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# **HYPEBEAST**

## **Hypebeast Limited**

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

**(Stock Code: 00150)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

#### **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 2020 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding period in 2019, as follows:

#### **KEY HIGHLIGHTS**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	<b>285,452</b>	401,344
Gross profit	<b>127,896</b>	186,793
Profit before tax	<b>27,134</b>	35,034
Total comprehensive income for the period	<b><u>20,936</u></b>	<u>27,442</u>

The Board does not recommend the payment of an interim dividend for the Relevant Period.

## **BUSINESS REVIEW AND PROSPECT**

The Group is a digital media company primarily engaged in (i) the provision of online advertising spaces and services for creative agency projects; and (ii) the sale of goods through its online retail platform.

Under its digital media business segment, the Group produces and distributes youth focused digital content showcasing the latest trends on fashion, lifestyle, technology, entertainment, culture and music to its visitors and followers. Digital content is delivered via the Group's digital media platforms (including its Hypebeast, Hypebae and Popbee websites and mobile apps) and popular third-party social media platforms (including Facebook, Instagram, Twitter, TikTok, Youtube, Wechat, Weibo, Kakao and Naver). The Group also maintains multi-language versions of its flagship Hypebeast property across both website and social media platforms, with content available in English, Traditional Chinese, Simplified Chinese, Japanese and Korean. As part of its digital media segment, the Group also delivers bespoke creative agency services, collectively branded under "Hypemaker", to its clients, which includes but is not limited to creative conceptualization, technical production, campaign execution and data intelligence in the development and creation of digital media based content.

The Group engages in the sale of footwear, apparel and accessories on its HBX e-commerce platform and through its Hong Kong based physical retail shop. The HBX e-commerce platform focuses on delivering the latest, trend-setting apparel and accessories to its customers, curating and creating fashion forward pieces and latest brand collaborations to include in its merchandise portfolio. Combining the Group's unique insight into youth-focused fashion and its long-standing reputation in the industry as a fashion and cultural leader, the Group is able to source and deliver products most desired by its target demographic, thereby supporting a growing number of online shoppers.

## **COVID-19**

Similar to most other businesses globally, the Group's business has been generally affected by the COVID-19 outbreak since late FY2020. Government mandated social distancing, closures of public and private facilities and other health related measures began rolling out in the APAC region starting from December 2019, and the United States, EMEA and other regions soon followed suit. The Group has had to navigate and adapt to the business and operational environment under COVID-19.

Being a people-oriented business, the Group's immediate priority was the safety and wellbeing of our staff. Measures were implemented to best suit the needs of each office such as a series of work-from-home policies. The Group's staff were also provided with masks and sanitizers and were asked to maintain a high level of hygiene if they worked in our offices. With these measures, the Group was able to minimize disruptions to the daily operation of the business.

Since then, the Group focused on continued engagement with our platform users and at the same time also strategized and pivoted our sales and marketing strategies to mitigate disruptions encountered. The Group also deployed strategies to continue engagement and entice demand from customers on our e-commerce platform. Details of the Group's COVID-19 related strategies are included below in the respective sections describing the company's business divisions. To further reinforce the Group's treasury position, the Group applied for government subsidies in various regions where they were available to the Group in support of its business operations under the impact of COVID-19.

## **Overall business**

The Group aims to continue its position as a leading online destination for fashion and culture followers by continuing to set trends. It intends to enhance its digital media production capability, thereby increasing the quality and quantity of both of its in-house editorial and sales campaign driven content, which is expected to translate to increased revenue from sale of services through the Group's integrated digital platforms and creative agency. Further, the Group aims to continue the expansion of its digital media client base from industries such as technology, e-gaming, alcohol and consumables, which have a large and targeted group of customer-audience within the Millennial and Generation Z demographic over which the Group's platform and brand have a strong degree of influence in terms of purchase behaviours. 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.

