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# **HYPEBEAST**

## **Hypebeast Limited**

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

**(Stock Code: 00150)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

#### **INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Hypebeast Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2021 (“**1H2022**”), together with the unaudited comparative figures for the six months ended 30 September 2020 (“**1H2021**”), as follows:

#### **FINANCIAL HIGHLIGHTS**

	<b>1H2022</b>	1H2021
	<i>HK\$’000</i>	<i>HK\$’000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	<b>440,837</b>	285,452
– Media	<b>326,901</b>	172,637
– E-Commerce and Retail	<b>113,936</b>	112,815
Gross profit	<b>258,362</b>	127,896
Gross profit margin	<b>58.6%</b>	44.8%
Selling and marketing expenses	<b>(71,427)</b>	(49,695)
Administration and operating expenses	<b>(93,465)</b>	(53,581)
EBITDA	<b>95,301</b>	41,246
Net profit	<b>62,974</b>	20,889
Net profit margin	<b>14.3%</b>	7.3%
Earnings per share		
– Basic (HK cent)	<b>3.07</b>	1.03
– Diluted (HK cent)	<b>3.06</b>	1.02

The Board does not recommend the payment of an interim dividend for 1H2022.

## KEY BUSINESS HIGHLIGHTS

The Company has proven to overcome and emerge stronger from the COVID-19 pandemic indicated by the all-time high interim performance recorded in 1H2022.

- **Revenue** experienced an overall strong double-digit percentage growth in 1H2022 compared to 1H2021, with an increase of HK\$155.3 million, or 54.4%, to HK\$440.8 million. Media Segment (as defined below) recorded an increase in revenue of 89.4% to HK\$326.9 million, while E-Commerce and Retail Segment (as defined below) increased by 1.0% to HK\$113.9 million as compared to 1H2021.
- **Gross profit** amounted to HK\$258.4 million in 1H2022, representing an increase of HK\$130.5 million, or 102.0%, resulting in a notable improvement in gross profit margin which increased by 13.8 percentage points to 58.6%.
- **Net profit** tripled in 1H2022 and amounted to HK\$63.0 million, representing a significant increase of HK\$42.1 million, or 201.5%, as compared to 1H2021. The increase translated to an improvement of net profit margin by 7.0 percentage points, resulting in the increase from 7.3% in 1H2021 to 14.3% in 1H2022.

## BUSINESS OVERVIEW

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

The Group produces and distributes youth-focused digital content centering 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 but not limited to 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, Chinese, Japanese, Korean and Indonesian. The Group delivers bespoke creative solutions through its agency business to its brand clients, with services including but not limited to creative conceptualization, talent curation, technical production, campaign execution, data intelligence and distribution of digital media advertisement via the Group’s digital media platforms.

The Group engages in online retail of footwear, apparel, accessories, homeware and lifestyle goods under its HBX E-Commerce platform and retail shop. The HBX E-Commerce platform focuses on delivering the latest, trend-setting apparel, accessories and lifestyle products 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 culture, and its longstanding reputation in the industry as a community and cultural leader, the Group is able to source and curate products most desired by its target demographic, thereby generating growing popularity and usage amongst online shoppers.

## **BUSINESS PROSPECT**

- As COVID-19 pandemic's intensity wanes and pandemic-related restrictions continue to ease, the Group's events production and offline partnerships under the Media Segment have recovered to pre-COVID-19 levels. The Group expects the demand for offline campaigns and activations to resume and grow as global marketing spend continues to expand;
- COVID-19 pandemic accelerated the digitalization of advertising as global brands shift marketing dollars from traditional marketing channels to digital channels; the Group forecasts a positive effect on the Media Segment going forward with an increase in the number and size of media contracts;
- The Group aims to attract and reach a wider user-customer base through its development of new properties. Notably, in the 1H2022, the Group was able to launch the food and beverage destination HYPEBEANS cafe property in South Korea as a physical element to amplify its user base in the region. The Group continues to explore similar opportunities by establishing various offline channels and touchpoints in order to drive the Group's brand awareness and bring its online presence to the offline world. This strategy is further reinforced by the HYPEBEAST building in New York City in the United States of America (the "US") to be opened in 2022, which will integrate the Group's flagship retail store, provide a coveted venue for regional cultural events and Media segment sales campaigns, as well as host the Group's US East Coast office;
- In 1H2022, the Group continues to place a strong emphasis on monetizing its wide-reaching and ever-growing follower base by encouraging user conversion through the integration of its E-Commerce and Retail Segment services directly with the compelling and engaging content produced from the Group's media platforms. The continued enhancements to our platform allows our loyal community of readers to enjoy a seamless shopping experience on an integrated site and mobile app; and
- The Group is and continues to be geographically and strategically well-positioned to capture significant growth opportunities in both its Media and E-Commerce and Retail Segments in its key operating regions, through leveraging the Group's brand popularity and high-profile networks, particularly, in the US, United Kingdom, China, South Korea, Japan and Southeast Asia.

