HYPEBEAST
LIMITED

ANNUAL REPORT 年報
2020 - 2021

HYPEBEAST

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Incorporated
in the Cayman Islands
with limited liability

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STOCK CODE
00150

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於開曼群島
註冊成立的有限公司

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股份代號
00150

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Ma Pak Wing Kevin
(Chairman and Chief Executive Officer)
Ms. Lee Yuen Tung Janice

Independent non-executive Directors
Ms. Poon Lai King
Ms. Kwan Shin Luen Susanna
Mr. Wong Kai Chi

AUDIT COMMITTEE

Mr. Wong Kai Chi *(Chairman)*
Ms. Poon Lai King
Ms. Kwan Shin Luen Susanna

REMUNERATION COMMITTEE

Ms. Poon Lai King *(Chairman)*
Mr. Ma Pak Wing Kevin
Mr. Wong Kai Chi

NOMINATION COMMITTEE

Mr. Ma Pak Wing Kevin *(Chairman)*
Ms. Poon Lai King
Ms. Kwan Shin Luen Susanna

COMPANY SECRETARY

Ms. Cheung Nga Man

AUTHORISED REPRESENTATIVES

Mr. Ma Pak Wing Kevin
Ms. Cheung Nga Man

INDEPENDENT AUDITOR

Registered Public Interest Entity Auditors
Deloitte Touche Tohmatsu

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Second Floor, Century Yard, Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

10/F, KC100
100 Kwai Cheong Road
Kwai Chung
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard, Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
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183 Queen's Road East
Hong Kong

LEGAL ADVISER

As to Hong Kong Law
Deacons

PRINCIPAL BANKER

The Hongkong and Shanghai
Banking Corporation Limited

WEBSITE

hypebeast.xyz

STOCK CODE

00150

CHAIRMAN'S STATEMENT

It goes without saying that the COVID-19 pandemic had a significant impact on many global businesses, and our company and team certainly faced challenges. However, this is also a year to acknowledge the adaptability that our teams demonstrated as we emerge from the year at new heights. As we send off this year we now transition our main focus to growth as we look to newer and bigger opportunities that lie in the years ahead.

Hypebeast is a name known for driving culture forward and the first stop for fashion and cultural enthusiasts around the world and we are determined to promote and sustain the new norm of increased engagement and connection between our global audiences with some of these being accelerated by the pandemic. During the year, we expanded our Hypebeast universe to cover new realms, some with dedicated social platforms for topics such as cars, watches, golf, art and more. As a preferred method of media consumption for Gen Z readers, video has long been an area we would like to expand into, this year we have invested into creating more video content to be released on various video platforms such as Tiktok and Youtube to extend our ever-growing reach.

Our advertising agency and media business began the year slowly but followed with a rapid recovery that ended with an outstanding fourth quarter. Disruptions in campaign execution due to lockdowns in many regions plagued the beginning of the year. However, things rapidly improved, and we have been able to work with many new non-endemic brand partners that were excited to engage with our readers. The pandemic has also accelerated brand's marketing strategies to include a larger component of digital advertising, as this was the only channel of engagement for many during lockdowns. We are expecting this trend to continue as we look forward to major productions and contracts in the form of large-scale digital productions, and resumption of event production work as we fully recover from COVID-19 pandemic.

On the e-commerce & retail front, we continue to differentiate ourselves from our competitors by having the latest, most carefully curated shopping experience on offer. This year, we have greatly expanded our product offerings to include lifestyle products, collectibles, homeware and more, as we identified and anticipated a few trending interests amongst our readership based on Hypebeast statistics; these trends are likely expedited by the stay-at-home circumstance due to the epidemic. This just goes to prove that HBX is not limited to be a platform for fashion or sneakers, but is rather the supplier for all things culturally-inspired for the culture enthusiast. Regionally, we will continue to expand our distribution channels to new territories like we had with the launch of HBX Korea and Japan this year. By developing a greater local presence, we are also building a larger information & product distribution network whilst securing access to interesting, local product offerings for our customers.

To closely tie our two core business units together, we are unveiling the blueprints to our next phase of growth: the Hypebeast Ecosystem. We continue to see an infinite potential in the Hypebeast community worldwide, and we always seek to provide the best customer experience to our users. In the past, there had always been a disconnection between Hypebeast, HBX and Hypemaker, where these three brands and business segments were developed quite independently of each other; there was a disparity of the content featured on Hypebeast, products sold on HBX, and campaigns created by Hypemaker.

The Hypebeast Ecosystem is the merging of these sectors. We will offer a seamless one-stop experience where our fans and users can discover the latest trends via our Hypebeast content and instantly access the product on HBX on a single integrated platform by introducing our Hypebeast reader the plethora of exciting products, events, social activations and more that HBX and Hypemaker carries.

CHAIRMAN'S STATEMENT

With the launch of the Ecosystem set in the second half of FY2022, Hypebeast will ultimately become a go-to platform for all cultural enthusiasts, and better connect brands with our audiences.

I am also very excited to welcome the opening of our Hypebeast New York flagship store, due to open in the second half of FY2022. Located in the Chinatown of New York City, it represents a significant milestone for our Company as we make an overdue return to the centre of street culture - New York City. The building is seven-stories tall, with its main purpose to be the physical embodiment of all things related to the Hypebeast culture. The location would serve as our North American headquarters, presenting retail, café, and event spaces to launch exciting activations. With the store open, we will finally be able to bring the online cultural hub that is Hypebeast, an offline experience for our fans.

This was a year that allowed us some time to refocus our priorities and streamline the efficiencies of the company, which translated to a margin improvement and an outstanding Q4 performance. Looking forward, we are in a great position to capture top-line growth in both media and e-commerce sectors. In the years to come, we see numerous opportunities ahead of us as we continue to solidify ourselves as the leading platform for youth culture.

By Order of the Board
MA Pak Wing Kevin
Chairman and Executive Director
Hong Kong, 22 June 2021

MANAGEMENT DISCUSSION AND ANALYSIS

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 advertisment 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 the year ended 31 March 2021 ("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 second half of FY2022 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;

- 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; and

- As part of its strategy to better manage the Group's existing business and to expand its overseas markets, the Group will incorporate entities in Singapore and Korea, which will be primarily engaged in supporting brand relationships and production services within the Digital Media Segment and operation of café in South Korea, in the coming fiscal year.

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.

	Year ended 31 March 2021			Year ended 31 March 2020		
	Revenue HK$'000	**Gross Profit HK$'000**	**Gross Profit Margin %**	Revenue HK$'000	Gross Profit HK$'000	Gross Profit Margin %
Digital media	**447,379**	**245,059**	**54.8**	473,519	276,125	58.3
E-commerce	**226,833**	**89,068**	**39.3**	277,848	103,153	37.1
Overall	**674,212**	**334,127**	**49.6**	751,367	379,278	50.5

Revenue

The Group's revenue decreased by 10.3% from approximately HK$751.4 million for the year ended 31 March 2020 ("FY2020") to approximately HK$674.2 million for the year ended 31 March 2021. 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Digital Media Segment

With respect to our Digital Media Segment, revenue decreased from approximately HK$473.5 million for FY2020 to approximately HK$447.4 million for FY2021, representing a decrease of 5.5%.

- 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.

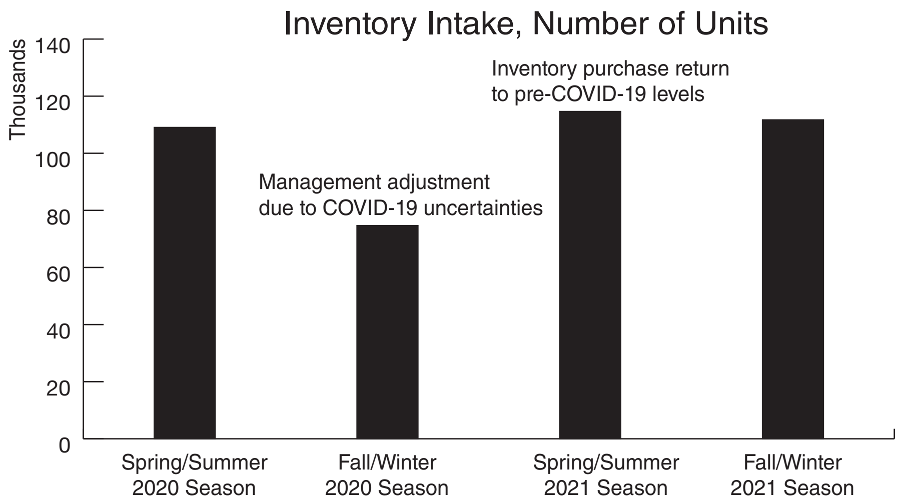
- The Group's user base continues to expand as editorial content continues to diversify into new categories that embodies all things related to youth culture, particularly in interest areas such as cars, watches, golf, art, cryptocurrency and others, as the Group continues to solidify itself as the go-to 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.

MANAGEMENT DISCUSSION AND ANALYSIS

E-Commerce Segment

With respect to our E-Commerce Segment, revenue decreased from approximately HK$277.8 million for FY2020 to approximately HK$226.8 million for FY2021, representing a decrease of approximately 18.4%.



- 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Revenue

The Group's cost of revenue decreased from approximately HK$372.1 million for FY2020 to approximately HK$340.1 million for FY2021, representing a decrease of approximately 8.6%. The decrease was mainly attributable to the impact of COVID-19 pandemic, which further led to the decrease in (i) product and inventory related costs of our e-commerce business due to overall lower levels of sales and inventory volume; (ii) direct staff costs with the effect of government subsidies and streamlined team size, despite the increase in campaign production costs due to resume of productions.

Gross Profit Margin

Gross profit of the Group decreased from approximately HK$379.3 million for FY2020 to approximately HK$334.1 million for FY2021, representing a decrease of approximately 11.9%. The decrease was mainly caused by the decrease in revenue for FY2021 as discussed above. The overall gross profit margin slightly decreased from approximately 50.5% for FY2020 to approximately 49.6% for FY2021.

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.

Other Gains and Losses

Other gains of the Group primarily consisted of (i) exchange gains of approximately HK$1.7 million for FY2021, compared to exchange losses of approximately HK$5.4 million for FY2020; and (ii) surcharges on customers for overdue settlement of approximately HK$1.1 million during FY2021, compared to surcharges on customers of approximately HK$0.9 million for FY2020.

During the year, the Group primarily had exposure to foreign exchange differences between the Hong Kong ("HK") dollar and the US dollar, Euro and Renminbi ("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 year, that the HK dollar to US dollar foreign exchange rate as at 31 March 2020 was HKD1:USD0.1290 compared to HKD1:USD0.1286 as at 31 March 2021; while the HK dollar to Euro foreign exchange rate as at 31 March 2020 was HKD1:EUR0.1177 compared to HKD1:EUR0.1095 as at 31 March 2021; and the HK dollar to RMB foreign exchange rate as at 31 March 2020 was HKD1:RMB0.9137 compared to HKD1:RMB0.8421 as at 31 March 2021.

The Group maintained a late payment fee policy on customers during the year. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Marketing Expenses

Selling and marketing expenses of the Group decreased by approximately 29.0% from approximately HK$158.8 million for FY2020 to approximately HK$112.8 million for FY2021. Selling and marketing expenses as a percentage of revenue decreased from 21.1% for FY2020 to approximately 16.7% for FY2021. 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 attributed to the impact of COVID-19 pandemic which led to the 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 level of production within our contractual pipeline for the year.

Administrative and Operating Expenses

Administrative and operating expenses of the Group decreased slightly by approximately 0.8% from approximately HK$126.0 million for FY2020 to approximately HK$125.0 million for FY2021. Administrative and operating expenses as a percentage of revenue increased from approximately 16.8% for FY2020 to approximately 18.5% for FY2021. The overall decrease was mainly attributed to the impact of COVID-19 pandemic, which led to the decrease in travel expenses 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 US.

Impairment Loss Under Expected Credit Loss Model, Net of Reversal

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.

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. The amounts of unrecognised share of loss of the joint venture for FY2021 and FY2020 were disclosed as cumulative unrecognised share of loss using equity method of accounting in note 17 to the consolidated financial statements.

Income Tax Expense

Income tax expense of the Group increased from approximately HK$20.6 million for FY2020 to approximately HK$22.5 million for FY2021, representing an increase of 9.2%. The increase was mainly due to the increase in profit for tax.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income increased from approximately HK$65.7 million for FY2020 to approximately HK$74.5 million for FY2021, representing an increase of 13.4%. The increase was primarily attributable to the recovery from the impact of COVID-19 pandemic and effective cost controls reflected in the second half of the fiscal year.

Notably, net profit, before other comprehensive income, 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2021, the Group had total assets of approximately HK$581.6 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$220.4 million (31 March 2020: approximately HK$179.0 million) and approximately HK$361.2 million (31 March 2020: approximately HK$275.2 million), respectively. Total interest-bearing loans and bank borrowings of the Group as at 31 March 2021 were approximately HK$6.0 million (31 March 2020: approximately HK$32.8 million), and current ratio increased from approximately 2.6 times as at 31 March 2020 to approximately 3.0 times as at 31 March 2021. These bank borrowings were denominated in HK dollar, due within one year and the interest rates applied were primarily subject to floating rate terms. As at 31 March 2021, the Group has HK$70.5 million available credit facilities comprising of revolving loans, term loan, trade loan, tax loan and bank guarantee; and bank balances and cash of HK$209.6 million mainly denominated in HK dollar, US dollar and RMB.

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.

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$42.4 million as at 31 March 2021. The decrease in inventories was mainly due to the promotion and sell-through of pre-existing inventories throughout first half of FY2021.

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 inventories. The Group does not anticipate recording any significant write-offs or valuation adjustments in relation to its inventory balance. As at 22 June 2021, approximately HK$16.0 million or approximately 37.7% of inventories as at 31 March 2021 had been sold.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment represented leasehold improvements, furniture and fixtures, office equipment and motor vehicle. The increase of approximately HK$10.4 million for FY2021 was mainly due to the renovation cost for the new warehouse in Hong Kong and retail premise in the United States.

RIGHT OF USE ASSETS AND LEASE LIABILITIES

As at 31 March 2020 and 31 March 2021, the Group's rights of use assets amounted to approximately HK$46.3 million and HK$79.0 million, respectively, and the Group's lease liabilities amounted to approximately HK$46.8 million and HK$81.8 million, respectively.

The Group 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.

RENTAL DEPOSITS

As at 31 March 2020 and 31 March 2021, the Group's rental deposits amounted to approximately HK$9.8 million and HK$8.2 million, respectively. The decrease of approximately HK$1.6 million rental deposits for FY2021 was mainly due to the expiry of leases of warehouses in Hong Kong and the office in the United States, offset by the deposit paid for the new office in the PRC.

GEARING RATIO

The gearing ratio of the Group as at 31 March 2021 was approximately 1.7% (31 March 2020: approximately 11.9%). The decrease was due to the repayments of bank borrowings during the year ended. The gearing ratio is calculated based on total loans and borrowings (interest-bearing bank borrowings and bank overdrafts) divided by total equity as at the year ended.

TREASURY POLICY

The Group finances its operations through internally generated cash, equity and bank borrowings. The objective of the Group's treasury policy is to ensure there is sufficient cash and access to capital to finance the Group's ongoing operations and execute its current and future plans. The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position for the year ended 31 March 2021. To manage liquidity risk, management closely monitors the Group's liquidity position and ensures there is sufficient cash and cash equivalents and available credit facilities to settle payables of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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 first and most cost-efficient 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.

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 pandemic, the Group also reviews 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 31 March 2021, the Group pledged its bank deposits of approximately HK$10.0 million to a bank as collateral to secure the available and unused bank facilities granted to the Group. In addition, as at 31 March 2021, the Group's bank borrowings with carrying amount of approximately HK$6.0 million was guaranteed by a corporate guarantee of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

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.

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. Save for the Subscription (as defined below) as set out in section headed "Purchase, sale or redemption of listed securities of the Company", 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.

COMMITMENTS

As at 31 March 2021, the contractual commitments of the Group were primarily related to the leases of its office premises, warehouse, retail store and the Director's quarter. The lease commitment and lease liabilities were set out in notes 16 and 27 to the consolidated financial statements.

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on note 6 to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report, the Group did not have other approved plans for material investments or capital assets as of 31 March 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There were no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2021.

CONTINGENT LIABILITIES

As at 31 March 2021, the Group had no significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group employed a total of 363 employees (31 March 2020: 401 employees). Staff costs of our Group (including salaries, allowances, other benefits and contribution to the defined contribution retirement plan) for the year ended 31 March 2021 were approximately HK$142.5 million (31 March 2020: approximately HK$170.4 million). As at 31 March 2021, the Group had no employer's voluntary contributions to the MPF Scheme that no forfeited contributions will be used to reduce the contributions payable by the Group.

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

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the year ended 31 March 2021.

MAJOR RISK AND UNCERTAINTIES

The Group believes that risk management practices are important and uses its best effort to ensure they are sufficient to mitigate risks present in our operations and financial position. The followings are the major risks and uncertainties of our business:

- Our business depends on our ability to offer digital media content and online retail products that attract visitors and online shoppers;
- We depend on the Internet traffic to our websites for the operation of our business;
- We rely on our e-commerce suppliers to supply goods to us for sale on our e-commerce platform;
- We generally do not enter into long term business contracts with our customers;
- Our business depends on our ability to maintain our existing relationship with brand owners and advertising agencies and our ability to attract new digital media customers to place advertisements with us;
- Our business depends on a strong brand, which we might not be able to maintain or enhance, and unfavorable customer feedback or negative publicity could adversely affect our brand;

MANAGEMENT DISCUSSION AND ANALYSIS

- Any unauthorised use of our brand name or any other intellectual property rights by competitors or third parties, and the expenses incurred in protecting such intellectual property rights, may adversely affect our business and reputation;

- Our international footprint exposes us to a variety of different local legal, regulatory, tax, payment, and cultural standards which we might fail to comply with;

- We are exposed to the risk of infringement of intellectual property rights owned by third Parties; and

- We rely on third-party courier to deliver goods to e-commerce customers and third-party suppliers for technical and payment services.

For other risks and uncertainties facing the Group, please refer to the section headed “Risks Factors” in the Prospectus and “Business and Financial Review” in this report.

An analysis of the Group’s financial risk management (included market risk, credit risk, and liquidity risk) objectives and policies are provided in note 32 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

DIRECTORS

Executive Directors

Mr. Ma Pak Wing Kevin, aged 38, who founded the Group in 2007, was appointed as an executive director of the Company with effect from 25 September 2015. He also acts as the chief executive officer, the chairman of the Board, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

Mr. Ma is a director of CORE Capital Group Limited, a controlling shareholder of the Company. He is primarily responsible for the overall management, business direction and strategies of the Group. Mr. Ma has over 13 years of industry experience in digital media marketing, web business development and social media marketing.

Mr. Ma has been defined as a leading cultural entrepreneur by global media outlets. Through the global expansion and growth of HYPEBEAST, he has cemented his position on an international level.

HYPEBEAST has transitioned today into the most relevant and reliable source for culture news. Mr. Ma has transformed HYPEBEAST into a global platform through his creativity, innovation and experimental spirit. In 2012, he launched the e-commerce site, HBX, with the aim of bridging the gap for readers to purchase products, resulting in tremendous business.

Always on the move and striving to achieve more by experimenting and creating new products, Mr. Ma also developed a creative agency arm, HYPEMAKER, serving globally recognized clients worldwide through delivery of premium creative services and adding to his list of professional achievements. Mr. Ma obtained a Bachelor of Arts degree with a major in economics and psychology in May 2005 from the University of British Columbia, Canada. Mr. Ma is the husband of Ms. Lee Yuen Tung Janice, an executive director of the Company.

Ms. Lee Yuen Tung Janice, aged 38, was appointed as an executive director of the Company on 18 March 2016. Ms. Lee joined the Group as an editor-in-chief on 14 February 2008 and established our Popbee website which targets Asian female millennials. She is responsible for the day-to-day operations of our Popbee website including leading its editorial team and marketing functions. Ms. Lee has over 13 years of experience in the digital media industry. She obtained a Bachelor of Science degree with a major in biochemistry in June 2004 from Simon Fraser University, Canada. Ms. Lee is the wife of Mr. Ma Pak Wing Kevin, an executive director of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Independent Non-executive Directors

Ms. Kwan Shin Luen Susanna, aged 54, was appointed as an independent non-executive director of the Company on 18 March 2016. Ms. Kwan is a member of the Audit Committee and Nomination Committee of the Company. Ms. Kwan has served as an independent non–executive director of Emperor Entertainment Hotel Limited (stock code: 0296) since August 2015. Ms. Kwan has a legal practice focusing on corporate/ commercial and corporate finance matters in Hong Kong for more than 21 years, including mergers & acquisitions, regulatory compliance, public offerings, private placement of securities and open offers, joint ventures and securities related legislation. Ms. Kwan obtained a Bachelor of Laws degree in August 1989 from the London School of Economics and Political Science of the University of London, the United Kingdom.

Ms. Poon Lai King, aged 58, was appointed as an independent non-executive director of the Company on 18 March 2016. Ms. Poon is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. She has over 19 years of experience in the publishing and media industry. Since September 2007, Ms. Poon has been the shareholder and director of Joyful Books Company Limited, a company that publishes Chinese books in Hong Kong. Ms. Poon commenced operating a public relations and event management business under the business name, Impact Communications Company, in 2012. Ms. Poon served as an arts consultant for the Hong Kong Arts Development Council from January 2013 until the end of March 2017. Ms. Poon obtained a Bachelor of Arts degree in November 1985 and a Master of Arts degree in November 1991 from the University of Hong Kong.

Mr. Wong Kai Chi, aged 49, was appointed as an independent non-executive director of the Company on 18 March 2016. Mr. Wong is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Since April 2019, Mr. Wong has started his own business and investment in the area of both healthcare and AI Education as the Founder and Managing Partner. Mr. Wong held several key executive roles which include Chief Operating Officer, Chief Human Resources and IT Officer at Tianda Group Limited in the period of June 2017 to March 2019. From August 2014 to March 2017, Mr. Wong worked for the finance department of Bloomberg L.P., an information technology data services company and is responsible for accounting and finance matters. Mr. Wong has over 16 years of experience in finance and professional accounting, in which he has advanced to a Fellow Certified Practising Accountant (Australia) since March 2015. Mr. Wong obtained a Bachelor of Commerce degree in July 1996 from Monash University, Australia. He obtained a Master of Business Administration degree in August 2005 from Deakin University, Australia through distance learning. Mr. Wong is also a director of Eternal Life Music Charity Foundation Limited, a chairman of Hong Kong Girl Guides New Territories Region Association and a director of Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies since 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

SENIOR MANAGEMENT

Mr. Wong Kar Hang Patrick, aged 39, joined the Group as finance director on 18 October 2016 and is now our chief financial officer. He is primarily responsible for the financial management of the Group, including accounting, business support, strategic planning and analysis, budgeting and forecasting, M&A and investor relations. Mr. Wong began his professional career with PricewaterhouseCoopers in Vancouver and has more than 13 years of finance and leadership experience working with top-tier, global enterprises in Canada, the United Kingdom and Hong Kong. He obtained a Bachelor of Business Administration degree in October 2005 from Simon Fraser University in Canada, and was admitted as a member of both the Chartered Professional Accountants of British Columbia and The Institute of Chartered Accountants in England and Wales in December 2009 and May 2017, respectively.

