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HYPEBEAST

Hypebeast Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00150)

INSIDE INFORMATION ANNOUNCEMENT IN RELATION TO PUBLIC FILING OF THE AMENDMENT NO. 2 TO THE REGISTRATION STATEMENT ON FORM F-4

**Exclusive Financial
Adviser to the Company**

Financial Advisers to Iron Spark

Cowen and Company, LLC

Morgan Stanley & Co. LLC

BTIG, LLC

This announcement is made by Hypebeast Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcement of the Company dated 3 April 2022 in connection with, among other things, the Merger, the Private Placement and the Specific Mandate (the “**Initial Announcement**”), the announcement of the Company dated 6 May 2022 in relation to the public filing of the Registration Statement, the related clarification announcement of the Company dated 10 May 2022 and the announcement of the Company dated 30 June 2022 in relation to the public filing of an updated Registration Statement (collectively, the “**Announcements**”). Unless otherwise specified, capitalised terms used herein shall have the same meanings as defined in the Announcements.

To address SEC’s comments to the updated Registration Statement filed on 30 June 2022 (Hong Kong time), the Company has filed with the SEC the Amendment No. 2 to the Registration Statement (the “**Amendment No. 2**”).

Shareholders should be aware that the Amendment No. 2 and the proxy statement/prospectus contained therein are subject to further changes, deletions or additions which may or may not be material in nature. Such changes, deletions or additions can be made at any time until the final Registration Statement is declared effective, which is unlikely to occur until the fourth quarter of 2022, and even thereafter the Registration Statement can be amended or supplemented at any time until the shareholders' meeting of Iron Spark to vote on the Transactions is held. Any changes to the information contained in the Amendment No. 2 are not required to be announced. No reliance should therefore be placed on the information contained in the Amendment No. 2 filed with the SEC.

Copies of the Amendment No. 2 are available on the SEC website at: https://www.sec.gov/Archives/edgar/data/0001923673/000110465922086781/tm2213418-6_f4a.htm.

To ensure that all of the Shareholders and potential investors in the Company have equal and timely access to the information pertaining to the Company and its operations, set forth in Appendix I hereto are extracts from the Amendment No. 2, some of which may constitute material inside information of the Company.

A circular will be despatched by the Company to the Shareholders in connection with, among other things, the Merger, the Specific Mandate, the Share Consolidation and the EGM. To the extent relevant, information set forth in Appendix I hereto will also be included in the circular. For further details on despatch of the circular, please refer to the Initial Announcement and the announcement of the Company dated 29 July 2022 in connection with delay in despatch of the circular.

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

Hong Kong, 7 August 2022

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

APPENDIX I
EXCERPTS FROM THE AMENDMENT NO. 2

Unless otherwise provided, all dollar amounts extracted below are denominated in US\$.

Hypebeast Limited is an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, and is therefore eligible to take advantage of certain reduced reporting requirements otherwise applicable to other public companies.

Hypebeast Limited is also a “foreign private issuer” as defined in the Exchange Act, and will be exempt from certain rules under the Exchange Act that impose certain disclosure obligations and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. In addition, Hypebeast Limited’s officers, directors and principal shareholders will be exempt from the reporting and “short-swing” profit recovery provisions under Section 16 of the Exchange Act. Moreover, Hypebeast Limited will not be required to file periodic reports and financial statements with the Securities and Exchange Commission as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

Hypebeast Limited is a Cayman Islands holding company that conducts its operations in mainland China through its PRC subsidiary, namely Beijing Hypebeast Trading Co., Ltd., (“Beijing Hypebeast”), and it’s mainland China-based contractual arrangements with the variable interest entity (the “Contractual Arrangements”), namely Hypebeast Cultural Communication (Beijing) Co., Ltd. (“Hypebeast Cultural” or the “VIE Entity”), a limited liability company established under the PRC law. Hypebeast Limited does not own any equity interest in Hypebeast Cultural. Hypebeast Limited is not an operating company and does not conduct operations directly. PRC laws, regulations, and rules prohibit, restrict and impose conditions on direct foreign investment in certain types of business, and we therefore operate these businesses in China through the VIE structure which provides investors with exposure to foreign investment in the Chinese operating companies. The securities registered herein are securities of Hypebeast Limited, not those of its operating companies. Therefore, investors in Hypebeast Limited will not directly hold any equity interests in its operating companies.

This holding company structure involves unique risks relating to the Contractual Arrangements to investors. The legality and enforceability of such Contractual Arrangements as a whole have not been tested in any PRC courts. There are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations, and rules relating to these Contractual Arrangements. If the PRC government finds these Contractual Arrangements that establish the structure for operation do not comply with the PRC laws, regulations, and rules, or if the relevant PRC laws, regulations, and rules or their interpretation thereof change in the future, it is unclear what impact the PRC government’s actions would have on

Hypebeast Limited and its ability to consolidate the financial results of Hypebeast Cultural in its consolidated financial statements. If the imposition of any PRC government actions causes Hypebeast Limited to lose its right to direct the activities of Hypebeast Cultural or its right to receive substantially all of the economic benefits and residual returns from Hypebeast Cultural and Hypebeast Limited is not able to restructure its ownership structure and operations in a satisfactory manner, Hypebeast Limited could be subject to severe penalties or be forced to relinquish the interests in those operations and would no longer be able to consolidate the financial results of Hypebeast Cultural in its consolidated financial statements, which could cause the value of Hypebeast’s securities to significantly decline or become worthless. The PRC government may disallow Hypebeast’s corporate structure in mainland China completely and limit or hinder Hypebeast’s ability to conduct its business in mainland China, or receive dividends from or transfer funds to the operating companies from its mainland China entities, which may result in a material adverse change in its overall group business operations and cause the value of its securities to significantly decline or become worthless. Any of these results, or any other penalty that might be imposed in this event may have a material adverse effect on Hypebeast Limited’s financial condition and results of operations and Hypebeast Limited’s ADSs may significantly decline in value or become worthless. See “Risk Factors — Risks Relating to Corporate Structure.”