## **Digital Media Segment**

Hypebeast platforms continued to demonstrate resonance with our expansive community of readers and subscribers through unique, culture-driving content on our multilingual channels. As of 30 September 2020, the Group's website platforms recorded an aggregate 15.2 million unique visitors and our social media platforms generated an aggregate 25.7 million followers. The Group witnessed a boost in overall engagement during the peak of the COVID-19 pandemic, as users consistently engaged with the Group's platforms as a source of cultural updates. While the Group's overall level of media revenue compared to the same period last year was affected by COVID-19 related disruptions due to delays to digital media and creative campaigns caused by pandemic related shutdown and restrictions, our US region saw robust demand from clients which are non-endemic to our traditional customer profiles, such as those from the technology and e-gaming sectors, which is a direct consequence of effective strategies deployed by management to widen our scope of clientele. EMEA also saw expansion in revenue from non-endemic clients as well as increasing demand on production related services despite challenges posed by COVID-19. Our APAC business saw appreciable growth compared to the prior year in both China and Korea which helped delivered increases in revenue in the region, despite the Hong Kong business having moderated slightly versus last year due to

COVID-19 and social activities related impacts. Since the last quarter of prior financial year, the global onset of COVID-19 and consequent government mandated public health policies resulted in disruptions to the Group's campaign execution timelines due to the halt of physical production as travel restrictions and social distancing policies were implemented globally. The Group pivoted our business focus towards executing digital campaigns that utilized computer graphics instead of physical production that relied on on-site production work. Such shifts and innovation in campaign delivery models translated to an improvement in digital media gross margins compared to the same period last year. While management expects campaign costs to rise slightly once large scale physical campaigns become possible after COVID-19, a majority of the margin improvement due to innovation in campaign delivery is expected to be permanent. Further, the continuation of steady demand from non-endemic clients which were less impacted by the epidemic, such as from the technology and e-gaming sectors, helped support the business pipeline for our global digital media business despite challenges from epidemic affected disruptions.

Despite expansion in average contract sizes year on year due to expansion in service offerings to clients, the impact of the COVID-19 outbreak moderated year over year growth for the digital media segment due to interruptions to the delivery of production services, and the combined effect resulted in an approximate increase of 20.0% in average contract values and an approximate decrease of 27.0% in number of executed contracts compared to the same period last year mainly due to delays in campaign campaign delivery and adjustments to campaign schedules due to COVID-19 related shutdowns.

Looking forward, the Group aims to continue executing campaigns with larger online components and to continue the acceleration in client engagement from non-endemic clients, especially those who are less impacted by or even enhanced by the changes to the business landscape due to COVID-19, in order to diversify revenue streams and maximize growth in contract pipelines. Further, over the medium term, the Group will place emphasis on continuing momentum in sales growth in high-growth regions within APAC, such as China and Korea, which were the first regions to accelerate out of economic effects from COVID-19.

The Group aims to continue to solidify its position as a leading advertising partner for global brands that need to reach a growing Millennials and Generation Z demographic globally.

## **E-Commerce**

The Group's e-commerce segment HBX abated slightly due to challenges stemming from the COVID-19 pandemic. Along with most other businesses, we have been significantly impacted by the onset of the COVID-19 outbreak. The Group took the opportunity to review its OTB allocation and manage sales performance of brands carried by the e-commerce division, which resulted in a decrease of approximately 20% on our FW2020 OTB. The Group's Hong Kong based warehouse operations continued throughout COVID-19 related restrictions to keep global deliveries and customer service for HBX fully functional. The Group also utilised marketing strategies and promotional incentives to encourage stay-at-home shopping and editorial platforms to maximize efficiencies. Moderation in demand due to pandemic related uncertainties as well as an increase in promotions as a response to price reductions by competitors resulted in modulation in revenue growth and margins for the e-commerce division during the first half of the fiscal year.

Having largely navigated through impacts to revenue, margins and OTB invested posed by COVID-19 to our e-commerce business during the first half of the fiscal year, the Group intends to resume growth in the division in the last half of the fiscal year and beyond through concerted efforts in driving customer acquisition and demand. In addition to upgrades and investment in our customer relationship management tools as well as digital media and performance marketing programs, the Group intends to capture further customer growth through strategic conversion of the sizeable Hypebeast follower and visitor cohort. The Group is intent on capitalizing on the clout of its leading editorial platforms and align capabilities from our e-commerce platforms to create a seamless shoppable experience for its viewers and followers. Based on reasonable expectations of customer acquisition from our digital platforms and social media channels which boost a collective 0.9 million monthly website unique visitors and aggregate 1.1 million social media followers, as well as historical metrics on conversion and purchase order value, management believes there to be sizable opportunities for business growth. Further, the Group intends on revamping its loyalty programs to reward and retain our loyal customer base and drive revenue enhancing customer behaviours within its e-commerce platforms, with a view to enhance the overall customer experience and maximize our customer lifetime value.