## BUSINESS AND FINANCIAL REVIEW

### Media Segment

The Media Segment emerged strongly in the current financial year ending 31 March 2022 (“FY2022”) as results demonstrated a complete recovery from the COVID-19 pandemic. Revenue and gross profit of the Media Segment for 1H2022, 1H2021 and the six months ended 30 September 2019 (“1H2020”), which represent the period of post-COVID-19 pandemic recovery, periods during and prior to the COVID-19 pandemic respectively, are as follows:

	<b>Post-COVID-19 pandemic recovery 1H2022 HK\$'000 (Unaudited)</b>	<b>COVID-19 pandemic 1H2021 HK\$'000 (Unaudited)</b>	<b>Pre-COVID-19 pandemic 1H2020 HK\$'000 (Unaudited)</b>
Revenue	<b>326,901</b>	172,637	262,429
Gross Profit	<b>207,360</b>	86,936	125,129

- The Media Segment experienced robust strength in recovery with revenue increasing by HK\$154.3 million in 1H2022, representing a significant rise of 89.4% from HK\$172.6 million in 1H2021. Although part of the increase is due to softer comparatives for 1H2021, revenue recorded in 1H2022 also indicates an increase of HK\$64.5 million, or 24.6%, as compared to pre-COVID-19 pandemic revenues recorded in 1H2020, reflecting robust growth versus the pre-COVID-19 pandemic baseline. The Group expects such increases to continue and accelerate throughout the remainder of FY2022.
- The Group is and continues to be well-positioned to capture significant growth opportunities in the Media Segment as indicated by record high total signed contract value (a key operating measure defined as the total dollar value of media contracts signed within a period) which represents an increase of 54.4% as compared to 1H2021. The notable increase was mainly driven by the expansion of the media and agency client base in the Group’s core markets (US, United Kingdom, China, Hong Kong and South Korea) which, combined, represents a period-on-period growth in total signed contract value of 148.1% in 1H2022 versus 1H2021.

- The Group effectively adjusted its production strategies so as to adapt to the post-COVID-19 pandemic environment. Campaign productions were more streamlined and cost-optimised and such adjustments resulted in a significant improvement in profitability. Gross profit soared in 1H2022 and reached a record high of HK\$207.4 million, representing an increase of HK\$120.4 million, or 138.5%, versus 1H2021 (roughly, the period during COVID-19 pandemic) and 65.7% versus 1H2020 (pre-COVID-19 pandemic). The Group recorded a notable rise in gross profit margin in 1H2022, an increase of 13.0 percentage points to 63.4% in 1H2022 from 50.4% in 1H2021 or 15.7 percentage points from 47.7% in 1H2020.
- As the pandemic appears to ease and pandemic-related restrictions begin to be lifted, the Group's physical campaign productions are expected to resume at nearly full capacity. The Group anticipates a boost in the scale and quantity of production-related campaigns and physical activations in the second half of FY2022.

### **E-Commerce and Retail Segment**

- The E-Commerce and Retail Segment revenue increased steadily from HK\$112.8 million in 1H2021 to HK\$113.9 million in 1H2022, or an increase of 1.0%. Gross profit amounted to HK\$51.0 million in 1H2022, representing an increase of HK\$10.0 million, or 24.5%, as compared to 1H2021. Such increases were mainly driven by the increase in proportion of full price items and the improvements in sell-through rates.
- The Group continues to improve and refine its product offerings on HBX.com. The average retail price of products sold increased from approximately HK\$969 in 1H2021 to HK\$1,050 in 1H2022, whilst the average order value increased by 8.1% from approximately HK\$1,784 in 1H2021 to HK\$1,929 in 1H2022, such increases are indicative of the customers' focus on value over price and their willingness to spend on a widening range of HBX's curated and high quality products.
- In order to boost the Group's presence and brand awareness in China, the Group recently launched its HBX online flagship store on TMall Global in September 2021. The online flagship store has been very well-received by local customers and gained approximately 40,000 fans in less than two months since its launch. The Group anticipates customers to be converted to HBX.com as product offering expands.