COMPANY SECRETARY

Ms. Cheung Nga Man, aged 40, joined the Group as finance manager on 12 May 2014 and is now our director of finance and Company Secretary. She is primarily responsible for supervising the Group's finance activities and accounting operations, reviewing legal documents, liaising with external lawyers to ensure that all of the Group's financial practices are in line in statutory regulations and legislation, and providing support to the Group's strategic planning, budgeting and forecasting. Ms. Cheung has over 15 years of experience in audit and finance. Ms. Cheung obtained a Bachelor of Commerce degree in December 2004 from the University of Melbourne, Australia. She is a Certified Public Accountant and member of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant (Australia).

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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 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 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 April 2020 to the date of this annual report.

BOARD OF DIRECTORS

Board Composition

The Board comprises the following Directors:

Executive Directors
Mr. Ma Pak Wing Kevin *(Chairman of the Board and Chief Executive Officer)*
Ms. Lee Yuen Tung Janice

Independent Non-executive Directors
Ms. Poon Lai King
Ms. Kwan Shin Luen Susanna
Mr. Wong Kai Chi

The biographical details of the Directors and the relationships among the members of the Board are disclosed under the section headed "Biographical Details of Directors, Senior Management and Company Secretary" on pages 17 to 19 of this annual report.

CORPORATE GOVERNANCE REPORT

With the various experience of the executive Directors and the independent non-executive Directors, the Board has maintained a necessary balance of skills and experience sufficient to oversee the business of the Group and for the exercise of independent judgement.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the CG Code. During the year ended 31 March 2021, the Board reviewed and discussed the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and the Company's compliance with the code provision in the CG Code and disclosures in this report. The Board is satisfied with the effectiveness of its corporate governance policies.

FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board supervises the overall management of the business and affairs of the Company and ensures that it is managed in the best interests of the shareholders as a whole while taking into account the interest of other stakeholders. The Board is primarily responsible for providing leadership, formulating business strategies, reviewing and monitoring the business performance of the Company, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. All Directors make decisions objectively and act in the interests of the Company and of the shareholders at all times.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The delegated functions and work tasks are regularly reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board is regularly provided with management update reports to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Company in sufficient details.

All Directors have timely access to all relevant information as well as the advice and services of the company secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Directors may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with the Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board throughout the year ended 31 March 2021 with at least one of whom having appropriate professional qualifications, or accounting or related financial management expertise.

CONFIRMATION OF INDEPENDENCE

The Company received from each independent non-executive Director a written annual confirmation of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the criteria set out in the Listing Rules.

DIRECTORS' AND OFFICERS' LIABILITIES

Pursuant to code provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Company has taken out directors' and officers' liability insurance to cover liabilities arising from legal action against the Directors.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors entered into a service agreement with the Company for a term of three years, during which either party may terminate the service agreement by giving the other party not less than three months' written notice.

Each of the independent non-executive Directors signed a letter of appointment for a term of three years. The independent non-executive Directors are subject to termination in accordance with their respective terms by not less than one month's notice in writing and served by the independent non-executive Director or the Company.

According to the articles of association of the Company, one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Any new Directors appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting after the appointment, and is subject to re-election by shareholders of the Company. Any Director appointed by the Board as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to the above provisions in the articles of association of the Company, Mr. Ma Pak Wing Kevin and Ms. Kwan Shin Luen Susanna, shall retire by rotation at the forthcoming 2021 annual general meeting. The retiring Directors will offer themselves for re-election. The Company's circular, sent together with this annual report, contains detailed information of such retiring Directors as required by the Listing Rules.

CORPORATE GOVERNANCE REPORT

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The Board meets regularly to consider, review and/or approve matters relating to, among others, financial and operating performance, overall strategies and various policies of the Company. Additional meetings are held when significant events or important issues require discussion and approval. Attendance records of each Director at the Board meetings, Board committee meetings and general meeting of the Company held during the year ended 31 March 2021 are set out as follows:

	Attendance/Number of Meetings				
Name of Director	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Annual General Meeting
Mr. Ma Pak Wing Kevin	5/5	–	2/2	1/1	0/1
Ms. Lee Yuen Tung Janice	5/5	–	–	–	1/1
Ms. Poon Lai King	5/5	4/4	2/2	1/1	1/1
Ms. Kwan Shin Luen Susanna	5/5	4/4	–	1/1	1/1
Mr. Wong Kai Chi	5/5	4/4	2/2	–	1/1

BOARD COMMITTEE

The Board established three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. All Board committees were established with defined written terms of reference, which are posted on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (hypebeast.xyz). All Board committees report to the Board on their decisions and recommendations made.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

Audit Committee

The Audit Committee 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. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The primary duties of the Audit Committee include reviewing, in draft form, the annual report and accounts, half-year report and quarterly reports and providing advice and comments to the Board. In this regard, members of the Audit Committee liaise with the Board, senior management, reporting accountants and auditors. The Audit Committee also considers any significant or unusual items that are, or may need to be, reflected in such reports and accounts and gives consideration to any matters raised by the accounting staff, compliance officers or auditors. Members of the Audit Committee are also responsible for reviewing the Group's financial reporting system, risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2021, the Audit Committee (i) reviewed the Group's consolidated financial statements, results announcements and reports for the year ended 31 March 2020 and for the six months ended 30 September 2020; (ii) reviewed and discussed the related accounting principles and practices adopted by the Group, the relevant audit findings, the report on the Company's risk management and internal control review; (iii) made recommendation of the re-appointment of the external auditor; and (iv) reviewed the arrangements for employees of the Company to raise concerns about possible improprieties.

The external auditor was invited to attend the Audit Committee meetings to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditor.

Remuneration Committee

The Remuneration Committee consists of three members, being an executive Director, namely Mr. Ma Pak Wing Kevin, and two independent non-executive Directors, namely Ms. Poon Lai King (chairman) and Mr. Wong Kai Chi.

The primary duties of the Remuneration Committee are to determine the remuneration packages of all executive Directors and senior management, (including benefits in kind, pension rights and compensation payments, and any compensation payable for loss or termination of their office or appointment) and to make recommendations to the Board on the remuneration of independent non-executive Directors. The Remuneration Committee also reviews and makes recommendations to the Board on the Group's remuneration policy and structure, and establishes formal and transparent procedures for developing such remuneration policies. This is to ensure that no director or any of their associates participate in deciding their own remuneration, and that remuneration is determined by reference to the performance of the individual and the Company as well as market practice and conditions.

During the year ended 31 March 2021, the Remuneration Committee reviewed the remuneration package of the Directors and senior management of the Company.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the member of senior management by band for the year ended 31 March 2021 is set out below:

	Number of individual
Nil to HK$1,000,000	–
HK$1,000,001 to HK$1,500,000	–
HK$1,500,001 to HK$2,000,000	–
HK$2,000,000 above	1
	1

Details of the remuneration of each Director of the Company for the year ended 31 March 2021 are set out in note 11 to the consolidated financial statements in this annual report.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee consists of three members, being an executive Director, namely Mr. Ma Pak Wing Kevin (chairman), and two independent non-executive Directors, namely Ms. Kwan Shin Luen Susanna and Ms. Poon Lai King.

The primary duties of the Nomination Committee are to review the Board structure, size and composition, make recommendations to the Board regarding appointment and succession planning of directors and candidates for nomination to directorship, and assess the independence of independent non-executive Directors.

The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining the Company's competitive advantage. A Board Diversity Policy is adopted by the Company, pursuant to which the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Company has also adopted the Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of directors of the Company, and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following: character and integrity; qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy; diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; requirements of independent non-executive directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During the year ended 31 March 2021, the Nomination Committee reviewed the composition and diversity of the Board and considered that balance and diversity of perspective is maintained across the Board. The Nomination Committee also recommended the re-election of retiring directors at the Company's 2020 annual general meeting and assessed the independence of all the independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Reading materials on relevant topics are issued to Directors where appropriate. Each Director received induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other relevant legal and regulatory requirements.

During the year ended 31 March 2021, all Directors participated in continuous professional development relevant to the duties and responsibility of the Directors under the relevant legal and regulatory requirement. Such continuous professional development was delivered via reading materials in relation to legal or regulatory updates and/or attending training courses provided by the legal advisors.

COMPANY SECRETARY

During the year ended 31 March 2021, Ms. Cheung Nga Man, the company secretary, has taken no less than 15 hours of relevant professional training to update her skills and knowledge in accordance with the Listing Rules. The biographical details of Ms. Cheung are set out under the section headed "Biographical Details of Directors, Senior Management and Company Secretary" on pages 17 to 19 of this annual report.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Group about its reporting responsibilities for the Group's financial statements for the year ended 31 March 2021 is set out in the section headed "Independent Auditor's Report" in this annual report.

The remuneration paid/payable to the auditor of the Company for the year ended 31 March 2021 is set out as follows:

Services rendered	**HK$'000**
Audit services	1,385
Non-audit services	
– Hong Kong profit tax filling service	152
– US tax compliance service	472
– Assurance report for continuing connected transactions	80
– Commercial Rent Tax Compliance	31

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2021, which give a true and fair view of the state of affairs of the Group.

The Board is responsible for presenting a balanced, clear and understandable assessment of the annual and interim reports and other financial disclosures required by the Listing Rules and other regulatory requirements. Senior management has provided to the Board such explanation and information as necessary to enable the Board to carry out an informed assessment and review of the financial information and position of the Group. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for risk management and internal control systems and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks the Company is willing to take to achieve its strategic objectives, and for maintaining adequate risk management and internal control systems to safeguard the interests of the shareholders and the assets of the Group.

The Group has in place risk management and internal control systems and the Audit Committee assists the Board in overseeing the design and implementation of the said systems. All business units conduct internal control assessments regularly to identify risks factors which potentially impact the business of the Group. The management of the Company assessed the likelihood of risk occurrence, monitored the control process and reported to the Board and Audit Committee on relevant findings.

The Group has in place a disclosure policy which provides a general guide to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

The Company has engaged an external professional firm to provide internal audit services and perform independent review of the adequacy and effectiveness of its risk management and internal control systems. Key issues such as accounting practices and material controls were examined. Relevant findings and recommendations were provided to the Board and the Audit Committee.

The Board, as assisted by the Audit Committee and management, reviewed the report on internal audit findings, and conducted a review on the effectiveness of its risk management and internal control systems, including the financial, operational and compliance controls of the Group for the year ended 31 March 2021. The annual review covered areas on financial reporting, staff qualification, experiences and relevant resources. The Board considered such systems to be adequate and effective, and ongoing review of the same nature will be conducted in subsequent years.

Furthermore, as disclosed in the Prospectus, the Board has in place a system to evaluate sanction risks prior to determining whether the Company should embark on any business opportunities in sanctioned countries, or with the individuals sanctioned by the US, the EU, the United Nations, Canada or Australia, including but without limitation, any government, individual or entity that is subject of any Office of Foreign Assets Control ("OFAC") administered sanctions ("Sanctioned Countries" or "Sanction Persons"). Under the system, the Company must seek advice from reputable external legal counsel with the necessary expertise and experience in matters relating to International Sanctions laws if the Company encounters any possible sanction risks. During the year ended 31 March 2021, the Board conducted a review of the system's effectiveness in preventing any prohibited or otherwise restricted sales to Sanctioned Countries and Sanctioned Persons and considered such system to be effective.

DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends. Depending on the financial conditions, financial results, business conditions and strategies of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2021, there had been no change in the Company's constitutional documents.

SHAREHOLDERS' RIGHT

The Company has not made any changes to its articles of association during the year under review. An up-to-date version of the articles of association is available on the websites of the Company and of the Stock Exchange.

An annual general meeting of the Company is held each year at a location determined by the Board. Each general meeting, other than an annual general meeting, is called an extraordinary general meeting ("EGM"). All resolutions proposed at shareholder meetings are voted by poll pursuant to the Listing Rules and the poll results are posted on the Stock Exchange's website (www.hkexnews.com) and the Company's website (hypebeast.xyz) respectively, immediately after the relevant general meeting.

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting.

PROCEDURES AND RIGHT FOR SHAREHOLDERS TO CONVENE EGM

The following procedures for shareholders to convene an EGM are subject to the Company's articles of association, and applicable legislations and regulations, in particular the Listing Rules:

(a) Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the "Eligible Shareholder(s)") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition;

(b) The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the Company Secretary at the Company's principal place of business in Hong Kong at 10/F, KC100, 100 Kwai Cheong Road, Kwai Chung, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists;

(c) the requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders;

CORPORATE GOVERNANCE REPORT

(d) the requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM;

(e) If within 21 days of such deposit the Board fails to proceed to convene such meeting the Eligible Shareholder(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

RIGHT TO PUT ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Group believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group recognises the importance of transparent and timely disclosure of corporate information, which enables shareholders and investors to make the best investment decision.

The Group maintains a website at hypebeast.xyz as a communication platform with shareholders and investors, where information and updates on the Company's business developments, operations and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company via the following points of contact:

Address: 10/F, KC100, 100 Kwai Cheong Road, Kwai Chung, Hong Kong
Email: info@hypebeast.com/ investors@hypebeast.com

The Company considers the annual general meeting as an important occasion as it provides an important opportunity for direct communications between the Board and the shareholders. All Directors and senior management shall make an effort to attend, and all shareholders are given at least 20 business days' notice of the annual general meeting and are encouraged to attend the annual general meeting and other shareholders' meetings.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Group is pleased to present the Environmental, Social and Governance Report (the "Report") for the year ended 31 March 2021 to provide an overview of the Group's management of significant issues affecting the operation, including environmental, social and governance ("ESG") issues.

Reporting Period

This Report illustrates the Group's policies and performance regarding the environmental and social aspects from 1 April 2020 to 31 March 2021 (the "reporting period" or "2020/2021").

Reporting Scope and Boundary

This Report focuses on the ESG issues of the Group's core and material businesses, including (i) digital media and (ii) e-commerce businesses in Hong Kong, the People's Republic of China (the "PRC"), Japan, the United States of America (the "USA") and the United Kingdom (the "UK"). There is no significant change in the scope and boundaries of this Report from those of the ESG report for the year ended 31 March 2020.

Reporting Basis and Principle

This Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "ESG Guide") of Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and based on the four reporting principles — materiality, quantitative, balance and consistency:

- "Materiality" Principle:

  The Group determines material ESG issues by stakeholder engagement and materiality assessment. Details are explained in the section headed "Materiality Assessment".

- "Quantitative" Principle:

  Information is presented with quantitative measure, whenever feasible, including information on the standards, methodologies, assumptions used and provision of comparative data.

- "Balance" Principle:

  This Report identifies the achievements and challenges faced by the Group.

- "Consistency" Principle:

  Methodologies adopted for preparing this Report are consistent with last year, unless otherwise stated.

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The Group has complied with all “comply or explain” provisions set out in the ESG Guide.

The information contained herein is sourced from official documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group’s relevant policies. A complete content index is appended in the last section hereof for quick reference. This Report is prepared and published in both English and Chinese. In the event of contradiction or inconsistency, the English version shall prevail.

Review and Approval

This Report was reviewed and approved by the board (the “Board”) of directors (the “Directors”) of the Company on 22 June 2021.

Feedbacks

The Group respects your view on this Report. Should you have any opinions or suggestions, you are welcome to send to us via email to the following address: info@hypebeast.com.

INTRODUCTION

The Group’s mission is to enrich people’s lives and to connect people through culture-driving media content and the latest in youth culture in order to shape a better understanding of contemporary culture for our audience and readers around the globe. Delivering inspirational content is, therefore, the core focus of the Group’s business, and the Group has always aspired to create platforms that open our readers’ eyes to all of the amazing things happening around the world.

The Group was built by and around a global community of followers primarily in the millennial generation, a demographic which places strong importance and focus on environmental and social issues happening around the world. The Group firmly believes and places a strong commitment and a sense of responsibility in its operating approach with respect to environmental and social issues.

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AWARD AND RECOGNITION

The Group's efforts have been recognised by award(s) during the reporting period. The details are as follows.

- **Good MPF Employer Award**

  Hypebeast Hong Kong Limited has been awarded "Good MPF Employer Award – e-Contribution Award and MPF Support Award" for the third consecutive years from FY2018 to FY2020. The award is given in recognition of the company's compliance with Mandatory Provident Fund ("MPF") legislation and provision of better retirement benefits for the employees which help foster positive energy in the community.

  The Group will keep providing the latest MPF information and assistance to employees to encourage them to manage their MPF accounts in time and assist them to make better arrangements for retirement.

ESG GOVERNANCE

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

The Board has delegated the day-to-day responsibility of the implementation to the ESG Working Group (the "Working Group") with representatives from different departments in the Group. The Working Group is responsible for facilitating the adoption of ESG strategies and policies throughout the Group. It collects data, evaluates performance and reports major issues to the Board periodically. The Board reviews and approves ESG report.

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STAKEHOLDER ENGAGEMENT

The Group emphasises the participation of its stakeholders, including shareholders of the Company, staff, customers, suppliers etc. All of them have a substantial impact on the success of its business or activities.

The Group believes that stakeholder engagement has a significant level of influence in developing sustainable development strategies and fulfilling social responsibilities which is the basis for the Group's strategy formulation and decision-making. The Group communicates with its stakeholders through various channels, shown as below.

Stakeholder	Communication Channel
Government and regulatory agency	• Annual reports, interim reports, ESG reports and other public information
Shareholder and investor	• Annual general meetings and other general meetings of shareholders • Company website • Press releases or announcements • Annual reports, interim reports, ESG reports and other public information • Investor Conference • Regular meetings
Employee	• Regular meetings • Performance evaluation • Leisure activities • Employee satisfaction survey • Monthly staff newsletter
Customer	• Website • Social media platform • Email • Online live chat and phone calls
Supplier	• Regular meetings • Site visit • Survey
Community	• Community activities • ESG Reports

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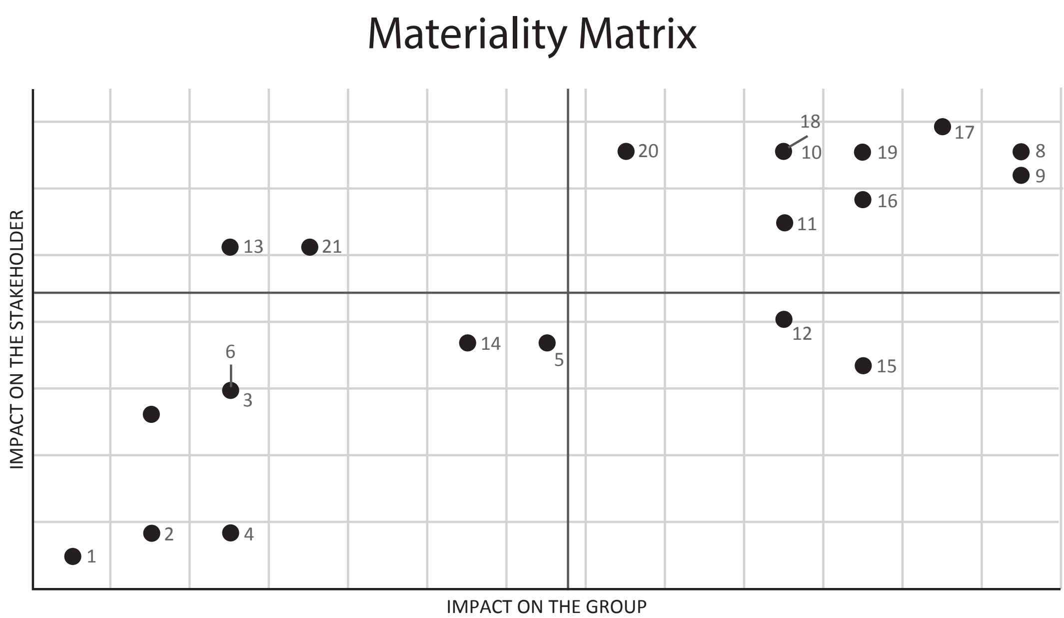
MATERIALITY ASSESSMENT

A list of ESG issues, which were potentially material to the Group, was decomposed in the context of its business and daily operation. A materiality assessment matrix was developed from the result of stakeholder engagement exercises conducted with internal and external stakeholders through an online survey. The materiality assessment and prioritisation took into account of two dimensions. It included the importance of issues to stakeholders and the business. The issues that fall within the top right-hand quadrant have relatively higher impact to both stakeholders and Group's business.

Materaility Matrix



1	Air Emmissions	8	Employment practices	15	Advertisement and labelling
2	Wastewater and waste	9	Diversity and equal opportunities	16	Customers' information and privacy protection
3	Energy efficiency	10	Anti-discrimination	17	Customer satisfaction
4	Water efficiency	11	Occupational health and safety	18	Intellectual property
5	Raw material consumption	12	Development and training	19	Product safety and quality
6	Environment and natural resources	13	Child labour and forced labour	20	Anti-corruption
7	Climate change	14	Supply chain management	21	Community investment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

A1 Emissions

As the main workplace of the Group's employees is the general office and the method of the transactions with our customers is primarily through online medium, the Group's day-to-day business does not involve direct production and emission of air, water, and land pollution. Due to its business nature, the Group is not aware of any relevant environmental laws and regulations in respect of air and greenhouse gas emissions, discharge into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on us. However, the Group has established the Environmental Policy in order to mitigate the environmental impact associated with its business operations. The policy outlines the strategy to minimalise the direct environmental impact from the Group's business operation by strengthening external and internal communication and by implementing environmental measures to reduce and minimalise our footprint from emissions, energy consumption and waste generation. The corresponding approaches are illustrated in the following sections.

Greenhouse Gas (GHG) Emissions

The Group's indirect emission of greenhouse gases is primarily related to the electricity consumption at our offices and our staff's business travel. The Group's logistics solution for its e-commerce business is outsourced to third-party vendors. Management places a strong emphasis on sourcing vendors with strict adherence to environmental protection and sustainability measures, and continues to review such metrics on an annual basis in our decision to work with our logistics partners and vendors to ensure that our business continues to scale and grow with minimal impact to the environment. The Group does not include emissions generated by its third-party vendors in the Group's greenhouse gas inventory. Initiatives to reduce GHG emissions from energy consumption will be discussed in the section headed "Use of Resources".

The total GHG emissions and its intensity were 172,652.75 kilograms CO_2-equivalent (kg CO_2-e) and 475.63 kg CO_2-e per employee respectively in 2020/2021, representing a decrease of approximately 59% and 54%, as compared to last year. The decrease was attributable to the drastic decrease in scope 3 emissions as business travel was limited due to the COVID-19 pandemic.

During the reporting period, the Group's GHG inventory principally comprise of scope 2 and 3 emissions, similar to last year. Scope 2 emissions account for approximately 98% of the total GHG emissions and it included GHG emissions arising from purchased electricity which was also the major contributor of GHG emission for the reporting period.

