HYPEBEAST
Hypebeast Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00150)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Hypebeast Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2019 (the "**Relevant Period**"), together with the unaudited comparative figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**401,344**	256,247
Cost of revenue		**(214,551)**	(130,611)
Gross profit		**186,793**	125,636
Other gains and losses		**328**	(3,037)
Selling and marketing expenses		**(87,072)**	(56,288)
Administrative and operating expenses		**(62,704)**	(39,801)
Professional fee relating to transfer of listing		**–**	(3,214)
Impairment loss recognised on trade receivables		**(323)**	(140)
Finance costs		**(657)**	(206)
Share of result of a joint venture		**(1,331)**	(1,849)
Profit before tax		**35,034**	21,101
Income tax expense	*5*	**(7,516)**	(4,369)
Profit for the period		**27,518**	16,732
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(76)**	–
Total comprehensive income for the period		**27,442**	16,732
Earnings per share	*7*		
– Basic (HK cent)		**1.37**	0.84
– Diluted (HK cent)		**1.35**	0.84

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	NOTES	As at 30 September 2019 HK$'000 (Unaudited)	As at 31 March 2019 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**9,713**	9,837
Right-of-use assets		**25,028**	–
Rental deposits		**3,085**	2,308
Interest in a joint venture		**–**	1,333
		37,826	13,478
Current assets			
Inventories	*8*	**76,821**	67,802
Trade and other receivables	*9*	**223,091**	173,894
Contract assets	*10*	**22,517**	8,936
Amount due from a joint venture		**9,492**	6,715
Pledged bank deposits	*11*	**7,802**	6,723
Bank balances and cash	*11*	**42,589**	55,727
		382,312	319,797
Current liabilities			
Trade and other payables	*12*	**111,454**	89,662
Lease liabilities		**12,449**	–
Contract liabilities	*13*	**9,099**	3,215
Bank borrowings – due within one year	*14*	**28,261**	26,990
Tax payable		**11,348**	7,088
		172,611	126,955
Net current assets		**209,701**	192,842
Total assets less current liabilities		**247,527**	206,320

	As at 30 September 2019 *HK$'000* (Unaudited)	As at 31 March 2019 *HK$'000* (Audited)
Non-current liabilities		
Lease liabilities	**12,205**	–
Deferred tax liabilities	**353**	353
	12,558	353
Net assets	**234,969**	205,967
Capital and reserves		
Share capital	**20,231**	20,000
Share premium	**29,579**	25,275
Reserves	**185,159**	160,692
	234,969	205,967

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital *HK$'000*	Share premium *HK$'000*	Translation reserve *HK$'000*	Share option reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1 April 2019 (audited)	**20,000**	**25,275**	**12**	**4,656**	**156,024**	**205,967**
Issue of share capital	**231**	**4,304**	**–**	**(2,545)**	**–**	**1,990**
Profit for the period	**–**	**–**	**–**	**–**	**27,518**	**27,518**
Exchange difference arising on translation of foreign operations	**–**	**–**	**(76)**	**–**	**–**	**(76)**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**4,466**	**–**	**4,466**
Dividend paid	**–**	**–**	**–**	**–**	**(4,896)**	**(4,896)**
At 30 September 2019 (unaudited)	**20,231**	**29,579**	**(64)**	**6,577**	**178,646**	**234,969**
At 1 April 2018 (audited)	20,000	25,275	(1)	1,749	94,226	141,249
Profit and total comprehensive income for the period	–	–	–	–	16,732	16,732
Recognition of equity-settled share-based payments	–	–	–	1,243	–	1,243
At 30 September 2018 (unaudited)	20,000	25,275	(1)	2,992	110,958	159,224

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	**910**	(38,220)
INVESTING ACTIVITIES		
Placement of pledged bank deposits	**(7,085)**	(6,700)
Purchase of property, plant and equipment	**(1,979)**	(5,656)
Advance to a joint venture	**(2,777)**	(4,754)
Withdrawal of pledged bank deposits	**6,006**	1,081
Proceeds from disposal of property, plant and equipment	**–**	826
Bank interest received	**44**	4
NET CASH USED IN INVESTING ACTIVITIES	**(5,791)**	(15,199)
FINANCING ACTIVITIES		
Dividend paid	**(4,896)**	–
Proceeds from bank borrowings	**23,589**	19,000
Repayment of bank borrowings	**(22,318)**	(6,053)
Repayment of finance lease	**–**	(533)
Interest paid on bank borrowings	**(466)**	(190)
Interest paid on finance lease	**–**	(16)
Exercise of share option	**1,989**	–
Interest element of lease rentals paid	**(191)**	–
Capital element of lease rentals paid	**(5,889)**	–
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(8,182)**	12,208
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(13,063)**	(41,215)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**55,727**	58,581
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(75)**	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, representing bank balances and cash	**42,589**	17,366

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 September 2015. The registered office of the Company is located at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands. The headquarter and principal place of business of the Company in Hong Kong is located at 10/F, KC100, 100 Kwai Cheong Road, Kwai Chung, Hong Kong.