- HBX continues to strive to be one of the most curated online destinations for cultural enthusiasts, and the Group's product offerings expanded into homeware, toys, and other lifestyle products to positive reception from customers.
- The HBX physical retail shop located in Central, Hong Kong and the HYPEBEANS coffee shops remain a strong marketing window and attraction point to introduce new customers to the world of culture. In particular, store and cafe revenues in 1H2022 increased by 35.1% and 168.5% compared to 1H2021 respectively.

## **Overall**

- Selling and marketing expenses of the Group increased by 43.7% from HK\$49.7 million in 1H2021 to HK\$71.4 million in 1H2022 and, correspondingly as a percentage of revenue, decreased from 17.4% in 1H2021 to 16.2% in 1H2022. The Group's recovery from the COVID-19 pandemic led to increase in revenue followed by increases in (i) the new headcounts within the Group's sales and marketing team to drive current and future revenue and business growth; (ii) variable commission paid for the respective size of our contracts and the level of production within our contractual pipeline for the relevant period; and (iii) spending in the Group's social media marketing and advertising for digital and E-Commerce platforms.
- Administrative and operating expenses of the Group increased by 74.4% from HK\$53.6 million in 1H2021 to HK\$93.5 million in 1H2022 and correspondingly as a percentage of revenue, increased from 18.8% in 1H2021 to 21.2% in 1H2022. The overall increase was mainly led by more favourable prior year comparatives from government subsidies and other management led cost-savings measures employed during the COVID-19 pandemic in 1H2021.
- Property, plant and equipment consists of leasehold improvements, furniture and fixtures, office equipment, motor vehicle and construction in progress. The increase of approximately HK\$17.5 million from HK\$22.6 million in 1H2021 to HK\$40.1 million in 1H2022 was mainly due to renovation cost for the retail and office premises in the US, which is slated to open in 2022.

- 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. The balance is considered as credit-impaired as there is no realistic prospect of recovery after assessing the recent financial information of the joint venture. Impairment losses under expected credit loss model of HK\$9.1 million on amount due from a joint venture was provided by the Group in 1H2022.
- The Group maintained its efforts on the collection of trade receivables and the sell-through of inventories throughout 1H2022, which led to the overall health of the treasury position and working capital as of period end.

	<b>1H2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	1H2021 <i>HK\$'000</i> (Unaudited)
<b>Extracts of statement of cash flows</b>		
Net cash from operating activities	<b>69,632</b>	103,643
Net cash used in investing activities	<b>(22,461)</b>	(66)
Net cash used in financing activities	<b>(2,728)</b>	(26,636)
<b>Net increase in cash and cash equivalents</b>	<b>44,443</b>	76,941
Cash and cash equivalents at beginning of the period	<b>209,575</b>	67,251
Effect of foreign exchange rate changes	<b>701</b>	35
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>	<b><u>254,719</u></b>	<u>144,227</u>

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

*For the six months ended 30 September 2021*

	<i>NOTES</i>	<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2021</b>	2020
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
Revenue	4	<b>440,837</b>	285,452
Cost of revenue		<b>(182,475)</b>	(157,556)
Gross profit		<b>258,362</b>	127,896
Other income, other gains and losses		<b>219</b>	3,597
Selling and marketing expenses		<b>(71,427)</b>	(49,695)
Administrative and operating expenses		<b>(93,465)</b>	(53,581)
Impairment losses under expected credit losses model, net of reversal		<b>(11,870)</b>	(162)
Finance costs		<b>(2,281)</b>	(921)
Profit before tax		<b>79,538</b>	27,134
Income tax expense	5	<b>(16,564)</b>	(6,245)
Profit for the period		<b>62,974</b>	20,889
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of foreign operations		<b>901</b>	47
Total comprehensive income for the period		<b>63,875</b>	20,936
Earnings per share	7		
– Basic (HK cents)		<b>3.07</b>	1.03
– Diluted (HK cents)		<b>3.06</b>	1.02