Hypebeast Limited faces various legal and operational risks and uncertainties relating to doing business in China. Hypebeast Limited operates a portion of its business in mainland China, and is subject to complex and evolving PRC laws and regulations. Recently, the PRC government has indicated an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers, and initiated a series of regulatory actions and made a number of public statements, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas using a variable interest entity structure, adopting new measures to extend the scope of cybersecurity reviews, and expanding efforts in anti-monopoly enforcement. These risks arise from, among other things, PRC governmental authorities’ significant oversight and discretion over the business and financing activities of its PRC subsidiary and the VIE Entity, the complex and evolving PRC legal system, frequent changes in laws, regulations and government policies, uncertainties and inconsistencies regarding the interpretation and enforcement of laws and regulations, uncertainties, difficulties or delays in obtaining regulatory approvals for listing on a foreign stock exchange or conducting certain business activities and increasing oversight on cybersecurity and data privacy related to the PRC government’s recently issued statements and instituted regulatory actions and could significantly limit or completely hinder Hypebeast’s ability to offer or continue to offer securities to investors and cause the value of Hypebeast’s securities to significantly decline or become worthless. For risks relating to the oversight of the Cyberspace Administration of China (the “CAC”) and approval

from, or the filing with the China Securities Regulatory Commission (the “CSRC”) and other PRC government authorities, please refer to “Risk Factors — Risks Relating to Doing Business in China — Although Hypebeast believes the permission or approval from, or the filing with, the CSRC, the CAC, or other PRC authorities is not required in connection with this offering under PRC law, Hypebeast cannot assure you that the regulators in China hold the same position with it or will not adopt new laws, regulations and rules or detailed implementations and interpretations or will not subsequently require Hypebeast to undergo the approval procedures and subject Hypebeast to sanctions. Any action by the PRC government to exert more oversight and control over offerings that are conducted overseas and foreign investment in China-based issuers could result in a material change in Hypebeast’s operation, cause the value of its securities to significantly decline or become worthless, and significantly limit or completely hinder Hypebeast’s ability to offer or continue to offer its ADSs to investors.” These risks may result in a material change in the post-combination operations of Hypebeast’s PRC subsidiary and the VIE Entity and may limit or hinder Hypebeast’s ability to list on a U.S. or other foreign stock exchange, which might result in a material adverse effect on Hypebeast’s business operations.

Hypebeast Limited, its subsidiaries and the VIE Entity are also subject to various restrictions on intercompany fund transfers and foreign exchange control. To the extent Hypebeast’s cash in the business is in the PRC or a PRC entity, the funds may not be available to distribute dividends to Hypebeast’s investors, or for other use outside of the PRC, due to interventions in or the imposition of restrictions and limitations on the ability of Hypebeast, its subsidiaries, or the VIE Entity by the PRC government to transfer cash. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of mainland China. Hypebeast’s PRC subsidiary and the VIE Entity receive substantially all revenue in RMB. Hypebeast’s PRC subsidiary may pay dividends only out of their accumulated after-tax profits upon satisfaction of relevant statutory conditions and procedures, if any, determined in accordance with Chinese accounting standards and regulations. If the PRC foreign exchange control system prevents Hypebeast from obtaining sufficient foreign currencies to satisfy the foreign currency demands, Hypebeast may not be able to pay dividends in foreign currencies to its shareholders. Additionally, Hypebeast may make loans to Hypebeast’s PRC subsidiary and the VIE Entity subject to the approval from or registration with governmental authorities and limitation on amount, or Hypebeast may make additional capital contributions to Hypebeast’s PRC subsidiary. PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent Hypebeast from using the fund of Hypebeast to make loans or additional capital contributions to Hypebeast’s PRC subsidiary and the VIE Entity, which could materially and adversely affect the liquidity and the ability to fund and expand the business in PRC and cause the value of Hypebeast’s securities to significantly decline or become worthless. Hypebeast cannot assure you

that the PRC government will not intervene in or impose restrictions on the ability of Hypebeast, its subsidiaries, and the VIE Entity to transfer cash. See “Summary of the Proxy Statement/Prospectus — The Parties to the Business Combination — Hypebeast Limited — Corporate Structure.” For a detailed description of the restrictions and limitations on Hypebeast’s ability to transfer cash between entities, across borders or to U.S. investors, to distribute earnings from its businesses, and to settle amounts owed under the Contractual Arrangements, see “Risk Factors — Risks Relating to Doing Business in China — PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent Hypebeast from using the proceeds of this offering to make loans or additional capital contributions to its PRC subsidiary, which could materially and adversely affect Hypebeast’s liquidity and its ability to fund and expand Hypebeast’s business, “Risk Factors — Risks Relating to Doing Business in China — Hypebeast is subject to PRC restrictions on currency exchange.” and “Risk Factors — Risks Relating to Corporate Structure — Hypebeast may rely on dividends and other payments made by its PRC subsidiary to fund any cash and financing requirements it may have, and any limitation on the ability of Hypebeast’s PRC subsidiary to make payments to it could have a material and adverse effect on its ability to conduct its business.”

