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HYPEBEAST

Hypebeast Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00150)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Hypebeast Limited (the “**Company**”) is pleased to present the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2021 (“**FY2021**”), together with the audited comparative figures for the year ended 31 March 2020 (“**FY2020**”), as follows:

FINANCIAL HIGHLIGHTS

	FY2021	FY2020
	HK\$'000	HK\$'000
Revenue	674,212	751,367
– Digital media	447,379	473,519
– E-commerce	226,833	277,848
Gross profit	334,127	379,278
Gross profit margin	49.6%	50.5%
Selling and marketing expenses	(112,791)	(158,831)
Administration and operating expenses	(125,005)	(125,958)
EBITDA	122,596	105,711
Net profit	70,584	65,775
Net profit margin	10.5%	8.8%
Earnings per share		
– Basic (HK cent)	3.47	3.26
– Diluted (HK cent)	3.45	3.21

The Board does not recommend the payment of a final dividend for FY2021.

KEY BUSINESS HIGHLIGHTS

- The Group recorded strong revenue recovery most notably in the second half of FY2021, with second half revenues totaling HK\$388.8 million which represented an increase of 36.2% over revenues for the first half of FY2021 of HK\$285.4 million; total revenues were HK\$674.2 million compared to HK\$751.4 million for the prior year, which represented only a moderate year-on-year decrease of 10.3% despite significant COVID-19 pandemic-related impact in the first half of FY2021;
- Total value in signed contracts for the Digital Media Segment increased by 20% during FY2021 as compared to the prior year;
- The Group delivered net profit of HK\$70.6 million for FY2021, a 7.3% increase compared to FY2020; and
- 12-month average website monthly unique visitors and aggregated social media following improved to 15.6 million and 26.2 million, representing a 0.7% and 12.4% increase over the last fiscal year, respectively. Such increases reflect overall trends in user following being more heavily social media focused.

BUSINESS OVERVIEW

The Group is a digital media company primarily engaged in (i) the provision of creative advertising services and online advertising spaces for global brands (the “**Digital Media Segment**”); and (ii) the sale of goods through its online retail platform (the “**E-Commerce Segment**”).

The Group produces and distributes youth focused digital content reporting the latest trends on fashion, lifestyle, technology, arts & entertainment, culture and music to its visitors and followers. Digital content is distributed via the Group’s 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, Korean and Indonesian. The Group delivers bespoke creative solutions via its agency business to its brand clients, including but not limited to creative conceptualization, talent curation, technical production, campaign execution, data intelligence in the development and creation of digital media content and the distribution of digital media advertisement via the Group’s digital media platforms.

The Group engages in online retail of footwear, apparel, accessories, homeware and lifestyle goods under its HBX e-commerce platform and 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 collaborations to include in its merchandise portfolio. Combining the Group's unique insight into street-wear and youth-focused fashion, and its longstanding 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.

OUTLOOK

- COVID-19 pandemic accelerated the digitalization of advertising as global brands continue to allocate an increased proportion of marketing dollars to online advertising; the Group forecasts a positive effect on the Digital Media Segment going forward;
- COVID-19 pandemic-related disruptions in the first half of FY2021 resulted in pent-up demand from brand partners for digital marketing services and an increase in unallocated marketing budgets. The Group's strong second half results in FY2021 reflect increased demand for and spending in our services, and the Group expects this momentum to carry over to at least the first half of the next fiscal year;
- Strength built upon opinion leadership over a loyal community of Generation Z and Millennials users/customers coupled with a streamlined business model, and competitive, unique 360-degree advertising services allow Hypemaker, our creative agency, to continue to stand out amongst brand advertisers and advertising agencies;
- Planned integration of our retail services with compelling and engaging content from our media platforms creates a powerful user-customer funnel for our e-commerce platform, allowing our loyal community of readers to enjoy a seamless shopping experience on an integrated site and/or mobile app;
- The HYPEBEAST building in New York City in the United States of America (the "US") is slated to open in the first half of 2022 and will integrate our flagship retail store, and a coveted venue for sales campaigns and cultural events, as well as host our Group's US East Coast office. The Group plans to drive greater brand awareness and community building through this landmark location, which will benefit the growth of the Group's Digital Media Segment & E-Commerce Segment within the US region and globally; and
- Geographically and strategically well positioned to capture significant growth opportunities in both Digital Media Segment and E-Commerce Segment/retail operations in Asia through leveraging the Group's brand popularity and high-profile networks particularly, in South Korea, Japan, China and Southeast Asia.