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 the house brand café, Hypebeans. The Group continues to explore similar opportunities to bring our online presence to the offline world. The Group entered into a lease for an office and retail premise on the 2 November 2020, in the Lower East Side neighborhood of Manhattan, which will house an offline retail store and provide creative spaces for art and cultural galleries and exhibitions. The physical premise will be the Group's landmark presence within the United States, and will not only provide a tangible experience for our customers to access our curation of products, but also create a platform for direct interactions with our followers and the community. In addition to retail sales from the HBX store hosted onsite, management expects to monetize the premise through the sale of onsite physical marketing campaigns, sponsorships and naming rights for specially designed and curated sections of the building and hosting of popups and exhibitions, amongst other channels. The Group anticipates the premise to begin operations in 2021.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 September 2020*

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>NOTES</i>	<b>2020</b>	2019
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	<b>285,452</b>	401,344
Cost of revenue		<b>(157,556)</b>	(214,551)
Gross profit		<b>127,896</b>	186,793
Other gains and losses		<b>3,597</b>	328
Selling and marketing expenses		<b>(49,695)</b>	(87,072)
Administrative and operating expenses		<b>(53,581)</b>	(62,704)
Impairment losses under			
expected credit losses model, net of reversal		<b>(162)</b>	(323)
Finance costs		<b>(921)</b>	(657)
Share of result of a joint venture		<b>–</b>	(1,331)
Profit before tax		<b>27,134</b>	35,034
Income tax expense	5	<b>(6,245)</b>	(7,516)
Profit for the period		<b>20,889</b>	27,518
Other comprehensive expense			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>47</b>	(76)
Total comprehensive income for the period		<b>20,936</b>	27,442
Earnings per share	7		
– Basic (HK cent)		<b>1.03</b>	1.37
– Diluted (HK cent)		<b>1.02</b>	1.35

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2020*

		As at 30 September 2020	As at 31 March 2020
	<i>NOTES</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		15,231	12,238
Intangible assets		976	988
Right-of-use assets	8	86,794	46,254
Rental deposits		6,967	5,298
Amount due from a joint venture		11,867	11,870
		<b>121,835</b>	76,648
<b>Current assets</b>			
Inventories		52,477	71,408
Trade and other receivables	9	156,138	221,400
Contract assets	10	17,542	1,855
Pledged bank deposits	11	10,000	15,603
Bank balances and cash	11	144,227	67,251
Tax recoverable		4,410	–
		<b>384,794</b>	377,517
<b>Current liabilities</b>			
Trade and other payables	12	99,921	88,894
Contract liabilities	13	1,549	4,429
Bank borrowings – due within one year	14	13,550	32,836
Lease liabilities	15	20,357	15,862
Tax payable		–	5,976
		<b>135,377</b>	147,997
Net current assets		<b>249,417</b>	229,520
Total assets less current liabilities		<b>371,252</b>	306,168



		<b>As at 30 September 2020 HK\$'000 (Unaudited)</b>	As at 31 March 2020 HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities	<i>15</i>	<b>70,864</b>	30,899
Deferred tax liabilities		<b>74</b>	74
		<u><b>70,938</b></u>	<u>30,973</u>
Net assets		<u><b>300,314</b></u>	<u>275,195</u>
Capital and reserves			
Share capital		<b>20,385</b>	20,231
Reserves		<b>279,929</b>	254,964
		<u><b>300,314</b></u>	<u>275,195</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2020*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 1 April 2020 (audited)</b>	20,231	29,579	(42)	8,524	216,903	275,195
Issue of share capital	154	4,439	-	(1,946)	-	2,647
Profit for the period	-	-	-	-	20,889	20,889
Exchange difference arising on translation of foreign operations	-	-	47	-	-	47
Recognition of equity-settled share-based payments	-	-	-	1,536	-	1,536
<b>At 30 September 2020 (unaudited)</b>	<b>20,385</b>	<b>34,018</b>	<b>5</b>	<b>8,114</b>	<b>237,792</b>	<b>300,314</b>
<b>At 1 April 2019 (audited)</b>	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)
<b>At 30 September 2019 (unaudited)</b>	<b>20,231</b>	<b>29,579</b>	<b>(64)</b>	<b>6,577</b>	<b>178,646</b>	<b>234,969</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>103,643</b>	<b>910</b>
<b>INVESTING ACTIVITIES</b>		
Placement of pledged bank deposits	–	(7,085)
Purchase of property, plant and equipment	(6,348)	(1,979)
Refund of rental deposits	503	–
Advance to a joint venture	–	(2,777)
Withdrawal of pledged bank deposits	5,603	6,006
Bank interest received	176	44
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(66)</b>	<b>(5,791)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from bank borrowings	7,278	23,589
Repayment of bank borrowings	(26,564)	(22,318)
Interest paid for bank borrowings	(354)	(466)
Proceeds from issuance of shares upon exercise of share options	2,647	1,989
Interest paid for lease liabilities	(566)	(191)
Repayment of lease liabilities	(9,077)	(5,889)
Dividend paid	–	(4,896)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(26,636)</b>	<b>(8,182)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>76,941</b>	<b>(13,063)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>67,251</b>	<b>55,727</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>35</b>	<b>(75)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, representing bank balances and cash</b>	<b>144,227</b>	<b>42,589</b>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2020*

## 1. GENERAL INFORMATION

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 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.