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Going forward, the Group will continue to monitor and record GHG emissions, enhance related data collection system and develop targets and reduction plans as when appropriate.

Greenhouse Gas Emissions[1]	**2020/2021 kg CO_2-e**	2019/2020 kg CO_2-e
Scope 1[2]	**–**	–
Scope 2[3]	**169,134.21**	189,798.54
Scope 3[4]	**3,518.54**	227,919.78
Total GHG emissions	**172,652.75**	417,718.32
Intensity[5] (Total GHG emissions per employee[6])	**475.63**	1,041.69

1 The greenhouse gas emissions are calculated with reference to Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong published by the Environmental Protection Department and the Electrical and Mechanical Services Department, sustainability reports published by the CLP Power Hong Kong Limited, annual reports published by Water Suppliers Department, sustainability reports published by the Drainage Service Department.

2 Scope 1 refers to direct emissions from operations that are owned or controlled by the Group.

3 Scope 2 refers "Indirect energy" emissions resulting from internal consumption by the Group (purchased or acquired) of electricity, heating, cooling and steam. It comes from the use of electricity on the premises in Hong Kong only.

4 Scope 3 refers to all other indirect emissions that occur outside the company, including both upstream and downstream emissions. It includes the emissions produced indirectly from commercial business travel, processing fresh water and sewage by third party and paper wastes disposed at landfills.

5 Intensity (Total GHG emissions per employee) = Total GHG emissions/Total number of employees at the end of the reporting period.

6 The total number of employees as of 31 March 2021 was 363.

Waste

As a digital company, our inherent business nature does not require significant resource consumption or waste production, contributing to a low environmental footprint.

The Group encourages its employees to initiate the practice of waste reduction. Our employees have developed environmentally friendly habits such as utilising recycled paper and using paper saving techniques such as two-sided printing whenever possible.

The Group encourages the use of reusable crockery and utensils as opposed to their paper and plastic counterparts. Used batteries, printer toners carton box and carton boxes are gathered and returned to designated recycling collectors.

In 2020/2021, the total non-hazardous wastes and hazardous wastes produced were 9.98 tonnes and 0.023 tonnes respectively compared to 13.15 tonnes and 0.022 tonnes last year. There was a significant decrease in the non-hazardous wastes production amount compared to the previous reporting period proving the effectiveness of our waste reduction initiatives.

Waste Production	**2020/2021 tonnes**	2019/2020 tonnes
Non-hazardous waste		
General unsorted waste (disposed to landfill)	**3.98**	4.15
Carton box (Recycled)	**6.00**	9.00
Total	**9.98**	13.15
Hazardous waste		
Toner (Recycled)	**0.011**	0.012
Battery (Recycled)	**0.012**	0.010
Total	**0.023**	0.022

A2 Use of Resources

Due to the nature of the Group's principal business as a digital media and e-commerce platform, the Group is not involved in the manufacturing and production of goods. No significant raw materials and natural resources were consumed by the Group for this reason.

The Group's primary resource consumption relates to its use of paper, packaging materials, electricity and water within our offices. Except tap water sourced from municipal water supplies, no other natural water resource such as surface water or underground water is used.

Energy and other materials

The Group mainly interacts and engages with our viewers and customers through our digital media and e-commerce platforms. This provides an environmentally efficient way for viewers and customers to access our content, products and services online, reducing time and energy consumed by customers without having to actually commute to a traditional brick and mortar store or purchase physically printed content. Further, our energy consumption is much lower than vendors that operate physical retail stores as its main business. The nature of our business naturally supports reduced environmental impact and low levels of emissions.

The Group has also taken various other environmentally friendly initiatives such as installing LED lighting fixtures, energy-efficient air conditioners and refrigerators and other energy-efficient electrical appliances at our Hong Kong head office, which significantly reduced our energy consumption.

In addition, management encourages the Group's employees to turn off their electric equipment (including computers, monitors and desk lamps) before they leave the office especially for periods of extended holidays or absences.

The Group has established an environmental policy which mandate the purchase and use of energy-efficient electrical appliances and other products.

Office Paper

In 2020/2021, the total paper consumption was approximately 574.80 kg, representing a decrease of approximately 70%, as compared with last year. The drastic decrease was caused by the temporary close down of office due to the COVID-19 pandemic as well as the execution of the paperless policy of the Group's e-commerce business during the reporting period. The percentage of paper recycled was approximately 32% in 2020/2021 compared to approximately 31% last year.

Paper	**2020/2021** **kg**	2019/2020 kg
Office Paper		
– Consumed	**574.80**	1,945.00
– Recycled	**182.00**	608.00

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Packaging material

The Group's packaging materials principally comprise of bubble wrap, panfix tape, clear tape, clear zipper bag and fulfilments for cardboard boxes. In 2020/2021, the total packaging material consumption was approximately 61,319.81 kg and its intensity was approximately 0.29 per unit of products sold, the total packaging material consumption representing a decrease of approximately 28%; whilst the intensity had a slight increase of approximately 4% compared in 2019/2020. The decrease of total packaging material consumption was attributable to a significant decrease in the consumption of bubble wrap, panfix tape and fulfilments for cardboard boxes, due to the change of packaging and decrease in total number of products sold or delivered during the reporting period.

Packaging Material Consumption	**2020/2021 kg**	2019/2020 kg
Bubble wrap	**69.00**	540.00
Panfix tape	**28.59**	86.00
Clear tape	**763.22**	734.00
Clear zipper bag	**288.00**	41.00
Fulfilments for cardboard boxes	**60,171.00**	83,828.00
Total packaging material consumption	**61,319.81**	85,229.00
Intensity[7] (Total packaging material consumption per unit of product sold and/or delivered)	**0.29**[8]	0.28[9]

7 Intensity (Total packaging material consumption per unit of product sold and/or delivered) = Total packaging material consumption/Total number of unit product sold and/or delivered.

8 Total number of products sold or delivered was 214,122 units in 2020/2021.

9 Total number of products sold or delivered was 300,408 units in 2019/2020.

Energy

In 2020/2021, the total energy consumption and its intensity were approximately 315,365.00 kilowatt-hours (kWh) and approximately 868.77 kWh per employee respectively, representing a decrease of approximately 15% and approximately 45% respectively compared with last year. The Group's energy consumption mainly due to electricity consumption in office and warehouse located in Hong Kong. Going forward, the Group will continue to monitor and record energy consumption, enhance related data collection system and develop targets and reduction plans as and when appropriate.

Energy Consumption[10]	**2020/2021 kWh**	2019/2020 kWh
Direct energy consumption	**–**	–
Indirect energy consumption		
– Electricity	**315,365.00**	372,154.00
Total energy consumption	**315,365.00**	372,154.00
Intensity[11] (Total energy consumption per employee[12])	**868.77**	1,576.92

10 It includes consumption on premises in Hong Kong only because the electricity consumption data in the USA, the UK, the PRC and Japan are not available as the related fee was included in the rental fee or shared with other tenants.

11 Intensity (Total energy consumption per employee) = Total energy consumption/Total number of employees at the end of the reporting period.

12 It refers to the employees in Hong Kong only.

Water

Regarding the water consumption of the Group, tap water is sourced from municipal water supplies. The Group does not consume other natural water resources such as surface water or underground water and does not encounter any material issue in sourcing water that is fit for purpose. During work hours, administrative staff monitor water consumption by ensuring that faucets are not running when unused. The Group has installed water-efficient filtration systems for drinking water at our offices and encourages staff to consume filtered rather than bottled water.

In 2020/2021, the total water consumption and its intensity were approximately 272.50 cubic meters (m^3) and approximately 0.75 m^3 per employee respectively, representing increases of approximately 238% and approximately 121% compared with last year, mainly due to the establishment of a new warehouse in Hong Kong during the year. Water consumption was incurred by offices and the new warehouse located in Hong Kong only. The newly established warehouse located at Cable TV Tower in Hong Kong was the major water consumer which accounted for approximately 87% of the total water consumption. Going forward, the Group will continue to monitor and record energy consumption, enhance related data collection system and develop targets and reduction plans as and when appropriate.

Water Consumption[13]	2020/2021 m³	2019/2020 m³
Total water consumption	**272.50**	80.54
Intensity[14] (Total water consumption per employee[15])	**0.75**	0.34

[13] It includes consumption on premises in Hong Kong only. The water consumption data in the USA, the UK, the PRC and Japan are not available as the related fee included in the rental fee or shared with other tenants.

[14] Intensity (Total water consumption per employee) = Total water consumption/Total number of employees at the end of the reporting period.

[15] It refers to the employees in Hong Kong only.

A3 The Environment and Natural Resources

Given the nature of the Group's principal business, the Group considers that the impact of its operations on the environmental and natural resources were minimal. The Group strives to manage both direct and indirect environmental impacts associated with our operations, which are summarised as follows.

Our business activities	Interactions with the environment and natural resources	Potential environmental impacts	Direct or Indirect
Office operations	Electricity consumption	Uses of resources	Direct
	Water consumption (for cleaning, drinking or flushing)	Uses of resources	Direct
	Consumption and disposal of office paper, carton box, general wastes, toner and battery	Use of resource Waste management	Direct
	Greenhouse gas emissions arising from the above interactions	Climate change	Indirect
Business travel	Greenhouse gas emissions	Climate change	Indirect
Product packaging	Consumption of packaging materials	Uses of resources	Direct

The Group strives to further reduce our direct environmental impacts through various measures mentioned in the sections headed "Emissions" and "Use of resources".

As there are also indirect environmental impacts arising from our ability to influence environmental performance within the value chain and our investments, we will continue to make effort on mitigating such impacts and ultimately contributing towards the goal of creating a low carbon and environmentally conscious economy. The Group will strive to raise awareness of environmental issues and promote eco-friendly practices among communities operated by partnering with industry groups and environmental organisations. Efforts extend to the facilitation and contribution towards policy discourse to further environmental stewardship.

B. SOCIAL

Employment and Labour Practices

B1 Employment

Employees are the most valuable asset of the Group. During the reporting period, the Group has complied with local employment laws and regulations and industry best practices relating to compensation, recruitment, promotion, termination, working hours, rest periods, equal opportunity, workplace diversity, anti-discrimination and other benefits and welfare, which are mentioned in the section headed “Laws and Regulations”. The unlawful employment of minors or forced labour is strictly prohibited by the Group.

Recruitment, Promotion, Equal Opportunities and Anti-Discrimination

Clear anti-discrimination policies are published in the employee handbook. The Group selects and promotes staff on the basis of their qualifications and merit, skills, aptitude, availability, experience and general overall suitability for the vacancy without discrimination or concern for race, religion, national origin, colour, gender, sexual orientation, gender identity or expression, age or disability.

In terms of recruitment, applicants will be assessed so far as reasonably practical against a set of objectives which will be directly related to the demands of the vacancy. As for promotion, all decisions will be made in accordance with the objective selection criteria outlined in the job specification.

The Group believes that a workplace should be safe and civilised. The Group will not tolerate sexual harassment, discrimination or offensive behaviour of any kind, which includes the persistent demeaning of individuals through actions or words, the display or distribution of offensive material, or the use or possession of weapons on the Group’s premises.

Remuneration, compensation and dismissal

The Group offers competitive remuneration, medical benefits (including health & dental), a rental reimbursement program and promotion and advancement opportunities to attract and retain talent.

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Salaries are benchmarked to the objective market data and external remuneration reports. In addition, policies are in place for regular employee performance reviews, and salary adjustments are made as part of the performance evaluation process every year. Discretionary bonus awards might be given depending on a number of factors including individual performance, company performance and market condition. To retain talents, the Group adopted share options scheme in order to reward the valuable staff, who are nominated by the Team Heads.

Employee may terminate the employment by giving the Group sufficient time of notice, as stated in the letter or contract of employment. Such notice should be in writing.

Working hours and holidays

Policies on standard working hours and public holidays are followed in accordance with the Labour Ordinance. Employees are entitled to, as applicable, public holidays, annual leave, sick leave, marriage leave, maternity leave, paternity leave, compassionate leave, jury service leave and unpaid leave. The Group has always been people-oriented and does not support overtime work unless necessary.

The Group actively engages and motivates employees through various communication channels and provides internal training to allow employees to share work experience and work skills.

Other benefits and welfare of the Group

In addition to health and dental insurance, the Group offers other benefits including fitness membership discount, staff discounts with its online store, pet-friendly office in some regions, a common room with video games, TV and ping pong table, and a coffee machine, amongst other benefits. The following tables show the workforce and turnover rate of the Group.

Workforce As at 31 March	**2020/2021**	2019/2020
By Gender		
– Male	**154**	195
– Female	**209**	206
By Employment Type		
– Full-time	**337**	372
– Part-time	**26**	29
By Age Group		
– Below 30	**203**	230
– 30-39	**131**	142
– 40-49	**17**	17
– 50 or above	**12**	12
By Geographical Region		
– Hong Kong	**223**	236
– Japan	**11**	13
– USA	**66**	93
– UK	**32**	29
– PRC	**31**	30
Total	**363**	401

Turnover Rate[16]	2020/2021	2019/2020
By Gender		
– Male	**47%**	33%
– Female	**34%**	32%
By Age Group		
– Below 30	**38%**	34%
– 30-39	**44%**	34%
– 40-49	**35%**	19%
– 50 or above	**33%**	8%
By Geographical Region		
– Hong Kong	**33%**	27%
– Japan	**45%**	86%
– USA	**61%**	35%
– UK	**28%**	55%
– PRC	**55%**	47%
Overall	**40%**	33%

[16] Turnover rate = Total number of employees left during the reporting period/Average number of employees during the reporting period.

B2 Health and Safety

To provide and maintain a safe and healthy workplace, the Group's health and safety policy adheres to regulations and guidelines set out by the Occupational Safety & Health Council. Safety arrangements in cases of emergency such as typhoons, rainstorm warnings and fire evaluation are stated in the employee handbook to ensure that all employees are aware of emergency procedures. The Group has complied with relevant laws and regulations that have a significant impact on providing a safe and hazard-free working environment, which are illustrated in the section headed "Laws and Regulations".

The Group is committed to raising employees' awareness in a safe and healthy work culture proactively by disseminating safety education and issuing health guidelines such as stretching exercises to prevent strain, fatigue and injuries from sitting at the desk for extended periods. The Group also provides ergonomic office chairs and desks for employees to optimise their work environment and working posture. The Group also uses air filters and routinely performs air quality test and air-conditioning system cleaning work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following table shows the performance indicators regarding occupational health and safety.

Safety Performance	2020/2021	2019/2020
Injury rate[17]	**0.00%**	0.00%
Occupation disease rate[18]	**0.00%**	0.00%
Lost day rate[19]	**0.00%**	0.00%
Absentee rate[20]	**0.00%**	0.00%
Fatality rate[21]	**0.00%**	0.00%

17 The frequency of injuries relative to the total time worked by all workers during the reporting period.

18 The frequency of occupational diseases relative to the total time worked by the total workforce in the reporting period.

19 The total lost days relative to the total number of hours scheduled to be worked by workers in the reporting period.

20 The measure of actual absentee days lost, expressed as a percentage of total days scheduled to be worked by workers for the same period.

21 The frequency of fatality relative to total time worked by all workers during the reporting period.

Response to COVID-19 outbreak

The challenges arising from the COVID-19 pandemic are unprecedented. The Group has implemented necessary actions for its operations in Hong Kong to protect its employees from infection as follows.

– Medical insurance plan was upgraded for the Group's employees, which includes an increased amount of claim per visit to the clinic and extended coverage for medical check-ups and dental services.

– Instructions and guidance from the local government are strictly followed, therefore, special work arrangement, including "Work from home" and/or roster arrangements were adopted.

– Routine environmental cleaning and disinfection were conducted in the office area.

– All employees are required to check body temperature before entering the office premises and wear masks in the office area and disposable mask can be provided upon request.

B3 Development and Training

The Group is committed to the continuous training and development of its employees. Staffs attend training programs relevant to their field of work, with needs determined jointly between the staff, their direct supervisor and the Human Resources team. The Human Resources team also provides training and coaching to managers on management topics and issues.

The Group foster a culture of constant learning and development by encouraging all managers to provide on-the-job coaching with ample feedback to the employees.

In the coming year, the Group will continue to organise the Training and Development Scholarship Program by committing subsidies to eligible employees in assistance with their professional development.

During the reporting period, the Group launched orientation training and other training activities, such as system usage, data analysis, legal and anti-corruption training, to enhance the capability of employees. The decrease in percentage of employees undergone training was due to the COVID-19 pandemic that restricted the organization of the training activities for the Group's employees.

The following table illustrates the percentage of employees undergone training of the Group.

Percentage of Employees Undergone Training[22]	**2020/2021**	2019/2020
By Gender		
– Male	**41%**	61%
– Female	**48%**	70%
By Employment Category		
– Assistant General Manager or above	**71%**	100%
– Senior Manager	**33%**	94%
– Manager	**58%**	58%
– Assistant Manager	**8%**	25%
– General Staff	**48%**	69%
– Operation Staff	**0%**	29%
Overall	**45%**	66%

22 Percentage of Employees Undergone Training = (Total number of employee undergone training/Total number of employee). It includes system usage, data analysis, legal and anti-corruption training, orientation etc.

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Average Training Hours[23]	2020/2021	2019/2020
By Gender		
– Male	**7.70**	4.52
– Female	**6.81**	3.52
By Employment Category		
– Assistant General Manager or above	**7.40**	17.37
– Senior Manager	**5.00**	13.00
– Manager	**7.95**	7.00
– Assistant Manager	**8.00**	2.33
– General Staff	**7.03**	1.70
– Operation Staff	**0.00**	2.20
Overall	**7.15**	3.97

23 Average Training Hours = Total number of training hours/Total number of employees undergone training.

B4 Labour Standards

The Group primarily engages in internet advertising and online retail activities. There has never been any unlawful child labour or forced labour practices in the Group. The Group was not aware of any significant risks for incidents of child or forced labour in its business activities and operating locations.

As stipulated in the Staff Handbook, background checks on employees are performed to ensure they meet statutory standards in recruitment and ensure the Group's compliance with labour laws and regulations. Due to the Group's policies in place, risk relating to the unlawful employment of child labour and forced labour and violation of applicable labour standards is considered insignificant. The Group also strives to strictly adhere to any labour standards, in particular to issues regarding equality and discrimination, as illustrated in the section headed "Employment".

The Group strictly complies with laws and regulations relating to employment as stated in the section headed "Laws and Regulations" and is not aware of any laws and regulations relating to preventing child or forced labour that have a significant impact on us.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Operating Practices

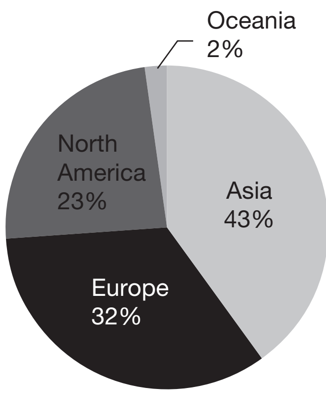
B5 Supply Chain Management

The Group values the importance of ethical business conduct by itself and by its business partners. In order to do so, the Group established a Supply Chain Management Policy to encourage suppliers to maintain high standards in various operational aspects, including but not limited to anti-fraud and corruption policies, upholding labour laws and ethical human rights, anti-discrimination, open and fair competition, upholding of environmental laws and respect of intellectual property rights.

In order to maintain long-lasting and sustainable business relationships with the Group's suppliers and vendors, the Group conducts a strict vetting and assessment process prior to working with new business partners, including but not limited to business and due diligence meetings through conference calls, product sampling and inspection, use of environmentally preferable products and services, quality control checks and labour practices reviews. The Group is dedicated to continually monitoring and working closely with its suppliers to maintain its environmentally sustainable and socially responsible practices.

The Group's suppliers provide us with footwear, clothing, accessories, homeware, packaging material and logistic services. They locate in different geographical regions. The pie chart shows the proportion of suppliers from various geographical regions in 2020/2021.

2020/2021 Number of suppliers by geographical region



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Number of suppliers by geographical regions As at 31 March	2020/2021	2019/2020
Asia[24]	**173**	110
Europe[25]	**128**	92
North America[26]	**92**	66
Oceania[27]	**6**	4
Total number of suppliers	**399**	272

[24] Asia includes the Hong Kong, Indonesia, Japan, PRC, Singapore, South Korea and Taiwan

[25] Europe includes Belgium, Bulgaria, Czech Republic, Denmark, France, Germany, Italy, Lithuania, Norway, Poland, Spain, Sweden and the UK

[26] North America includes Canada and the USA

[27] Oceania includes Australia

B6 Product Responsibility

Quality Management

E-commerce Segment

The Group insists on delivering the highest quality products to its customers. The Group was in compliance with relevant laws and regulations that have a significant impact on the issue relating to product responsibility, health and safety, which are stated in the section headed "Laws and Regulations". During the reporting period, the Group did not have any significant non-compliance issues in this regard. Also, there were no products sold or delivered subject to recalls for safety and health reasons.

The Group has in place quality control procedures to ensure all products that arrived at its warehouse and ultimately sent out to its customers are carefully inspected so as to meet the Group's standard of quality. When goods arrive at the warehouse, the warehousing team inspects and crosschecks each item to ensure they are brand new products and that have no visible defects. Once the inspection is completed, the team will carefully store the item on an assigned shelf within the Group's warehouse.

The Group's products are stored in a secured warehouse with 24-hour surveillance and securely locked to prevent unauthorised access. The warehouse is air-conditioned year-round to prevent humidity and other damage.

When a customer order is received, the logistics team performs a final inspection on the selected products to ensure there are no damages or defects before packing the order for shipment to the customer.

Digital Media Segment

The Group implements various quality control policies with regard to its digital media business, including policies for monitoring the quality of the editorial posts which the Group uploads to its digital media platforms and the quality of the photos or videos produced by our production team, as well as policies for monitoring of our visitors' posts on the Group's social media platforms.

The Group has a dedicated senior editorial team to oversee all digital content and to ensure that all digital content is properly processed and published. The senior editorial team focuses on screening the articles, videos and photos to ensure that all third-party sourced materials are identified and acknowledged. Where practicable, members of the senior editorial team will obtain third-party consent before posting if the author of the original work can be identified.

Every senior editor is experienced to ensure that all aspects, ranging from written text and imagery to public reception, comply with the Group's quality standards. The editor-in-chief or senior editors of the Group's websites[28] screen, review and approve all articles before they are posted on the websites.

The Group's sales team and production team maintain regular contact with its customers to ensure that the final products satisfy the requirements of our customers. Senior members in the editorial, sales and production teams will review the materials to ensure the quality and the conformance with ethical and moral standards. The Group's social media team is responsible for monitoring its social media platforms and will remove any objectionable content.