BUSINESS AND FINANCIAL REVIEW

- In a year dominated by the COVID-19 pandemic, the Group continued the execution of the strategies mentioned in the interim report of FY2021, with a focus on continued engagement with our platform users and strategized and pivoted our sales and marketing strategies to mitigate disruptions encountered. The Group deployed marketing and sales strategies to continue engagement and entice demand from customers on our e-commerce platform.
- The Group experienced strong growth and recovery of revenue targets in the second half of FY2021 following the initial impacts from the COVID-19 pandemic in the first half of FY2021, resulting in total revenues of HK\$674.2 million (FY2020: HK\$751.4 million), representing a 10.3% decrease when compared to FY2020.
- The Group closed the financial year strong for the fourth quarter of FY2021, with revenue of HK\$200.9 million, representing a 6.9% increase compared to the third quarter of FY2021, and a 45.3% increase compared to the fourth quarter of FY2020.

	Digital Media Segment			E-Commerce Segment			Overall		
	First half of FY2021	Second half of FY2021	Total	First half of FY2021	Second half of FY2021	Total	First half of FY2021	Second half of FY2021	Total
Revenue (HK\$'000)	172,637	274,742	447,379	112,815	114,018	226,833	285,452	388,760	674,212
Gross profit (HK\$'000)	86,936	158,123	245,059	40,960	48,108	89,068	127,896	206,231	334,127
Gross profit margin	50.4%	57.6%	54.8%	36.3%	42.2%	39.3%	44.8%	53.0%	49.6%

- Digital Media Segment gross profit margin for the second half of FY2021 was 57.6% compared to 50.4% for the first half of FY2021, reflecting an overall increase in revenue and more cost-efficient campaign production. E-Commerce Segment gross profit margin for the second half of FY2021 was 42.2% compared to 36.3% for the first half of FY2021, reflecting a higher mix of products sold at full price during the period.
- Notably, net profit from the second half of FY2021 was HK\$49.7 million compared to HK\$20.9 million for the first half of the fiscal year, representing a significant increase of 137.8%. Net profit margin for the second half of FY2021 was 12.8%, compared to 7.3% for the first half of FY2021. Such trends primarily reflect a resurgence of the Digital Media Segment from COVID-19 pandemic.

- Selling and marketing expenses of the Group decreased by 29.0% from HK\$158.8 million for FY2020 to HK\$112.8 million for FY2021 and correspondingly as a percentage of revenue, decreased from 21.1% for FY2020 to 16.7% for FY2021. COVID-19 pandemic led to a decrease in (i) associated distribution charges in our e-commerce business, (ii) spending in the Group's social media marketing and advertising for digital and e-commerce platforms due to a shift to more cost-effective channels, and (iii) variable commission paid for the respective size of our contracts and the level of production within our contractual pipeline for the relevant period.
- Administrative and operating expenses of the Group decreased slightly by 0.8% from HK\$126.0 million for FY2020 to HK\$125.0 million for FY2021 and correspondingly as a percentage of revenue, increased from 16.8% for FY2020 to 18.5% for FY2021. The overall decrease was mainly attributable to the impact of the COVID-19 pandemic, which led to the decrease in travel expenses for business trip arrangements, 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 US.
- For the purpose of impairment assessment for amount due from a joint venture, exposure to credit risk for this balance is assessed individually with lifetime expected credit loss. Impairment of HK\$4.0 million on amount due from a joint venture was provided by the Group as at 31 March 2021.
- In response of COVID-19 pandemic uncertainties during the first half of FY2021, the Group preemptively stepped up its collection efforts of trade receivables and promoted the sell-through of pre-existing inventories throughout first half of FY2021, which led to the overall strengthening of the treasury position and working capital as of year end.
- 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 pandemic.