The Company's shares were first listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 April 2016 and have been transferred from 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.

The principal activity of the Company is investment holding. The Group's principal activities are the provision of advertising services to brand owners and advertising agencies on the Group's digital media platforms, and the sale of third-party branded clothing, shoes and accessories on the Group's e-commerce platform.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the Relevant Period have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

HKFRSs include Hong Kong Accounting Standards and interpretations. Intra-group balances and transactions, if any, have been fully and properly eliminated. The unaudited condensed consolidated financial statements of the Group for the Relevant Period should be read in conjunction with the annual report of the Company for the year ended 31 March 2019 dated 20 June 2019 ("**Annual Report**"). The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the Relevant Period are consistent with those used in the Annual Report except for the accounting policy changes that are expected to be reflected in the financial statements of the Company for the year ended 31 March 2020. Details of these changes in accounting policies are set out in note 3.

HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the Relevant Period. There have been no significant changes to the accounting policies applied in these financial statements for the Relevant Period presented as a result of these developments.

The unaudited condensed consolidated financial statements of the Group for the Relevant Period have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the Relevant Period have not been audited by the Company's independent auditor, but have been reviewed by the Company's audit committee.

The preparation of the unaudited condensed consolidated financial statements of the Group for the Relevant Period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require management to exercise their judgements in the process of applying the Group's accounting policies.

The unaudited condensed consolidated financial statements of the Group for the Relevant Period are presented in Hong Kong dollars ("**HK$**"), which is the functional currency of the Company.

3. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARD ("HKFRS")

In the Relevant Period, the Group has applied HKFRS 16 and the related consequential amendments to other HKFRSs. The application of new requirements resulted in changes in measurement, presentation and disclosure as indicated below. The Directors assessed that such changes increased the consolidated assets and consolidated liabilities of the Group but did not result in a significant impact on the financial performance of the Group upon adoption of HKFRS 16.

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 supersedes HKAS 17 Leases ("**HKAS 17**") and the related interpretations.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees under HKFRS 16, except for short-term leases and leases of low value assets.

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

Other than certain requirements which are also applicable to lessors, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$28,703,000 as disclosed in Annual Report. Upon application of HKFRS 16, the Group recognised a right-of-use asset and a corresponding liability in respect of all these leases unless they qualified for low value or short-term leases.

In addition, the Group previously considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied prior to the initial application of HKFRS 16. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The Group elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group did not reassess whether the contracts were, or contained a lease which already existed prior to the date of initial application. Furthermore, the Group elected the modified retrospective approach for the application of HKFRS 16 as lessee and recognised the cumulative effect of initial application to opening accumulated profits without restating comparative information.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by relevant group entities ranged from 2.3% to 3.625%.

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	**28,703**
Lease liabilities discounted at relevant incremental borrowing rates	**27,584**
Recognition exemption – short-term leases	**(4,883)**
Lease liabilities as at 1 April 2019	**22,701**
Analysed as	
Current	**9,453**
Non-current	**13,248**
	22,701

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	**22,701**

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 April 2019:

– right-of-use assets - increased by approximately HK$22,701,000

– lease liabilities - increased by approximately HK$22,701,000

4. REVENUE AND SEGMENT INFORMATION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

The Group's turnover includes revenues from sales of goods through online stores, provision of advertising services and publication of web magazines.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(i) Digital media segment – Provision of advertising spaces, provision of services for creative agency projects and publication of magazines

(ii) E-commerce segment – Operation of online retail platform for the sale of third-party branded clothing, shoes and accessories

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Digital media	**262,429**	156,144
E-commerce	**138,915**	100,103
	401,344	256,247

5. INCOME TAX EXPENSE

	Six months ended 30 September 2019 *HK$'000* (Unaudited)	2018 *HK$'000* (Unaudited)
Current tax:		
Hong Kong Profits Tax	**3,857**	4,239
Other jurisdictions	**3,659**	130
	7,516	4,369

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands 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, 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 jurisdictions.