Customer Inquiries

Delivering the highest level of customer service to our customers is highly important to the Group. The Group has a team of customer service representatives to handle customer enquiries through email, online live chat and social media platforms. The Group has established written policy and procedures for handling customer complaints. Customers worldwide can submit enquiries about their orders through any of the aforementioned channels and expect an instant response or a response within 24 hours, which vary with the communication channels being utilised. If the customer does not satisfy with the solution provided by the representative and requested for escalation, the representative will forward the case to the Customer Service Manager, who will review such case and respond to the customer directly. The Customer Service Manager reviews and monitors the handling of customer enquiries, and any complaints are handled personally to ensure that a high quality of service is consistently provided to the Group's customers. The Customer Service Manager also monitors customer feedback at least on a weekly basis through our customer feedback survey results to ensure quality standards are constantly maintained.

Indicators	**2020/2021**	2019/2020
Total number of complaints	**100**	80
Total number of orders placed	**119,101**	167,424
Percentage of complaints received[29]	**0.08%**	0.05%

28 Hypebeast, Hypebae, Hypegolf or Popbee

29 Percentage of complaints received = (total number of complaints/total number of orders placed)* 100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Intellectual Property

The Group attaches great importance to the respect of intellectual property rights. A policy of the Group stipulates that pirated software is forbidden to be downloaded or used in the Group. The Group also actively monitors copyrights attached to its published media content and pictures used in its editorial operations to ensure that the Group has provided credit to all sources and are compliant to any required copyright laws and standards. During the reporting period, the Group did not have any significant non-compliance issues in this regard.

Advertising and Labelling

Regarding the digital media business, the Group strictly abides by the laws and regulations relating to advertising practices, which are stated in the section headed "Laws and Regulations". During the reporting period, the Group did not have any significant non-compliance issues in this regard.

The Group has established guidelines to ensure its editorial work is legal, responsible and professional. Contents relating to drugs or nudity are handled carefully. For the quality control of the editorial work, please refer to the section headed "Quality Management".

For e-commerce business, the Group does not involve in product labelling activities as products sold are sourced from suppliers.

Data Privacy

As the Group provides a payment platform for its e-commerce operations with a large number of public users, protection of customers' privacy and safeguard of personal information are essential to its business.

The Group has strict access controls to only allow certain staff to access customer information. The Group's servers are protected behind a software firewall, and data is backed up regularly. Stability of our IT network is constantly monitored by the Group's engineering team and any abnormal network disconnections are prevented by multiline, built-in redundancies, spare machines and 24-hour maintenance and monitoring.

The Group has updated its Privacy Policy to reinforce its commitment to protecting customers' data in light of the General Data Protection Regulation (GDPR). The Group's Privacy Policy is available on its website: https://hypebeast.com/gdpr.

The Group has strictly complied with laws and regulations relating to data privacy, which are stated in the section headed "Laws and Regulations". During the reporting period, the Group did not have any significant non-compliance issues in this regard.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B7 Anti-corruption

The Group has in place Anti-fraud Policy and has complied with related laws and regulations that have a significant impact on it relating to bribery, extortion, fraud and money laundering during the reporting period. During the reporting period, the Group did not have legal cases regarding corrupt practices brought against the Group or its employees. Please refer to the section headed "Laws and Regulations "for the details of laws and regulations.

The Group has a zero-tolerance approach to fraud and corruption in all Company activities. The detection and management of fraud and corruption is an integral part of good governance and management practice, and a culture of honesty and integrity within the organisation is maintained to ensure the effective prevention, detection, reporting and management of fraud and corruption, misappropriation, and other irregularities. All employees are actively involved in the management of fraud and corruption risk.

The Group has strict policies on employees' acceptance of gifts and entertainment and on the solicitation of discounts from brands and retailers. Company store discount abuse and company-branded merchandise abuse are strictly prohibited.

Under the Group's supplier chain management policy, suppliers are required to uphold a number of ethical principles under social responsibilities, including but not limited to, anti-bribery, anti-corruption, encourage open and fair competition, etc.

The Group has in place a whistleblower policy as a communication channel for employees to report concerns relating to the ethical business or personal conduct, accounting and financial matters, integrity and professionalism, or allegations of retaliation for having reported matters in good faith. Employees are welcomed to send his/her concerns via email.

Community

B8 Community Investment

The Group encourages and supports its staff to participate in acts of community involvement such as donations and volunteering events to care for different people in need. The Group has in place a Community Investment Policy to encourage the development of long term relations with its community stakeholders. The Group supports initiatives that serve the need of those who are socio-economically disadvantaged.

The details of the community activities supported during the reporting period are as follows.

The Salvation Army Recycling Programme (Aug 2020)

The Group supported the Salvation Army Recycling Programme by donating 743 units of new or used clothing and footwear to the organisation. The donations are distributed to the people in need, such as elderlies living alone, homeless and Comprehensive Social Security Assistance recipients.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Landmark - Chinese New Year In-kind Donation Drive

Hong Kong Land HOME FUND aims to build a better community by supporting different types of philanthropic efforts. For the last Chinese New Year, the Group's employees committed to donate surplus food, toys, stationery, electrical appliances and new red packets in order to support the people in need. The Group has 30 employees who participated in the event and have committed a total of 552 hours to the event.

Future Development of the Group

The Group continues to make efforts to address social responsibility by identifying opportunities to participate and sponsor for donations and other community programs, as well as encouraging staff to engage in such community outreach events.

Save as disclosed above, there are no monetary charitable donation by the Group during the year ended 31 March 2021.

Laws and regulations

This section sets out a summary of certain aspects of the laws, rules, regulations, government policies and requirements, which have significant impacts on the Group's operations and businesses.

Location	Laws, regulations, guidelines
Employment	
Hong Kong	Disability Discrimination Ordinance Employee's Compensation Ordinance Employment Ordinance Family Status Ordinance Minimum Wage Ordinance Race Discrimination Ordinance Sex Discrimination Ordinance
Japan	Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment Labour Contracts Act Labour Relations Adjustment Act Labour Standards Act Labour Union Act Ordinance for Enforcement of the Labour Standards Act
PRC	Labour Contract Law of the People's Republic of China Labour Law of the People's Republic of China
UK	Employment Rights Act 1996 Equality Act 2010 National Minimum Wage Regulations 2015 Transfer of Undertakings (Protection of Employment) Regulations 2006 Working Time Regulations 1998

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Location	Laws, regulations, guidelines
USA	Age Discrimination in Employment Act Americans with Disabilities Act Employee Retirement Income Security Act (ERISA) Equal Pay Act Fair Labour Standard Act Family Medical Leave Act Immigration Reform and Control Act National Labour Relations Act Title VII of the Civil Rights Act
Health and Safety	
Hong Kong	Occupational Safety and Health Ordinance
Japan	Industrial Accident Compensation Insurance Act Industrial Safety and Health Act Order for Industrial Safety and Health Act
PRC	Law of the People's Republic of China on Prevention and Control of Occupational Disease Production Safety Law of the People's Republic of China
UK	Health and Safety at Work etc Act 1974
USA	Occupational Safety and Health Act (OSHA)
Labour Standards	
Hong Kong	Employment Ordinance
Japan	Child Welfare Act Labour Standards Act (1947)
PRC	Law of the People's Republic of China on the Protection of Minors
UK	Licensing Act 1964
USA	Fair Labour Standards Act: The Federal Child Labour Provisions

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Location	Laws, regulations, guidelines
Product Responsibility	
Advertisement and labelling	
Australia	Spam Act 2003 (Cth)
UK	UK Code of Non-broadcast Advertising, Sales Promotion and Direct Marketing (the "CAP Code")
Hong Kong	Control of Obscene and Indecent Articles Ordinance Supply of Services (Implied Terms) Ordinance Trade Descriptions Ordinance
Intellectual Property	
Australia	Trade Marks Act 1995
Canada	Section 27 of the Copyright Act
Hong Kong	Copyright Ordinance
PRC	Regulation of the People's Republic of China on the Customs' Protection of Intellectual Property Right
USA	Section 1526(a) of the Tariff Act of 1930 US Copyright Law US Trademark Law
Data Privacy	
Australia	Federal Privacy Act 1988 (Cth) ("Privacy Act")
Canada	Personal Information Protection and Electronic Documents Act
Hong Kong	Personal Data (Privacy) Ordinance
Singapore	Personal Data Protection Act 2012 (No. 26 of 2012)
UK	Data Protection Act EU General Data Protection Regulation (GDPR) Privacy and Electronic Communications (EC Directive) Regulations 2003 ("PECRegs").
USA	U.S. data privacy laws and data security laws
Product health and safety	
Canada	Canada Consumer Product Safety Act
Singapore	Consumer Protection (Consumer Goods Safety Requirements) Regulations 2011
USA	Consumer Product Safety Act (the "CPSA") Flammable Fabrics Act (the "FFA") Textile Fiber Products Identification Act (the "TFPIA")

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Location	Laws, regulations, guidelines
Other relevant laws and regulations	
UK	Consumer Rights Act 2015
USA	Tariff Act of 1930
Anti-Corruption	
Hong Kong	Prevention of Bribery Ordinance
Japan	Penal Code (Act No 45 of 1907) (the Penal Code)
	Unfair Competition Prevention Act (Act No 47 of 1993) (the UCPA)
PRC	Criminal Law of the People's Republic of China
UK	Bribery Act 2010
USA	Anti-Corruption Act (AACA)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GUIDE INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
A. Environmental			
Aspect A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Emissions	35
KPI A1.1	The types of emissions and respective emissions data	Emissions	35
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions	35-36
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions	37
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions	37
KPI A1.5	Description of measures to mitigate emissions and results achieved	Emissions	35
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Emissions	37
Aspect A2 Use of Resources			
General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials	Use of Resources	37
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per meal)	Use of Resources	40
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Use of Resources	40-41
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Use of Resources	38&40
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Use of Resources	40-41
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Use of Resources	39

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
Aspect A3 The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	The Environment and Natural Resources	41-42
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	The Environment and Natural Resources	41-42
B. Social			
Employment and Labour Practice			
Aspect B1 Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment	42-43
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment	43
KPI B2.1	Employee turnover rate by gender, age group and geographical region	Employment	44
Aspect B2 Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Health and Safety	44
KPI B2.1	Number and rate of work-related fatalities	Health and Safety	45
KPI B2.2	Lost days due to work injury	Health and Safety	45
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and Safety	44-45

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
Aspect B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Development and Training	46
KPI B3.1	The percentage of employees trained by gender and employee category	Development and Training	46
KPI B3.2	The average training hours completed per employee by gender and employee category	Development and Training	47
Aspect B4 Labour standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour	Labour Standards	47
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Labour Standards	47
KPI B4.2	Description of steps taken to eliminate such practices when discovered	Labour Standards	47
Operating Practices			
Aspect B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of supply chain	Supply Chain Management	48
KPI B5.1	Number of suppliers by geographical region	Supply Chain Management	48-49
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply Chain Management	48

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Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
Aspect B6 Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Product Responsibility	49-51
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	No products sold or shipped subject to recalls for safety and health reasons in 2020/2021	Not Applicable
KPI B6.2	Number of products and service related complaints received and how they are dealt with	Product Responsibility	50
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Product Responsibility	51
KPI B6.4	Description of quality assurance process and recall procedures	Product Responsibility	49-50
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Product Responsibility	51
Aspect B7 Anti-corruption			
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Anti-corruption	52
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	No concluded case in 2020/2021	52
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption	52

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Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
Community			
Aspect B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Community Investment	52
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Community Investment	52-53
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Community Investment	52-53

REPORT OF DIRECTORS

The Directors hereby present this annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2021.

CORPORATE REORGANISATION

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

In preparation for the listing of the Company on the Stock Exchange, the Company underwent reorganisation, becoming the holding company of the group of companies, together comprising the Group, the reorganisation was completed on 30 October 2015, details of the reorganisation are set out in the prospectus of the Company dated 31 March 2016.

The shares of the Company were listed on GEM with effect from 11 April 2016 and were transferred to be listed on the Main Board of the Stock Exchange with effect from 8 March 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in (i) the provision of advertising spaces and services for creative agency projects; and (ii) the sale of goods through online retail platform.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 March 2021 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 95 to 175 of this annual report.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2021, which includes a description of the principal risks and uncertainties facing the Group, an analysis of financial key performance indicators of the Group's business, particulars of important events affecting the Group, review of likely future developments in the Group's business, and a discussion on the Company's environmental policies and performance and the relationships with its stakeholders, can be found in the sections headed "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" of this annual report. The review forms part of this Directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 March 2021.

REPORT OF DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DISTRIBUTABLE RESERVES

As at 31 March 2021, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Law of Cayman Islands, amounted to approximately HK$37.0 million.

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"), a Japanese entertainment conglomerate that holds over 33 years of expertise across business domains including music, talent management, anime, events, etc, 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"). The aggregate nominal value of the subscribed Shares was HK$65,333.97. The subscription price of HK$1.05924 per Share represented a premium of approximately 15.13% over the closing price of HK$0.92 as quoted in the Stock Exchange on the date of the Subscription. Completion of the Subscription took place on 9 April 2021 with net issue price of HK$1.013 per Share. As at the date of this report, 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.

It is expected that the Subscription would bring long-term strategic value to the Group by facilitating the collaboration between the Group and the Investor over envisioned business plans. The intended strategic cooperation with the Investor will enable the Group to rapidly accelerate growth of its business in Japan due to the ability to leverage the Investor's deep domestic connections and local expertise in Japan as well as its strength as a leader in the event production, talent management and music label industries.

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.

REPORT OF DIRECTORS

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group, as extracted from the consolidated financial statements of the Company for the last five years ended 31 March 2021 is set out on page 176 of the annual report. This summary does not form part of the audited financial statements.

SHARE OPTION SCHEMES

On 18 March 2016, the Company conditionally approved and adopted the pre-IPO share option scheme (the "Pre-IPO Scheme") and the post-IPO share option scheme (the "Post-IPO Scheme") where eligible participants may be granted options entitling them to subscribe for the Company's shares. The purpose of the share option schemes is to enable the Company to grant share options to selected participants as incentives or rewards for their contributions. The principal terms of the share option schemes are summarized below:

	Details	**Pre-IPO Scheme**	**Post-IPO Scheme**
1.	Purpose	To motivate eligible persons to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group.	To motivate eligible persons to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.
2.	Participants	Any director or proposed director (including an independent non-executive director) of any member of our Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group, any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group, a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of our Group, or a close associate (as defined under the Listing Rules) of any of the foregoing persons.	
3.	Total number of shares available for issue	No further options can be granted under the Pre-IPO Scheme.	106,487,500 shares (being approximately 5.2% of the issued share capital as at the date of this annual report)

REPORT OF DIRECTORS

	Details	Pre-IPO Scheme	Post-IPO Scheme
4.	Maximum entitlement of each participant	Determined by the Board.	Substantial shareholders/independent non-executive directors: 0.1% of the issued shares/aggregate value not exceeding HK$5 million in the 12-month period up to and including the date of such grant Other participants: in any 12-month period shall not exceed 1% of the issued shares from time to time
5.	Period within which the securities must be taken up under an option	An option may be exercised within a period to be determined and notified by the Board to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the share option schemes.	
6.	Minimum period for which an option must be held before it can be exercised	Determined by the Board.	
7.	Acceptance of offer	A letter comprising acceptance of the share option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within the period specified in the letter containing the offer of the grant of the share option.	
8.	Basis of determining the exercise price	Determined by the Board.	Determined by the Board but shall not be less than whichever is the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the grant of options; (ii) the average of the closing prices of the ordinary shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant of options; and (iii) the nominal value of an ordinary share of the Company.
9.	Remaining life of the scheme	Expired on 11 April 2016.	Valid and effective for a period of 10 years commencing on 11 April 2016.

Details of the movements within the two share option schemes of the Company for the year ended 31 March 2021 are set out below:

(1) Pre-IPO Scheme

Category of grantee	Date of grant	Exercise period	Exercise price per share (HK$)	Number of share options: As at 1 April 2020	Exercised during the year	As at 31 March 2021
Employees in aggregate	18 March 2016	From 18 March 2019 to 17 March 2026	0.026	750,000	–	750,000
	18 March 2016	From 18 March 2019 to 17 March 2026	0.052	500,000	–	500,000
Total				1,250,000	–	1,250,000

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) No share options have been granted/exercised/cancelled/lapsed under the Pre-IPO Scheme during the year ended 31 March 2021.

REPORT OF DIRECTORS

(2) Post-IPO Scheme

Category of grantee	Date of grant	Exercise period	Exercise price per share (HK$)	Number of share options As at 1 April 2020	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 March 2021
Director								
Mr. Ma Pak Wing Kevin	28 June 2019	From 28 June 2019 to 27 June 2029	1.04	4,800,000	–	–	–	4,800,000
	8 December 2020	From 8 December 2024 to 7 December 2030	0.788	–	4,800,000	–	–	4,800,000
Ms. Lee Yuen Tung Janice	28 June 2019	From 28 June 2019 to 27 June 2029	1.04	4,800,000	–	–	–	4,800,000
	8 December 2020	From 8 December 2024 to 7 December 2030	0.788	–	4,800,000	–	–	4,800,000
				9,600,000	9,600,000	–	–	19,200,000
Employees in aggregate	6 July 2017	From 6 July 2020 to 5 July 2027	0.198	23,200,000	–	(22,866,667)	–	333,333
	10 August 2018	From 10 August 2021 to 9 August 2028	0.62	9,733,333	–	–	(133,333)	9,600,000
	28 June 2019	From 28 June 2022 to 27 June 2029	1.04	3,300,000	–	–	–	3,300,000
	28 June 2019	From 28 June 2023 to 27 June 2029	1.04	14,500,000	–	–	(900,000)	13,600,000
	8 December 2020	From 8 December 2023 to 7 December 2030	0.788	–	10,600,000	–	–	10,600,000
	8 December 2020	From 8 December 2024 to 7 December 2030	0.788	–	8,200,000	–	–	8,200,000
				50,733,333	18,800,000	(22,866,667)	(1,033,333)	45,633,333
Total				60,333,333	28,400,000	(22,866,667)	(1,033,333)	64,833,333

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) No share options have been cancelled under the Post-IPO Scheme during the year ended 31 March 2021.

(3) The closing price of the shares immediately before the date on which the options were granted was HK$0.77.

(4) The weighted average closing price of the shares immediately before the date of exercise is HK$0.86 regarding the options exercised by the employee.

Further details of the share option schemes of the Company are set out in note 30 to the consolidated financial statements.

REPORT OF DIRECTORS

EQUITY-LINKED AGREEMENTS

Other than the Subscription Agreement and share option schemes of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS

The Directors of the Company during the year ended 31 March 2021 and up to the date of this report were as follows:

Executive Directors
Mr. Ma Pak Wing Kevin
Ms. Lee Yuen Tung Janice

Independent non-executive Directors
Ms. Poon Lai King
Ms. Kwan Shin Luen Susanna
Mr. Wong Kai Chi

In accordance with the Company's articles of association, Mr. Ma Pak Wing Kevin and Ms. Kwan Shin Luen Susanna will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming 2021 annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 17 to 19 of the annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, no transactions, arrangements or contracts of significance to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2021 or at any time during the year ended 31 March 2021.

REPORT OF DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service agreement with our Company for a term of three years, during which either party may terminate the service agreement by giving the other not less than three-months written notice.

Each of the independent non-executive Directors were appointed for a term of three years. The letters of appointment are subject to termination in accordance with their respective terms by not less than one-month notice in writing served by independent non-executive Director or the Company.

Save as disclosed above, none of the Directors entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment compensation other than the statutory compensation.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the year.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Company are set out in note 11 to the consolidated financial statements in this annual report.

Save as disclosed in note 11 to the consolidated financial statements,

(i) no other payment was made to the former employer or Directors for making available the services of them as the Director during the year ended 31 March 2021 (2020: Nil);

(ii) no other payment was made or benefit provided in respect of termination of the service of Directors, whether in the capacity of Directors or in any other capacity while being Directors (2020: Nil); and

(iii) there are no loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporated by and connected entities with such Directors during the year ended 31 March 2021 (2020: Nil);

Save as disclosed in note 35 to the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during year ended 31 March 2021.

EMOLUMENT POLICY

The Remuneration Committee reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contribution to the Group may also receive options granted under the share option scheme.

REPORT OF DIRECTORS

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, THE UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

(1) Long positions in ordinary shares of the Company:

Name of Director	Nature of interest	Number of ordinary shares of the Company	Approximate percentage of the Company's total issued shares*
Mr. Ma Pak Wing Kevin	Interest in a controlled corporation (Note 1)	1,485,000,000	72.58%
	Beneficial owner	780,000	0.04%
		1,485,780,000	72.62%
Ms. Lee Yuen Tung Janice	Interest of spouse (Note 2)	1,485,780,000	72.62%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 March 2021.

Notes:

1. These shares were held by CORE Capital Group Limited ("CORE Capital"), a controlled corporation of Mr. Ma Pak Wing Kevin.

2. Ms. Lee Yuen Tung Janice was deemed to be interested in 1,485,780,000 shares of the Company through the interest of her spouse, Mr. Ma Pak Wing Kevin.

REPORT OF DIRECTORS

(2) Long positions in underlying shares of the Company:

Share options – physically settled unlisted equity derivatives

Name of Director	Nature of interest	Number of underlying shares in respect of the share options granted	Approximate percentage of the Company's total issued shares*
Mr. Ma Pak Wing Kevin	Beneficial owner	9,600,000	0.47%
	Interest of spouse (Note)	9,600,000	0.47%
		19,200,000	0.94%
Ms. Lee Yuen Tung Janice	Beneficial owner	9,600,000	0.47%
	Interest of spouse (Note)	9,600,000	0.47%
		19,200,000	0.94%

Details of the shares options granted by the Company are set out under the section "Share Option Scheme" in this report.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 March 2021.

Note: Mr. Ma Pak Wing Kevin and Ms. Lee Yuen Tung Janice were deemed to be interested in 9,600,000 share options granted to each other, through the interest of spouse.

REPORT OF DIRECTORS

(3) Long positions in ordinary shares of associated corporation – CORE Capital Group Limited, the Company's holding company:

Name of Director	Nature of interest	Number of ordinary shares of CORE Capital	Percentage of CORE Capital's total issued shares*
Mr. Ma Pak Wing Kevin	Beneficial owner	1	100%
Ms. Lee Yuen Tung Janice	Interest of spouse (Note)	1	100%

* The percentage represents the number of ordinary shares divided by the number of CORE Capital's issued shares as at 31 March 2021.

Note: Ms. Lee Yuen Tung Janice was deemed to be interested in 1 share of CORE Capital through the interest of her spouse, Mr. Ma Pak Wing Kevin.

Save as disclosed above, as at 31 March 2021, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from those as disclosed in the above paragraph under "Directors' and Chief Executives' Interests and Short Positions in the Shares, the Underlying Shares or Debentures of the Company and its Associated Corporations", at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 year or age, or were any rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable to the Directors to acquire such rights in any other body corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, THE UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

As at 31 March 2021, the following parties (other than the Directors or the chief executives of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

REPORT OF DIRECTORS

Long positions in ordinary shares of the Company:

Name of substantial shareholders	Nature of interest	Number of ordinary shares of the Company	Percentage of the Company's total issued shares*
CORE Capital	Beneficial owner (Note 1)	1,485,000,000	72.58%
Fidelity China Special Situations PLC	Beneficial owner	125,935,000	6.16%
FIL Limited	Interest of controlled corporations (Note 2)	126,342,500	6.18%
Pandanus Partners L.P.	Interest of controlled corporations (Note 2)	126,342,500	6.18%
Pandanus Associates Inc.	Interest of controlled corporations (Note 2)	126,342,500	6.18%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 March 2021.