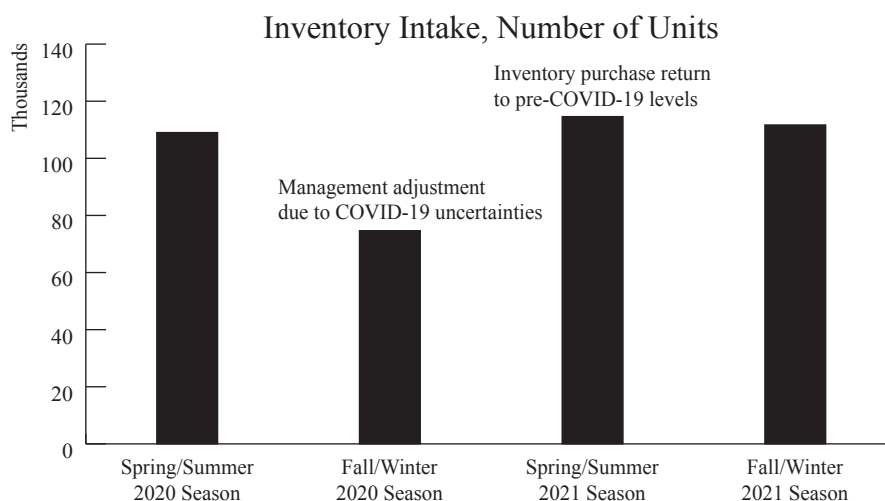
	2021	2020
Extracts of cash flow	HK\$'000	HK\$'000
Net cash from operating activities	195,715	45,645
Net cash used in investing activities	(12,264)	(22,834)
Net cash used in financing activities	(43,027)	(11,256)
Net increase in cash and cash equivalents	140,424	11,555
Cash and cash equivalents at beginning of the year	67,251	55,727
Effect of foreign exchange rate changes	1,900	(31)
Cash and cash equivalents at end of the year, representing bank balances and cash	<u>209,575</u>	<u>67,251</u>

- Due to the reasons mentioned above, the Group was able to achieve a net profit of HK\$70.6 million (FY2020: HK\$65.8 million), representing a year-on-year increase of 7.3%. The Group recorded basic EPS of positive HK3.47 cents for FY2021 (FY2020: HK3.26 cents). As the results indicate, the Group is now a more agile, flexible organization with prudent cost discipline.
- The Group also commenced its lease on 2 November 2020 for the rental of a seven storey building located at 41-43 Division Street, New York, USA, pursuant to a rental agreement which was entered into on 28 June 2018. A subsequent construction agreement in relation to the site, at a total contract sum of approximately US\$3.4 million (equivalent to approximately HK\$26.4 million), was entered into on 14 April 2021. The location will mark Hypebeast's first physical presence in North America where much of its cultural roots originated from and will serve as a multi-purpose space, spanning across retail, cafe, physical activation space, production studio and office space, amongst others. The commencement of the lease has also resulted in an increase in the Group's right-of-use assets and lease liabilities as at 31 March 2021 as compared to 31 March 2020.