In addition, on December 16, 2021, the Public Company Accounting Oversight Board (the “PCAOB”) issued a report on its determination that it is unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong because of positions taken by local authorities. Hypebeast Limited’s auditors, who are headquartered in Hong Kong, are subject to the determinations announced by the PCAOB. As a result, the PCAOB has been and currently is unable to inspect Hypebeast Limited’s auditors. The Holding Foreign Companies Accountable Act (the “HFCA Act”) has been signed into law on December 18, 2020, pursuant to which the SEC will (i) identify an issuer as a “Commission-Identified Issuer” if the issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has determined it is unable to inspect or investigate completely because of the position taken by the authority in the foreign jurisdiction and (ii) impose a trading prohibition on the issuer after it is identified as a Commission-Identified Issuer for three consecutive years beginning in 2021. The Accelerating Holding Foreign Companies Accountable Act, which was passed by the U.S. Senate in June 2021, (the “AHFCA Act”), if enacted, would shorten the three-consecutive-year compliance period under the HFCA Act to two consecutive years and, as a result, reduce the time before the potential trading prohibition against or delisting of Hypebeast Limited’s securities. The fact that the PCAOB has been and currently is unable to inspect Hypebeast Limited’s auditors could deprive investors of the benefits of such inspections and cause Hypebeast Limited’s securities to be delisted under the HFCA Act and the AHFCA Act. The delisting of Hypebeast Limited’s securities, or the threat of such securities

being delisted, may materially and adversely affect the value of your investment. For a detailed description, see the section of this proxy statement/prospectus entitled “Risk Factors — Risks Relating to Doing Business in China — The ADSs will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or as early as 2023 if proposed changes to the law are enacted. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.” and “Risk Factors — Risks Relating to Doing Business in China — The PCAOB is currently unable to inspect Hypebeast’s auditor in relation to their audit work performed for Hypebeast’s financial statements and the inability of the PCAOB to conduct inspections over Hypebeast’s auditor deprives Hypebeast’s investors with the benefits of such inspections.

Cash is transferred among Hypebeast Limited, Beijing Hypebeast, and Hypebeast Cultural, in the following manners: (i) Hypebeast Cultural may transfer cash to Beijing Hypebeast by paying service fees according to the service agreement. In the fiscal year ended March 31, 2020, 2021 and 2022, the total amount of such service fees that Hypebeast Cultural paid to Beijing Hypebeast under the relevant agreement was RMB2.4 million, RMB17.6 million and RMB25.4 million (US\$4.0 million), respectively. As of the date of this proxy statement/prospectus, no additional service fee was settled by Hypebeast Cultural to Beijing Hypebeast; (ii) Hypebeast Limited may fund Beijing Hypebeast through its BVI and/or Hong Kong subsidiaries in the form of capital contributions or loans, as the case may be. As of the date of this proxy statement/prospectus, the aggregate amount of capital contribution by Hypebeast Limited to Beijing Hypebeast was RMB1.9 million; and (iii) Beijing Hypebeast may transfer cash to Hypebeast Limited through its immediate holding company in the form of dividend payouts. As of the date of this proxy statement/prospectus, the total amount of such dividends that Beijing Hypebeast paid to its immediate holding company was RMB21.1 million (US\$3.3 million). As of the date of this proxy statement/prospectus, no dividends or distributions have been made to Hypebeast Limited by Hypebeast Cultural and there has been no cash transfer from Hypebeast Limited to Hypebeast Cultural. Hypebeast has no plan to settle amounts owed under the Contractual Arrangements. For the VIE consolidation schedule and consolidated financial statements depicting the intragroup results of operations, financial position, and cash flows, see “Selected Historical Combined And Consolidated Financial Data Of Hypebeast.” Hypebeast currently has not maintained any cash management policies that dictate the purpose, amount and procedure of cash transfers among Hypebeast, the PRC subsidiary, the VIE Entity, or investors. Rather, the funds can be transferred in accordance with the applicable laws and regulations of PRC. See “Summary of the Proxy Statement/Prospectus — The Parties to the Business Combination — Hypebeast Limited — Corporate Structure.”

The Parties to the Business Combination

Hypebeast Limited

Hypebeast is a digital media company primarily engaged in (i) the provision of creative advertising services and online advertising for global brands; and (ii) the sale of goods through our online and offline retail platform.

Hypebeast produces and distributes youth-focused digital content centering on fashion, lifestyle, technology, arts and entertainment, culture, music and other topics to visitors and followers. Digital content is distributed via Hypebeast's media platforms, including *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. Hypebeast also maintains multi-language versions of its flagship Hypebeast properties across both website and social media platforms, with content available in English, Chinese, Japanese, Korean and Indonesian. Hypebeast delivers bespoke creative solutions through its global creative agency and content distribution network to 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 its digital media platforms.

Hypebeast 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 its industry leading followers and visitors, its unique foresight on fashion and youth culture movements, and its longstanding reputation in the industry as a community and cultural leader, Hypebeast is able to source and curate products most desired by its target demographic, thereby generating growing popularity and usage amongst online shoppers.

