 5. INCOME TAX EXPENSE

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Current tax:		
Hong Kong Profits Tax		
– current year	<b>13,609</b>	9,034
– overprovision in prior year	<b>(1,414)</b>	–
Other jurisdictions	<b>2,473</b>	1,040
Deferred tax:		
Charge (credit) for the year	<b>183</b>	(51)
	<b><u>14,851</u></b>	<b><u>10,023</u></b>

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands (the “BVI”) pursuant to the rules and regulations in those jurisdictions.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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

## 6. PROFIT FOR THE YEAR

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration	<b>2,554</b>	5,208
Other staff costs		
– salaries and allowances	<b>100,242</b>	74,182
– discretionary bonus	<b>10,434</b>	9,811
– retirement benefits scheme contribution	<b>4,912</b>	2,919
– share-based payment expenses	<b>2,907</b>	1,749
Total directors and other staff costs	<b>121,049</b>	93,869
Auditor's remuneration	<b>1,370</b>	1,100
Cost of inventories recognised as expense (included in cost of revenue)	<b>120,979</b>	60,560
Depreciation of property, plant and equipment	<b>2,755</b>	1,823
Website content update expense (Note)	<b>2,121</b>	2,746
Write-down of inventories	<b>319</b>	755

Note: Amounts represent expenses incurred and paid to freelance bloggers for content update in the web pages and were recorded as “administrative and operating expenses”.

## 7. DIVIDENDS

Subsequent to the end of the reporting period, a special dividend in respect of the year ended 31 March 2019 of HK0.242 cents (2018: nil) per ordinary share, in an aggregate amount of HK\$4,840,000 (2018: nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

## 8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 March 2019 and 2018 is based on the following data:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<b><u>61,798</u></b>	<u>45,171</u>
	<b>2019</b> <i>'000</i>	2018 <i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,000,000</b>	2,000,000
Effect of dilutive potential ordinary shares: Share options issued by the Company	<b><u>35,734</u></b>	<u>11,207</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>2,035,734</u></b>	<u>2,011,207</u>

## 9. TRADE AND OTHER RECEIVABLES

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	<b>131,006</b>	85,832
Less: allowance for credit losses	<b><u>(261)</u></b>	<u>–</u>
	<b>130,745</b>	85,832
Advance to staff	<b>1,951</b>	604
Rental and utilities deposits	<b>7,584</b>	3,969
Prepayments	<b>19,785</b>	7,991
Other receivables	<b><u>13,829</u></b>	<u>235</u>
Total	<b><u>173,894</u></b>	<u>98,631</u>

The Group allows credit periods ranging from 30 to 60 days to its trade customers derived from provision of advertising spaces and creative agency projects, whereas no credit period is granted to customers from online retail platform, consignor from consignment sales commission income and subscribers of magazines. The following is an aging analysis of trade receivables net of impairment losses presented based on the invoice date at the end of the reporting period:

	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 60 days	<b>87,648</b>	47,042
61 – 90 days	<b>18,668</b>	25,128
91 – 180 days	<b>14,862</b>	10,374
181 – 365 days	<b>9,143</b>	1,842
Over 365 days	<b>424</b>	1,446
	<u><b>130,745</b></u>	<u>85,832</u>

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$50,541,000 (2018: HK\$58,714,000) which are past due as at the reporting date. Out of the past due balances, HK\$11,504,000 (2018: HK\$13,662,000) has been past due 90 days or more and is not considered as in default as there had not been a significant change in credit quality and amounts were still considered recoverable based on historical experience. The Group does not hold any collateral over these business. During the year ended 31 March 2019, the Group will further charge at 1.5% on the overdue balances pursuant to the contracts upon negotiation as a penalty of overdue settlement.