Its registered office is located at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The address of its principal place of business is 10/F, KC100, 100 Kwai Cheong Road, Kwai Chung, Hong Kong.

The Company is an investment holding company and its subsidiaries (hereinafter together with the Company's subsidiaries referred to as "**the Group**") are principally engaged in the provision of advertising spaces services, provision of services for creative agency projects, publication of magazines and operation of online retail platform. Its parent and ultimate holding company is CORE Capital Group Limited, a private company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Ma Pak Wing Kevin ("**Mr. Ma**").

## 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 2020 dated 22 June 2020 ("**Annual Report**"). Other than additional accounting policies resulting from application of amendments to HKFRSs, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2020. Details of these changes in amendments are set out in note 3.

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

In the Relevant Period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

#### **Accounting policies newly applied by the Group**

In addition, the Group has applied the following accounting policy which became relevant to the Group in the Relevant Period.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Grants relating to compensation of expenses are deducted from the related expenses.

#### 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 and commission fee from consignment sales

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Digital media	<b>172,637</b>	262,429
E-commerce	<b>112,815</b>	138,915
	<b><u>285,452</u></b>	<u>401,344</u>

## 5. INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	769	3,857
The PRC Enterprise Income Tax	4,554	–
Other jurisdictions	922	3,659
	<u>6,245</u>	<u>7,516</u>

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.

The basic tax rate of the Group’s PRC subsidiaries is 25% under the law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and implementation regulations of the EIT Law.

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

## 6. DIVIDEND

No dividend was proposed for ordinary shareholders of the Company in respect of the year ended 31 March 2020. Furthermore, the Board does not recommend the payment of an interim dividend for the Relevant Period.

## 7. EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>20,889</u>	<u>27,518</u>
	<b>2020</b>	<b>2019</b>
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>2,027,971</b>	2,012,343
<b>Effect of dilutive potential ordinary shares:</b>		
Share options issued by the Company	<u>12,212</u>	<u>21,760</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,040,183</u>	<u>2,034,103</u>
<b>Earnings per share</b>		
– Basic (HK cent)	<b>1.03</b>	1.37
– Diluted (HK cent)	<u>1.02</u>	<u>1.35</u>

Diluted earnings per share for the six months ended 30 September 2020 and 2019 did not assume the exercise of certain share options granted by the Company since the exercise would increase the earnings per share for the respective periods.



## 8. RIGHT-OF-USE ASSETS

	<b>Leased properties HK\$'000</b>	<b>Motor vehicle HK\$'000</b>	<b>Total HK\$'000</b>
<b>As at 1 April 2020 (Audited)</b>			
Carrying amount	<u>45,431</u>	<u>823</u>	<u>46,254</u>
<b>As at 30 September 2020 (Unaudited)</b>			
Carrying amount	<u>86,146</u>	<u>648</u>	<u>86,794</u>
<b>For the six months ended 30 September 2020</b>			
Depreciation charge	<u>9,607</u>	<u>194</u>	<u>9,801</u>
Expenses relating short-term leases			<u>3,515</u>
Variable lease payments not included in the measurement of lease liabilities			<u>557</u>
Total cash outflow for leases			<u>13,715</u>
Additions to right-of-use assets			<u><b>52,349</b></u>

The above right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the respective lease terms ranging from 1 to 7 years.

