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# **HYPEBEAST**

## **Hypebeast Limited**

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

**(Stock Code: 00150)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE LEASE AGREEMENTS**

#### **THE LEASE AGREEMENTS**

On 28 June 2018, HBX 41 Division LLC (a wholly-owned subsidiary of the Company) as the Tenant entered into the Original Lease Agreement with the Landlord for the leasing of the Premises for a term of seven years commencing from the Commencement Date.

The Commencement Date was not determined prior to the date of the Commencement Date Agreement due to disagreements in relation to unfinished and/or non-conforming aspects of certain alterations and renovation works undertaken by the Landlord in the Premises to be completed prior to the delivery of possession of the Premises to the Tenant pursuant to the Original Lease Agreement.

On 2 November 2020, the Tenant and the Landlord entered into the Commencement Date Agreement pursuant to which the parties have agreed, among others, to set the Commencement Date on 1 August 2020.

#### **LISTING RULES IMPLICATIONS**

In accordance with HKFRS 16 “Leases”, the Company will recognise the value of the right-of-use asset on its consolidated statement of financial position in connection with the lease of the Premises under the Lease Agreements. Accordingly, the transaction under the Lease Agreements is regarded as an acquisition of asset by the Tenant for the purpose of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated based on the value of the right-of-use of the Premises under the Lease Agreements to be recognised by the Company according to HKFRS 16 exceed 5% and all applicable percentage ratios are less than 25%, the transaction contemplated under the Lease Agreements constitutes a discloseable transaction of the Company and is subject to announcement requirements under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

On 28 June 2018, HBX 41 Division LLC (a wholly-owned subsidiary of the Company) as the Tenant entered into the Original Lease Agreement with the Landlord for the leasing of the Premises for a term of seven years commencing from the Commencement Date.

The Commencement Date was not determined prior to the date of the Commencement Date Agreement due to disagreements in relation to unfinished and/or non-conforming aspects of certain alterations and renovation works undertaken by the Landlord in the Premises to be completed prior to the delivery of possession of the Premises to the Tenant pursuant to the Original Lease Agreement.

On 2 November 2020, the Tenant and the Landlord entered into the Commencement Date Agreement pursuant to which the parties have agreed, among others, to set the Commencement Date on 1 August 2020.

## **THE LEASE AGREEMENTS**

The principal terms of the Lease Agreements are set out below:

Date:	Original Lease Agreement: 28 June 2018 Commencement Date Agreement: 2 November 2020
Tenant:	HBX 41 Division LLC (a wholly-owned subsidiary of the Company)
Landlord:	Division Street Group LLC

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Landlord and its ultimate beneficial owner(s) are Independent Third Parties.

**The Premises:** The Basement, Ground Floor, 2nd Floor, 3rd Floor, 4th Floor, 5th Floor, 6th Floor and 7th Floor of the building located at 41-43 Division Street, New York, New York 10002, U.S.A.

**Term:** Seven years commencing on 1 August 2020 and expiring on 31 July 2027

The rent free periods of the Premises are as follows:

- Ground Floor/Basement: 1 August 2020 to 31 October 2020
- 2nd to 7th Floors: 1 August 2020 to 14 November 2020

**Rent payable:** The monthly base rent payable by the Tenant to the Landlord is as follows:

For the first year: approximately US\$96,000 per month  
For the second year: approximately US\$99,000 per month  
For the third year: approximately US\$102,000 per month  
For the fourth year: approximately US\$105,000 per month  
For the fifth year: approximately US\$108,000 per month  
For the sixth year: approximately US\$111,000 per month  
For the seventh year: approximately US\$114,000 per month

Any charges payable in addition to the base rent and/or additional fees and/or expenses specified in the Lease Agreements shall be deemed additional rent under the Lease Agreements.

**Security deposit:** The security deposit of approximately US\$287,000 was paid by the Tenant to the Landlord on 17 May 2019.

The aggregate base rent payable under the Lease Agreements is approximately US\$8.4 million.

The value of the right-of-use asset recognised by the Company under the Lease Agreements amounts to approximately HKD52.3 million, which is the present value of the total rent payable during the term of the Lease Agreements less rent incentives received in accordance with HKFRS 16. Discount rate of 3.5% in average is applied to compute the present value of total rent payable under the Lease Agreements.

The rent is expected to be funded through the internal resources of the Group.

## **REASONS AND BENEFITS OF THE LEASE AGREEMENTS**

The Premises will be used for the Group's retail business and as general office space in New York, U.S.A.. The Lease Agreements have been entered into for the purpose of securing space for the Group's retail business and general office space in New York, U.S.A..

The terms of the Lease Agreements were determined after arm's length negotiations between the Landlord and the Tenant with reference to the prevailing market rent for properties of similar use, floor area and location which were inspected by the Tenant. Therefore, the Directors consider that the terms of the Lease Agreements are fair and reasonable and entering into the Lease Agreements is in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE PARTIES**

### **The Company**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 September 2015. 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.

### **The Tenant**

The Tenant is a company incorporated in New York with limited liability and is a wholly-owned subsidiary of the Company. The Tenant is currently inactive and will be principally engaged in the retail business in New York, U.S.A..

### **The Landlord**

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Landlord is a company incorporated in U.S.A. with limited liability. The Landlord is principally engaged in property related business, including property investment and/or development and the Landlord and its ultimate beneficial owner(s) are Independent Third Parties.

## **LISTING RULES IMPLICATIONS**

In accordance with HKFRS 16 “Leases”, the Company will recognise the value of the right-of-use asset on its consolidated statement of financial position in connection with the lease of the Premises under the Lease Agreements. Accordingly, the transaction under the Lease Agreements is regarded as an acquisition of asset by the Tenant for the purpose of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated based on the value of the right-of-use of the Premises under the Lease Agreements to be recognised by the Company according to HKFRS 16 exceed 5% and all applicable percentage ratios are less than 25%, the transaction contemplated under the Lease Agreements constitutes a discloseable transaction of the Company and is subject to announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Commencement Date”	1 August 2020, which is the commencement date in respect of the leasing of the Premises pursuant to the Lease Agreements
“Commencement Date Agreement”	the commencement date agreement dated 2 November 2020 entered into between the Landlord and the Tenant in respect of, among others, the setting of the Commencement Date
“Company”	Hypebeast Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed and traded on the main board of the Stock Exchange (stock code: 00150)
“Directors”	the director(s) of the Company
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Group”	the Company and its subsidiaries

“HKD”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Landlord”	Division Street Group LLC, a company incorporated in U.S.A. with limited liability and an Independent Third Party
“Lease Agreements”	the Original Lease Agreement and the Commencement Date Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Lease Agreement”	the lease agreement dated 28 June 2018 entered into between the Landlord and the Tenant in respect of the leasing of the Premises
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Premises”	The Basement, Ground Floor, 2nd Floor, 3rd Floor, 4th Floor, 5th Floor, 6th Floor and 7th Floor of the building located at 41-43 Division Street, New York, New York 10002, U.S.A.
“Shareholder(s)”	the holder(s) of shares issued by the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Tenant”	HBX 41 Division LLC, a company incorporated in New York with limited liability and a wholly-owned subsidiary of the Company

“US\$” US Dollars, the lawful currency of U.S.A.

“U.S.A.” the United States of America

“%” per cent

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

Hong Kong, 9 November 2020

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