Notes: (1) The interest of CORE Capital was also disclosed as the interests of Mr. Ma Pak Wing Kevin in the above paragraph "Directors' and Chief Executives' Interests and Short Positions in the Shares, the Underlying Shares or Debentures of the Company and its Associated Corporations".

(2) As the Company is aware, FIL Limited was deemed to be interested in 126,342,500 Shares held by its controlled entities/corporations. Pandanus Partners L.P. owned 37.01% of the equity interest in FIL Limited. Pandanus Partners L.P. is wholly owned by Pandanus Associates Inc. Accordingly, Pandanus Partners L.P. and Pandanus Associates Inc. were also deemed to be interested in the aforesaid 126,342,500 Shares.

Save as disclosed above, as at 31 March 2021, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2021, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

— The largest customer: 16.5%

— The total of the five largest customers: 25.6%

For the year ended 31 March 2021, the percentage of cost of services attributable to the Group's major suppliers is set out below:

Cost of Revenue

— The largest supplier: 7.0%

— The total of the five largest suppliers: 27.8%

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers and major suppliers noted above.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 35 to the consolidated financial statements of the Company in this annual report, the following transactions constitute continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules. Saved as disclosed below, the Company confirmed that the related party transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules and complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

On 27 August 2019, due to certain foreign investment restrictions in the PRC, 北京賀彼貿易有限公司 ("WFOE"), a wholly owned subsidiary of the Company, concurrently entered into various agreements with 賀彼文化傳播(北京)有限公司("Hypebeast Cultural") and Ms. Yu Na (the "Legal Owner") which together constituted the VIE Agreements. Through the VIE Agreements, the Group has obtained effective control over the finance and operation of Hypebeast Cultural and the entire economic interests and benefits generated by Hypebeast Cultural. Upon the entering into of the VIE Agreements, the financial results of Hypebeast Cultural have been consolidated into the consolidated financial statements of the Group and Hypebeast Cultural has become an indirect subsidiary of the Company.

As at the date of the VIE Agreements and this annual report, the Legal Owner is the (i) sole shareholder, (ii) executive director and (iii) chairman of Hypebeast Cultural. Therefore, the Legal Owner, and Hypebeast Cultural (being an associate of the Legal Owner), are connected persons of the Company at the subsidiary level and the transactions conducted and contemplated under the Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For the year ended 31 March 2021, the service fees charged by Beijing Hypebeast to Hypebeast Cultural in respect of the transactions conducted under the Service Agreement amounted to approximately RMB18.5 million (equivalent to approximately HKD21.2 million).

Save for disclose above, the Company has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules for the year ended 31 March 2021.

REPORT OF DIRECTORS

The Board has approved the transactions contemplated under the Service Agreement and the independent non-executive Directors have also confirmed that the transactions contemplated under the Service Agreement have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal or better commercial terms which are not less favourable to the Group than those for independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. Further, the independent non-executive Directors have confirmed that no dividends or other distributions have been made by Hypebeast Cultural to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended 31 March 2021.

THE VIE AGREEMENTS (INCLUDING THE SERVICE AGREEMENT)

Introduction

On 27 August 2019, due to certain foreign investment restrictions in the PRC, Beijing Hypebeast (a wholly owned subsidiary of the Company) concurrently entered into various agreements with Hypebeast Cultural and the Legal Owner (including the Service Agreement for the provision of certain management consulting and technical services by Beijing Hypebeast to Hypebeast Cultural) which together constituted the VIE Agreements. Through the VIE Agreements, the Group has obtained effective control over the finance and operation of Hypebeast Cultural and the entire economic interests and benefits generated by Hypebeast Cultural. Upon the entering into of the VIE Agreements, the financial results of Hypebeast Cultural has been consolidated into the consolidated financial statements of the Group since 1 April 2019 and Hypebeast Cultural has become an indirect subsidiary of the Company. As at the date of the VIE Agreements and this report, Hypebeast Cultural is principally engaged in creative production and provision for digital advertising services.

As advised by the PRC Legal Adviser, under the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》) promulgated by the National Development and Reform Commission and the Ministry of Commerce of the PRC on 23 June 2020 (including any amended and updated versions), special administrative measures for the access of foreign investment are imposed on the investment in the business of value-added telecommunications service by foreign investors. The foreign stake in an entity engaging in the business of value-added telecommunications service (except e-commerce, domestic conferencing, store-and-forward, and call center services) shall not exceed 50%. Under the 2015 Catalogue of Telecommunications Services (《電信業務分類目錄(2015年版)》) promulgated by the Ministry of Industry and Information Technology of the PRC, the Restricted Business is classified as one of the categories of the business of value-added telecommunications services, and hence the foreign stake in an entity engaging in Internet information services shall not exceed 50%. As such, the Group cannot wholly own the Restricted Business by way of equity owing to the aforesaid restriction. Furthermore, according to the PRC Legal Adviser, (i) in order to acquire any equity interests in the business of value-added telecommunications service in the PRC, the foreign investors shall satisfy several strict requirements on performance and operational experience, including having a good track record and experience for operating the business of value-added telecommunications service offshore; (ii) the foreign investors that satisfy the requirements shall obtain the approval from the Ministry of Industry and Information Technology of the PRC (the "MIIT"), while the MIIT could exercise a broad discretionary power when reviewing the approval; (iii) according to the information available in the public domain, the relevant PRC authorities only issued the Value-added Telecommunications Business Permit (增值電信業務經營許可證) (the "Permit") to a few foreign-invested companies in the past; and

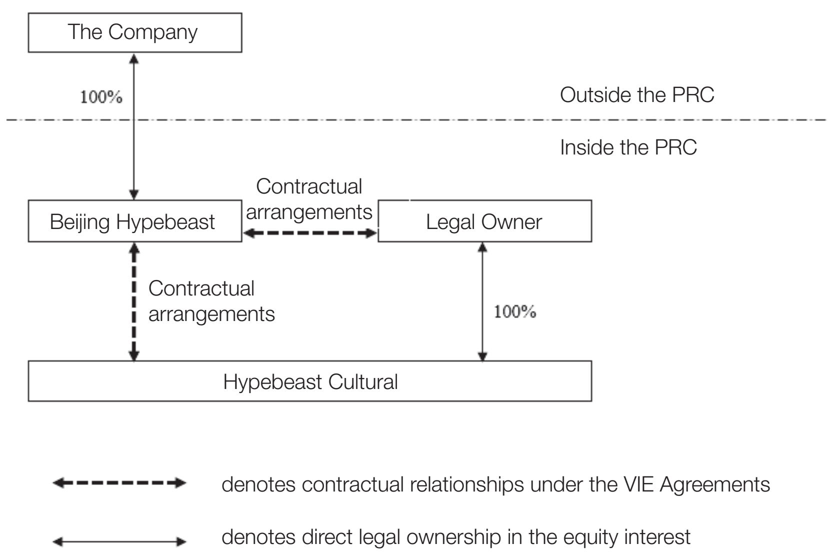
(iv) in light of the foregoing, the Company decided to obtain effective control over the finance and operation of Hypebeast Cultural and the entire economic interests and benefits generated by Hypebeast Cultural through the VIE Structure. On the other hand, as (i) foreign-invested enterprises, including Beijing Hypebeast, are prohibited from holding equity interest exceeding 50% in any enterprise engaging in the Restricted Business; and (ii) Hypebeast Cultural is not a foreign-invested enterprise and hence is eligible to apply for the relevant licenses required for conducting the Restricted Business in accordance with applicable PRC laws, namely, Regulation on Telecommunications of the People's Republic of China (中華人民共和國電信條例) according to the PRC Legal Adviser, Hypebeast Cultural has obtained the relevant Permit with the business type specified as "information services (only including Internet information services)" for the purpose of conducting the Restricted Business.

The relevant Value-added Telecommunications Business Permit was issued by the Beijing Communications Administration (北京市通信管理局) to Hypebeast Cultural on 19 March 2019 and will be valid till 20 July 2021 and Hypebeast Cultural has applied for its renewal in May 2021. To the best of the knowledge, information and belief of the Directors, the Directors are of the view that Hypebeast Cultural is likely to be able to renew the relevant Value-added Telecommunications Business Permit with the Beijing Communications Administration.

Accordingly, Beijing Hypebeast entered into the VIE Agreements with Hypebeast Cultural and the Legal Owner whereby Beijing Hypebeast can exercise control over Hypebeast Cultural and manage and operate its business operation by contractual arrangements and consolidate the financial results of Hypebeast Cultural into the accounts of the Company as if it was a subsidiary of the Company, as confirmed with the Company's auditors under the applicable accounting principles.

Summary of the Material Terms of the VIE Agreements

The following diagram illustrates the flow of economic benefits from Hypebeast Cultural to the Group stipulated under the VIE Agreements as at the date of the VIE Agreements and this report:



(1) The Loan Agreement

Date: 27 August 2019

Parties: (i) Beijing Hypebeast; (ii) the Legal Owner

Major Terms:

Beijing Hypebeast (as the lender) shall lend to the Legal Owner (as the borrower), RMB1 million for the sole purpose of investing into the equity interest in Hypebeast Cultural. The Loan Agreement shall take effect on 1 April 2019.

The Loan Agreement stipulates that, among others:

(i) the loan must only be repaid by way of the Legal Owner transferring the Legal Owner's respective equity interests in Hypebeast Cultural to Beijing Hypebeast or its nominee;

(ii) the loan may only be used by the Legal Owner for the purpose of investing in Hypebeast Cultural; and

(iii) the Legal Owner cannot transfer her respective interests in Hypebeast Cultural to any third party.

To the best of the knowledge, information and belief of the Directors, the basis of the RMB1 million loan was determined according to the estimated daily operational expenses of Hypebeast Cultural to be incurred over a one-year period.

(2) The Exclusive Option and Equity Trust Agreement

Date: 27 August 2019

Parties: (i) Beijing Hypebeast; (ii) Hypebeast Cultural; (iii) the Legal Owner

Major Terms:

With effect from 1 April 2019, the Legal Owner, being the sole shareholder of Hypebeast Cultural, has granted the full power and authority to Beijing Hypebeast and its nominee to:

(i) exercise all of the shareholder's rights of the Legal Owner in Hypebeast Cultural in accordance with applicable laws and the articles of Hypebeast Cultural; and

(ii) nominate the director, chief executive officer and other senior management of Hypebeast Cultural;

Beijing Hypebeast or its nominee shall be entitled to (i) exercise an option to purchase all or part of the Legal Owner's equity interests in Hypebeast Cultural at the consideration being either RMB1 (or any price mutually agreed by the parties) or the minimum price allowed by applicable laws if such transfer of equity interests is allowed by the applicable PRC laws ("Exclusive Option"); and (ii) purchase all or part of the assets of Hypebeast Cultural at the minimum price allowed under the applicable PRC laws during the option period, being the period from the effective date of the Exclusive Option and Equity Trust Agreement to the date on which all the equity interest in Hypebeast Cultural having been transferred to Beijing Hypebeast or its nominee.

Before the entire equity interest of Hypebeast Cultural is transferred to Beijing Hypebeast or its nominee ("Exercise Period"), without the prior written consent of Beijing Hypebeast, Hypebeast Cultural and the Legal Owner shall not engage in any transaction or action which will create any substantive influence to the assets, business, rights or operation management of Hypebeast Cultural and its investment company, controlling or shareholding company.

The Exclusive Option and Equity Trust Agreement shall remain effective during the Exercise Period unless terminated by Beijing Hypebeast by written notice.

(3) The Service Agreement

Date: 27 August 2019

Parties: (i) Beijing Hypebeast; (ii) Hypebeast Cultural

Period:

10 years with effect from 1 April 2019, which shall be optional to Beijing Hypebeast to extend for another 10 years, without any limitation on number of times exercising the extension option.

Major Terms:

With effect from 1 April 2019, Beijing Hypebeast shall provide to Hypebeast Cultural certain management consulting and technical services, including but not limited to business and strategic planning, marketing development, clientele management and development, software development and application, etc. at the agreed service fees.

The service fee shall be an amount reasonably determined by Beijing Hypebeast, which is based on the management consulting and technical services provided by Beijing Hypebeast to Hypebeast Cultural under the Service Agreement. Any fees and expenses incurred when providing such services, such as travel expenses, transportation expenses and postage, shall be borne by Hypebeast Cultural. Beijing Hypebeast shall issue a payment notice within 30 working days of the end of each quarter.

In the absence of prior written consent of Beijing Hypebeast, Hypebeast Cultural may not accept any management consulting and technical services provided by any third party (including its shareholder).

Beijing Hypebeast has the exclusive proprietary rights to all intellectual property rights created or bought by Hypebeast Cultural.

Based on the records of the Group, the service fees payable by Hypebeast Cultural to Beijing Hypebeast for the services provided by Beijing Hypebeast for the years ended 31 December 2019 and 2020 were approximately RMB7,100,000 and RMB18,500,000, respectively. To the best of the knowledge, information and belief of the Directors, such service fees payable by Hypebeast Cultural to Beijing Hypebeast for the services provided by Beijing Hypebeast for the years ended 31 December 2019 and 2020 represent the maximum amount of economic benefits that could be obtained by the Group from Hypebeast Cultural, being the net amount of the contract value of projects of Hypebeast Cultural after deducting the production costs incurred by Hypebeast Cultural.

To the best of the knowledge, information and belief of the Directors, (i) Beijing Hypebeast is not required to share the losses of, or provide financial support to Hypebeast Cultural under the VIE Agreements; and (ii) between the effective date of the Service Agreement (i.e. 1 April 2019) to the date of this report, there were no instances where the costs incurred for a project pursued by Hypebeast Cultural exceeded the revenue generated.

(4) The Equity Pledge Agreement

Date: 27 August 2019

Parties: (i) Beijing Hypebeast; (ii) Hypebeast Cultural; (iii) the Legal Owner

Major Terms:

With effect from 1 April 2019, the Legal Owner has pledged all her equity interests in Hypebeast Cultural as well as all rights and benefits relating to such equity interests to Beijing Hypebeast to secure Hypebeast Cultural and Legal Owner's due performance of their respective obligations under the VIE Agreements. During the term of the pledge, all interests, distributions and dividends arising from the pledged equity shall belong to Beijing Hypebeast.

The pledge shall take effect on 1 April 2019 and shall remain valid until the last contract in the VIE Agreements is terminated (including any renewal). Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreement), Beijing Hypebeast shall be entitled to issue written notice to Hypebeast Cultural to demand for the disposal of the pledged equity interests in accordance with the Equity Pledge Agreement.

(5) The Non-Competition Agreement

Date: 27 August 2019

Parties: (i) Beijing Hypebeast; (ii) Hypebeast Cultural; (iii) the Legal Owner

Major Terms:

With effect from 1 April 2019, the Legal Owner agreed to avoid any direct or indirect competition in the same businesses with Beijing Hypebeast and Hypebeast Cultural, during the period that the Legal Owner pledged her respective interests in Hypebeast Cultural. Such businesses include, but are not limited to (i) management consulting, marketing and promotion planning and economic and trade consulting services; technical development, consulting, assignment, services and computer graphic design in relation to computer and mobile software; (ii) information services business under type II value-added telecom services; and (iii) sales of clothes, apparel accessories and daily necessities, commission agent (excluding auctioning) and the importation and exportation of goods and technology.

The Non-Competition Agreement shall take effect on 1 April 2019 and has a term of ten (10) years commencing from the effective date. At the request of Beijing Hypebeast, the Non-Competition Agreement may be renewed for a further term of ten (10) years for unlimited times. Notwithstanding the above, all obligations of the Legal Owner under the Non-Competition Agreement shall automatically terminate upon the expiration of two (2) years from the date on which the Legal Owner is no longer a shareholder, director or staff of Hypebeast Cultural.

(6) Undertaking of the Legal Owner

Date: 27 August 2019

Party: the Legal Owner

Major Terms:

The Legal Owner has signed an undertaking (the "Undertaking"), pursuant to which she unconditionally and irrevocably acknowledged and undertook that appropriate arrangement shall be made to ensure that when the Legal Owner passes away, is incapacitated, is bankrupt, is divorced or where there are any events which may affect the Legal Owner's performance of the obligations under the Main Contracts, the Legal Owner's successors, guardians, creditors, spouse or any person who obtains the Legal Owner's equity interest or relevant rights shall agree that:

(i) the Legal Owner's equity interest in the Company shall and can be pledged, sold or disposed of in other manner in accordance with the Main Contracts;

(ii) the Main Contracts shall be applicable to the legal rights of the Legal Owner's equity interest that may be owned by the successor of the Legal Owner's equity interest; and

(iii) in any event, the successor of the Legal Owner's equity interest will not propose any requirements which are not in compliance with the Main Contracts, and will not take any actions which are not in compliance with the contents of the Main Contracts.

The Legal Owner has undertaken she would procure her spouse to execute a letter of spouse undertaking in such format and substance to the satisfaction of Beijing Hypebeast if she was to enter into a marriage during the term of the Main Contracts.

The Undertaking shall take effect on 1 April 2019.

The signing date and effective date of the VIE Agreements were 27 August 2019 and 1 April 2019, respectively, since (i) services were performed by Beijing Hypebeast for Hypebeast Cultural between 1 April 2019 and 27 August 2019 and payment obligations of Hypebeast Cultural to Beijing Hypebeast only arose after 27 August 2019. The risk and benefits of the services rendered under the Service Agreement have been passed to the Company since 1 April 2019; and (ii) it would align the effective date of the VIE Agreements with the start of the financial year of the Company from 1 April 2019, thus facilitating the preparation of the financial reporting process of the Company. Based on the VIE Agreements, the Company has obtained effective control of Hypebeast Cultural on 1 April 2019.

REPORT OF DIRECTORS

Commercial benefits of entering into the VIE Agreements

Based on the above, the Directors are of the view that the VIE Agreements are narrowly tailored to achieve the Group's business purpose and to minimise the potential conflict with the relevant PRC laws. The Directors are of the view that VIE Agreements enable the Group to exercise control over Hypebeast Cultural and manage and operate its business operation. The Group is able to engage in the Restricted Business in the PRC and is entitled to the economic interests and benefits of Hypebeast Cultural as a result of the entering into of the VIE Agreements by the parties thereto. The Directors believe that the VIE Agreements will provide a mechanism that enables the Group to exercise effective control over Hypebeast Cultural and the financial results of Hypebeast Cultural would be consolidated into the financial statements of the Group. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this report, Hypebeast Cultural has not encountered any interference or encumbrance from any governing bodies in operating its business. According to the Exclusive Option and Equity Trust Agreement, at any time during the option exercise period, Beijing Hypebeast is entitled to request the Legal Owner to transfer all or part of the equity interest held by the Legal Owner in Hypebeast Cultural to Beijing Hypebeast (or a third party designated by Beijing Hypebeast) to the extent allowed by the applicable PRC laws then. Furthermore, according to the Loan Agreement, once the applicable PRC laws allow the foreign investors to directly invest in the business operated by Hypebeast Cultural, the Legal Owner or her successor shall make the repayment to Beijing Hypebeast immediately by way of the following repayment method only: the Legal Owner to transfer the Legal Owner's respective equity interests in Hypebeast Cultural to Beijing Hypebeast or its nominee, and the Legal Owner shall then return all the payments so obtained to Beijing Hypebeast.

Commercial benefits of entering into the transactions conducted and contemplated under the Service Agreement

The Directors are of the view that the provision of management consulting and technical services by Beijing Hypebeast to Hypebeast Cultural through transactions contemplated under the Service Agreement diversifies the revenue stream and customer base of the Group's existing businesses.

The service fees charged by Hypebeast Cultural to Beijing Hypebeast in respect of the transactions conducted under the Service Agreement from the effective date of the Service Agreement (i.e. 1 April 2019) to the date of this report amounted to approximately RMB25.6 million. Furthermore, according to the Equity Pledge Agreement, the Legal Owner has pledged all her equity interests in Hypebeast Cultural as well as all rights and benefits relating to such equity interests to Beijing Hypebeast to secure Hypebeast Cultural and Legal Owner's due performance of their respective obligations under the VIE Agreements. During the term of the pledge, all interests, distributions and dividends arising from the pledged equity shall belong to Beijing Hypebeast. To the best of the knowledge, information and belief of the Directors after making reasonable enquiries, no distributions or dividends have been made by Hypebeast Cultural to the Legal Owner (i.e. its sole shareholder) from the effective date of the VIE Agreements on 1 April 2019 to the date of this report.

The Directors (including the independent non-executive Directors) are of the view that terms of the Service Agreement and the transactions conducted and contemplated thereunder have been and will be entered into in the ordinary and usual course of business, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REPORT OF DIRECTORS

RISK FACTORS IN RELATION TO THE VIE STRUCTURE

1. **If the PRC government deems that the contractual arrangements under the VIE Agreements do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, the Group could be subject to severe penalties or be forced to relinquish its interests in those operations**

   The ownership structures of Hypebeast Cultural and Beijing Hypebeast, comply with all existing PRC laws and regulations; and the contractual arrangements between Hypebeast Cultural, Beijing Hypebeast and the Legal Owner governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect. However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules; accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of the PRC Legal Adviser. It is uncertain whether any other new PRC laws or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. If the Group or Hypebeast Cultural is found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including:

   - revoking the business licenses of such entities;
   - discontinuing or restricting the conduct of any transactions between the Group and Hypebeast Cultural;
   - imposing fines, confiscating the income from Hypebeast Cultural, or imposing other requirements with which the Group or Hypebeast Cultural may not be able to comply;
   - requiring the Group to restructure its ownership structure or operations, including terminating the contractual arrangements with Hypebeast Cultural and deregistering the equity pledges of Hypebeast Cultural, which in turn would affect the Group's ability to consolidate, derive economic interests from, or exert effective control over Hypebeast Cultural; or
   - restricting or prohibiting the Group's use of the proceeds of any of its financing outside PRC to finance the Group's business and operations in PRC.

   The imposition of any of these penalties would result in a material and adverse effect on the Group's ability to conduct its business. In addition, it is unclear what impact the PRC government actions would have on the Group and on its ability to consolidate the financial results of Hypebeast Cultural in its consolidated financial statements, if the PRC government authorities were to find the legal structure and contractual arrangements of the Group to be in violation of PRC laws and regulations. If the imposition of any of these government actions causes the Group to lose its right to direct the activities of Hypebeast Cultural or its right to receive substantially all the economic benefits and residual returns from Hypebeast Cultural and the Group is not able to restructure its ownership structure and operations in a satisfactory manner, the Group would no longer be able to consolidate the financial results of Hypebeast Cultural in its consolidated financial statements. Either of these results, or any other significant penalties that might be imposed on the Group in this event, would have a material adverse effect on its financial condition and results of operations.