## 10. CONTRACT ASSETS

	<b>As at</b>	
	<b>31 March 2019</b>	1 April 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision of advertising spaces (Note)	<u><b>8,936</b></u>	<u>–</u>

The contract assets primarily relate to the Group's right to consideration for the advertisement launched in the online platform or social media platform but not billed because the rights are conditioned on the satisfaction of the target impression rate or click rate pursuant to the contract. The contract assets are transferred to trade receivables upon the satisfaction of the target impression rate or click rate and the end of advertising period.

As at 31 March 2019, all contract assets are expected to be settled within 1 year, and accordingly classified as current.

Note: The significant increase in the current year is the result of the increase of contracts relating to provision of advertising spaces at the end of the year which the relevant advertisements are still launching in the online platform or social media platform but the target impression rate or click are yet to be satisfied, while all of the revenue from provision of advertising spaces recognised during year ended 31 March 2018 were billed as target impression rate or click rate within the advertising period had been achieved before 31 March 2018.

## 11. TRADE AND OTHER PAYABLES

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	<b>25,148</b>	7,245
Deferred revenue	–	360
Commission payable to staff	<b>13,640</b>	4,044
Accrual for campaign cost (Note)	<b>33,860</b>	18,189
Accrual for staff bonus	<b>1,459</b>	2,023
Other payables and accrued expenses	<b>15,555</b>	15,243
	<b><u>89,662</u></b>	<b><u>47,104</u></b>

Note: Accrual for campaign cost represents the accrued expenses incurred for rendering the creative agency campaign and media project which include video shooting and photography.

The average credit period on purchases of goods is 30 days. The aging analysis of the Group's trade payables below is presented based on the invoice date at the end of the reporting period:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	<b>16,374</b>	6,043
31 – 60 days	<b>2,470</b>	42
61 – 90 days	<b>284</b>	46
Over 90 days	<b>6,020</b>	1,114
	<b><u>25,148</u></b>	<b><u>7,245</u></b>

## 12. CONTRACT LIABILITIES

	As at	
	31 March 2019	1 April 2018*
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision of advertising spaces (Note a)	2,229	360
Sales of goods through online stores (Note b)	<u>986</u>	<u>–</u>
	<u><b>3,215</b></u>	<u><b>360</b></u>

\* The amount in this column is after the adjustment from the application of HKFRS 15.

Notes:

- (a) The Group receives 50% of the contract value as deposits from new customers when they sign the contracts for provision of advertising spaces. The deposits and advance payment schemes result in contract liabilities being recognised until the advertisement launched in relevant spaces and relevant benefits received by the customers.

During the year ended 31 March 2019, the Group has recognised revenue of HK\$360,000 that was included in the contract liabilities balance at the beginning of the year. All contract liabilities attributable to the provision of advertising spaces as at 31 March 2019 are expected to be recognised as revenue within one year.

- (b) When the Group receives the payment in full before the goods is shipped/delivered, this will give rise to contract liabilities at the start of a contract, until the revenue recognised when the goods is shipped/delivered to the customers.

All contract liabilities attributable to the sales of goods through online stores as at 31 March 2019 are expected to be recognised as revenue within one year.

## 13. SHARE CAPITAL

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

	Number of shares	Share capital <i>HK\$</i>
Authorised:		
At 1 April 2017, 31 March 2018 and 31 March 2019	<u>6,000,000,000</u>	<u>60,000,000</u>
Issued:		
At 1 April 2017, 31 March 2018 and 31 March 2019	<u>2,000,000,000</u>	<u>20,000,000</u>