Digital Media Segment

- Economic and physical retail activity in the first half of 2020 was disrupted by measures to contain the COVID-19 pandemic. This postponed the delivery of a portion of the planned physical advertising campaigns that had been in development, which disrupted the revenue recognition of signed contracts as completion was delayed.
- Lockdown measures also caused several endemic brand customers in the retail, fashion and luxury industry that were exposed to physical retail lockdowns to adjust their marketing spending in the first half of FY2021. This was negated by an increased marketing spending from non-endemic brand customers in the alcohol, e-gaming and consumer technology industries that gained traction from stay-at-home and lockdown trends.
- Thanks to a global recovery and adaptation to a post COVID-19 pandemic environment, the Group experienced a resurgence from retail, luxury and fashion brand customers in the second half of FY2021 and most notably in the fourth quarter of FY2021. The Group expects this momentum to carry forward into the coming fiscal year.
- Shutdown of retail activations also encouraged brand customers to switch to online advertising channels, which in return allowed for higher margin gains as physical campaigns involve higher margin costs.
- The Group's user base continues to expand as editorial content continues to diversify into new categories that embodies all things related to youth culture, particularly in interest areas such as cars, watches, golf, art, crypto currency and others, as the Group continues to solidify itself as the go-to destination for cultural enthusiasts who follows the latest trends.
- As a result of the foregoing, the performance of the Group's Digital Media Segment for FY2021 was only moderately impacted as compared to FY2020, with an increase in annual signed contract value for the Digital Media Segment by 20% during FY2021 as compared to the prior year.

E-Commerce Segment



- The Group's E-Commerce Segment revenue experienced a decline from HK\$277.8 million for FY2020 to HK\$226.8 million for FY2021 mainly because of a management imposed restriction on the inventory purchases for the Fall/Winter 2020 Season as a measure of risk management to navigate pandemic related uncertainties during the reporting period.
- The Group has increased its Spring/Summer 2021 Season inventory purchases to serve demand growth, whilst inventory sell through rates have increased significantly despite a reduction in overall inventory.
- HBX continues to strive to be one of the most curated online destinations for cultural enthusiasts, the Group's product offerings expanded into homeware, toys, and other lifestyle products during FY2021 with a very positive response from customers and will continue to expand into these categories.
- The HBX physical retail shop located in Central, Hong Kong experienced a strong comeback in the second half of FY2021 as pandemic restrictions eased. The Hypebeans coffee shop property remains a strong entry point and window to introduce new customers to the world of culture.
- Industry-wide heavy discounting experienced in the second half of FY2020 which eroded margins is also in the past as discounting and sell-through resumed to healthy levels.
- During FY2021 we introduced the HBX Japan localised site, following the implementation of HBX Korea local site in the previous year which achieved a strong degree of success. This is a continuation of the Group's development of the six core regions of focus for the overall commerce platform including: the US, China, Hong Kong, Taiwan, South Korea and Japan.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	NOTES	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	674,212	751,367
Cost of revenue		<u>(340,085)</u>	<u>(372,089)</u>
Gross profit		334,127	379,278
Other income, other gains and losses		3,177	(4,450)
Selling and marketing expenses		(112,791)	(158,831)
Administrative and operating expenses		(125,005)	(125,958)
Impairment losses under			
expected credit losses model, net of reversal		(4,795)	(973)
Finance costs		(1,622)	(1,356)
Share of result of a joint venture		<u>–</u>	<u>(1,333)</u>
Profit before tax		93,091	86,377
Income tax expense	5	<u>(22,507)</u>	<u>(20,602)</u>
Profit for the year	6	70,584	65,775
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>3,934</u>	<u>(54)</u>
Total comprehensive income for the year		<u>74,518</u>	<u>65,721</u>
Earnings per share	8		
– Basic (<i>HK cent</i>)		<u>3.47</u>	<u>3.26</u>
– Diluted (<i>HK cent</i>)		<u>3.45</u>	<u>3.21</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	NOTES	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		22,590	12,238
Intangible assets		962	988
Right-of-use assets	9	78,951	46,254
Rental deposits	10	7,465	5,298
Interest in a joint venture		–	–
Financial assets at fair value through profit or loss		1,647	–
Amount due from a joint venture		9,101	11,870
Deferred tax assets		479	–
		<hr/> 121,195	<hr/> 76,648
Current assets			
Inventories		42,389	71,408
Trade and other receivables	10	196,942	221,400
Contract assets	11	1,484	1,855
Pledged bank deposits		10,000	15,603
Bank balances and cash		209,575	67,251
		<hr/> 460,390	<hr/> 377,517
Current liabilities			
Trade and other payables	12	117,886	88,894
Contract liabilities	13	9,020	4,429
Bank borrowings – due within one year		5,996	32,836
Lease liabilities	14	15,763	15,862
Tax payables		5,661	5,976
		<hr/> 154,326	<hr/> 147,997
Net current assets		<hr/> 306,064	<hr/> 229,520
Total assets less current liabilities		<hr/> 427,259	<hr/> 306,168