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2021*

		As at <b>30 September 2021</b>	As at 31 March 2021
	<i>NOTES</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		40,105	22,590
Intangible assets		922	962
Right-of-use assets	8	71,032	78,951
Rental deposits		5,811	7,465
Interest in a joint venture		–	–
Financial assets at fair value through profit or loss		3,980	1,647
Amount due from a joint venture		–	9,101
Deferred tax assets		479	479
		<b>122,329</b>	121,195
<b>Current assets</b>			
Inventories		54,263	42,389
Trade and other receivables	9	236,054	196,942
Contract assets	10	5,429	1,484
Pledged bank deposits	11	10,000	10,000
Bank balances and cash	11	254,719	209,575
		<b>560,465</b>	460,390
<b>Total assets</b>		<b>682,794</b>	581,585
<b>Current liabilities</b>			
Trade and other payables	12	136,857	117,886
Contract liabilities		14,260	9,020
Bank borrowings	13	8,787	5,996
Lease liabilities		13,986	15,763
Tax payables		13,227	5,661
		<b>187,117</b>	154,326
<b>Net current assets</b>		<b>373,348</b>	306,064
<b>Total assets less current liabilities</b>		<b>495,677</b>	427,259

		<b>As at 30 September 2021</b>	As at 31 March 2021
	<i>NOTES</i>	<i>HK\$'000</i> <b>(Unaudited)</b>	<i>HK\$'000</i> <b>(Audited)</b>
<b>Non-current liabilities</b>			
Lease liabilities		<u>60,167</u>	<u>66,016</u>
		<u>60,167</u>	<u>66,016</u>
<b>Net assets</b>		<u><b>435,510</b></u>	<u>361,243</u>
<b>Capital and reserves</b>			
Share capital	<i>14</i>	<b>20,533</b>	20,459
Reserves		<u>414,977</u>	<u>340,784</u>
		<u><b>435,510</b></u>	<u>361,243</u>

## NOTES

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 25 September 2015. The Company's shares were 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 and its subsidiaries (the "**Group**") are principally engaged in the provision of advertising spaces services, provision of services for creative agency projects, publication of magazines and operation of online retail platform. Its parent and ultimate holding company is CORE Capital Group Limited, a private company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Ma Pak Wing Kevin ("**Mr. Ma**").

### 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2021.

### 3. APPLICATION OF AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

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

#### 4. REVENUE AND SEGMENT INFORMATION

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

The Group's turnover includes revenues from sales of goods through online retail platform, commission fee from consignment sales, provision of advertising spaces, provision of services for creative agency projects and publication of magazines.

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

- (i) Media segment – Provision of advertising spaces, provision of services for creative agency projects and publication of magazines
- (ii) E-Commerce and Retail segment – Operation of online retail platform for the sale of third-party branded clothing, shoes and accessories and commission fee from consignment sales

	For the six months ended 30 September					
	Media		E-Commerce and Retail		Total	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Types of goods or services:</b>						
Sales of goods through online retail platform	–	–	111,393	111,586	111,393	111,586
Commission fee from consignment sales	–	–	2,543	1,229	2,543	1,229
Provision of advertising spaces	188,773	72,947	–	–	188,773	72,947
Provision of services for creative agency projects	138,128	99,456	–	–	138,128	99,456
Publication of magazines	–	234	–	–	–	234
<b>Total revenue from contracts with customers</b>	<b>326,901</b>	<b>172,637</b>	<b>113,936</b>	<b>112,815</b>	<b>440,837</b>	<b>285,452</b>
<b>Geographical markets:</b>						
Hong Kong	16,444	17,186	17,919	13,963	34,363	31,149
The People's Republic of China (the "PRC")	71,724	51,886	11,750	6,222	83,474	58,108
United States ("US")	117,804	34,996	28,819	34,601	146,623	69,597
Other countries	120,929	68,569	55,448	58,029	176,377	126,598
<b>Total</b>	<b>326,901</b>	<b>172,637</b>	<b>113,936</b>	<b>112,815</b>	<b>440,837</b>	<b>285,452</b>
<b>Timing of revenue recognition:</b>						
A point in time	113,181	66,675	113,936	112,815	227,117	179,490
Over time	213,720	105,962	–	–	213,720	105,962
<b>Total</b>	<b>326,901</b>	<b>172,637</b>	<b>113,936</b>	<b>112,815</b>	<b>440,837</b>	<b>285,452</b>

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

**Six months ended 30 September 2021**

	Media <i>HK\$'000</i> (Unaudited)	E-Commerce and Retail <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Total segment revenue	<u>326,901</u>	<u>113,936</u>	<u>440,837</u>
Segment results	<u>137,340</u>	<u>1,303</u>	138,643
Finance costs			(2,281)
Share-based payment expense			(3,214)
Unallocated expenses			<u>(53,610)</u>
Profit before tax			<u>79,538</u>