## **BUSINESS REVIEW AND PROSPECT**

The Group is a digital media company primarily engaged in (i) the provision of advertising and creative agency services to brands and advertising agencies on its digital media platforms; and (ii) the sale of third-party branded clothing, shoes and accessories on its e-commerce platform. Under its digital media business segment, the Group produces and distributes millennial-focused digital content reporting the latest trends on fashion, lifestyle, culture and music to its visitors and followers. Digital content is delivered via the Group's digital media platforms (including its Hypebeast, Hypebae, Hypekids, Hypemaker and Popbee websites and mobile apps) and popular third-party social media platforms (including Facebook, Instagram, Twitter, Youtube, Wechat and Weibo). Central to the Group's digital media strategy is the development of new platforms to reach a wider scope of users and followers both demographically and geographically. In addition to its flagship Hypebeast digital media platform, the Group launched new platforms catering to cultural, fashion and lifestyle trends for diverse user segments such as young women, named "Hypebae", and fashion-conscious parents & children, named "Hypekids". The Group also launched local language versions of its flagship Hypebeast property across both website and social media platforms, with content now available in Traditional Chinese, Simplified Chinese, Japanese, Korean and French. This expansion in the breadth of scope of its target audience as well as the enrichment and enhancement of its digital media content supports substantial growth in the Group's visitor and follower base, thereby increasing the reach and appeal of the Group's digital media services to brands and advertising partners globally.

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

The Group engages in online retail of apparel and accessories under its HBX e-commerce platform. The HBX e-commerce platform focuses on delivering the latest, trend-setting apparel and accessories to its customers, curating fashion forward pieces and collections to include in its merchandise portfolio. With its unique insight into street-wear and youth-focused fashion, the Group is able to deliver products most desired by its target demographic, thereby supporting a growing number of online shoppers. The Group is intent on enhancing the online retail experience for its customers, driving improvements from website usability to order processing to shipping and delivery. During the year ended 31 March 2019, the number of customer orders on its HBX e-commerce platform increased by approximately 46.7% compared with last

year, which is a testament to the increasing appeal of HBX as a leading destination for online street-wear and youth-focused fashion worldwide. As at 31 March 2018 and 31 March 2019, the number of brands offered on our e-commerce platform were 348 and 344, respectively, representing a decrease of 4 brands for the year ended 31 March 2019. As at 31 March 2018 and 31 March 2019, the number of products offered on the Group's e-commerce platform were approximately 6,300 and 10,588, respectively, representing an increase of approximately 4,288 products for the year ended 31 March 2019. The decrease in the number of brands and increase in the number of products carried on our e-commerce platform reflects our strategy of delivering a more exclusive and fashion driven shopping experience and trend focused product offerings to our customers.

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

1. For the digital media segment, the Group will focus on increasing our scope of services and contract value with respect to both its digital media and creative services, and as the size of our contracts and level of production increases within our contractual pipeline it becomes necessary to increase our talent pool to be able to deliver the suite of services demanded by our clients.

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

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

2. For the e-commerce segment, the Group plans to increase marketing efforts and expand the scale and penetration of our e-commerce platform and business in significant markets such as the United States, United Kingdom, Hong Kong, China and Southeast Asia.



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

In addition, the Group has had great success from its first offline retail store at the Landmark shopping mall in Hong Kong from where HBX operated a permanent retail shop alongside popup exhibitions. The Group continues to explore similar opportunities to bring our online presence to the offline world. The Group entered into a lease on 21 June 2018 for an office and retail premise in the Lower East Side neighborhood of Manhattan, which will house an offline retail store alongside the Group's offices in the East Coast in the United States. The physical store will be the Group's landmark presence within the United States and will provide a tangible experience for our customers to access our curation of products. The Group anticipates the store to begin operations in 2020.

As part of its strategy to better manage the Group's existing business and to expand its overseas markets, the Group incorporated the following entities during the fiscal year ended 31 March 2019:

- COREthree Limited, a BVI entity incorporated on 14 August 2018. It will be primarily engaged in investment holding.
- Hypebeast Japan 株式會社, a Japanese entity incorporated on 15 March 2019. It is primarily engaged in supporting brand relationships and production services within the digital media segment in Japan. The company began active operations in March 2019.
- 北京賀彼貿易有限公司, a wholly foreign owned enterprise incorporated in China on 3 April 2018. It is primarily engaged in creative agency services in China. The company began active operations in March 2019.
- 北京賀彼貿易有限公司上海分公司, a branch of the wholly foreign owned enterprise incorporated in China on 6 March 2019. It is primarily engaged in creative agency services in China. The company began active operations in March 2019.