During the six months ended 30 September 2020, the Group leased a retail and office premise in the United States for its existing and future operations. The lease contract was entered into for fixed term of 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for properties. As at 30 September 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

## 9. TRADE AND OTHER RECEIVABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade receivables	86,176	118,376
Unbilled receivables	43,823	70,904
	<u>129,999</u>	<u>189,280</u>
Less: allowance for credit losses	(912)	(894)
	<u>129,087</u>	<u>188,386</u>
Trade and unbilled receivables (net carrying amount)		
Advance to staff	1,640	1,679
Rental and utilities deposits	10,190	10,887
Prepayments	18,431	24,732
Other receivables	3,757	1,014
	<u>163,105</u>	<u>226,698</u>
Total		
Analysed as:		
Current	156,138	221,400
Non-current	6,967	5,298
	<u>163,105</u>	<u>226,698</u>
Total		

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 presented based on the invoice date at the end of the reporting period:

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Within 60 days	74,958	83,916
61 – 90 days	4,309	14,034
91 – 180 days	5,441	14,697
181 – 365 days	979	4,817
Over 365 days	489	912
	<u>86,176</u>	<u>118,376</u>

Included in the Group's trade receivables balance are debtors as at 30 September 2020 with an aggregate carrying amount of approximately HK\$30,189,000 (31 March 2020: HK\$48,393,000) 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 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Provision of advertising spaces	<u>17,542</u>	<u>1,855</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 30 September 2020 and 31 March 2020, 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 1.85% per annum as at 30 September 2020 (31 March 2020: 0.1% to 1.95%). Deposits amounting to HK\$10,000,000 as at 30 September 2020 (31 March 2020: HK\$15,603,000) have been pledged to secure a bank borrowing and the banking facilities.

Bank balances carry interest at prevailing market rates of 0.01% per annum as at 30 September 2020 and 31 March 2020.

## 12. TRADE AND OTHER PAYABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables	21,778	30,443
Deferred revenue ( <i>Note a</i> )	7,274	–
Commission payable	12,182	11,087
Accrual for campaign cost ( <i>Note b</i> )	45,143	36,991
Other payables and accrued expenses	<u>13,544</u>	<u>10,373</u>
	<u>99,921</u>	<u>88,894</u>

*Notes:*

- (a) Deferred revenue represents government subsidies received from the support measures in Hong Kong and the United States in response to COVID-19.
- (b) Accrual for campaign cost represents accruals for expenses incurred for rendering creative agency campaigns and media projects 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>As at 30 September 2020 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2020 HK\$'000 (Audited)</b>
Within 30 days	<b>16,134</b>	20,276
31 – 60 days	<b>130</b>	2,374
61 – 90 days	<b>478</b>	2,712
Over 90 days	<b>5,036</b>	5,081
	<b>21,778</b>	<b>30,443</b>

**13. CONTRACT LIABILITIES**

	<b>As at 30 September 2020 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2020 HK\$'000 (Audited)</b>
Provision of advertising spaces ( <i>Note a</i> )	<b>374</b>	3,701
Sales of goods through online stores ( <i>Note b</i> )	<b>1,175</b>	728
	<b>1,549</b>	<b>4,429</b>

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 2020, the Group has recognised revenue of HK\$3,507,000 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 2020 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 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Bank borrowings, secured with variable rate	<u>13,550</u>	<u>32,836</u>
Carrying amount repayable (according to scheduled repayment term):		
– Within one year	9,167	27,448
– In more than one year but not more than two years	2,064	2,028
– In more than two years but not more than five years	<u>2,319</u>	<u>3,360</u>
	13,550	32,836
Carrying amount that contain a repayment on demand clause (shown under current liabilities)	<u>13,550</u>	<u>32,836</u>

As at 30 September 2020, the borrowings were secured by the pledge of the Group's bank deposits with carrying amount of HK\$10,000,000 (31 March 2020: HK\$15,603,000).

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 2020 (Unaudited)	As at 31 March 2020 (Audited)
Effective interest rate (per annum):	2.66% to	3.00% to
Variable-rate borrowings	<u>3.50%</u>	<u>3.50%</u>

## 15. LEASE LIABILITIES

	As at <b>30 September</b> <b>2020</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 March 2020 <i>HK\$'000</i> (Audited)
<b>Lease liabilities payable:</b>		
Within one year	<b>20,357</b>	15,862
In more than one year but not more than two years	<b>17,359</b>	13,951
In more than two years but not more than five years	<b>38,428</b>	16,948
More than five years	<b>15,077</b>	–
	<hr/> <b>91,221</b>	<hr/> 46,761
Less: Amount due for settlement with 12 months shown under current liabilities	<hr/> <b>(20,357)</b>	<hr/> (15,862)
Amount due for settlement after 12 months shown under non-current liabilities	<hr/> <b>70,864</b>	<hr/> 30,899

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

	Six months ended 30 September 2020 (Unaudited)			Six months ended 30 September 2019 (Unaudited)		
	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	172,637	86,936	50.4	262,429	125,129	47.7
E-commerce	112,815	40,960	36.3	138,915	61,664	44.4
Overall	<u>285,452</u>	<u>127,896</u>	44.8	<u>401,344</u>	<u>186,793</u>	46.5

The Group's revenue decreased from approximately HK\$401.3 million for the six months ended 30 September 2019 to approximately HK\$285.5 million for the six months ended 30 September 2020, representing decrease of approximately 28.9%.