**Six months ended 30 September 2020**

	Media <i>HK\$'000</i> (Unaudited)	E-Commerce and Retail <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Total segment revenue	<u>172,637</u>	<u>112,815</u>	<u>285,452</u>
Segment results	<u>48,934</u>	<u>2,212</u>	51,146
Finance costs			(921)
Share-based payment expense			(1,536)
Unallocated expenses			<u>(21,555)</u>
Profit before tax			<u>27,134</u>

## 5. INCOME TAX EXPENSE

	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax	9,951	769
– The PRC Enterprise Income Tax	5,404	4,554
– Other jurisdictions	1,209	922
	<u>16,564</u>	<u>6,245</u>

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands pursuant to the rules and regulations in those jurisdictions.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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

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

## 6. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company (the "Directors") have determined that no dividend will be paid in respect of the interim period.

## 7. EARNINGS PER SHARE

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

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Earnings</b>		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<b>62,974</b>	20,889
	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<i>'000</i>	<i>'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>2,052,315</b>	2,027,971
<b>Effect of dilutive potential ordinary shares:</b>		
Share options	<b>5,469</b>	12,212
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,057,784</b>	2,040,183
<b>Earnings per share</b>		
– Basic (HK cents)	<b>3.07</b>	1.03
– Diluted (HK cents)	<b>3.06</b>	1.02

The computation of diluted earnings per share for the six months ended 30 September 2021 and 2020 did not assume the exercise of certain share options granted by the Company because the adjusted exercise prices for the computation of diluted earnings per share of those share options were higher than the average market price for shares for the six months ended 30 September 2021 and 2020.

**8. RIGHT-OF-USE ASSETS**

	<b>Leased properties HK\$'000</b>	<b>Motor vehicle HK\$'000</b>	<b>Total HK\$'000</b>
<b>As at 1 April 2021 (Audited)</b>			
Carrying amount	<u>78,951</u>	<u>–</u>	<u>78,951</u>
<b>As at 30 September 2021 (Unaudited)</b>			
Carrying amount	<u>71,032</u>	<u>–</u>	<u>71,032</u>
<b>For the six months ended 30 September 2020 (Unaudited)</b>			
Depreciation charge	<u>9,607</u>	<u>194</u>	<u>9,801</u>
<b>For the six months ended 30 September 2021 (Unaudited)</b>			
Depreciation charge	<u>10,342</u>	<u>–</u>	<u>10,342</u>

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

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.

During the current interim period, the Group entered into a new lease agreement with lease terms of 5 year. On lease commencement, the Group recognised right-of-use assets and lease liabilities of approximately HK\$2,372,000 (six months ended 30 September 2020: HK\$52,349,000).



## 9. TRADE AND OTHER RECEIVABLES

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Trade receivables	166,836	83,793
Unbilled receivables ( <i>Note</i> )	<u>34,610</u>	<u>89,876</u>
Trade and unbilled receivables	201,446	173,669
Less: allowance for credit losses	<u>(935)</u>	<u>(928)</u>
Trade and unbilled receivables (net carrying amount)	200,511	172,741
Advance to staff	425	410
Rental and utilities deposits	10,165	9,101
Prepayments	30,764	21,284
Other receivables	<u>–</u>	<u>871</u>
Total	<u>241,865</u>	<u>204,407</u>
Analysed as:		
Current	236,054	196,942
Non-current	<u>5,811</u>	<u>7,465</u>
Total	<u>241,865</u>	<u>204,407</u>

*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.

The Group allows credit periods ranging from 30 to 60 days to its trade customers derived from provision of advertising spaces and creative agency projects, whereas no credit period is granted to customers from online retail platform, consignor from consignment sales commission income and subscribers of magazines. The following is an aging analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	As at <b>30 September</b> <b>2021</b> <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Within 60 days	159,152	75,238
61 – 90 days	5,760	2,785
91 – 180 days	1,683	4,608
181 – 365 days	131	762
Over 365 days	110	400
	<u>166,836</u>	<u>83,793</u>

#### 10. CONTRACT ASSETS

	As at <b>30 September</b> <b>2021</b> <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Provision of advertising spaces	<u>5,429</u>	<u>1,484</u>

The contract assets primarily relate to the Group's right to consideration for the advertisement launched in the online platform or social media platform but not billed because the rights are conditioned on the satisfaction of the target impression rate or click rate pursuant to the contract. The contract assets are transferred to trade receivables upon the satisfaction of the target impression rate or click rate at the end of advertising period.