REPORT OF DIRECTORS

2. There is no assurance that the VIE Agreements could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the VIE Agreements do not comply with applicable regulations

On 15 March 2019, the National People's Congress promulgated the 2019 PRC Foreign Investment Law or the FIL, which has become effective on 1 January 2020 and replaced the outgoing laws regulating foreign investment in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, as well their implementation rules and ancillary regulations, or the Outgoing FIE Laws. Meanwhile, the Implementation Rules to the PRC Foreign Investment Law came into effect on 1 January 2020, which clarified and elaborated the relevant provisions of the 2019 PRC Foreign Investment Law. However, uncertainties still exist in relation to interpretation and implementation of the FIL, especially in regard to, including, among other things, the nature of variable interest entities contractual arrangements and specific rules regulating the organisation form of foreign-invested enterprises within the five-year transition period. While FIL does not define contractual arrangements as a form of foreign investment explicitly, it has a catch-all provision under definition of "foreign investment" that includes investments made by foreign investors in the PRC through other means as provided by laws, administrative regulations or the State Council, it cannot be assured that future laws and regulations will not provide for contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that the control of the Group over Hypebeast Cultural through contractual arrangements will not be deemed as foreign investment in the future. In the event that any possible implementing regulations of the FIL, any other future laws, administrative regulations or provisions deem contractual arrangements as a way of foreign investment, and any of the Group's operations through contractual arrangements is classified in the "restricted" or "prohibited" industry in the future "negative list" under the FIL, the contractual arrangements may be deemed as invalid and illegal, and the Group may be required to unwind the variable interest entity contractual arrangements and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to existing contractual arrangements, the Group may face substantial uncertainties as to whether it can complete such actions in a timely manner, or at all. Furthermore, under the FIL, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. In addition, the FIL provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within a five-year transition period, which means that the Group may be required to adjust the structure and corporate governance of Beijing Hypebeast in such transition period. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect the current corporate structure, corporate governance, financial condition and business operations of the Group.

3. The VIE Agreements may not be as effective as direct ownership in providing control over Hypebeast Cultural

The Group relies on the contractual arrangement under the VIE Agreements to operate the business of Hypebeast Cultural. Such contractual arrangement may not be as effective in providing Beijing Hypebeast with control over Hypebeast Cultural as direct ownership. If Beijing Hypebeast has direct ownership of Hypebeast Cultural, it will be able to exercise its rights as a shareholder to effect changes in the board of directors of Hypebeast Cultural, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the VIE Agreements, the Group relies on the performance by the Legal Owner of her obligations under the VIE Agreements to exercise control over Hypebeast Cultural. Such risks exist throughout the period in which the Group intends to operate its business through the contractual arrangements with Hypebeast Cultural. The Group may replace the shareholder of Hypebeast Cultural at any time pursuant to the contractual arrangements with Hypebeast Cultural and the Legal Owner. However, if any dispute relating to these contracts remains unresolved, the Group will have to enforce its rights under the VIE Agreements through the operations of PRC law and courts and therefore will be subject to uncertainties in the PRC legal system. Therefore, the VIE Agreements with the Legal Owner may not be as effective in ensuring Beijing Hypebeast's control over Hypebeast Cultural as direct ownership would be.

4. The Legal Owner may potentially have a conflict of interests with the Group

The Group's control over Hypebeast Cultural is based on the contractual arrangement under the VIE Agreements. Therefore, conflict of interests of the Legal Owner will adversely affect the interests of the Company. Pursuant to the Exclusive Option and Equity Trust Agreement, the Legal Owner will irrevocably appoint any person as designated by Beijing Hypebeast as their representative to exercise the voting rights of the shareholders of Hypebeast Cultural. Therefore, it is unlikely that there will be potential conflict of interests between the Company and the Legal Owner. However, in the unlikely event that conflict of interests arises and cannot be resolved, the Company will consider removing and replacing the Legal Owner.

5. The contractual arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed

The Group could face material adverse tax consequences if the PRC tax authorities determine that the arrangements under the VIE Agreements were not entered into based on arm's length negotiations. If the PRC tax authorities determine that these agreements were not entered into on an arm's length basis, they may adjust income and expenses of Beijing Hypebeast and/or Hypebeast Cultural for PRC tax purposes, which could result in higher tax liabilities on Beijing Hypebeast and/or Hypebeast Cultural. The operating and financial results of the Group may be materially and adversely affected if the tax liabilities of Hypebeast Cultural or those of Beijing Hypebeast increase significantly or if they are required to pay interest on late payments and other penalties.

REPORT OF DIRECTORS

6. **A substantial amount of costs and time may be involved in transferring the ownership of Hypebeast Cultural to Beijing Hypebeast under the Exclusive Option and Equity Trust Agreement**

   In case Beijing Hypebeast exercises its option to acquire all or part of the equity interests in Hypebeast Cultural under the Exclusive Option and Equity Trust Agreement, such acquisition may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals and relevant procedures under the applicable PRC laws. In addition, the abovementioned acquisitions may be subject to a minimum price limitation (such as an appraised value for the equity interests in Hypebeast Cultural) or other limitations as imposed by the applicable PRC laws. Further, a substantial amount of taxes, other necessary costs (if any), expenses and time may be involved in transferring the ownership of Hypebeast Cultural, which may have a material adverse impact on the business, prospects and results of operation of the Group.

7. **Any failure by Hypebeast Cultural or the Legal Owner to perform their obligations under the VIE Agreements with them would have a material and adverse effect on the business of the Group**

   If Hypebeast Cultural or the Legal Owner fail to perform their respective obligations under the contractual arrangements, the Group may have to incur substantial costs and expend additional resources to enforce such arrangements. The Group may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, the effectiveness of which cannot be assured. For example, if the Legal Owner was to refuse to transfer her equity interest in Hypebeast Cultural to Beijing Hypebeast or its designee when Beijing Hypebeast exercises the purchase option pursuant to the VIE Agreements, or if they were otherwise to act in bad faith towards the Group, the Group may have to take legal actions to compel them to perform its contractual obligations. All the VIE Agreements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law, and as a result it may be difficult to predict how an arbitration panel would view such contractual arrangements. As a result, uncertainties in the PRC legal system could limit the Group's ability to enforce these contractual arrangements. Additionally, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. Hypebeast Cultural holds the necessary licenses and permits of the Company. In the event the Group are unable to enforce the contractual arrangements, the Group may not be able to exert effective control over Hypebeast Cultural, and the Group's ability to conduct these businesses may be negatively affected.

8. **The Company does not have any insurance which covers the risks relating to the VIE Agreements and the transactions contemplated thereunder**

   The insurance of the Group does not cover the risks relating to the VIE Agreements and the transactions contemplated thereunder. If any risk arises from the VIE Agreements in the future, such as those affecting the enforceability of the VIE Agreements and the relevant agreements for the transactions contemplated thereunder and the operation of VIE Agreements, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. The Company w ill continue evaluating the feasibility, the cost and the benefit of insuring the transactions contemplated under the VIE Agreements.

9. **The Group would be adversely affected if Hypebeast Cultural suffers losses**

   Beijing Hypebeast is not required to share the losses of, or provide financial support to Hypebeast Cultural under the VIE Agreements. Further, Hypebeast Cultural is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. However, given that (i) the business operations of Hypebeast Cultural is an important part of the PRC business conducted by the Group, (ii) Hypebeast Cultural holds the requisite PRC operational licenses and approvals, and (iii) the financial position and results of operations of Hypebeast Cultural are consolidated into the Group's financial statements under the applicable accounting principles, the Group's business, financial position and results of operations would be adversely affected if Hypebeast Cultural suffers losses.

INTERNAL CONTROL MEASURES IMPLEMENTED BY THE GROUP

The Directors will consult the PRC Legal Adviser from time to time to check if there are any legal developments in the PRC affecting the VIE Agreements, and should immediately report to the Board so as to allow the Board to determine if any modification or amendment are required to be made.

If there are any changes to the VIE Agreements in the future, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.

In case there would be material and adverse effect on the business of Hypebeast Cultural arising from the 2019 PRC Foreign Investment Law, the Company will disclose, as soon as possible: (i) updates of material development to the 2019 PRC Foreign Investment Law as and when it occurs; (ii) specific measures taken by the Company to fully comply with the development to the 2019 PRC Foreign Investment Law; and (iii) any material impact of the development of the 2019 PRC Foreign Investment Law on the Company's operations and financial position.

REPORT OF DIRECTORS

GENERAL INFORMATION OF THE LEGAL OWNER AND HYPEBEAST CULTURAL

The Legal Owner is responsible for the daily business operations and management of Hypebeast Cultural and is also the (i) sole shareholder, (ii) executive director, (iii) manager and (iv) legal representative of Hypebeast Cultural. To the best information and knowledge of the Directors upon making reasonable enquiries, the Legal Owner has no relationship with the Company, its connected persons and their respective associates except for being a connected person at the subsidiary level due to her positions in Hypebeast Cultural.

Hypebeast Cultural is a company established under the laws of the PRC on 4 December 2015, the sole shareholder, executive director, manager and legal representative of which is the Legal Owner. Hypebeast Cultural is principally engaged in creative production and provision for digital advertising services.

Financial Information

Set out below is the financial information of Hypebeast Cultural based on (i) the unaudited financial statements of Hypebeast Cultural for the year ended 31 December 2017 and (ii) the audited financial statements of Hypebeast Cultural for the three years ended 31 December 2020:

	For the year ended 31 December			
	2017 RMB'000 (unaudited)	2018 RMB'000 (audited)	2019 RMB'000 (audited)	2020 RMB'000 (audited)
Revenue	–	6,641	22,879	25,166
Net profits/(losses) before tax	(206)	374	1,530	8,098
Net profits/(losses) after tax	(206)	374	1,421	6,073

The unaudited total assets of Hypebeast Cultural were approximately RMB240,000 as at 31 December 2017.

The audited total assets of Hypebeast Cultural were approximately RMB1,981,000, RMB8,674,000 and RMB13,199,000 as at 31 December 2018, 31 December 2019 and 31 December 2020, respectively.

The unaudited net assets of Hypebeast Cultural were approximately RMB8,000 as at 31 December 2017. The audited net assets of Hypebeast Cultural were approximately RMB381,000, RMB1,904,000 and RMB7,978,000 as at 31 December 2018, 31 December 2019 and 31 December 2020, respectively.

As confirmed with the Company's auditors under the applicable accounting principles, the financial results of Hypebeast Cultural is consolidated into the accounts of the Company as if it was a subsidiary of the Company.

REPORT OF DIRECTORS

Material changes in relation to the VIE Agreements

During the year ended 31 March 2021, there has been no material change in the VIE Agreements and/or the circumstances under which they were adopted.

Unwinding the VIE Structure

The Directors confirm that the Company will unwind the VIE Structure as soon as PRC laws and regulations allow the Restricted Business to be operated without the VIE Structure.

However, for the year ended 31 March 2021, none of the VIE Agreements have been unwound as none of laws regulating the Restricted Business that led to the adoption of the VIE Agreements has been removed.

Confirmation from Auditor of the Company in relation to the Continuing Connected Transactions

Pursuant to Rule 14A.56 of the Listing Rules, the board of directors engaged, Deloitte Touche Tohmatsu, the auditor of the Company, to carry out assurance procedures in respect of the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the conclusion to the board of directors by confirming the matters as stated in Rule 14A.56, where applicable. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the public float as required under the Listing Rules.

COMPETING AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Company and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 March 2021.

None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, or has any other conflict of interests with the Group during year ended 31 March 2021, and confirm that none of them is engaged in any business which directly or indirectly, competes or is likely to compete with the business of the Company and any of its subsidiaries or has interest in such business. Each of the controlling shareholders has also confirmed that he/she/it has complied with the deed of non-competition dated 28 March 2016 during the year ended 31 March 2021.

REPORT OF DIRECTORS

CORPORATE GOVERNANCE

The Company's corporate governance report is set out on pages 20 to 29 of this annual report.

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 report, which would affect the Group's business operations in material aspects.

AUDITOR

There has been no change in auditor of the Company since the incorporation of the Company.

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs Deloitte Touche Tohmatsu as external auditor of the Company.

By order of the Board
Ma Pak Wing Kevin
Chairman and Executive Director

Hong Kong, 22 June 2021

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF HYPEBEAST LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hypebeast Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 95 to 175, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

Impairment assessment of trade receivables

We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgment and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period.

As at 31 March 2021, the Group's net trade receivables amounting to HK$172,741,000 and out of these trade receivables of approximately HK$23,786,000 were past due.

As disclosed in notes 21 and 32 to the consolidated financial statements, trade receivables that with significant balances or credit-impaired are assessed for ECL individually. The management of the Group estimates the amount of lifetime ECL of the remaining trade receivables based on collective assessment through grouping of various debtors by geographical locations, and then further grouped by past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information that is reasonable and supportable available without undue costs or effort. The credit loss allowance amount of trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

As disclosed in note 32 to the consolidated financial statements, the Group recognised impairment losses under ECL model, net of reversal of HK$776,000 for the year and the Group's ECL on trade receivables as at 31 March 2021 amounted to HK$928,000.

How our audit addressed the key audit matter

Our procedures in relation to impairment assessment of trade receivables included:

- Understanding key controls on how the management estimates the credit loss allowance for trade receivables;
- Testing the integrity of information used by management to develop the collective assessment, including trade receivables aging analysis as at 31 March 2021, on a sample basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices and other supporting documents;
- Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 31 March 2021, including their identification of significant balances and credit-impaired trade receivables, the reasonableness of management's grouping of the remaining trade receivables into different categories in the collective assessment, and the basis of estimated loss rates applied in each category in the collective assessment (with reference to historical default rates and forward-looking information);
- Evaluating the disclosures regarding the impairment assessment of trade receivables in note 32 to the consolidated financial statements; and
- Testing subsequent settlements of trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to estimate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wan Wai Nga.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 June 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	NOTES	2021 HK$'000	2020 HK$'000
Revenue	5	**674,212**	751,367
Cost of revenue		**(340,085)**	(372,089)
Gross profit		**334,127**	379,278
Other income, other gains and losses	8	**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	7	**(1,622)**	(1,356)
Share of result of a joint venture		**–**	(1,333)
Profit before tax		**93,091**	86,377
Income tax expense	9	**(22,507)**	(20,602)
Profit for the year	10	**70,584**	65,775
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**3,934**	(54)
Total comprehensive income for the year		**74,518**	65,721
Earnings per share	13		
– Basic (HK cent)		**3.47**	3.26
– Diluted (HK cent)		**3.45**	3.21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	14	**22,590**	12,238
Intangible assets	15	**962**	988
Right-of-use assets	16	**78,951**	46,254
Rental deposits	21	**7,465**	5,298
Interest in a joint venture	17	**–**	–
Financial assets at fair value through profit or loss	18	**1,647**	–
Amount due from a joint venture	19	**9,101**	11,870
Deferred tax assets	28	**479**	–
		121,195	76,648
Current assets			
Inventories	20	**42,389**	71,408
Trade and other receivables	21	**196,942**	221,400
Contract assets	22	**1,484**	1,855
Pledged bank deposits	23	**10,000**	15,603
Bank balances and cash	23	**209,575**	67,251
		460,390	377,517
Current liabilities			
Trade and other payables	24	**117,886**	88,894
Contract liabilities	25	**9,020**	4,429
Bank borrowings – due within one year	26	**5,996**	32,836
Lease liabilities	27	**15,763**	15,862
Tax payables		**5,661**	5,976
		154,326	147,997
Net current assets		**306,064**	229,520
Total assets less current liabilities		**427,259**	306,168
Non-current liabilities			
Lease liabilities	27	**66,016**	30,899
Deferred tax liabilities	28	**–**	74
		66,016	30,973
Net assets		**361,243**	275,195
Capital and reserves			
Share capital	29	**20,459**	20,231
Reserves		**340,784**	254,964
		361,243	275,195

The consolidated financial statements on pages 95 to 175 were approved and authorised for issue by the Board of Directors on 22 June 2021 and are signed on its behalf by:

Ma Pak Wing Kevin
DIRECTOR

Lee Yuen Tung Janice
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2019	20,000	25,275	12	4,656	156,024	205,967
Profit for the year	–	–	–	–	65,775	65,775
Exchange differences arising on translation of foreign operations	–	–	(54)	–	–	(54)
Total comprehensive (expense) income for the year	–	–	(54)	–	65,775	65,721
Exercise of share options	231	4,304	–	(2,545)	–	1,990
Recognition of share-based payment expense	–	–	–	6,413	–	6,413
Dividend paid	–	–	–	–	(4,896)	(4,896)
At 31 March 2020	20,231	29,579	(42)	8,524	216,903	275,195
Profit for the year	–	–	–	–	70,584	70,584
Exchange differences arising on translation of foreign operations	–	–	3,934	–	–	3,934
Total comprehensive income for the year	–	–	3,934	–	70,584	74,518
Exercise of share options	228	7,194	–	(2,895)	–	4,527
Recognition of share-based payment expense	–	–	–	7,003	–	7,003
At 31 March 2021	20,459	36,773	3,892	12,632	287,487	361,243

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**93,091**	86,377
Adjustments for:		
Depreciation of property, plant and equipment	**6,525**	4,606
Depreciation of right-of-use assets	**21,253**	13,347
Amortisation of intangible assets	**105**	25
Share-based payment expense	**7,003**	6,413
Loss on disposal of property, plant and equipment	**146**	84
Gain on termination of lease	**(67)**	–
Impairment losses under expected credit loss model, net of reversal	**4,795**	973
Write-down of inventories	**1,038**	1,042
Share of result of a joint venture	**–**	1,333
Finance costs	**1,622**	1,356
Bank interest income	**(361)**	(78)
Operating cash flows before movements in working capital	**135,150**	115,478
Decrease (increase) in inventories	**27,981**	(4,648)
Decrease (increase) in trade and other receivables	**23,486**	(50,719)
Decrease in contract assets	**371**	7,081
Increase (decrease) in trade and other payables	**27,511**	(768)
Increase in contract liabilities	**4,591**	1,214
Cash generated from operations	**219,090**	67,638
Income taxes paid	**(23,375)**	(21,993)
NET CASH FROM OPERATING ACTIVITIES	**195,715**	45,645
INVESTING ACTIVITIES		
Placement of pledged bank deposits	**(10,000)**	(25,586)
Purchase of property, plant and equipment	**(16,932)**	(7,135)
Advance to a joint venture	**(1,250)**	(5,155)
Investment in financial asset at fair value through profit or loss	**(1,647)**	–
Payments for rental deposits	**(289)**	(750)
Purchase of intangible assets	**–**	(1,013)
Withdrawal of pledged bank deposits	**15,603**	16,706
Proceeds from disposal of property, plant and equipment	**–**	21
Bank interest received	**361**	78
Refund of rent deposits	**1,890**	–
NET CASH USED IN INVESTING ACTIVITIES	**(12,264)**	(22,834)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	2021 HK$'000	2020 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(34,118)**	(60,109)
Proceeds from bank borrowings	**7,278**	65,955
Repayment of lease liabilities	**(19,092)**	(12,840)
Proceeds from issuance of shares upon exercise of share options	**4,527**	1,990
Interest paid for bank borrowings	**(493)**	(947)
Interest paid for lease liabilities	**(1,129)**	(409)
Dividend paid	**–**	(4,896)
NET CASH USED IN FINANCING ACTIVITIES	**(43,027)**	(11,256)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**140,424**	11,555
CASH AND CASH EQUIVALENT 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	**209,575**	67,251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. GENERAL

Hypebeast Limited ("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 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 *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRS 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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 Transaction[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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably adopted to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment that are within the scope of the HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases* ("HKFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets* ("HKAS 36").

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interest in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Interest in a joint venture (Continued)

The results and assets and liabilities of a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 *Financial Instruments* ("HKFRS 9"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (such as sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessor so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any leases incentives receivables, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Borrowing costs

Borrowing costs which are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Employee benefit

Retirement benefit costs

Payments to state-managed retirement schemes/the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Share-based payment

Equity-settled share-based payment transactions

Share options granted to directors and employees

Equity-settled share-based payments to directors of the Company and employees of the Group who have contributed or will contribute to the Group are measured at the fair value of the equity instruments at the grant date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Share-based payment (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to directors and employees (Continued)

The fair value of the equity-settled share-based payments without taking into consideration all non-market vesting conditions determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to settle the carrying amount of its liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment held for use in the supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Leasehold improvements in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than leasehold improvements under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives represent the website domain names which are acquired separately and carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets with finite useful lives are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sales.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers* (“HKFRS 15”). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amount due from a joint venture, pledged bank deposits and bank balances) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instruments' external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment assessment of trade receivables

Trade receivables that with significant balances or credit-impaired are assessed for ECL individually. The management of the Group estimates the amount of the remaining trade receivables based on collective assessment through grouping of various debtors by geographical locations and then further grouped by past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information that is reasonable and supportable available without undue costs or effort.

The credit loss allowance of the trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

The carrying amount of trade receivables was HK$172,741,000 (2020: HK$188,386,000) and the Group recognised impairment losses under ECL model, net of reversal of HK$776,000 (2020: HK$973,000) for the year.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 32 and 21, respectively.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	Digital Media		E-Commerce		Total	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'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

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers

(a) Sales of goods through online retail platform

The Group sells branded clothing, shoes and accessories to customers through its online retail platform in Hong Kong, the PRC, the US, and other overseas countries.

Taking into consideration of the relevant contract terms that entered into with customers on sales of goods through online retail platform, the Group concluded that the Group does not have an enforceable right to payment prior to the relevant products shipped/delivered to customers.

Revenue from sales of goods through online retail platform is therefore recognised at a point in time when the goods is shipped/delivered to customers, being at the point that the customer obtains the control of the goods and the Group has present right to payment and collection of the consideration is probable.

The Group typically receive payment in full before the sales orders processed. When the Group receives the payment in full before the goods is shipped/delivered to customers, 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.

(b) Commission fee from consignment sales

Commission fee from consignment sales represents commission received by the Group when the Group acts as consignee for certain suppliers on selling their clothing, shoes and accessories to customers through its online retail platform on consignment basis.

The Group is an agent under the consignment sales contracts as its performance obligation is to sell the products supplied by another party. In this regards, the Group does not control the products provided by another party before those goods sold and shipped/delivered to customers. Accordingly, the Group recognises revenue in the amount of commission to be received pursuant to the consignment sales contracts and is therefore recognised at a point in time when the goods is shipped/delivered to customers, being at the point that the customer obtains the control of the goods and the Group has present right to payment and collection of the consideration is probable.

The Group typically receives payment in full before the consignment sales orders processed. When the Group receives the payment in full before the consignment goods is shipped/delivered to customers, this will give rise to contract liabilities and payable to consignor at the start of the contract, until the commission fee income recognised when the consignment goods is shipped/delivered to customers.

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers (Continued)

(c) Provision of advertising spaces

Revenue from provision of advertising spaces is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for provision of advertising spaces based on insertion order agreed by both parties using output method over the period that the advertisement launched. The normal credit term is 30 to 60 days in accordance with the invoice date.

The insertion order includes total contract value, period of advertisement launched in the online platform or social media platform and the target impression rate or click rate required by customers.