With respect to our digital media segment, revenue decreased from approximately HK\$262.4 million for the six months ended 30 September 2019 to approximately HK\$172.6 million for the six months ended 30 September 2020. The decrease in revenue of our digital media segment by approximately HK\$89.8 million was mainly due to the decrease in the number of media contracts executed and for which service obligation were performed for the Group's customers from 630 contracts for the six months ended 30 September 2019 to 460 contracts for the six months ended 30 September 2020, or by approximately 27.0% compared with the corresponding period in the last year. However, average contract value executed increased from approximately HK\$426,000 for the six months ended 30 September 2019 to approximately HK\$511,000 for the six months ended 30 September 2020, or by approximately 20.0%. The decrease in the number of contracts executed and performed was primarily due to delays in campaign timing due to COVID-19 related shutdowns. In particular, the US and EMEA regions were significantly impacted by the disruptions to production timelines due to COVID-19 during the first quarter of the fiscal year. However, following the alleviation of the COVID-19 pandemic and mitigation of government mandated public health policies, the Group gradually resumed certain production and campaign execution; and hence the performance of the digital media segment improved in the second quarter of the fiscal year despite continuing impact from COVID-19. The Group's revenue from the digital media segment are dependent on timing of recognition according to the relevant accounting standard and campaign delivery milestones and therefore may not necessarily be consistent from quarter to quarter.

With respect to our e-commerce segment, revenue decreased from approximately HK\$138.9 million for the six months ended 30 September 2019 to approximately HK\$112.8 million for the six months ended 30 September 2020, representing a decrease of approximately 18.8%. The decrease was mainly due to the decrease in number of customer orders on our e-commerce platform from approximately 91,000 for the six months ended 30 September 2019 to approximately 64,000 for the six months ended 30 September 2020, or by approximately 29.7%; despite the change in sales mix with greater portion of high-end products sold compared with the corresponding period in the last year with an increase in average order value from approximately HK\$1,500 for the six months ended 30 September 2019 to approximately HK\$1,800 for the six months ended 30 September 2020. The impact of COVID-19 in the first half of the fiscal year necessitated additional promotional strategies in response to price adjustments from competitors, which modulated the growth in revenues and margins compared to the same period in prior year. Further, the Group took the opportunity to review its OTB allocation and the sales performance of brands carried on its e-commerce platform, which resulted in a 20% reduction in overall OTB and hence revenue levels.

### **Cost of Revenue**

The Group's cost of revenue decreased from approximately HK\$214.6 million for the six months ended 30 September 2019 to approximately HK\$157.6 million for the six months ended 30 September 2020, representing a decrease of approximately 26.6%. The decrease was mainly attributable to the impact of COVID-19, which further led to the decrease in (i) campaign production costs due to disruptions of production; (ii) direct staff costs with the effect of government subsidies and streamlined team size; and (iii) product and inventory related costs of our e-commerce business due to overall lower levels of sales and inventory volume.

### **Gross Profit Margin**

Gross profit of the Group decreased from approximately HK\$186.8 million for the six months ended 30 September 2019 to approximately HK\$127.9 million for the six months ended 30 September 2020, representing a decrease of approximately 31.5%. The decrease was mainly caused by the decrease in revenue for the six months ended 30 September 2020 as discussed above. The overall gross profit margin slightly decreased from approximately 46.5% for the six months ended 30 September 2019 to approximately 44.8% for the six months ended 30 September 2020. Gross profit margin for the digital media business increased from approximately 47.7% to 50.4%, primarily due to the cost savings from a shift of physical production to digital only production. Gross profit margin for the e-commerce business decreased from approximately 44.4% to 36.3%, mainly due to the effect of pricing and promotional strategies in e-commerce segment adapting to the changes in the retail industry and consumer's demand during the period.



## Other Gains and Losses

Other gains of the Group primarily consisted of (i) exchange gains of approximately HK\$2.1 million for the six months ended 30 September 2020, compared to exchange losses of approximately HK\$1.9 million for the six months ended 30 September 2019; and (ii) surcharges on customers for overdue settlement of approximately HK\$1.1 million during the ended 30 September 2020, compared to surcharges on customers of approximately HK\$0.2 million for the six months ended 30 September 2019.