As at 30 September 2021 and 31 March 2021, all contract assets are expected to be settled within 1 year, and accordingly classified as current assets.

## 11. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group, which carry interest at prevailing market rates of 1.85% per annum as at 30 September 2021 (31 March 2021: 1.85%). Deposits amounting to HK\$10,000,000 as at 30 September 2021 (31 March 2021: HK\$10,000,000) have been pledged to secure a bank borrowing and the banking facilities.

Bank balances carry interest at prevailing market rates of 0.01% per annum as at 30 September 2021 and 31 March 2021.

## 12. TRADE AND OTHER PAYABLES

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Trade payables	22,415	18,669
Commission payable to staff	24,738	20,312
Accrual for campaign cost ( <i>Note</i> )	58,249	61,880
Accrual for staff bonus	11,815	–
Other payables and accrued expenses	19,640	17,025
	<u>136,857</u>	<u>117,886</u>

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

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

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Within 30 days	18,131	12,502
31 – 60 days	999	1,462
61 – 90 days	1,150	53
Over 90 days	2,135	4,652
	<u>22,415</u>	<u>18,669</u>

### 13. BANK BORROWINGS

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Bank loans, secured with variable rate	<u>8,787</u>	<u>5,996</u>
Carrying amount repayable (according to scheduled repayment term):		
– Within one year	6,468	2,636
– In more than one year but not more than two years	2,137	2,100
– In more than two years but not more than five years	<u>182</u>	<u>1,260</u>
	<u>8,787</u>	<u>5,996</u>
Carrying amount that contain a repayment on demand clause (shown under current liabilities)	<u>8,787</u>	<u>5,996</u>

As at 30 September 2021, the borrowings were secured by the pledge of the Group's bank deposits with carrying amount of HK\$10,000,000 (31 March 2021: HK\$10,000,000).

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

	As at 30 September 2021 (Unaudited)	As at 31 March 2021 (Audited)
Effective interest rate (per annum):	1.36% to	2.26% to
– variable-rate borrowings	<u>3.73%</u>	<u>3.50%</u>

The interest rates of the variable-rate borrowings are determined with reference to Hong Kong Interbank Offered Rate.

## 14. SHARE CAPITAL

	Number of shares '000	Share capital <i>HK\$</i> '000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 April 2020 (Audited), 30 September 2020 (Unaudited), 1 April 2021 (Audited) and 30 September 2021 (Unaudited)	<u>6,000,000</u>	<u>60,000</u>
<b>Issued:</b>		
At 1 April 2020 (Audited)	2,023,063	20,231
Exercise of share options	<u>15,396</u>	<u>154</u>
At 30 September 2020 (Unaudited)	<u>2,038,459</u>	<u>20,385</u>
At 1 April 2021 (Audited)	2,045,929	20,459
Exercise of share options	900	9
Issuance of ordinary shares ( <i>Note</i> )	<u>6,533</u>	<u>65</u>
At 30 September 2021 (Unaudited)	<u>2,053,362</u>	<u>20,533</u>

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

*Note:* The Company entered into a subscription agreement with a limited company incorporated in Japan (the “**Investor**”) on 25 March 2021. Pursuant to the subscription agreement, the Company intended to allot and issue 6,533,397 ordinary shares to the Investor at a subscription price of HK\$1.05924 per ordinary shares with a total consideration of approximately HK\$6,920,000. On 9 April 2021, such subscription agreement was completed and 6,533,397 ordinary shares was allotted and issued to the Investor.

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

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

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 September 2021.

## **CORPORATE GOVERNANCE PRACTICE**

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

To the best knowledge of the Board, the Company has met the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the six months ended 30 September 2021, save for the deviation from the code provision A.2.1.

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.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company adopted the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, as part of its code of conduct regarding Directors' transactions in the securities of the Company. Specific enquiry has been made of all the Directors and all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance throughout the six months ended 30 September 2021.

## **REVIEW BY AUDIT COMMITTEE AND AUDITORS**

The interim results and the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2021 have been reviewed by the audit committee of the Company. The unaudited condensed consolidated interim financial statements has also been reviewed by Deloitte Touche Tohmatsu, the Company's external auditor, in accordance with the Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Hong Kong Institute of Certified Public Accountants.

## **EVENTS AFTER THE REPORTING PERIOD**

There have been no important events subsequent to 30 September 2021 and up to the date of this announcement, which would affect the Group's business operations in material aspects.

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

Hong Kong, 26 November 2021

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