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

(d) Provision of services for creative agency projects

Creative agency projects consist of project-based production of advertisement (including photo shooting, video production and editorial work prior to the publishing on advertising spaces). The relevant deliverables (i.e. completed advertisement) specified in the contracts are based on customer's specifications with no alternative use. Creative agency projects comprise of large-scale projects and small-scale projects.

For large-scale projects, the Group will typically sign a service contract with the customer, taking into consideration of the relevant contract terms, the Group concluded that the Group has an enforceable right to payment prior to the completion of the relevant services and delivered to customers. Accordingly, revenue from the provision of services for large-scale projects is therefore recognised based on the agreed payment schedule pursuant to the contracts using output method over the period of the projects.

For small-scale projects, the Group will typically issue the insertion order to the customer. There is no contract terms to mention an enforceable right to payment prior to the completion of relevant services and delivered to customers. Accordingly, revenue from the provision of services for small-scale projects is therefore recognised at a point in time when the completed advertisement is delivered to customers, being at the point that the customer obtains the control of the advertisement and the Group has present right to payment and collection of the consideration is probable.

The normal credit term is 30 to 60 days in accordance with the invoice date for both large-scale and small-scale projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers (Continued)

(e) Publication of magazines

The Group publishes its own magazine every quarter and delivers to its customers upon subscription made. Taking into consideration of the relevant contract terms that entered into with customers on the subscription of magazines, the Group concludes that the Group does not have an enforceable right to payment prior to the magazines published and shipped/delivered to customers. Revenue from publication of magazines is therefore recognised at a point in time when the published magazines is shipped/delivered to customers, being at the point that the customer obtains the control of the magazines and the Group has present right to payment and collection of the consideration is probable. The Group typically receive payment in full upon the subscription of magazines by the customers.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

Information reported to the Chief Executive Officer ("CEO") of the Group, being the chief operating decision maker ("CODM") for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered, or service provided. The 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 spaces, provision of services for creative agency projects and publication of magazines
E-commerce segment	–	Operation of online retail platform for the sale of third-party branded clothing, shoes and accessories 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 HK$'000	E-commerce HK$'000	Consolidated HK$'000
Total segment revenue	447,379	226,833	674,212
Segment results	144,798	7,947	152,745
Finance costs			(1,622)
Share-based payment expense			(7,003)
Unallocated expenses			(51,029)
Profit before tax			93,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

6. SEGMENT INFORMATION (CONTINUED)

Year ended 31 March 2020

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of finance costs, share of result of a joint venture, share-based payment expense, and other unallocated expenses including depreciation expenses for certain right-of-use assets and property, plant and equipment, certain staff costs and directors' remuneration that are not directly attributable to respective segments as disclosed in the above table. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

	2021 HK$'000	2020 HK$'000
Reportable segment assets		
Digital media	**209,155**	194,937
E-commerce	**98,910**	126,064
Total segment assets	**308,065**	321,001
Reconciliation of reportable segment total to group total:		
Segment assets	**308,065**	321,001
Unallocated assets:		
Property, plant and equipment	**22,590**	12,238
Intangible assets	**16**	17
Right-of-use assets	**6,691**	13,394
Financial assets at FVTPL	**1,647**	–
Amount due from a joint venture	**9,101**	11,870
Deferred tax assets	**479**	–
Deposits and other receivables	**13,421**	12,791
Pledged bank deposits	**10,000**	15,603
Bank balances and cash	**209,575**	67,251
Consolidated total assets	**581,585**	454,165
Reportable segment liabilities		
Digital media	**138,249**	76,714
E-commerce	**45,559**	39,985
Total segment liabilities	**183,808**	116,699
Reconciliation of reportable segment total to group total:		
Segment liabilities	**183,808**	116,699
Unallocated liabilities:		
Other payables and accrued expenses	**18,285**	10,577
Bank borrowings	**5,996**	32,836
Tax payables	**5,661**	5,976
Deferred tax liabilities	**–**	74
Lease liabilities	**6,592**	12,808
Consolidated total liabilities	**220,342**	178,970

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

For the purposes of monitoring segment performances and collecting resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, certain right-of-use assets, certain intangible assets, interest in a joint venture, certain deposits and other receivables, financial assets at FVTPL, amount due from a joint venture, pledged bank deposits and bank balances and cash that are not attributable to respective segment.

- all liabilities are allocated to operating segments other than certain other payables and accrued expenses, certain lease liabilities, bank borrowings, current and deferred tax liabilities that are not attributable to respective segment.

Other segment information

2021

Amounts included in the measure of segment profit or loss and segment assets:

	Digital media HK$'000	E-commerce HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Impairment losses under ECL model, net of reversal	776	–	776	4,019	4,795
Share-based payment expense	–	–	–	7,003	7,003
Write-down of inventories	–	1,038	1,038	–	1,038
Depreciation of right-of-use assets	8,974	6,105	15,079	6,174	21,253
Amortisation of intangible assets	1	104	105	–	105
Addition to non-current assets	36,678	19,168	55,846	17,325	73,171

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss and segment assets:

	HK$'000
Loss on disposal of property, plant and equipment	(146)
Depreciation of property, plant and equipment	(6,525)

6. SEGMENT INFORMATION (CONTINUED)

Other segment information (Continued)

2020

Amounts included in the measure of segment profit or loss and segment assets:

	Digital media HK$'000	E-commerce HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Impairment losses under ECL model, net of reversal	973	–	973	–	973
Share-based payment expense	–	–	–	6,413	6,413
Write-down of inventories	–	1,042	1,042	–	1,042
Depreciation of right-of-use assets	4,806	3,986	8,792	4,555	13,347
Amortisation of intangible assets	–	24	24	1	25
Addition to non-current assets	8,004	29,066	37,070	8,291	45,361

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss and segment assets:

	HK$'000
Share of result of a joint venture	(1,333)
Loss on disposal of property, plant and equipment	(84)
Depreciation of property, plant and equipment	(4,606)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

6. SEGMENT INFORMATION (CONTINUED)

Geographical information

Analysis of the Group's revenue from external customers by geographic location, determine based on the location of the online sales request for E-commerce segment and the location of customers for digital media segment are set out in Note 5. An analysis of the Group's non-current assets by geographical location of the assets are detailed below:

	Non-current assets (Note ii)	
	2021	2020
	HK$'000	HK$'000
US	**59,118**	1,063
Hong Kong	**39,418**	50,785
The PRC	**2,862**	1,167
Others (Note i)	**1,105**	6,465
	102,503	59,480

Notes:

(i) Including other countries which individually contributing less than 10% of the total revenue of the Group for each respective reporting period.

(ii) Rental deposits, financial assets at FVTPL and amount due from a joint venture were excluded from the presentation of information of non-current assets by geographical locations.

Information about major customer

Revenue from Customer A contributed approximately 17% of the total revenue of the Group (2020: No single customer has been accounted for 10% or more of the total revenue of the Group).

7. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interests on:		
Bank borrowings	**493**	947
Lease liabilities	**1,129**	409
	1,622	1,356

8. OTHER INCOME, OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Net exchange (gain) losses	**(1,722)**	5,392
Loss on disposal of property, plant and equipment	**146**	84
Penalty on customers for overdue settlement	**(1,065)**	(948)
Bank interest income	**(361)**	(78)
Others	**(175)**	–
	(3,177)	4,450

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FOR THE YEAR ENDED 31 MARCH 2021

9. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Current tax:		
Hong Kong Profits Tax		
– Current year	**9,240**	7,999
– Overprovision in prior year	**(132)**	(273)
The PRC Enterprise Income Tax ("EIT")	**12,274**	11,993
Other jurisdictions	**1,678**	1,162
	23,060	20,881
Deferred tax (note 28):		
Credit for the year	**(553)**	(279)
	22,507	20,602

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% for both years 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

9. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 HK$'000	2020 HK$'000
Profit before tax	**93,091**	86,377
Tax at the Hong Kong Profits Tax rate of 16.5%	**15,360**	14,252
Tax effect of share of result of a joint venture	**–**	220
Tax effect of income not taxable for tax purpose	**(114)**	–
Tax effect of expenses not deductible for tax purpose	**2,084**	2,178
Tax effect of tax losses not recognised	**1,439**	650
Income tax at concessionary rate	**(165)**	(1,259)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,834**	4,591
Overprovision in prior year	**(132)**	(273)
Others	**201**	243
Income tax expense for the year	**22,507**	20,602

10. PROFIT FOR THE YEAR

	2021 HK$'000	2020 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note 11)	**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 expense	**6,545**	3,545
Total directors and other staff costs	**145,048**	177,298
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
Amortisation of intangible assets	**105**	25
Website content update expense (Note)	**1,706**	2,682
Write-down of inventories	**1,038**	1,042

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

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FOR THE YEAR ENDED 31 MARCH 2021

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and disclosure requirements of the CO, is as follows:

	Executive directors		Independent non-executive directors			
	Mr. Ma HK$'000 (Note)	Ms. Lee Yuen Tung Janice HK$'000	Ms. Kwan Shin Luen Susanna HK$'000	Mr. Wong Kai Chi HK$'000	Ms. Poon Lai King HK$'000	Total HK$'000
2021						
Fees	**151**	**1,050**	**151**	**151**	**151**	**1,654**
Other emoluments						
Salaries, allowances and other benefits	**226**	**210**	**–**	**–**	**–**	**436**
Retirement benefits scheme contribution	**16**	**18**	**–**	**–**	**–**	**34**
Share-based payment expense	**229**	**229**	**–**	**–**	**–**	**458**
	622	**1,507**	**151**	**151**	**151**	**2,582**

	Executive directors		Independent non-executive directors			
	Mr. Ma HK$'000 (Note)	Ms. Lee Yuen Tung Janice HK$'000	Ms. Kwan Shin Luen Susanna HK$'000	Mr. Wong Kai Chi HK$'000	Ms. Poon Lai King HK$'000	Total HK$'000
2020						
Fees	600	1,680	202	202	202	2,886
Other emoluments						
Salaries, allowances and other benefits	854	210	–	–	–	1,064
Retirement benefits scheme contribution	29	18	–	–	–	47
Share-based payment expense	1,434	1,434	–	–	–	2,868
	2,917	3,342	202	202	202	6,865

Note: Mr. Ma is also the CEO of the Company and his emoluments disclosed above include those for services rendered by him as the CEO.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION (CONTINUED)

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the independent non-executive directors shown above were mainly for their services as the directors of the Company.

Employees' remuneration

Of the five individuals with the highest emoluments in the Group, none (2020: two) were the director whose emolument is included in the disclosures above. The emoluments of the remaining five (2020: three) individuals were as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries and allowances	**13,316**	7,773
Discretionary bonus	**–**	2,116
Retirement benefits scheme contribution	**214**	175
Share-based payment expense	**1,018**	421
	14,548	10,485

Their emoluments were fell within the following bands:

	No. of employees	
	2021	2020
HK$2,000,001 to HK$2,500,000	**2**	–
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,500,001 to HK$5,000,000	**–**	1
	5	3

During the year, no emoluments were paid by the Group to the directors of the Company ("the Directors") or any of the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments during the years ended 31 March 2021 and 2020.

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FOR THE YEAR ENDED 31 MARCH 2021

12. DIVIDENDS

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

13. 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 HK$'000	2020 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**70,584**	65,775

	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	**11,790**	29,268
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,047,292**	2,046,971

Diluted earnings per share for the years ended 31 March 2021 and 2020 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 years.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furnitures and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1 April 2019	8,649	2,605	7,711	–	–	18,965
Additions	3,955	656	2,524	–	–	7,135
Disposals	–	(43)	(146)	–	–	(189)
Exchange translation	–	(5)	(24)	–	–	(29)
At 31 March 2020	12,604	3,213	10,065	–	–	25,882
Additions	5,184	999	848	661	9,240	16,932
Disposals	–	(41)	(140)	–	–	(181)
Exchange translation	–	67	75	(26)	–	116
At 31 March 2021	17,788	4,238	10,848	635	9,240	42,749
ACCUMULATED DEPRECIATION						
At 1 April 2019	3,865	1,339	3,924	–	–	9,128
Provided for the year	2,607	528	1,471	–	–	4,606
Eliminated on disposals	–	(17)	(67)	–	–	(84)
Exchange translation	–	(1)	(5)	–	–	(6)
At 31 March 2020	6,472	1,849	5,323	–	–	13,644
Provided for the year	4,062	846	1,617	–	–	6,525
Eliminated on disposals	–	(15)	(20)	–	–	(35)
Exchange translation	–	5	20	–	–	25
At 31 March 2021	10,534	2,685	6,940	–	–	20,159
CARRYING VALUES						
At 31 March 2021	7,254	1,553	3,908	635	9,240	22,590
At 31 March 2020	6,132	1,364	4,742	–	–	12,238

The above items of property, plant and equipment after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	25%, or over the lease terms, whichever is shorter
Furnitures and fixtures	20%
Office equipment	20%
Motor vehicles	20%

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FOR THE YEAR ENDED 31 MARCH 2021

15. INTANGIBLE ASSETS

	Website Domain Name HK$'000
COST	
At 1 April 2019	–
Additions	1,013
At 31 March 2020	1,013
Additions	–
Exchange translation	83
At 31 March 2021	1,096
ACCUMULATED AMORTISATION	
At 1 April 2019	–
Provided for the year	25
At 31 March 2020	25
Provided for the year	105
Exchange translation	4
At 31 March 2021	134
CARRYING VALUES	
At 31 March 2021	962
At 31 March 2020	988

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over 10 years.

16. 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 HK$'000	2020 HK$'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 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% (2020: 12%) 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.

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FOR THE YEAR ENDED 31 MARCH 2021

16. RIGHT-OF-USE ASSETS (CONTINUED)

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.

17. INTEREST IN A JOINT VENTURE

	2021 HK$'000	2020 HK$'000
Cost of investment in a joint venture – unlisted investment	**5,887**	5,887
Share of post-acquisition results and other comprehensive income, net of dividends received	**(5,887)**	(5,887)
	–	–

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of entity	Country of incorporation	Principal place of business	Percentage of interest in ownership held by the Group **2021** **%**	 2020 %	Principal activities
The Berrics Company, LLC ("The Berrics")	US	US	**51**	51	Provision of skateboarding related digital content and advertising and offline event organisation services

Pursuant to certain terms and conditions stated in the joint venture agreement, the financial and operating policies of The Berrics require unanimous approval from both joint venture partners. The Berrics was jointly controlled by the Group and another joint venture partner and, as such, it was accounted for as a joint venture of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INTEREST IN A JOINT VENTURE (CONTINUED)

Summarised financial information of joint venture

Summarised financial information of The Berrics is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2021 HK$'000	2020 HK$'000
Current assets	**4,746**	7,123
Non-current assets		
– Property, plant and equipment	**11,895**	11,856
– Others	**520**	518
	12,415	12,374
Current liabilities	**21,553**	20,090

The above amounts of assets and liabilities include the following:

	2021 HK$'000	2020 HK$'000
Cash and cash equivalents	**750**	2,425
Current financial liabilities	**15,059**	14,969
Revenue	**11,458**	16,407
Loss and total comprehensive expense for year	**(3,799)**	(3,206)

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17. INTEREST IN A JOINT VENTURE (CONTINUED)

Summarised financial information of joint venture (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements using equity method of accounting is as follow:

	2021 HK$'000	2020 HK$'000
Net liabilities of The Berrics	**(4,392)**	(593)
Proportion of the Group's ownership interest in the joint venture	**51%**	51%
	(2,240)	(302)
Unrecognised share of loss of the joint venture	**2,240**	302
Carrying amount of the Group's interest in joint venture	**–**	–

	2021 HK$'000	2020 HK$'000
The unrecognised share of loss of the joint venture for the year and cumulative unrecognised share of loss of the joint venture	**2,240**	302

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets represent Group's equity interest in a private entity established in the US. This investment is not held for trading, instead, they are held for long-term strategic purposes.

19. AMOUNT DUE FROM A JOINT VENTURE

The amount was non-trade nature, unsecured and non-interest bearing. The amount was with an original term of 2 years and will be due in May 2022 and was therefore classified as non-current.

Details of impairment assessment of amount due from a joint venture are set out in note 32.

20. INVENTORIES

	2021 HK$'000	2020 HK$'000
Finished goods	**42,389**	71,408

21. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**83,793**	118,376
Unbilled receivables (Note)	**89,876**	70,904
Trade and unbilled receivables	**173,669**	189,280
Less: allowance for credit losses	**(928)**	(894)
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
Total	**204,407**	226,698
Analysed as:		
Current	**196,942**	221,400
Non-current	**7,465**	5,298
Total	**204,407**	226,698

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 platforms, 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 **HK$'000**	2020 HK$'000
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
	83,793	118,376

As at 31 March 2021, included in the Group's trade receivables balance are debtors with aggregate gross carrying amount of HK$23,786,000 (2020: HK$48,393,000) which are past due as at the reporting date. Out of the past due balances, HK$5,349,000 (2020: HK$6,256,000) has been past due 90 days or more and is not considered as in default as there had not been a significant change in credit quality and the amounts were still considered recoverable based on historical experience. The Group does not hold any collateral over these balances and the Group will further charge at 1.5% on overdue balances of certain customers pursuant to the contracts upon negotiation as a penalty of overdue settlement.

Details of impairment assessment of trade and other receivables are set out in note 32.

22. CONTRACT ASSETS

	2021 **HK$'000**	2020 HK$'000
Provision of advertising spaces	**1,484**	1,855

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.

Details of the impairment assessment of contract assets are set out in note 32.

23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Deposits amounting to HK$10,000,000 (2020: HK$15,603,000) have been pledged to secure bank borrowings and the banking facilities which carry interest at prevailing market rates at 1.85% per annum (2020: 0.1% to 1.95%).

Bank balances carry interest at prevailing market rates at 0.01% per annum as at 31 March 2021 and 2020.

Details of impairment assessment of pledged bank deposits and bank balances are set out in note 32.

24. TRADE AND OTHER PAYABLES

	2021 **HK$'000**	2020 HK$'000
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	**17,025**	10,373
	117,886	88,894

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

25. CONTRACT LIABILITIES

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

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.

26. BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Bank loans, secured with variable rate	**5,996**	32,836
Carrying amount repayable (according to scheduled repayment term):		
– Within one year	**2,636**	27,448
– In more than one year but not more than two years	**2,100**	2,028
– In more than two years but not more than five years	**1,260**	3,360
	5,996	32,836
Carrying amount that contain a repayment on demand clause (shown under current liabilities)	**5,996**	32,836

As at 31 March 2021, one of the borrowings was secured by the pledge of the Group's bank deposits with carrying amount of HK$10,000,000 (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:

	2021	2020
Effective interest rate (per annum):		
Variable-rate borrowings	**2.26% to 3.50%**	3.00% to 3.50%

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27. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
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**	–
	81,779	46,761
Less: Amount due for settlement with 12 months shown under current liabilities	**(15,763)**	(15,862)
Amount due for settlement after 12 months shown under non-current liabilities	**66,016**	30,899

28. DEFERRED TAX ASSETS (LIABILITIES)

The following is the major deferred tax liabilities recognised by the Group and movements thereon during the years ended 31 March 2021 and 2020:

	Accelerated tax depreciation HK$'000
At 1 April 2019	(353)
Credit to profit or loss	279
At 31 March 2020	(74)
Credit to profit or loss	553
At 31 March 2021	479

At the end of the reporting period, the Group has unused tax losses of HK$9,766,000 (2020: HK$3,939,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The unrecognised tax losses are carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$69,569,000 (2020: HK$46,408,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. SHARE CAPITAL

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

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

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

30. SHARE OPTION SCHEMES

On 18 March 2016, the Company conditionally approved and adopted the pre-IPO share option scheme (the "Pre-IPO Scheme") and the post-IPO share option scheme (the "Post-IPO Scheme") where eligible participants may be granted options entitling them to subscribe for the Company's shares (the "Share" or "Shares"). The purpose of the share option schemes is to enable the Company to grant share options to selected participants as incentives or rewards for their contributions. The principal terms of the share option schemes are summarised below:

(a) Pre-IPO Scheme

(i) Purpose of the schemes

To motivate eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

30. SHARE OPTION SCHEMES (CONTINUED)

(a) Pre-IPO Scheme (Continued)

(ii) Participants of the schemes

Any Director or proposed Director (including an independent non-executive director) of any member of the Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of the Group, any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group, a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group, or a close associate (as defined under the Listing Rules) of any of the foregoing persons.

(iii) Total number of Shares available for issue under the schemes

No further options can be granted under the Pre-IPO Scheme.

(iv) Maximum entitlement of each participant under the schemes

As determined by the board of directors (the "Board").

(v) The period within which the Shares must be taken up under an option

An option may be exercised within a period to be determined and notified by the Board to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the share option schemes.

(vi) The minimum period for which an option must be held before it can be exercised

As determined by the Board upon the grant of an option.

(vii) The amount payable on acceptance of an option and the period within which payments shall be made

A letter comprising acceptance of the share option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within the period specified in the letter containing the offer of the grant of the share option.

(viii) The basis of determining the exercise price

As determined by the Board.

30. SHARE OPTIONS SCHEMES (CONTINUED)

(a) Pre-IPO Scheme (Continued)

(ix) The remaining life of the schemes

The Pre-IPO Scheme has been expired on 11 April 2016. No further options would be granted under the Pre-IPO Scheme.

Details of the movements within Pre-IPO Scheme of the Company for the years ended 31 March 2021 and 2020 are set out below:

	Number of share options												
Category of participants	Outstanding at 1.4.2019	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2020 & 1.4.2020	Granted during the year	Exercise during the year	Lapsed during the year	Outstanding at 31.3.2021	Date of grant of share options	Exercise period	Share price at the date of grant of share options HK$	Exercised price of share options HK$
Under the Pre-IPO Scheme													
Employees[1,2]	750,000	-	(750,000)	-	-	-	-	-	-	18.03.2016	From 18.3.2018 to 17.3.2026	N/A	0.026
Employees[1,2]	8,250,000	-	(7,500,000)	-	750,000	-	-	-	750,000	18.03.2016	From 18.3.2019 to 17.3.2026	N/A	0.026
Employees[1,2]	3,500,000	-	(3,000,000)	-	500,000	-	-	-	500,000	18.03.2016	From 18.3.2019 to 17.3.2026	N/A	0.052
Employees[1,2]	6,000,000	-	(6,000,000)	-	-	-	-	-	-	18.03.2016	From 18.3.2019 to 17.3.2026	N/A	0.078
Total	18,500,000	-	(17,250,000)	-	1,250,000	-	-	-	1,250,000				
Share options exercisable at the end of respective years	18,500,000				1,250,000				1,250,000				
Weighted average exercise price	0.05	-	0.05	-	0.04	-	-	-	0.04				
Weighted average remaining contractual lives					5.96				4.96				

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The share options granted on 18 March 2016 are divided into 4 tranches exercisable from 18 March 2018, 18 March 2019, 18 March 2019 and 18 March 2019 respectively to 17 March 2026. During the year ended 31 March 2021, none of the share options were lapsed.