6. DIVIDEND

During the Relevant Period, the Group has paid the special dividend in respect of the year ended 31 March 2019 of HK0.242 cent per ordinary share, in an aggregate amount of HK$4,896,000. Furthermore, the Board does not recommend the payment of an interim dividend for the Relevant Period.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**27,518**	16,732
	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,012,343**	2,000,000
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**21,760**	750
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,034,103**	2,000,750
Earnings per share		
– Basic (HK cent)	**1.37**	0.84
– Diluted (HK cent)	**1.35**	0.84

8. INVENTORIES

	As at 30 September 2019	As at 31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Finished goods	**76,821**	67,802

9. TRADE AND OTHER RECEIVABLES

	As at 30 September 2019 *HK$'000* (Unaudited)	As at 31 March 2019 *HK$'000* (Audited)
Trade receivables (i)	**176,929**	131,006
Less: allowance for credit losses	**(364)**	(261)
	176,565	130,745
Advances to staff	**2,831**	1,951
Rental and utilities deposits	**8,342**	7,584
Prepayment	**21,678**	19,785
Other receivables	**13,675**	13,829
Total	**223,091**	173,894

(i): 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 aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	As at 30 September 2019 *HK$'000* (Unaudited)	As at 31 March 2019 *HK$'000* (Audited)
Within 60 days	**136,606**	87,648
61 – 90 days	**14,124**	18,668
91 – 180 days	**15,839**	14,862
181 – 365 days	**6,942**	9,143
Over 365 days	**3,054**	424
	176,565	130,745

Included in the Group's trade receivables balance are debtors as at 30 September 2019 with an aggregate carrying amount of approximately HK$56,369,000 (31 March 2019: HK$50,541,000) which are past due at the end of reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances. All of the trade receivables that are neither past due nor impaired have good credit quality assessed by the Group.

10. CONTRACT ASSETS

	As at 30 September 2019 HK$'000 (Unaudited)	As at 31 March 2019 HK$'000 (Audited)
Provision of advertising spaces	**22,517**	8,936

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

11. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group, which carry interest at prevailing market rates of 0.3% per annum as at 30 September 2019 and 31 March 2019. Deposits amounting to HK$7,802,000 as at 30 September 2019 (31 March 2019: HK$6,723,000) have been pledged to secure a bank borrowing and the banking facilities. The bank borrowing and the facilities are subject to review at any time and in any event by 1 April 2020 and therefore the deposits are classified as current assets.

Bank balances carry interest at prevailing market rates of 0.01% per annum as at 30 September 2019 and 31 March 2019.

12. TRADE AND OTHER PAYABLES

	As at 30 September 2019 HK$'000 (Unaudited)	As at 31 March 2019 HK$'000 (Audited)
Trade payables	**36,301**	25,148
Commission payable	**16,271**	13,640
Accrual for campaign cost (i)	**41,844**	33,860
Accrual for staff bonus	**9,357**	1,459
Other payables and accrued expenses	**7,681**	15,555
	111,454	89,662

(i): Provision for campaign cost represents accruals for expenses incurred for rendering creative agency campaigns and media projects which include video shooting and photography. The Group recognised these expenses on straight-line basis over the advertising period matching the recognition of the associated revenue, as disclosed in note 4 to the unaudited consolidated financial statements.

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

	As at 30 September 2019 *HK$'000* **(Unaudited)**	As at 31 March 2019 *HK$'000* (Audited)
Within 30 days	**26,897**	16,374
31 – 60 days	**2,771**	2,470
61 – 90 days	**1,719**	284
Over 90 days	**4,914**	6,020
	36,301	25,148

As at 31 October 2019, approximately HK$11.8 million or 32.5% of trade payables as at 30 September 2019 has been settled.

13. CONTRACT LIABILITIES

	As at 30 September 2019 *HK$'000* **(Unaudited)**	As at 31 March 2019 *HK$'000* (Audited)
Provision of advertising spaces *(Note a)*	**9,099**	2,229
Sales of goods through online stores *(Note b)*	**–**	986
	9,099	3,215

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 and services for creative agency projects. 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 six months ended 30 September 2019, the Group has recognised revenue of HK$2,229,000 that was included in the contract liabilities balance at the beginning of the Relevant Period. All contract liabilities attributable to the provision of advertising spaces and services for creative agency projects as at 30 September 2019 are expected to be recognised as revenue within one year.

b) When the Group receives the payment in full before the goods are shipped/delivered, this will give rise to contract liabilities at the start of a contract, until the revenue recognised when the goods are shipped/delivered to the customers. During the Relevant Period, there was no such balance noted.