From 6 to 7 October 2018, the Group hosted Hypefest, a two-day, weekend long event in New York City which featured retail activations from 54 of the most renowned, highly regarded street wear, contemporary and luxury brands from around the world, as well as a wide array of musical acts, cultural and artistic installations. The event hosted more than 10,000 attendees over the two-day period, and tickets for the event sold out within 3 minutes upon release, which was testament to the cultural significance of the event within the street wear world as hosted by Hypebeast. Further, social media and website coverage for Hypefest garnered over 500,000 unique visitors and 1.3 million total page views across all of Hypebeast's website platforms, 91 million Instagram profile impressions, 3 million total impressions on Facebook and 4.5 million total Twitter impressions.

On 28 February 2019, the approval was granted by the Stock Exchange for the transfer of listing of the Company from GEM to the Main Board of the Stock Exchange (the "**Transfer of Listing**"). On 8 March 2019, the Transfer of Listing was completed and dealing in the shares of the company on the Main Board commenced. The Board believes this will enhance the profile of the Group, strengthen its recognition among public investors, be beneficial to the future growth, financing flexibility and business development of the Group.

Save as disclosed herein, there have not been any important events affecting the Group since 31 March 2019 up to the date of this announcement.

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

## FINANCIAL REVIEW

### Revenue

	Year ended 31 March 2018			Year ended 31 March 2019		
	Revenue <i>HK\$'000</i>	Gross Profit <i>HK\$'000</i>	Gross Profit Margin %	Revenue <i>HK\$'000</i>	Gross Profit <i>HK\$'000</i>	Gross Profit Margin %
Digital media	259,863	145,585	56.0	<b>430,699</b>	<b>226,473</b>	<b>52.6</b>
E-commerce	<u>125,216</u>	<u>58,300</u>	46.6	<u><b>241,523</b></u>	<u><b>108,881</b></u>	<b>45.1</b>
Overall	<u>385,079</u>	<u>203,885</u>	52.9	<u><b>672,192</b></u>	<u><b>335,354</b></u>	<b>49.9</b>

The Group's revenue increased from approximately HK\$385.1 million for the year ended 31 March 2018 to approximately HK\$672.2 million for the year ended 31 March 2019, representing growth of approximately 74.6%. Such increase was mainly due to increase in scope and quantity of our provision of advertising and creative agency services to brand owners and advertising agencies on our digital media platforms, as well as growth in sales volume of third-party branded apparel on our e-commerce platform. With respect to our digital media segment, the revenue of which increased from approximately HK\$259.9 million for the year ended 31 March 2018 to approximately HK\$430.7 million for the year ended 31 March 2019. Such increase was mainly due to (i) the increase in revenue from provision of advertising and creative agency services to brand owners and advertising agencies by approximately HK\$170.8 million on the Group's digital media platforms; and (ii) the increase in the average contract value of contracts by approximately 24.1% and the number of contracts entered into with the Group's customers by approximately 41.0%. The Group's digital media revenues are dependent on timing of recognition according to the relevant accounting standard and campaign delivery and therefore may not necessarily be consistent from quarter to quarter.

With respect to our e-commerce segment, the revenue of which increased from approximately HK\$125.2 million for the year ended 31 March 2018 to approximately HK\$241.5 million for the year ended 31 March 2019. Such increase was mainly due to (i) the increase in number of customer orders on our e-commerce platform by approximately 46.7%; and (ii) the change in sales mix with greater portion of high-end products sold compared with last year.

## **Cost of Revenue**

The Group's cost of revenue increased from approximately HK\$181.2 million for the year ended 31 March 2018 to approximately HK\$336.8 million for the year ended 31 March 2019, representing an increase of approximately 85.9%. Such increase was mainly attributable to the increase in (i) campaign production costs to deliver high quality, bespoke content, for our creative agency; (ii) product and inventory related costs to support growth in our e-commerce business; and (iii) direct staff costs to support increases in the size of our contracts and level of production within our contractual pipeline during the year.