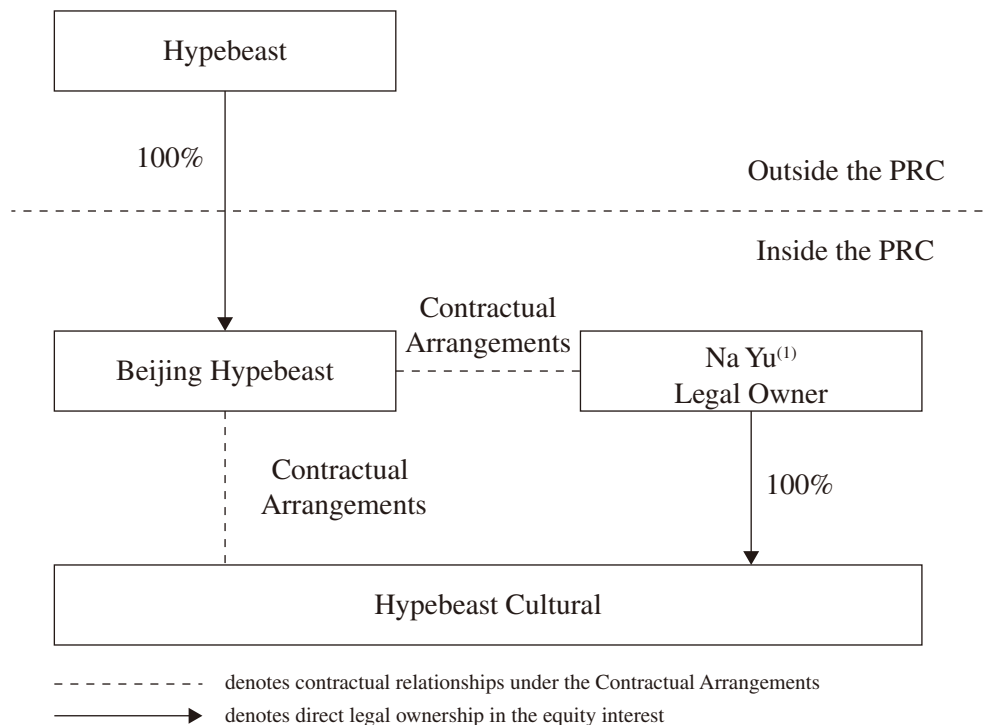
Hypebeast is an exempted company with limited liability incorporated under the laws of the Cayman Islands. Hypebeast's ordinary shares are currently traded on the Stock Exchange of Hong Kong, with the stock code 00150.

Corporate Structure

Hypebeast is a Cayman Islands holding company and does not conduct operations directly. Hypebeast conducts operations in multiple jurisdictions through its operating subsidiaries. Particularly, its operations in mainland China are conducted through (i) Hypebeast's PRC subsidiary, namely Beijing Hypebeast Trading Co., Ltd, ("**Beijing Hypebeast**"), in which Hypebeast holds equity ownership interests, and (ii) the VIE Entity, namely Hypebeast Cultural Communication (Beijing) Co., Ltd. ("**Hypebeast Cultural**") through a series of contractual arrangements. Hypebeast does not own any equity interest in Hypebeast Cultural. Investors are purchasing equity interests in Hypebeast, the Cayman holding company, and are not purchasing, and may never directly hold, equity interests in its operating companies. In August 2019, Beijing Hypebeast entered into a series of contractual arrangements with Hypebeast Cultural and its shareholder (the "**Contractual Arrangements**"), including (i) a service agreement, which enables Hypebeast to receive substantially all of the economic benefits of Hypebeast Cultural. Pursuant to the service agreement, Hypebeast Cultural is obliged to pay service fees to Beijing Hypebeast for the exclusive management consulting and technical services provided, which shall be reasonably determined by Beijing Hypebeast; (ii) an exclusive option and equity trust agreement, which grants Beijing Hypebeast and its nominee the full power and authority to purchase all or part of the equity interests in and assets of 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; (iii) an equity pledge agreement, which provides Hypebeast with position to be the primary beneficiary of Hypebeast Cultural; (iv) a loan agreement, pursuant to which Beijing Hypebeast has granted an interest-free loan to Hypebeast Cultural's shareholder with the sole purpose of investing into the equity interest in Hypebeast Cultural; and (v) a non-competition agreement, pursuant to which Hypebeast Cultural's shareholder agreed to avoid any direct or indirect competition in the same business with Beijing Hypebeast and Hypebeast Cultural, during the period when Hypebeast Cultural's shareholder has pledged her interests in Hypebeast Cultural. Pursuant to the equity pledge agreement, Hypebeast Cultural's shareholder 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 its shareholder's due performance of their respective obligations under the Contractual Arrangements. Hypebeast's position of being the primary beneficiary of Hypebeast Cultural for the accounting purposes are limited to the conditions that Hypebeast met for consolidation of Hypebeast Cultural under IFRS. Such conditions include that (i) Hypebeast has the power to govern the activities which most significantly impact Hypebeast Cultural's economic performance, and (ii) Hypebeast is entitled to receive benefits from Hypebeast Cultural that could potentially be significant to Hypebeast Cultural. Only if Hypebeast meets the aforementioned conditions, Hypebeast will be deemed as the primary beneficiary of Hypebeast Cultural, and Hypebeast Cultural will be treated as Hypebeast's consolidated affiliated entities for the accounting purposes. Hypebeast could face heightened risks and costs in enforcing these Contractual Arrangements, because the legality and enforceability