	NOTES	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities	14	66,016	30,899
Deferred tax liabilities		<u>–</u>	<u>74</u>
		66,016	30,973
Net assets		<u>361,243</u>	<u>275,195</u>
Capital and reserves			
Share capital	15	20,459	20,231
Reserves		<u>340,784</u>	<u>254,964</u>
		<u>361,243</u>	<u>275,195</u>

NOTES:

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 25 September 2015. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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 collectively 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**").

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2020 for the preparation of the 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 above amendments in the current year has had no material impact on the Group's financial positions and performance for the current and prior year and/or the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ⁵
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁵
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁵
Amendments to HKAS 8	Definition of Accounting Estimates ⁵
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising and from Single Transactions ⁵
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ⁴
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 ⁴

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 April 2021

⁴ Effective for annual periods beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2023

⁶ Effective for annual periods beginning on or after a date to be determined

3. REVENUE

Disaggregation of revenue from contracts with customers

Segments	Digital Media		E-Commerce		Total	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of goods through online retail platform	-	-	224,432	275,503	224,432	275,503
Commission fee from consignment sales	-	-	2,401	2,345	2,401	2,345
Provision of advertising spaces	215,633	267,772	-	-	215,633	267,772
Provision of services for creative agency projects	231,536	203,600	-	-	231,536	203,600
Publication of magazines	210	2,147	-	-	210	2,147
Total revenue from contracts with customers	447,379	473,519	226,833	277,848	674,212	751,367
Geographical markets						
Hong Kong	36,729	41,020	32,017	43,014	68,746	84,034
The People's Republic of China (the "PRC")	141,166	100,844	17,060	17,750	158,226	118,594
United States ("US")	117,875	187,015	58,680	61,124	176,555	248,139
Other countries	151,609	144,640	119,076	155,960	270,685	300,600
Total	447,379	473,519	226,833	277,848	674,212	751,367
Timing of revenue recognition						
A point in time	130,513	151,416	226,833	277,848	357,346	429,264
Over time	316,866	322,103	-	-	316,866	322,103
Total	447,379	473,519	226,833	277,848	674,212	751,367

4. SEGMENT INFORMATION

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

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

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

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

Year ended 31 March 2021

	Digital media <i>HK\$'000</i>	E-commerce <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Total segment revenue	<u>447,379</u>	<u>226,833</u>	<u>674,212</u>
Segment results	<u>144,798</u>	<u>7,947</u>	152,745
Finance costs			(1,622)
Share-based payment expense			(7,003)
Unallocated expenses			<u>(51,029)</u>
Profit before tax			<u>93,091</u>

Year ended 31 March 2020

	Digital media <i>HK\$'000</i>	E-commerce <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Total segment revenue	<u>473,519</u>	<u>277,848</u>	<u>751,367</u>
Segment results	<u>154,608</u>	<u>5,331</u>	159,939
Finance costs			(1,356)
Share of result of a joint venture			(1,333)
Share-based payment expense			(6,413)
Unallocated expenses			<u>(64,460)</u>
Profit before tax			<u>86,377</u>

Note: Included in revenue from operation of online retail platform for each of the years ended 31 March 2021 and 2020, total amount of commission fee from consignment sales are approximately HK\$2,401,000 and HK\$2,345,000 respectively. The remaining amount of approximately HK\$224,432,000 and HK\$275,503,000 respectively represents sales of goods through the online retail platform.

5. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
– current year	9,240	7,999
– overprovision in prior year	(132)	(273)
The PRC Enterprise Income Tax	12,274	11,993
Other jurisdictions	1,678	1,162
	<u>23,060</u>	<u>20,881</u>
Deferred tax:		
Credit for the year	(553)	(279)
	<u>22,507</u>	<u>20,602</u>

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 Company’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 jurisdiction.