## **Gross Profit Margin**

Gross profit of the Group increased by approximately 64.5% from approximately HK\$203.9 million for the year ended 31 March 2018 to approximately HK\$335.4 million for the year ended 31 March 2019. The increase was mainly driven by the increase in revenue for the year ended 31 March 2019 as discussed above. However, the overall gross profit margin decreased from approximately 52.9% for the year ended 31 March 2018 to approximately 49.9% for the year ended 31 March 2019 and was mainly due to the decrease in gross profit margin in the digital media segment as more tailor-made advertising services were provided and more production staff were employed during the year, as well as a higher percentage of revenue derived from the e-commerce business, which had comparatively lower margins. Revenue from the e-commerce segment represented 35.9% of total revenue for the year ended 31 March 2019, compared to 32.5% for the last year ended.

## **Other Gains and Losses**

Other losses of the Group primarily consist of exchange losses of approximately HK\$2.7 million for the year ended 31 March 2019, compared to exchange gains of approximately HK\$2.0 million for the year ended 31 March 2018. The amount was net off by surcharges on customers for overdue settlement of approximately HK\$2.0 million during the year ended 31 March 2019 (2018: nil).

During the year, the Group primarily had exposure to foreign exchange differences between the HK dollar and the US dollar and Euro, arising from the Group's foreign currency denominated accounts receivable, accounts payable and cash balances. The HK dollar to US dollar and Euro foreign exchange rate fluctuated during the year, that the rates as at 31 March 2018 and 31 March 2019 were the same at HKD1:USD0.1274, while the HK dollar to Euro foreign exchange rate as at 31 March 2018 was HKD1:EUR0.1034 compared to HKD1:EUR0.1136 as at 31 March 2019.

The Group undertakes certain operating transactions in foreign currency which expose the Group to foreign currency risk. The Group's foreign currency denominated monetary assets and liabilities are primarily held in US dollar and Euro. As the HK dollar is pegged with the US dollar under the Linked Exchange Rate System, and the Group's business operations and strategies involves revenues and expenditures in Euro, the Group's exposure to the US dollar and Euro exchange risk is not significant. The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider and execute the hedging of significant foreign currency exposure should such need arises.

The Group initiated the late payment fee policy on customers during the year. Surcharges were made for overdue settlements with a determined rate over the overdue balances agreed by customers stated on the payment term. Management believes that such policy enhances the turnover of the Group's trade receivables and hence the financial liquidity.

### **Selling and Marketing Expenses**

Selling and marketing expenses of the Group increased by approximately 82.7% from approximately HK\$83.6 million for the year ended 31 March 2018 to approximately HK\$152.7 million for the year ended 31 March 2019. Selling and marketing expenses as a percentage of revenue slightly increased from approximately 21.7% for the year ended 31 March 2018 to 22.7% for the year ended 31 March 2019. Selling and marketing expenses primarily consist of advertising and social media marketing expenses for both digital media and e-commerce platforms and staff costs of our sales and marketing department. The increase in selling and marketing expenses was attributable to 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 our e-commerce business; (iii) commission paid for the increases in the size of our contracts and level of production within our contractual pipeline for the year; 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 of the Group increased by approximately 40.7% from approximately HK\$65.9 million for the year ended 31 March 2018 to approximately HK\$92.7 million for the year ended 31 March 2019. However, administrative and operating expenses as a percentage of revenue decreased from approximately 17.1% for the year ended 31 March 2018 to 13.8% for the year ended 31 March 2019. 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 Transfer of Listing**

During the year ended 31 March 2019, the Company submitted the application to the Stock Exchange in relation to the Transfer of Listing and the Transfer of Listing was completed on 8 March 2019. Accordingly, there was approximately HK\$7.4 million in one-time legal and professional fees paid for the Transfer of Listing recorded for the year while no such cost was recognized for the year ended 31 March 2018.