of such Contractual Arrangements as a whole have not been tested in any PRC courts and 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. In addition, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations, and rules relating to these contractual arrangements. If the PRC government finds such agreements non-compliant with relevant PRC laws, regulations, and rules, or if these laws, regulations, and rules or the interpretation thereof change in the future, Hypebeast could be subject to severe penalties or be forced to relinquish its interests in Hypebeast Cultural or forfeit its rights under the Contractual Arrangements. The PRC regulatory authorities could also disallow this operating structure and limit or hinder Hypebeast’s ability to conduct its business through, receive dividends from or transfer funds to the operating companies or list on a U.S. or other foreign exchange, which could cause the value of Hypebeast’s securities to significantly decline or become worthless. See “Risk Factors — Risks Relating to the Corporate Structure.”

The following diagram illustrates Hypebeast’s corporate structure in mainland China, including its PRC subsidiary and the VIE Entity, as of the date of this proxy statement/prospectus:



Note

(1) Na Yu is a PRC natural person who is independent of Hypebeast

As of the date of this proxy statement/prospectus, as advised by King & Wood Mallesons, Hypebeast’s PRC legal counsel, Hypebeast’s PRC subsidiary and the VIE Entity have obtained the requisite licenses and permits from the PRC government authorities for the business operations of Hypebeast’s PRC subsidiary and the VIE Entity in the mainland China, including the value-added telecommunications (the “VAT”) business operating license and the Radio and Television Production Operation License. Besides, except for (i) the application of a business registration certificate under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), which our Hong Kong subsidiaries have obtained since incorporation and the commencement of their business operations; and (ii) if Hypebeast conducts follow-on offerings of securities in Hong Kong in the future, the application for listing approval from the HKSE in accordance with the Listing Rules and the requirement to register a prospectus in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) to offer securities in Hong Kong unless certain exemptions apply (e.g. offering of securities to professional investors), no permissions or approvals are required by Hypebeast under the applicable laws, rules and regulations of Hong Kong to operate its business in Hong Kong and to offer securities being registered to foreign investors. However, as a listed company on the Main Board of the HKSE, Hypebeast is required to (i) fulfil certain continuing disclosure requirements in relation to the VIE structure in accordance with HKEX Guidance Letter 77-14 (the “**Guidance Letter**”); and (ii) make disclosure if there is any deviation of the VIE structure from the guidance under the Guidance Letter in order to satisfy HKSE that there is necessary protection for its shareholders. For the licenses and approvals that Hypebeast’s PRC subsidiary and the VIE Entity are required to obtain for the operations of Hypebeast’s PRC subsidiary and the VIE Entity in China as of the date of this proxy statement/prospectus, see “Business of Hypebeast — Regulation.” However, Hypebeast cannot assure you that Hypebeast’s PRC subsidiary and the VIE Entity historically operated or are operating with proper or adequate approvals, licenses or permits, or are always able to successfully update or renew the licenses or permits required for the relevant business in a timely manner or that these licenses or permits are sufficient to conduct all of Hypebeast’s PRC subsidiary’s and the VIE Entity’s present or future business. If (i) Hypebeast or the VIE Entity does not receive or maintain required permissions or approvals, (ii) governmental authorities deem the historically operations of Hypebeast and the VIE Entity in violation of applicable laws and regulations, (iii) Hypebeast or the VIE Entity inadvertently concludes that such permissions or approvals are not required, or (iv) applicable laws, regulations, or interpretations change and Hypebeast and the VIE Entity are required to obtain such permissions or approvals in the future, Hypebeast could be subject to fines, legal sanctions or an order to suspend Hypebeast’s or the VIE Entity’s business, which may materially and adversely affect the business, financial condition and results of operations of Hypebeast and the VIE Entity. For risks relating to licenses and approvals required for the operations of us and the VIE Entity in China, see “Risk Factors — Risks Relating to Hypebeast’s Business and Operations — Hypebeast faces risks and uncertainties in the licensing and approval requirements for its services. If Hypebeast fails to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment in China, its financial condition and results of operations may be materially and adversely affected.”

On December 28, 2021, the CAC, together with other authorities, jointly promulgated the Cybersecurity Review Measures (the “**Measures**”), which came into effect on February 15, 2022 and replaces its predecessor regulation, targeting to further restate and expand the applicable scope of the cybersecurity review. Pursuant to the Measures, critical information infrastructure operators that procure internet products and services must be subject to the cybersecurity review if their activities affect or may affect national security. The Measures further stipulate that a network platform operator holds more than one million individuals’ personal information shall apply with the Cybersecurity Review Office for a cybersecurity review before any listing in a foreign country. However, the exact scope of “critical information infrastructure operators” and “network platform operators” under the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of the applicable laws. Regulatory requirements on cybersecurity and data security in the PRC are constantly evolving and can be subject to varying interpretations or significant changes, which may result in uncertainties about the scope of our responsibilities in that regard.