6. PROFIT FOR THE YEAR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Directors' remuneration	2,582	6,865
Other staff costs		
– salaries and allowances	130,215	159,638
– discretionary bonus	97	1,181
– retirement benefits scheme contribution	5,609	6,069
– share-based payment expenses	6,545	3,545
Total directors and other staff costs	<u>145,048</u>	<u>177,298</u>
Auditor's remuneration	1,385	1,350
Cost of inventories recognised as an expense (included in cost of revenue)	128,929	157,662
Depreciation of property, plant and equipment	6,525	4,606
Depreciation of right-of-use assets	21,253	13,347
Amortization of intangible assets	105	25
Website content update expense (Note)	1,706	2,682
Write-down of inventories	<u>1,038</u>	<u>1,042</u>

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

7. DIVIDENDS

No dividend was proposed for ordinary shareholders of the Company during both years, nor has any dividend been proposed since the end of the reporting period.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 March 2021 and 2020 is based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to the owners of the Company)	<u>70,584</u>	<u>65,775</u>
	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,035,502	2,017,703
Effect of dilutive potential ordinary shares: Share options issued by the Company	<u>11,790</u>	<u>29,268</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,047,292</u>	<u>2,046,971</u>

9. RIGHT-OF-USE ASSETS

	Leased properties HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
As at 1 April 2020			
Carrying amount	45,431	823	46,254
As at 31 March 2021			
Carrying amount	78,951	–	78,951
For the year ended 31 March 2021			
Depreciation charge	20,974	279	21,253
		2021	2020
		HK\$'000	HK\$'000
Expenses relating to leases with lease terms end within 12 months of the date of initial application of HKFRS 16		N/A	5,055
Expenses relating to short-term leases		5,006	2,162
Variable lease payments not included in the measurement of lease liabilities (Note)		1,100	912
Total cash outflow for leases		26,327	21,380
Additions to right-of-use assets		56,239	37,213

Note: Leases of a retail store contain variable lease payment that are based on 12.5% of sales over the lease term. The amount of variable lease payments paid/payable to relevant lessor for the year ended 31 March 2021 amounted to HK\$1,100,000. The overall financial effect of using variable payment term is that higher rental costs are incurred by the store with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

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 year ended 31 March 2021, the Group leases offices and warehouses for its operations. Lease contracts are entered into for fixed term of 1 to 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 31 March 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

As at 31 March 2020, the Group entered into a new lease for an office property with non-cancellable period of 7 years that had not yet commenced. The total future undiscounted cash flows over the non-cancellable period amounted to HK\$68,216,000. During the year ended 31 March 2021, the Group agreed the commencement date of the abovementioned lease to be on 1 August 2020. Accordingly, addition to right-of-use assets of HK\$53,968,000 was recognised.

10. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	83,793	118,376
Unbilled receivables (Note)	89,876	70,904
	<hr/>	<hr/>
Trade and unbilled receivables	173,669	189,280
Less: allowance for credit losses	(928)	(894)
	<hr/>	<hr/>
Trade and unbilled receivables (net carrying amount)	172,741	188,386
Advance to staff	410	1,679
Rental and utilities deposits	9,101	10,887
Prepayments	21,284	24,732
Other receivables	871	1,014
	<hr/>	<hr/>
Total	204,407	226,698
	<hr/>	<hr/>
Analysed as:		
Current	196,942	221,400
Non-current	7,465	5,298
	<hr/>	<hr/>
Total	204,407	226,698
	<hr/>	<hr/>

Note: The amounts mainly represent the balances of unconditional right to the consideration for completed portion of contracts relating to provision of advertising spaces and provision of services for creative agency projects by the PRC subsidiaries but respective invoices have not been issued due to the quota limitation in invoice amount enforced by respective local tax bureau.