## **Income Tax Expense**

Income tax expense for the Group increased by approximately 49% from approximately HK\$10.0 million for the year ended 31 March 2018 to approximately HK\$14.9 million for the year ended 31 March 2019. The increase was mainly due to the increase in profit for tax, especially in other jurisdictions with relatively higher tax rate, during the year.

## **Share of Result of a Joint Venture**

The Group recorded losses of approximately HK\$3.9 million in its share of result of its joint venture, The Berrics Company LLC, a skateboarding digital media platform business which was formed in February 2018 with the Group as majority partner. The loss was attributable to investments in infrastructure and headcount to drive the joint venture's planned sales strategy and marketing initiatives in order to deliver on its sales and expansion plans.

## **Profit and Total Comprehensive Income for the Year**

Profit and total comprehensive income increased by approximately 36.7% from approximately HK\$45.2 million for the year ended 31 March 2018 to approximately HK\$61.8 million for the year ended 31 March 2019. Such increase was primarily attributable to the increase in revenue and gross profit as well as effective corporate cost management for the year ended 31 March 2019.

During the year ended 31 March 2019, the Group incurred approximately HK\$7.4 million in one-time legal and professional fees and HK\$1.0 million donation relating to the Transfer of Listing, and recorded approximately HK\$3.9 million losses relating to business integration for The Berrics Company LLC. These items related to one-time transactions and an investment in a new business for the Group whereas no such expenses or losses incurred during the last year. Adjusted for these items, net profit for the Group was approximately HK\$74.1 million, representing an increase of approximately 63.9% in the current year. The Group also invested in additional headcount compared to the last year. Such investments were made to support anticipated future growth in the volume and scope of digital media and creative agency related contracts and to support the expected revenue growth for the Group's e-commerce business.

During the year, the Group also recorded approximately HK\$2.7 million in exchange losses relating to balance sheet adjustments for foreign currency denominated financial assets and liabilities. As noted in the above discussion of other gains and losses, the Group's exposure to US dollar and Euro exchange risk over its course of operations was minimal due to the Linked Exchange Rate system between HK dollar and US dollar and the Group's operations involving revenues and expenditure in Euro.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2019, the Group had total assets of approximately HK\$333.3 million (31 March 2018: approximately HK\$199.9 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$127.3 million (31 March 2018: approximately HK\$58.7 million) and approximately HK\$206.0 million (31 March 2018: approximately HK\$141.2 million), respectively. Total interest-bearing loans and interest-bearing bank borrowings of the Group as at 31 March 2019 were approximately HK\$27.0 million (31 March 2018: approximately HK\$4.7 million), and current ratio as at 31 March 2019 was approximately 2.5 times (31 March 2018: approximately 3.2 times).

## **INVENTORIES**

The Group's inventories principally comprise third-party apparel and footwear for resale to end customers. The balance of the Group's inventories increased from approximately HK\$29.0 million as at 31 March 2018 to approximately HK\$67.8 million as at 31 March 2019. The significant increase in inventories 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.

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 20 June 2019, approximately HK\$21.2 million or approximately 31.3% of inventories as at 31 March 2019 had been sold.

## **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment represented leasehold improvements, furnitures and fixtures, office equipment and motor vehicle. The increase of approximately HK\$4.4 million for the year ended 31 March 2019 was mainly due to the renovation cost for the new Hong Kong office headquarter and warehouses since May 2018.

## **RENTAL DEPOSITS**

The increase of approximately HK\$3.9 million rental deposits for the year ended 31 March 2019 was mainly due to the new office rental for Hong Kong headquarters in May 2018 and the new office and retail premise rental in the US in June 2018.