King & Wood Mallesons, Hypebeast’s PRC legal counsel has advised Hypebeast that, if any of the following circumstance exists, Hypebeast and the VIE Entity shall proactively apply with the CAC for cybersecurity review with respect to this offering: (i) Hypebeast, its subsidiaries and/or the VIE Entity are deemed as a network platform operator and hold over one million individuals’ personal information; or (ii) Hypebeast, its subsidiaries and/or the VIE Entity are deemed as critical information infrastructure operators and intend to purchase internet products and services that will or may affect national security. As advised by King & Wood Mallesons, Hypebeast’s PRC legal counsel, Hypebeast believes that Hypebeast and the VIE Entity do not need to proactively apply for the cybersecurity review with respect to this offering according to the Article 7 of the Measures, given that: (i) the personal information held by Hypebeast, its subsidiaries and the VIE Entity from the mainland China operation is less than one million; (ii) Hypebeast and the VIE Entity have not been informed as a critical information infrastructure operator by any mainland China governmental authorities; and (iii) Hypebeast and the VIE Entity do not commit any act that threatens or endangers national security, and the Company has not received any investigation, notice, warning or sanction from any mainland China governmental authority with respect to national security issues arising from the operations or this offering. However, there remains uncertainty as to how the Measures will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Measures and there is no assurance that PRC regulatory agencies, including the CAC, would take the same view as Hypebeast and King & Wood Mallesons, Hypebeast’s PRC legal counsel, do. If any such new laws, regulations, rules, or implementation and interpretation comes into effect, Hypebeast and the VIE Entity will take all reasonable measures and actions to comply and to minimize the adverse effect of such laws on Hypebeast. However, Hypebeast cannot assure you that Hypebeast and the VIE Entity can fully or timely comply with such laws. In the event that Hypebeast and the VIE Entity are subject to any mandatory cybersecurity

review and other specific actions required by the CAC, Hypebeast and the VIE Entity face uncertainty as to whether any clearance or other required actions can be timely completed, or at all. Given such uncertainty, Hypebeast and the VIE Entity may be further required to suspend Hypebeast's and the VIE Entity's relevant business, shut down Hypebeast's and the VIE Entity's website, or face other penalties, which could materially and adversely affect Hypebeast's and the VIE Entity's business, financial condition, and results of operations, and/or the value of Hypebeast's securities or could significantly limit or completely hinder Hypebeast's ability to offer or continue to offer securities to investors. In addition, if any of these events leads to a result that Hypebeast becomes unable to direct the activities of the VIE Entity or lose the right to receive their economic benefits, Hypebeast will not be able to consolidate the VIE Entity into its consolidated financial statements in accordance with IFRS, which could cause the value of Hypebeast's securities to significantly decline or become worthless.

On December 24, 2021, the CSRC issued Provisions of the State Council on the Management of the Overseas Listing and Issuance of Domestic Enterprises (Draft for Comments) and Administrative Measures on the Management of the Overseas Listing and Issuance of Domestic Enterprises (Draft for Comments) (collectively, the "**Draft Overseas Listing Rules**") for public consultations, according to which, any direct or indirect offshore listing of domestic enterprises shall be filed with the CSRC. On December 27, 2021, the NDRC and MOFCOM issued the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (the "**Negative List 2021**"), which came into effect on January 1, 2022. According to Negative List 2021 and the NDRC's later interpretation, if a PRC company engaging in the prohibited business stipulated in the 2021 Negative List seeks an overseas offering and listing by itself as the listing entity (direct overseas listing), it shall obtain the approval from the competent governmental authorities.

Considering that (i) Draft Overseas Listing Rules have not come into effect; (ii) no explicit provisions under currently effective PRC laws, regulations and rules clearly classifies indirect listing through contractual arrangements like Hypebeast's existing corporate structure are required to obtain approvals from PRC authorities, as advised by King & Wood Mallesons, Hypebeast's PRC legal counsel, Hypebeast believes that Hypebeast and the VIE Entity are not required to submit applications for the approval of, or the filing with, the CSRC or other equivalent PRC government authorities according to currently effective PRC laws, regulations and rules at this stage. However, as the Draft Overseas Listing Rules have not been formally adopted and the Negative List 2021 was newly published, and due to the lack of further clarifications or detailed rules and regulations, King & Wood Mallesons, Hypebeast's PRC legal counsel, has further advised that, there are still uncertainties as to how the aforementioned rules will be interpreted or implemented and whether the PRC regulatory agencies may adopt new laws, regulations, rules, or detailed implementation and interpretation and there is no assurance that PRC regulatory agencies, including the CSRC, would take the same view as Hypebeast and King & Wood Mallesons, Hypebeast's PRC legal counsel, do. And Hypebeast cannot assure you that it can fully or timely comply