As at 1 April 2019, trade receivables from contracts with customers amounted to HK\$130,745,000.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 60 days	75,238	83,916
61 – 90 days	2,785	14,034
91 – 180 days	4,608	14,697
181 – 365 days	762	4,817
Over 365 days	400	912
	<hr/>	<hr/>
	83,793	118,376
	<hr/>	<hr/>

11. CONTRACT ASSETS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Provision of advertising spaces	<u>1,484</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 31 March 2021 and 2020, all contract assets are expected to be settled within 1 year, and accordingly classified as current.

12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	18,669	30,443
Commission payable to staff	20,312	11,087
Accrual for campaign cost (Note)	61,880	36,991
Other payables and accrued expenses	<u>17,025</u>	<u>10,373</u>
	<u>117,886</u>	<u>88,894</u>

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	12,502	20,276
31 – 60 days	1,462	2,374
61 – 90 days	53	2,712
Over 90 days	<u>4,652</u>	<u>5,081</u>
	<u>18,669</u>	<u>30,443</u>

13. CONTRACT LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Provision of advertising spaces (Note a)	7,694	3,701
Sales of goods through online retail platform (Note b)	1,326	728
	<u>9,020</u>	<u>4,429</u>

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 year ended 31 March 2021, the Group has recognised revenue of HK\$3,701,000 (2020: HK\$2,229,000) that was included in the contract liabilities balance at the beginning of the respective year. All contract liabilities attributable to the provision of advertising spaces and services for creative agency projects as at 31 March 2021 are expected to be recognised as revenue within one year.

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

During the year ended 31 March 2021, the Group has recognised revenue of HK\$728,000 (2020: HK\$986,000) that was included in the contract liabilities balance at the beginning of the respective year. All contract liabilities attributable to the sales of goods through online retail platform as at 31 March 2021 are expected to be recognised as revenue within one year.

14. LEASE LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Lease liabilities payable:		
Within one year	15,763	15,862
In more than one year but not more than two years	14,408	13,951
In more than two years but not more than five years	37,926	16,948
More than five years	13,682	–
	<u>81,779</u>	<u>46,761</u>
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(15,763)</u>	<u>(15,862)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>66,016</u>	<u>30,899</u>

15. SHARE CAPITAL

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

	Number of shares	Share capital <i>HK\$</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2019, 31 March 2020 and 31 March 2021	<u>6,000,000,000</u>	<u>60,000,000</u>
Issued:		
At 1 April 2019	2,000,000,000	20,000,000
Exercise of share options	<u>23,062,500</u>	<u>230,625</u>
At 31 March 2020	2,023,062,500	20,230,625
Exercise of share options	<u>22,866,667</u>	<u>228,667</u>
At 31 March 2021	<u>2,045,929,167</u>	<u>20,459,292</u>

The new shares rank pari passu with the existing shares in all respect.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On 25 March 2021 (after trading hours), the Company entered into an investment agreement with Avex Investment Inc. (the “**Investor**”) pursuant to which the Company agreed to issue and the Investor agreed to subscribe 6,533,397 Shares at HK\$1.05924 per Share (the “**Subscription**”). Completion of the Subscription took place on 9 April 2021. As at the date of this announcement, the proceeds from the Subscription of approximately HK\$6.9 million had already been applied as general working capital of the Group. Please refer to the announcement of the Company dated 25 March 2021 for details.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 March 2021.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the year ended 31 March 2021, 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 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 April 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 consolidated financial statements of the Group for the year ended 31 March 2021 and is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2021 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

On 14 April 2021, HBX 41 Division LLC, a wholly-owned subsidiary of the Company, entered into a construction contract with a constructor, an independent third party, pursuant to which the constructor shall execute the renovation work in relation to the Group's retail business and general office space in New York. The total consideration of the construction contract was approximately US\$3.4 million (equivalent to approximately HK\$26.4 million). Details of the construction contract are set out in the announcement of the Company dated 14 April 2021.

Save as disclosed above, there has been no important events subsequent to 31 March 2021 and up to the date of this announcement, which would affect the Group's business operations in material aspects.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in this preliminary announcement have been agreed with the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

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

Hong Kong, 22 June 2021

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.