## **GEARING RATIO**

The gearing ratio of the Group as at 31 March 2019 was approximately 13.1% (31 March 2018: approximately 3.3%), which increased significantly as the Group increased its usage of bank borrowings for its e-commerce operation during the year ended 31 March 2019. The gearing ratio is calculated based on total loans and borrowings (interest-bearing bank borrowings and bank overdrafts) divided by total equity as at the year ended.

## **TREASURY POLICY**

The Group finances its operations through internally generated cash, equity and bank borrowings. The objective of the Group's treasury policy is to ensure there is sufficient cash and access to capital to finance the Group's ongoing operations and execute its current and future plans. The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 March 2019.

With respect to cash generated through the Group's sales, the primary risk relates to credit and collections in relation to amounts outstanding from customers within the digital media segment.

The Group strives to reduce exposure to credit risk by performing credit assessments on new customers, ongoing credit assessments and evaluations of the financial status of its existing customers, as well as applying robust policies to monitor and collect on outstanding balances on a timely basis. To manage liquidity risk, management closely monitors the Group's liquidity position and ensures there is sufficient cash and cash equivalents and available credit facilities to settle payables of the Group.

## **CHARGES ON GROUP ASSETS**

As at 31 March 2019, the Group pledged its bank deposits of approximately HK\$6.7 million to a bank as collateral to secure bank facilities granted to the Group. In addition to the pledged bank deposits, as at 31 March 2019, the Group's bank borrowings with carrying amount of approximately HK\$27.0 million was guaranteed by a corporate guarantee of the Company.



## **FOREIGN EXCHANGE EXPOSURE**

The Group undertakes certain operating transactions in foreign currency which exposes the Group to foreign currency risk. The Group's foreign currency denominated monetary assets and liabilities are primarily held in US dollar and Euro. As noted in the above discussion of other gains and losses, the Group's exposure to US dollar and Euro exchange risk over its course of operations is minimal due to the Linked Exchange Rate System between HK dollar and US dollar and the Group's operations involving revenues and expenditure in Euro.

The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider and execute the hedging of significant foreign currency exposure should such need arise.

## **CAPITAL STRUCTURE**

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 11 April 2016. On 8 March 2019, Transfer of Listing was completed and dealing in the shares on the Main Board commenced. There has been no change in the capital structure of the Company arisen from the Transfer of Listing. The share capital of the Company only comprises of ordinary shares.

## **COMMITMENTS**

The contractual commitments of the Group were primarily related to the leases of its office premises, retail store and the Director's quarter. The Group's operating lease commitments amounted to approximately HK\$28.7 million as at 31 March 2019 (31 March 2018: approximately HK\$34.9 million).

## **SEGMENT INFORMATION**

Segmental information is presented for the Group as disclosed on note 4 to this announcement.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in this announcement, the Group did not have other approved plans for material investments or capital assets as of 31 March 2019.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

There were no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2019.

## **CONTINGENT LIABILITIES**

As at 31 March 2019, the Group had no significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2019, the Group employed a total of 306 employees (31 March 2018: 262 employees). Staff costs of our Group (including salaries, allowances, other benefits and contribution to the defined contribution retirement plan) for the year ended 31 March 2019 were approximately HK\$121.0 million (31 March 2018: approximately HK\$93.9 million).

The remuneration package for our employees generally includes salary and bonuses. Our employees also receive welfare benefits, including retirement benefits, occupational injury insurance, medical insurance and other miscellaneous incentives and compensation. We conduct annual reviews of the performance of our employees for determining the level of bonus and salary adjustments and promotion decisions of our employees. Our human resources department also makes reference to the remuneration packages offered for similar positions in Hong Kong in order to keep our remuneration packages at a competitive level. The Company has adopted the Share Option Scheme which became effective upon Listing. The Share Option Scheme is designed to provide long term incentives and rewards to help retain our outstanding employees.

## **SIGNIFICANT INVESTMENTS HELD**

Except for investments in its subsidiaries and a joint venture company, the Group did not hold any significant investments during the year ended 31 March 2019.