30. SHARE OPTION SCHEMES (CONTINUED)

(b) Post-IPO Scheme

(i) Purpose of the schemes

To motivate eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

(ii) Participants of the schemes

Any Director or proposed Director (including an independent non-executive director) of any member of the Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of the Group, any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group, a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group, or a close associate (as defined under the Listing Rules) of any of the foregoing persons.

(iii) Total number of Shares available for issue under the schemes

106,487,500 shares (2020: 133,854,167 shares) (being 5.2% of the issued share capital as at the date of this annual report).

(iv) Maximum entitlement of each participant under the schemes

Substantial shareholders/independent non-executive directors: 0.1% of the issued Shares/ aggregate value not exceeding HK$5 million in the 12-month period up to and including the date of such grant.

Other participants: in any 12-month period shall not exceed 1% of the issued Shares from time to time.

(v) The period within which the Shares must be taken up under an option

An option may be exercised within a period to be determined and notified by the Board to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the share option schemes.

30. SHARE OPTION SCHEMES (CONTINUED)

(b) Post-IPO Scheme (Continued)

(vi) The minimum period for which an option must be held before it can be exercised

As determined by the Board upon the grant of an option.

(vii) The amount payable on acceptance of an option and the period within which payments shall be made

A letter comprising acceptance of the share option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within the period specified in the letter containing the offer of the grant of the share option.

(viii) The basis of determining the exercise price

As determined by the Board but shall not be less than whichever is the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the grant of options; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant of options; and (iii) the nominal value of the Share.

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30. SHARE OPTION SCHEMES (CONTINUED)

(b) Post-IPO Scheme (Continued)

(ix) The remaining life of the schemes

The Post-IPO Scheme is valid and effective for a period of 10 years commencing on 11 April 2016.

Details of the movements within the Post-IPO Scheme of the Company for the years ended 31 March 2021 and 2020 are set out below:

	Number of share options												
Category of participants	Outstanding at 1.4.2019	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2020 & 1.4.2020	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2021	Date of grant of share options	Exercise period	Share price at the date of grant of share options HK$	Exercise price of share options HK$
Directors[1,4]	-	9,600,000	-	-	9,600,000	-	-	-	9,600,000	28.06.2019	From 28.6.2019 to 27.6.2029	1.04	1.04
Directors[1,5]	-	-	-	-	-	9,600,000	-	-	9,600,000	08.12.2020	From 08.12.2024 to 07.12.2030	0.788	0.788
	-	9,600,000	-	-	9,600,000	9,600,000	-	-	19,200,000				
Employees[1,2]	5,812,500	-	(5,812,500)	-	-	-	-	-	-	06.07.2017	From 6.7.2019 to 5.7.2027	0.198	0.198
Employees[1,2]	24,450,000	-	-	(1,250,000)	23,200,000	-	(22,866,667)	-	333,333	06.07.2017	From 6.7.2020 to 5.7.2027	0.198	0.198
Employees[1,3]	10,000,000	-	-	(266,667)	9,733,333	-	-	(133,333)	9,600,000	10.08.2018	From 10.8.2021 to 9.8.2028	0.62	0.62
Employees[1,4]	-	3,700,000	-	(400,000)	3,300,000	-	-	-	3,300,000	28.06.2019	From 28.6.2022 to 27.6.2029	1.04	1.04
Employees[1,4]	-	14,500,000	-	-	14,500,000	-	-	(900,000)	13,600,000	28.06.2019	From 28.6.2023 to 27.6.2029	1.04	1.04
Employees[1,5]	-	-	-	-	-	10,600,000	-	-	10,600,000	08.12.2020	From 08.12.2023 to 07.12.2030	0.788	0.788
Employees[1,5]	-	-	-	-	-	8,200,000	-	-	8,200,000	08.12.2020	From 08.12.2024 to 07.12.2030	0.788	0.788
	40,262,500	18,200,000	(5,812,500)	(1,916,667)	50,733,333	18,800,000	(22,866,667)	(1,033,333)	45,633,333				
Total	40,262,500	27,800,000	(5,812,500)	(1,916,667)	60,333,333	28,400,000	(22,866,667)	(1,033,333)	64,833,333				
Share options exercisable at the end of respective years	-				9,600,000				9,933,333				
Weighted average exercise price	0.30	1.04	0.198	0.43	0.64	0.788	0.198	0.986	0.86				
Weighted average remaining contractual lives					8.16				8.74				

30. SHARE OPTION SCHEMES (CONTINUED)

(b) Post-IPO Scheme (Continued)

(ix) The remaining life of the schemes (Continued)

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The share options granted on 6 July 2017 are divided into 2 tranches exercisable from 6 July 2019 and 6 July 2020 respectively to 5 July 2027. During the year ended 31 March 2021, none of the share options were lapsed.

3. The share options granted on 10 August 2018 are exercisable from 10 August 2021 to 9 August 2028.

4. The share options granted on 28 June 2019 are divided into 3 tranches exercisable from 28 June 2019, 28 June 2022 and 28 June 2023 respectively to 27 June 2029.

5. The share options granted on 8 December 2020 are divided into 2 tranches exercisable from 8 December 2023 and 8 December 2024 respectively to 7 December 2030.

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30. SHARE OPTION SCHEMES (CONTINUED)

On 28 June 2019, the Company granted a total of 27,800,000 share options to its Directors and employees, which entitle them to subscribe for a total of 27,800,000 Shares at an exercise price of HK$1.04 per Share. The validity period of the options is ten years, from 28 June 2019 to 27 June 2029. The closing price of the Shares of the Company immediately before the date on which the options were granted was HK$1.02.

The estimated fair values of the 27,800,000 share options granted on 28 June 2019 was approximately HK$17,192,000. The fair value per option granted on 28 June 2019 was HK$0.6184.

On 8 December 2020, the Company granted a total of 28,400,000 share options to its Directors and employees, which entitle them to subscribe for a total of 28,400,000 Shares at an exercise price of HK$0.788 per Share. The validity period of the options is ten years, from 8 December 2020 to 7 December 2030. The closing price of the Shares of the Company immediately before the date on which the options were granted was HK$0.77.

The estimated fair values of the 28,400,000 share options granted on 8 December 2020 was approximately HK$13,611,000. The fair value per option granted on 8 December 2020 range from HK$0.4592 to HK$0.4912.

The Black-Scholes Option Pricing Model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of a share option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	8 December 2020	28 June 2019
Share price at date of grant of share options	HK$0.77	HK$1.04
Exercise price	HK$0.788	HK$1.04
Expected life	5 – 6 years	4 years
Expected volatility	76.89%	81.11%
Expected dividend yield	0%	0%
Risk-free rate	0.33%	1.43%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted as appropriate, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recognised total expenses of HK$7,003,000 for the year ended 31 March 2021 (2020: HK$6,413,000) in relation to the share options granted by the Company.

31. CAPITAL RISK MANAGEMENT

The Directors manage its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings and lease liabilities as disclosed in notes 26 and 27 respectively, net of cash and cash equivalents and equity.

The Directors review the capital structure from time to time. As a part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 **HK$'000**	2020 HK$'000
Financial assets		
Financial assets at amortised cost	**411,799**	296,690
Financial asset at fair value through profit or loss	**1,647**	–
Financial liabilities		
At amortised cost	**53,356**	76,172

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables and deposits, amount due from a joint venture, pledged bank deposits, bank balances and cash, financial asset at fair value through profit or loss, trade and other payables, bank borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk

The Group is primarily exposed to the financial risks of changes in interest rates and foreign currency exchange rates. Details of each type of market risks are described as follows:

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances. The Company currently does not enter into any hedging instrument for cash flow interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Best Lending Rate arising from the Group's Hong Kong dollars denominated borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease in the prevailing rates of relevant banks is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for variable rate bank borrowings, with all other variables held constant, the Group's post-tax profit for the year ended 31 March 2021 would decrease/increase by HK$25,000 (2020: HK$137,000).

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Foreign currency risk

The Group undertakes certain operating transactions in foreign currency, which exposes the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the Directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should such need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at the end of each reporting period are as follows:

	2021		2020	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
United States Dollar ("US$")	**148,539**	**4,351**	66,421	5,654
Euro Dollar ("EURO")	**18,243**	**3,338**	14,832	4,669
Renminbi ("RMB")	**6,583**	**1,828**	5,213	1,206

Sensitivity analysis

The Group is mainly exposed to the risk of fluctuation against US$, EURO and RMB during the years ended 31 March 2021 and 2020.

The following table details the sensitivity to a 2%, 5% and 5% increase and decrease in HK$ against US$, EURO and RMB, respectively. These rates are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a change in foreign currency rates. The negative number below indicates a decrease in the post-tax profit where HK$ strengthens 2%, 5% and 5% against US$, EURO and RMB, respectively. For a 2%, 5% and 5% weakening of HK$ against US$, EURO and RMB, there would be an equal and opposite impact on the profit or loss for the year.

	US$		**EURO**		**RMB**	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Profit for the year	**(2,408)**	(1,015)	**(622)**	(424)	**(199)**	(167)

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32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment provision

As at 31 March 2021 and 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. The Group would charge penalty on certain customers for overdue settlement according to the sales agreement.

Trade receivables and contract assets arising from contracts with customers

The Group has concentration of credit risk as 60% (2020: 37%) and 71% (2020: 53%) of the trade and unbilled receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is in the PRC which accounted for 68% (2020: 49% in Hong Kong) of the trade and unbilled receivables as at 31 March 2021.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. Trade receivables and contract assets that with significant balances or credit-impaired are assessed for ECL individually. The management of the Group estimates the amount of lifetime ECL of the remaining trade receivables and contract assets using a collective basis grouped by geographical locations, and then further grouped by past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information that is reasonable and supportable available without undue costs or effort. Details of the quantitative disclosures are set out below in this note.

In relation to contract assets arisen from provision of advertising spaces, the management performs impairment assessment on a periodic basis. Based on the assessment, the management is of the opinion that the probability of defaults of the relevant counterparties are insignificant since the counterparties are either listed or multinational companies with continuing business relationship. In addition, the management is confident that the target impression rate or click rate stipulated in the contracts will be satisfied in due course and the accrued revenue on the advertising spaces are fully recoverable but only subject to timing of satisfying the target impression rate or click rate pursuant to the contracts. Accordingly, the credit risk regarding contract assets is limited.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment provision (Continued)

Amount due from a joint venture

As at 31 March 2021, the gross carrying amount of amount due from a joint venture is HK$13,120,000 (2020: HK$11,870,000). 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 ECL. Impairment of HK$4,019,000 on amount due from a joint venture with a loss rate of 30.6% was provided by the Group as at 31 March 2021.

Other receivables and deposits, pledged bank deposits and bank balances

The Group performs impairment assessment under ECL model on other receivables and deposit, pledged bank deposits and bank balances based on 12m ECL as no significant increase in credit risk since initial recognition.

The credit risk on other receivables and deposits is limited because the counterparties have no historical default record and the Directors expect that the general economic conditions will not significantly changed for the 12 months after the reporting date.

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Based on the Group's internal credit rating, no material impairment loss allowance is recognised for other receivables. No material impairment loss allowance is recognised for pledged bank deposits and bank balances based on external credit rating.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment provision (Continued)

The Group is exposed to concentration of credit risk on:

- Liquid funds which are deposited with several banks with high credit ratings; and
- Amount due from a joint venture with no history of default.

Other than above, the Group does not have any other significant concentration of credit risk.

The tables below is the internal credit policy of the Group:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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FOR THE YEAR ENDED 31 MARCH 2021

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment provision (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2021 Gross carrying amounts		2020 Gross carrying amounts	
					HK'000	HK'000	HK'000	HK'000
Financial assets at amortised cost								
Trade receivables	21	N/A	(Note)	Lifetime ECL (collective assessment)	**134,776**		123,401	
			Low risk	Lifetime ECL (not credit-impaired)	**38,893**	**173,669**	65,879	189,280
Other receivables and deposits	21	N/A	Low risk	12m ECL		**10,382**		13,580
Amount due from a joint venture	19	N/A	High risk	Lifetime ECL (credit-impaired)		**13,120**		11,870
Pledged bank deposits	23	AA+	N/A	12m ECL		**10,000**		15,603
Bank balances	23	AA+	N/A	12m ECL		**209,575**		67,177
Contract assets	22	N/A	Low risk	Lifetime ECL (collective assessment)		**1,484**		1,855

Note: The following table provides information about the exposure to credit risk for trade receivables which are assessed based on collective assessment as at 31 March 2021 within lifetime ECL. Trade receivables with significant outstanding balances and credit-impaired balances with gross carrying amounts of HK$38,893,000 (2020: HK$65,879,000) as at 31 March 2021 were assessed individually. As all these debtors with significant balances are either listed or multinational companies with good financial position and without recent default history, they are all classified as low risk and loss rate of 0.10% to 0.20% (2020: 0.16%) is applied.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment provision (Continued)

Gross carrying amount of trade receivables assessed collectively:

	2021			2020		
	Average loss rate (Note)	Gross trade receivables HK$'000	ECL HK$'000	Average loss rate	Gross trade receivables HK$'000	ECL HK$'000
Current (not past due)	0.4%	118,007	443	0.4%	99,051	427
1-30 days past due	0.7%	10,510	74	0.5%	14,025	63
31-60 days past due	1.3%	2,786	36	1%	2,788	28
61-90 days past due	2.5%	2,102	53	1.5%	3,826	57
91-180 days past due	5%	316	16	2%	833	16
181-365 days past due	7.5%	670	50	5%	1,758	88
More than 365 days past due	12.5%	385	48	10%	1,120	112
		134,776	720		123,401	791

Note:

The average loss rate is calculated as average loss rate of corresponding past due aging from various geographic locations.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information that is available without undue cost or effort. The Group determines the average loss rate by considering the geographic locations of trade receivables, after considering aging, repayment history and/or past due status of respective trade receivables. The grouping is regularly reviewed by management to ensure relevant information about specific trade receivable is updated.

During the year 31 March 2021, the Group provided impairment losses under ECL model for trade receivables of HK$720,000 (2020: HK$791,000) based on the collective assessment and HK$56,000 (2020: HK$103,000) based on significant balances.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment provision (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit–impaired) HK$'000	Total HK$'000
As at 1 April 2019	261	–	261
Changes due to financial instruments recognised as at 1 April 2019:			
– impairment losses reversed	(261)	–	(261)
New financial assets originated:			
– impairment losses recognised	894	340	1,234
– write-offs	–	(340)	(340)
As at 31 March 2020	894	–	894
Changes due to financial instruments recognised as at 1 April 2020:			
– transfer to credit-impaired	(776)	776	–
– impairment losses reversed	(118)	–	(118)
– write-offs	–	(776)	(776)
New financial assets originated:			
– impairment losses recognised	894	–	894
– Exchange adjustments	34	–	34
As at 31 March 2021	928	–	928

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the Directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Directors monitor the utilisation of bank borrowings.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivatives financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2021							
Non-derivative financial liabilities							
Trade and other payables	–	47,360	–	–	–	47,360	47,360
Bank borrowings	3.37	5,996	–	–	–	5,996	5,996
Lease liabilities	3.20	20,432	16,927	43,268	14,027	94,654	81,779
		73,788	16,927	43,268	14,027	148,010	135,135

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2020						
Non-derivative financial liabilities						
Trade and other payables	–	44,078	–	–	44,078	43,336
Bank borrowings	3.13	32,836	–	–	32,836	32,836
Lease liabilities	3.20	17,333	15,476	20,238	53,047	46,761
		94,247	15,476	20,238	129,961	122,933

Bank borrowings with a repayment on demand clause are included in the "repayable on demand or less than 1 year" time band in the above maturity analysis. As at 31 March 2021, the aggregate carrying amounts of these bank borrowings amounted to HK$5,996,000 (2020: HK$32,836,000). Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The following table details the Group's aggregate principal and interest cash outflows for bank borrowings with a repayment on demand clause. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of the reporting period.

	Weighted average effective interest rate %	**Repayable on demand or less than 1 year** HK$'000	**1 to 2 years** HK$'000	**2 to 5 years** HK$'000	**Total undiscounted cash flows** HK$'000	**Carrying amount** HK$'000
Bank borrowings with repayment on demand clause						
As at 31 March 2021	**3.37**	**2,794**	**2,184**	**1,456**	**6,434**	**5,996**
As at 31 March 2020	3.14	29,386	2,184	3,640	35,210	32,836

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

32. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements of financial instruments

The fair values of the financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank Borrowings HK$'000 (note 26)	**Lease liabilities** HK$'000 (note 27)	**Interest payables** HK$'000	**Dividend payable** HK$'000	**Total** HK$'000
At 1 April 2019	26,990	22,432	–	–	49,422
Financing cash flows	5,846	(13,249)	(947)	(4,896)	(13,246)
Interest expenses	–	409	947	–	1,356
New leases entered	–	37,213	–	–	37,213
Dividend declared	–	–	–	4,896	4,896
Termination of leases	–	(44)	–	–	(44)
At 31 March 2020	**32,836**	**46,761**	**–**	**–**	**79,597**
Financing cash flows	**(26,840)**	**(20,221)**	**(493)**	**–**	**(47,554)**
Interest expenses	**–**	**1,129**	**493**	**–**	**1,622**
New leases entered	**–**	**56,239**	**–**	**–**	**56,239**
Lease termination	**–**	**(2,129)**	**–**	**–**	**(2,129)**
At 31 March 2021	**5,996**	**81,779**	**–**	**–**	**87,775**

34. RETIREMENT BENEFITS SCHEMES

The Group participates in MPF Scheme for all its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee.

The employees of the Group's subsidiaries in US, United Kingdom ("UK"), the PRC and Japan are members of respective state-managed retirement benefit scheme operated by the government of US, UK, the PRC and Japan. The subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits respectively. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year ended 31 March 2021, the total retirement benefits scheme contribution arising from the MPF Scheme and state-managed retirement benefit scheme charged to profit or loss were HK$5,677,000 (2020: HK$6,116,000).

35. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and other details disclosed elsewhere in these consolidated financial statements, the Group also entered into the following significant transactions with related parties during the year:

Name of related party	**Nature of transactions**	**2021** **HK$'000**	2020 HK$'000
Mr. Lee Chung Ming and Ms. Chan Lai Kuen	Repayment of lease liabilities for Director's quarter	**210**	210
	Interest expense on lease liabilities for Director's quarter	**10**	6
	Right-of-use assets for Director's quarter at year end	**364**	172
	Lease liability for Director's quarter at year end	**363**	164

Compensation of key management personnel

The Directors are identified as key management member of the Group, and their compensation during the years was set out in note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Group's subsidiaries at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid-up share	Attributable equity interest held by the Group				Principal activities
			Directly		Indirectly		
			2021 %	2020 %	**2021 %**	2020 %	
COREone Limited	The British Virgin Island ("BVI")	US$1	**100%**	100%	**–**	–	Investment holding
COREtwo Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
COREthree Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
Hypebeast Hong Kong Limited	Hong Kong	HK$1,000	**–**	–	**100%**	100%	Provision of advertising spaces services, services for creative agency projects, operation of online retail platform and publication of magazines
102 Media Lab Limited	Hong Kong	HK$1,000	**–**	–	**100%**	100%	Provision of advertising spaces services
Hypebeast UK Limited	UK	GBP1	**–**	–	**100%**	100%	Provision of advertising spaces services
Hypebeast Inc.	US	US$5,000	**–**	–	**100%**	100%	Investment holding
HBX New York Inc.	US	US$100	**–**	–	**100%**	100%	Customer service support of HBX retail operation
HBX 41 Division LLC	US	US$100	**–**	–	**100%**	100%	HBX retail operation
北京賀彼貿易有限公司[2] ("北京賀彼")	PRC	RMB1,000,000	**–**	–	**100%**	100%	Provision of services for creative agency projects
賀彼文化傳播(北京)有限公司[3] ("賀彼文化")	PRC	RMB383,000	**–**	–	**100%**	100%	Provision of advertising spaces services
Hypebeast Japan 株式會社	Japan	JPY10,000,000	**–**	–	**100%**	100%	Provision of advertising spaces services and services for creative agency projects
Cravee Limited	Hong Kong	HK$1,000	**–**	–	**85%**	85%	Inactive
Hype Capital Limited[1]	BVI	US$1	**–**	–	**100%**	–	Investment holding

1 Hype Capital Limited was newly incorporated on15 March 2021.

2 The entity was registered as a wholly foreign-owned enterprise under PRC law.

3 The entity is a limited liability company established under the PRC law and legally owned by an individual (the "Legal Owner"). Under certain agreements (the "VIE Agreements") entered into among the Legal Owner, 賀彼文化 and 北京賀彼, 北京賀彼 has the practical ability to direct the relevant activities of 賀彼文化 unilaterally and accordingly, the Group has control over 賀彼文化.

None of the subsidiaries had issued any debt securities at the end of both reporting periods.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS		
Amounts due from subsidiaries (Note)	67,980	58,850
Unlisted investments in subsidiaries	–	–
	67,980	58,850
CURRENT ASSETS		
Prepayments and other receivables (Note)	878	660
Bank balances and cash (Note)	3,398	185
	4,276	845
CURRENT LIABILITIES		
Other payables	1,499	460
Amount due to subsidiaries	650	650
	2,149	1,110
NET CURRENT ASSETS (LIABILITIES)	2,127	(265)
NET ASSETS	70,107	58,585
CAPITAL AND RESERVES		
Share capital (see note 29)	20,459	20,231
Reserves	49,648	38,354
	70,107	58,585

Note: ECL for amounts due from subsidiaries, other receivables and bank balances are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition. No material impairment allowance is made based on the Company's internal credit rating.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movements in the Company's reserves

	Share premium HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2019	25,275	4,656	1,038	30,969
Profit and other comprehensive income for the year	–	–	4,109	4,109
Exercise of share options	4,304	(2,545)	–	1,759
Recognition of share-based payment expense	–	6,413	–	6,413
Dividend paid	–	–	(4,896)	(4,896)
At 31 March 2020	**29,579**	**8,524**	**251**	**38,354**
Loss and other comprehensive expense for the year	**–**	**–**	**(8)**	**(8)**
Exercise of share options	**7,194**	**(2,895)**	**–**	**4,299**
Recognition of share-based payment expense	**–**	**7,003**	**–**	**7,003**
At 31 March 2021	**36,773**	**12,632**	**243**	**49,648**

FINANCIAL SUMMARY

For the five years ended 31 March 2017, 2018, 2019, 2020 and 2021

RESULTS

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Revenue	**674,212**	751,367	672,192	385,079	217,620
Profit before tax	**93,091**	86,377	76,649	55,194	28,061
Income tax expense	**(22,507)**	(20,602)	(14,851)	(10,023)	(4,756)
Profit for the year	**70,584**	65,775	61,798	45,171	23,305

As at 31 March 2017, 2018, 2019, 2020 and 2021

ASSETS AND LIABILITIES

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Total Assets	**581,585**	454,165	333,275	199,942	146,858
Total Liabilities	**(220,342)**	(178,970)	(127,308)	(58,693)	(52,528)
Net Assets	**361,243**	275,195	205,967	141,249	94,330