with such laws. If it is determined that the approval of the CSRC or other PRC government authorities is required for this offering, or if the CSRC or other regulatory agencies later promulgate new rules or explanations requiring that Hypebeast obtains their approvals for this offering, Hypebeast may be unable to obtain a waiver of such approval requirements, and Hypebeast may face sanctions by the CSRC or other PRC regulatory agencies for failure to obtain or delay in obtaining approvals from the CSRC or other PRC regulatory agencies for this offering. These regulatory authorities may impose fines and penalties on Hypebeast's operations in China, limit Hypebeast's ability to pay dividends outside of China, limit Hypebeast's operating privileges in China, delay or restrict the repatriation of the proceeds from Hypebeast's offshore offerings into China or take other actions that could materially and adversely affect Hypebeast's business, reputation, financial condition, results of operations, prospects, as well as the trading price of the ADSs. The CSRC or other PRC regulatory agencies may also take actions requiring Hypebeast, or making it advisable for Hypebeast, to halt this offering before the settlement and delivery of the ADSs that Hypebeast is offering. Consequently, if you engage in market trading or other activities in anticipation of and prior to the settlement and delivery of the ADSs Hypebeast is offering, you would be doing so at the risk that the settlement and delivery may not occur. For risks related to the oversight of the CAC and approval of, or the filing with, the CSRC and other PRC government authorities, please refer to "Risk Factors — Risks Relating to Doing Business in China — Although Hypebeast believes the permission or approval from, or the filing with, the CSRC, the CAC, or other PRC authorities is not required in connection with this offering under PRC law, it cannot assure you that the regulators in China hold the same position with Hypebeast or will not adopt new laws, regulations and rules or detailed implementations and interpretations or will not subsequently require Hypebeast to undergo the approval procedures and subject Hypebeast to sanctions. Any action by the PRC government to exert more oversight and control over offerings that are conducted overseas and foreign investment in China-based issuers could result in a material change in Hypebeast's operation, cause the value of its securities to significantly decline, and significantly limit or completely hinder Hypebeast's ability to offer or continue to offer its ADSs to investors." Hypebeast and the VIE Entity have been closely monitoring regulatory developments in China regarding any necessary approvals from or filing with the CSRC, the CAC, or other PRC regulatory authorities required for overseas listings, including this offering.

Cash is transferred among Hypebeast, Beijing Hypebeast, and Hypebeast Cultural, in the following manners: (i) Hypebeast Cultural may transfer cash to Beijing Hypebeast by paying service fees according to the service agreement. In the fiscal years ended March 31, 2020, 2021 and 2022, the total amount of such service fees that Hypebeast Cultural paid to Beijing Hypebeast under the relevant agreement was RMB2.4 million, RMB17.6 million and RMB25.4 million (US\$4.0 million), respectively. As of the date of this proxy statement/prospectus, no additional service fee was settled by Hypebeast Cultural to Beijing Hypebeast; (ii) Hypebeast may fund Beijing Hypebeast through its BVI and/or Hong Kong subsidiaries in the form of capital contributions or loans, as the case may be. As of the

date of this proxy statement/prospectus, the aggregate amount of capital contribution by Hypebeast to Beijing Hypebeast was RMB1.9 million (US\$0.3 million); and (iii) Beijing Hypebeast may transfer cash to Hypebeast through its immediate holding company in the form of dividend payouts. As of the date of this proxy statement/prospectus, the total amount of such dividends that Beijing Hypebeast paid to its immediate holding company was nil, RMB21.1 million (US\$3.3 million).

As of March 31, 2021 and 2022, the total assets of Hypebeast Cultural after eliminating the intra-group balances and transactions were HK\$26.4 million and HK\$34.5 million (US\$4.4 million), respectively, which mainly consisted of bank balances and cash, trade and other receivables, and other assets. As of March 31, 2021 and 2022, the total liabilities of Hypebeast Cultural after eliminating the intra-group transactions were HK\$22.6 million and HK\$25.2 million (US\$3.2 million), respectively, which mainly consisted of trade and other payables. In the fiscal years ended March 31, 2021 and 2022, Hypebeast Cultural recorded net revenues of HK\$35.0 million and HK\$56.7 million (US\$7.2 million), respectively. As of the date of this proxy statement/prospectus, no dividends or distributions have been made to Hypebeast by Hypebeast Cultural and there has been no cash transfer from Hypebeast Limited to Hypebeast Cultural. Hypebeast has no plan to settle amounts owed under the Contractual Arrangements.

For the VIE consolidation schedule and consolidated financial statements depicting the intragroup results of operations, financial position, and cash flows, see “Selected Historical Combined And Consolidated Financial Data Of Hypebeast.” Hypebeast currently has not maintained any cash management policies that dictate the purpose, amount and procedure of cash transfers among Hypebeast, the PRC subsidiary, the VIE Entity, or investors. Rather, the funds can be transferred in accordance with the applicable laws and regulations of PRC.

Hypebeast and its PRC subsidiary and the VIE Entity are also subject to various restrictions on intercompany fund transfers and foreign exchange control. To the extent Hypebeast’s cash in the business is in the PRC or a PRC entity, the funds may not be available to distribute dividends to Hypebeast’s investors, or for other use outside of the PRC, due to interventions in or the imposition of restrictions and limitations on the ability of Hypebeast, its subsidiaries, or the VIE Entity by the PRC government to transfer cash. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of mainland China. Hypebeast’s PRC subsidiary and the VIE Entity receive substantially all revenue in RMB. Hypebeast’s PRC subsidiary may pay dividends only out of their accumulated after-tax profits upon satisfaction of relevant statutory conditions and procedures, if any, determined in accordance with Chinese accounting standards and regulations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange (the “SAFE”) as long as certain procedural requirements are met. However, if the PRC foreign