## **USE OF PROCEEDS**

The net proceeds from the placing of new shares as referred to in the prospectus of the Company dated 31 March 2016 (the “**Prospectus**”) was approximately HK\$29.7 million, all of which has been utilized as at 31 March 2019 in accordance with the “Statement of Business Objectives and Use of Proceeds” as set out in the Prospectus, which is (i) approximately 29% of the net proceeds, representing approximately HK\$8.7 million to enhance the content of our digital media platforms to retain and expand our base of followers and visitors; (ii) approximately 35% of the net proceeds, representing approximately HK\$10.3 million to increase the sales and marketing efforts; (iii) approximately 18% of the net proceeds, representing approximately HK\$5.5 million to improve working environment and purchase new equipment; (iv) approximately 7% of the net proceeds, representing approximately HK\$2.1 million to enhance our e-commerce platform by improving our services and inventory system; (v) approximately 1% of the net proceeds, representing approximately HK\$0.4 million for staff development; and (vi) approximately 10% of the net proceeds, representing approximately HK\$2.7 million for general working capital purposes.

## **COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS**

The implementation plan for the business objectives as set out in the Prospectus has been fully completed and the Directors consider such business objectives were fully achieved as at 31 March 2019.

## **PROPOSED SPECIAL DIVIDEND**

The Board has recommended the payment of a special dividend of HK0.242 cents per share of the Company for the year ended 31 March 2019 to celebrate the transfer of the listing of the Company’s shares from GEM to the Main Board of the Stock Exchange (the “**Proposed Special Dividend**”). The Proposed Special Dividend is subject to approval by shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Friday, 9 August 2019 (the “**Annual General Meeting**”). The Proposed Special Dividend will be paid in cash on Thursday, 5 September 2019 to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 20 August 2019.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 6 August 2019 to Friday, 9 August 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the Annual General Meeting, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22 (for lodgement of documents on or before Wednesday, 10 July 2019) and Level 54 (for lodgement of documents on or after Thursday, 11 July 2019), Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 5 August 2019.

For determining the entitlement to the Proposed Special Dividend, the register of members of the Company will be closed from Friday, 16 August 2019 to Tuesday, 20 August 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Special Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at the address shown above, for registration not later than 4:30 p.m. on Thursday, 15 August 2019.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2019.

## **CORPORATE GOVERNANCE PRACTICE**

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

To the best knowledge of the Board, the Company has met the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules (from 1 April 2018 to 7 March 2019) and Appendix 14 to the Main Board Listing Rules (from 8 March 2019 to 31 March 2019) for the year ended 31 March 2019, save for the deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Ma Pak Wing Kevin currently assumes the role of both chairman and chief executive officer of the Company. The Board considers that consolidation of these roles by Mr. Ma provides strong and consistent leadership to the Company which facilitates effective planning and efficient management of the Company. Furthermore, having considered Mr. Ma’s extensive experience in the digital media industry, the relationships Mr. Ma has built with the customers and the historical development of the Group, the Board considers it beneficial for the Group for Mr. Ma to continue to act as both chairman and chief executive officer of the Company.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company adopted the required standard of dealings set out in the GEM Listing Rules (from 1 April 2018 to 7 March 2019), and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Main Board Listing Rules since 8 March 2019, as part of its code of conduct regarding Directors’ transactions in the securities of the Company. Specific enquiry has been made of all the Directors and all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance throughout the period from 1 April 2018 to the date of this announcement.

## **AUDIT COMMITTEE**

The audit committee of the Company consists of three members, being the three independent non-executive Directors, namely Mr. Wong Kai Chi (chairman), Ms. Poon Lai King and Ms. Kwan Shin Luen Susanna. The audit committee has reviewed the Group’s consolidated financial statements for the year ended 31 March 2019 and is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2019 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Hong Kong, 20 June 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. Poon Lai King, Mr. Wong Kai Chi and Ms. Kwan Shin Luen Susanna.*