14. BANK BORROWINGS

	As at 30 September 2019 *HK$'000* **(Unaudited)**	As at 31 March 2019 *HK$'000* (Audited)
Bank borrowings, unsecured with variable rate	**28,261**	26,990
Carrying amount repayable (according to scheduled repayment term):		
– Within one year	**21,912**	19,643
– In more than one year but not more than two years	**1,961**	1,956
– In more than two years but not more than five years	**4,388**	5,391
	28,261	26,990
Carrying amount that contain a repayment on demand clause (shown under current liabilities)	**28,261**	26,990

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

	As at 30 September 2019 (Unaudited)	As at 31 March 2019 (Audited)
Effective interest rate (per annum): Variable-rate borrowings	**2.3% to 3.625%**	2.3% to 3.625%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

The Group is a digital media company primarily engaged in (i) the provision of advertising and creative agency services to brands and advertising agencies on its digital media platforms; and (ii) the sale of third-party branded clothing, shoes and accessories on its e-commerce platform. Under its digital media business segment, the Group produces and distributes millennial-focused digital content reporting the latest trends on fashion, lifestyle, culture and music to its visitors and followers. Digital content is delivered via the Group's digital media platforms (including its Hypebeast, Hypebae, Hypekids and Popbee websites and mobile apps) and popular third-party social media platforms (including Facebook, 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, collectively branded under "Hypemaker", to its clients, 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 develops 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 intends on enhancing the online retail experience for its customers, driving improvements from website usability to order processing to shipping and delivery. During the six months ended 30 September 2019, the number of customer orders on its HBX e-commerce platform increased by approximately 21.5% compared with the same period of 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 30 September 2018 and 30 September 2019, the number of brands offered on our e-commerce platform were 276 and 314, respectively, representing an increase of 38 brands for the six months ended 30 September 2019. As at 30 September 2018 and 30 September 2019, the number of products offered on the Group's e-commerce platform were approximately 7,830 and 11,357, respectively, representing an increase of approximately 3,527 products for the six months ended 30 September 2019. The increase in the number of brands and products carried on our e-commerce platform reflects our strategy of delivering a more diverse and fashion driven shopping experience 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, Japan, Korea 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.

FINANCIAL REVIEW

Revenue

	Six months ended 30 September 2019 (Unaudited)			Six months ended 30 September 2018 (Unaudited)		
	Revenue	**Gross Profit**	**Gross Profit Margin**	Revenue	Gross Profit	Gross Profit Margin
	HK$'000	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*
Digital media	**262,429**	**125,129**	**47.7**	156,144	74,946	48.0
E-commerce	**138,915**	**61,664**	**44.4**	100,103	50,690	50.6
Overall	**401,344**	**186,793**	**46.5**	256,247	125,636	49.0

The Group's revenue increased from approximately HK$256.2 million for the six months ended 30 September 2018 to approximately HK$401.3 million for the six months ended 30 September 2019, representing growth of approximately 56.6%. 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, for the six months ended 30 September 2019, such increase was mainly due to the increase in revenue from provision of advertising services to brand owners and advertising agencies on the Group's digital media platforms. The average contract value increased from approximately HK$373,000 for the six months ended 30 September 2018 to approximately HK$426,000 for the six months ended 30 September 2019, representing growth of approximately 14.2%, and the number of contracts entered into with the Group's customers increased from approximately 580 for the six months ended 30 September 2018 to approximately 630 for the six months ended 30 September 2019, representing growth of approximately 8.6%. The Group's digital media revenues are dependent on timing of bookings and campaign delivery and therefore may not necessarily be consistent from quarter to quarter.

With respect to our e-commerce segment, the average customer order value increased from approximately HK$1,400 for the six months ended 30 September 2018 to approximately HK$1,600 for the six months ended 30 September 2019, representing growth of approximately 14.3%, the number of customer orders on our e-commerce platform increased from approximately 86,000 for the six months ended 30 September 2018 to approximately 104,000 for the six months ended 30 September 2019, representing growth of approximately 20.9%. The Group experiences seasonality in sales with respect to its e-commerce business due to increased demand for our products during the peak of end of season sales and high impact release of new collections clustered around the first half of the fiscal year.