During the Relevant Period, the Group primarily had exposure to foreign exchange differences between the HK dollar and the US dollar, Euro and RMB, 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 period, that the HK dollar to US dollar foreign exchange rate as at 30 September 2019 was HKD1:USD0.1276 compared to HKD1:USD0.1290 as at 30 September 2020; while the HK dollar to Euro foreign exchange rate as at 30 September 2019 was HKD1:EUR0.1169 compared to HKD1:EUR0.1099 as at 30 September 2020; and the HK dollar to RMB foreign exchange rate as at 30 September 2019 was HKD1:RMB0.9113 compared to HKD1:RMB0.8767 as at 30 September 2020.

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, Euro and RMB. 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 and RMB, the Group's exposure to the US dollar, Euro and RMB 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 maintained a late payment fee policy on customers during the Relevant Period. Surcharges were applied 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 financial liquidity.

## **Selling and Marketing Expenses**

Selling and marketing expenses of the Group decreased by approximately 42.9% from approximately HK\$87.1 million for the six months ended 30 September 2019 to approximately HK\$49.7 million for the six months ended 30 September 2020. Selling and marketing expenses as a percentage of revenue decreased from approximately 21.7% for the six months ended 30 September 2019 to 17.4% for the six months ended 30 September 2020. 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 decrease in selling and marketing expenses was attributable to the impact of COVID-19 which led to the decrease in (i) variable commission paid for the respective size of our contracts and level of production within our contractual pipeline for the Relevant Period, (ii) associated distribution charges in our e-commerce business, and (iii) investment in the Group's social media marketing and advertising for digital and e-commerce platforms due to a shift to more cost effective channels.

## **Administrative and Operating Expenses**

Administrative and operating expenses of the Group decreased by approximately 14.5% from approximately HK\$62.7 million for the six months ended 30 September 2019 to approximately HK\$53.6 million for the six months ended 30 September 2020. Administrative and operating expenses as a percentage of revenue increased from approximately 15.6% for the six months ended 30 September 2019 to 18.8% for the six months ended 30 September 2020, mainly due to the increase in rental and utilities cost for new warehouse and office and retail premise. The decrease in overall administrative and operating expenses was mainly attributed to the impact of COVID-19, which further led to the decrease in (i) staff cost with the effect of government subsidies; (ii) travel expense for the business trip arrangement, offset by the increase in rental and utilities cost for the new headquarters in Hong Kong and the office and retail premise in the lower East Side neighborhood of Manhattan, which will host our offline retail store alongside the Group's offices in the East Coast in the United States.

## **Income Tax Expense**

Income tax expense for the Group decreased by approximately 17.3% from approximately HK\$7.5 million for the six months ended 30 September 2019 to approximately HK\$6.2 million for the six months ended 30 September 2020. The decrease was mainly due to the decrease in profit for tax.

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

The amount represents the Group's 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.

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

Profit and total comprehensive income decreased by approximately 23.7% from approximately HK\$27.4 million for the six months ended 30 September 2019 to approximately HK\$20.9 million for the six months ended 30 September 2020. The decrease was primarily attributable to the impact of COVID-19 for the six months ended 30 September 2020.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2020, the Group had total assets of approximately HK\$506.6 million (31 March 2020: approximately HK\$454.2 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$206.3 million (31 March 2020: approximately HK\$179.0 million) and approximately HK\$300.3 million (31 March 2020: approximately HK\$275.2 million), respectively. Total interest-bearing loans and interest-bearing bank borrowings of the Group as at 30 September 2020 were approximately HK\$13.6 million (31 March 2020: approximately HK\$32.8 million), and current ratio as at 30 September 2020 was approximately 2.8 times (31 March 2020: approximately 2.5 times). These bank borrowings were denominated in HK dollar, and the interest rates applied were primarily subject to floating rate terms. As at 30 September 2020, the Group has HK\$70.5 million available credit facilities comprising of revolving loans, term loan, trade loan, tax loan and bank guarantee.

## **INVENTORIES**

The Group's inventories principally comprise third-party apparel and footwear for resale to end customers. The balance of the Group's inventories decreased from approximately HK\$71.4 million as at 31 March 2020 to approximately HK\$52.5 million as at 30 September 2020.

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 23 November 2020, approximately HK\$11.1 million or approximately 21.2% of inventories as at 30 September 2020 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\$3.0 million for the six months ended 30 September 2020 was mainly due to the renovation cost for the new warehouse in Hong Kong.

## **RENTAL DEPOSITS**

As at 31 March 2020 and 30 September 2020, the Group's rental deposits amounted to approximately HK\$9.8 million and HK\$9.3 million, respectively. The decrease of HK\$0.5 million rental deposits for the six months ended 30 September 2020 was mainly due to the refunds of rental deposits upon the expiry of lease of warehouses in Hong Kong during the Relevant Period as we transitioned our warehouse operations to a new location.

## **GEARING RATIO**

The gearing ratio of the Group as at 30 September 2020 was approximately 4.5% (31 March 2020: approximately 11.9%), which decreased with the lower balances of bank borrowings as at 30 September 2020 compared to the prior year. 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.

## **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 2020. 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 the payment obligations of the Group.

In light of uncertainties in the global economic climate, management has re-assessed and enhanced the Group's treasury policies to ensure ongoing liquidity and continued ability of the business to meet its obligations. Measures adopted include optimization of credit and collections policies to ensure timely receipt of amounts outstanding from customers, review of funding sources to ensure availability of borrowing capacity should the need arise, engagement with banking partners to obtain assurance of support and understanding of limitations with respect to availability of funds, enhanced forecasting of cash flows to ensure accurate assessment of the Group's liquidity and treasury position, performance of internal assessments on cost efficiency to ensure the Group's cost structures remain efficient and a review of available government and other subsidies which the Group is eligible to apply for in order to offset costs.

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 including, amongst others, late charges, prepayments for production services and regular monitoring of credit terms.

Credit facilities available to the Group are summarized in the Liquidity and Financial Resources section above. While the Group considers its internally generated cash from operations as the primary source of funding, the Group assesses its capital needs on an ongoing basis and forms strategies on the utilization of available banking facilities based on operating and cash requirements from time to time.

Management will continue to assess the economic situation and monitor risks against the Group's treasury policies to ensure there is sufficient cash and access to capital to execute its plans. Amongst other measures, the Group continues to optimize costs through robust budget management and reviewing methods of doing business which are more cost efficient and maximizes use of the company's existing assets, including manpower, technology and other available resources.

In light of economic countermeasures announced by various countries in response to the impact of COVID-19, the Group also reviews and monitors government support packages available to its global business and will take advantage of programs which help buttress the financial resiliency of the Group and support its stability and growth.

## **CHARGES ON GROUP ASSETS**

As at 30 September 2020, the Group pledged bank deposits of approximately HK\$10.0 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 2020, the Group's bank borrowings with carrying amount of approximately HK\$13.6 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, Euro and RMB. As noted in the above discussion of other gains and losses, the Group's exposure to US dollar, Euro and RMB 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 and RMB.

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, the transfer of listing of the Company's shares from GEM to the Main Board of the Stock Exchange 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 to the Main Board of the Stock Exchange. The share capital of the Company only comprises of ordinary shares.

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

Save as disclosed in this announcement and the announcement of the Company dated 10 September 2020 in respect of the entering into of a non-binding memorandum of understanding on strategic partnership and investment, the Group did not have other approved plans for material investments or capital assets as of 30 September 2020.

## **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 six months ended 30 September 2020.

## **CONTINGENT LIABILITIES**

As at 30 September 2020, the Group had no significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2020, the Group employed a total of 348 employees (30 September 2019: 376 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 2020 were approximately HK\$63.7 million (for the six months ended 30 September 2019: approximately HK\$83.0 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 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 2020.

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

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 2020.



## **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 14 to the Main Board Listing Rules during the six months ended 30 September 2020, save for the deviations from the code provisions A.2.1 and E.1.2.

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 that it is beneficial for the Group for Mr. Ma to continue to act as both chairman and chief executive officer of the Company.

Code provision E.1.2 of the CG Code stipulates that the chairman should attend the annual general meeting of the Company. Due to unavoidable business engagement, the chairman was unable to attend the annual general meeting of the Company held on 21 August 2020. The chairman had arranged for other directors and management, who are well-versed in the Company’s business and affairs, to attend the meeting and communicate with the shareholders.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company adopted the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Main Board Listing Rules, as part of its code of conduct regarding Directors’ transactions in the securities of the Company. Specific enquiry has been made of all the Directors and all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance throughout the period from 1 October 2020 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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2020.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as the impact of COVID-19 as disclosed in this announcement, there has been no important events subsequent to the reporting period and up to the date of this announcement, which would affect the Group's business operations in material aspects.

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

Hong Kong, 23 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. Poon Lai King, Mr. Wong Kai Chi and Ms. Kwan Shin Luen Susanna.*