Cost of Revenue

The Group's cost of revenue increased from approximately HK$130.6 million for the six months ended 30 September 2018 to approximately HK$214.6 million for the six months ended 30 September 2019, representing an increase of approximately 64.3%. Such increase was mainly attributable to (i) increase in campaign production costs to deliver high quality, bespoke content, for our creative agency, (ii) increase in product and inventory related costs to support growth in our e-commerce business, and (iii) the increase in direct staff costs to support increases in the size of our contracts and level of production within our contractual pipeline for the Relevant Period.

Gross Profit Margin

Gross profit of the Group increased by approximately 48.7% from approximately HK$125.6 million for the six months ended 30 September 2018 to approximately HK$186.8 million for the six months ended 30 September 2019. The increase was mainly driven by the increase in revenue for the six months ended 30 September 2019 as discussed above. The overall gross profit margin decreased slightly from approximately 49.0% for the six months ended 30 September 2018 to approximately 46.5% for the six months ended 30 September 2019 and was mainly due to the increase in revenue portion of creative agency services compared to advertising services, in which the gross profit margin from creative agency services are comparatively lower, as more tailor-made services and production staff efforts were provided and involved. It was also due to the pricing and promotional strategies set to adapt the changes in the retail industry and consumer's demand during the Relevant Period.

Other Gains and Losses

Other gains and losses mainly represent foreign currency changes and surcharges for overdue settlements.

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 dollars 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 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 arise.

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 54.7% from approximately HK$56.3 million for the six months ended 30 September 2018 to approximately HK$87.1 million for the six months ended 30 September 2019. Selling and marketing expenses as a percentage of revenue remained at approximately 22.0% for the six months ended 30 September 2018 and 30 September 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) associated distribution charges with the growth in our e-commerce business, (ii) variable commission paid for the increases in the size of our contracts and level of production within our contractual pipeline for the Relevant Period, and (iii) 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 57.5% from approximately HK$39.8 million for the six months ended 30 September 2018 to approximately HK$62.7 million for the six months ended 30 September 2019. Administrative and operating expenses as a percentage of revenue remained at approximately 15.5% for the six months ended 30 September 2018 and 30 September 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; and (iii) stock based compensation in relation to option granted to employees.

Income Tax Expense

Income tax expense for the Group increased by approximately 70.5% from approximately HK$4.4 million for the six months ended 30 September 2018 to approximately HK$7.5 million for the six months ended 30 September 2019. The increase was mainly due to the increase in profit for tax, especially in other jurisdictions with relatively higher tax rate during the Relevant Period.

Share of Result of a Joint Venture

The Group recorded losses of approximately HK$1.3 million for the Relevant Period in its share of results 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 Period

Profit and total comprehensive income increased by approximately 64.1% from approximately HK$16.7 million for the six months ended 30 September 2018 to approximately HK$27.4 million for the six months ended 30 September 2019. Such increases were primarily attributable to the increase in revenue and gross profit as well as effective corporate cost management for the six months ended 30 September 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, the Group had total assets of approximately HK$420.1 million (31 March 2019: approximately HK$333.3 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$185.1 million (31 March 2019: approximately HK$127.3 million) and approximately HK$235.0 million (31 March 2019: approximately HK$206.0 million), respectively. Total interest-bearing loans and interest-bearing bank borrowings of the Group as at 30 September 2019 were approximately HK$28.3 million (31 March 2019: approximately HK$27.0 million), and current ratio as at 30 September 2019 was approximately 2.2 times (31 March 2019: approximately 2.5 times). These borrowings were denominated in HK dollar, and the interest rates applied were primarily subject to floating rate terms.

Cash from/used in operating activities

The amount mainly comprised of cash generated from revenue and cash used in operating activities such as payment of operating expenses as well as investments in working capital. For the six months ended 30 September 2019, cash generated from operating activities was HK$0.9 million compared to cash used in operating activities of HK$38.2 million in the comparable period last year, mainly attributed to significant increase in operating cash flows derived from profit before tax netting off the increased investments in working capital compared to same period of last year.

Investment in working capital

Trade and other receivable and rental deposits

Cash outflow from movements in trade and other receivable and rental deposits was HK$50.2 million for the six months ended 30 September 2019, compared to HK$52.8 million in the same period last year. The decrease was attributable to a slower increase in trade receivables over the period from approximately HK$131.0 million as at 31 March 2019 to approximately HK$176.9 million as at 30 September 2019.

As at 31 October 2019, approximately HK$34.3 million, or 19.4% of trade receivables as at 30 September 2019 have been settled. Further, trade receivables aged within 60 days based on the invoice date at the end of the reporting period was 77.4% as at 30 September 2019 compared to 67.0% as at 31 March 2019, reflecting an improvement in our collection cycles. The Group estimated the expected credit loss allowance according to historical credit loss and internal credit rating assessment on the significant parties on the trade receivables balance at the period end.

Inventory

Cash outflow from movements in inventory was approximately HK$9.3 million for the six months ended 30 September 2019, compared to approximately HK$23.5 million in the same period of last year. The decrease was due to the improvement in procurement and inventory control over the Relevant Period along with the steadily increasing sales volumes and revenues from the Group's e-commerce business.

As at 31 October 2019, approximately HK$14.7 million, or 19.2% of inventories as at 30 September 2019 have been sold. 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.

Cash used in investing activities

The amount mainly comprised of additions in property, plant and equipment, advances to the Berrics joint venture in support of operational growth and integration plans as well as a placement of pledged bank deposits relating to a loan drawdown. For the six months ended 30 September 2019, cash used in investing activities was approximately HK$5.8 million compared to approximately HK$15.2 million in the same period of last year, mainly due to the decrease in purchase of property, plant and equipment over the same period, and the withdrawal of pledged bank deposits upon expiry during the Relevant Period.

Cash used in/generated from financing activities

The amount mainly comprised proceeds from and repayment of bank borrowings, interest payment, lease rentals paid, dividend paid and proceeds from exercise of share option. For the six months ended 30 September 2019, cash used in financing activities was approximately HK$8.2 million compared to cash generated from financing activities of approximately HK$12.2 million in the same period of last year, mainly due to the timing difference in proceeds from and repayment of bank borrowings over the same period, and the dividend and interest and capital elements of lease rentals paid during the Relevant Period.

The Group continues to review and assess potential investment opportunities, both internally and externally, which may be beneficial in achieving the Group's strategic, financial and other goals. All potential investment opportunities are reviewed in depth by management of the Company to ensure delivery of positive shareholder value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment represented leasehold improvements, furnitures and fixtures, office equipment and motor vehicle. The carrying amount of property, plant and equipment remained relatively stable for the six months ended 30 September 2019.

RENTAL DEPOSITS

The increase of HK$1.5 million rental deposits for the six months ended 30 September 2019 was mainly due to the extended area rented of retail shop in Hong Kong, and the new offices in US and UK during the Relevant Period.

GEARING RATIO

The gearing ratio of the Group as at 30 September 2019 was approximately 12.0% (31 March 2019: approximately 13.1%). 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 period end. The decrease was mainly due to the increments in equity attributable to the profits generated and exercise of share options during the Relevant Period, compared to the relatively stable borrowings as at the period end.

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 six months ended 30 September 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 30 September 2019, the Group pledged its bank deposits of approximately HK$7.8 million to a bank as collateral to secure bank facilities granted to the Group. In addition to the pledged bank deposits, as at 30 September 2019, the Group's bank borrowings with carrying amount of approximately HK$28.3 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.

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$26.1 million as at 30 September 2019 (31 March 2019: HK$28.7 million).

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 30 September 2019.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed a total of 376 employees (30 September 2018: 272 employees). Staff costs of our Group (including salaries, allowances, other benefits and contribution to the defined contribution retirement plan) for the six months ended 30 September 2019 were approximately HK$83.0 million (for the six months ended 30 September 2018: approximately HK$56.0 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 will also make 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 has become 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 investment in its subsidiaries and a joint venture company, the Group did not hold any significant investments during the six months ended 30 September 2019.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

CORPORATE GOVERNANCE PRACTICE

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

During the six months ended 30 September 2019, the Company has complied with the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules, save as the below deviation.

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

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

EVENTS AFTER THE REPORTING PERIOD

There were no significant events subsequent to the end of the reporting period which would materially affect the Group's operating and financial performance as of the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of three members, namely Mr. Wong Kai Chi, Ms. Poon Lai King and Ms. Kwan Shin Luen Susanna, all being independent non-executive Directors. Mr. Wong Kai Chi currently serves as the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019.

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

Hong Kong, 22 November 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.