exchange control system prevents Hypebeast from obtaining sufficient foreign currencies to satisfy the foreign currency demands, Hypebeast may not be able to pay dividends in foreign currencies to our shareholders. Additionally, Hypebeast may make loans to Hypebeast's PRC subsidiary and the VIE Entity subject to the approval from or registration with governmental authorities and limitation on amount, or Hypebeast may make additional capital contributions to Hypebeast's PRC subsidiary. PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent Hypebeast from using the fund of Hypebeast to make loans or additional capital contributions to Hypebeast's PRC subsidiary and the VIE Entity, which could materially and adversely affect the liquidity and the ability to fund and expand the business in PRC. For a detailed description of the restrictions and limitations on Hypebeast's ability to transfer cash between entities, across borders or to U.S. investors, to distribute earnings from its businesses, and to settle amounts owed under the Contractual Arrangements, see "Risk Factors — Risks Relating to Doing Business in China — PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent Hypebeast from using the proceeds of this offering to make loans or additional capital contributions to its PRC subsidiary, which could materially and adversely affect Hypebeast's liquidity and its ability to fund and expand Hypebeast's business," "Risk Factors — Risks Relating to Doing Business in China — Hypebeast is subject to PRC restrictions on currency exchange." and "Risk Factors — Risks Relating to Corporate Structure — Hypebeast may rely on dividends and other payments made by its PRC subsidiary to fund any cash and financing requirements it may have, and any limitation on the ability of Hypebeast's PRC subsidiary to make payments to it could have a material and adverse effect on its ability to conduct its business."

In addition, Hypebeast faces various legal and operational risks and uncertainties relating to doing business in China. These risks arise from, among other things, PRC governmental authorities' significant oversight and discretion over the business and financing activities of its PRC subsidiary, the complex and evolving PRC legal system, frequent changes in laws, regulations and government policies, uncertainties and inconsistencies regarding the interpretation and enforcement of laws and regulations, difficulties or delays in obtaining regulatory approvals for listing on a foreign stock exchange or conducting certain business activities and increasing oversight on cybersecurity and data privacy related to the PRC government's recently issued statements and instituted regulatory actions. These risks could result in a material change in the post-combination operations of Hypebeast's PRC subsidiary and significantly limit or completely hinder Hypebeast's ability to list on a U.S. or other foreign stock exchange, to accept foreign investments and to offer or continue to offer securities to foreign investors, which might result in a material adverse effect on Hypebeast's business operations, damage its reputation, and further cause its securities to significantly decline in value or become worthless.

In addition, on December 16, 2021, the Public Company Accounting Oversight Board (the “**PCAOB**”) issued a report on its determination that it is unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in China because of positions taken by local authorities. Hypebeast Limited’s auditors, who are headquartered in Hong Kong, are subject to the determinations announced by the PCAOB. As a result, the PCAOB has been and currently is unable to inspect Hypebeast Limited’s auditors. The Holding Foreign Companies Accountable Act (the “**HFCA Act**”) has been signed into law on December 18, 2020, pursuant to which the SEC will (i) identify an issuer as a “Commission-Identified Issuer” if the issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has determined it is unable to inspect or investigate completely because of the position taken by the authority in the foreign jurisdiction and (ii) impose a trading prohibition on the issuer after it is identified as a Commission-Identified Issuer for three consecutive years beginning in 2021. The Accelerating Holding Foreign Companies Accountable Act, which was passed by the U.S. Senate in June 2021, (the “**AHFCA Act**”), if enacted, would shorten the three-consecutive-year compliance period under the HFCA Act to two consecutive years and, as a result, reduce the time before the potential trading prohibition against or delisting of Hypebeast Limited’s securities. The fact that the PCAOB has been and currently is unable to inspect Hypebeast Limited’s auditors could deprive investors of the benefits of such inspections and cause Hypebeast Limited’s securities to be delisted under the HFCA Act and the AHFCA Act. The delisting of Hypebeast Limited’s securities, or the threat of such securities being delisted, may materially and adversely affect the value of your investment. For a detailed description, see the section of this proxy statement/prospectus entitled “Risk Factors — Risks Relating to Doing Business in China — The ADSs will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or as early as 2023 if proposed changes to the law are enacted. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.” and “Risk Factors — Risks Relating to Doing Business in China — The PCAOB is currently unable to inspect Hypebeast’s auditor in relation to their audit work performed for Hypebeast’s financial statements and the inability of the PCAOB to conduct inspections over Hypebeast’s auditor deprives Hypebeast’s investors with the benefits of such inspections.

Anticipated Accounting Treatment

ISAA will be treated as the “acquired” company for financial reporting purposes. The Merger will be treated as an acquisition of ISAA by Hypebeast in the way of Hypebeast issuing equity instruments for the net assets of ISAA as of the closing date. The net assets of ISAA will be stated at pre-combination amount, with no goodwill or other intangible assets recorded.

Hypebeast has been determined to be the accounting acquirer based on evaluation of the following facts and circumstances:

- Hypebeast’s shareholders will have the largest voting interest in Hypebeast under both the no redemption and maximum redemption scenarios;
- Hypebeast shareholders will have the ability to nominate at least a majority of the members of the Board of Directors of the combined entity; and
- Hypebeast’s senior management is the senior management of the post-combination company.

The Merger, which is not within the scope of IFRS 3 — *Business Combinations* (“**IFRS 3**”) since ISAA does not meet the definition of a business in accordance with IFRS 3, is accounted for as a share-based payment transaction within the scope of IFRS 2 — *Share-based Payment* (“**IFRS 2**”). The net assets of ISAA will be stated at their pre-combination carrying amounts, with no goodwill or other intangible assets recorded. Any excess of the fair value of equity instruments issued by Hypebeast to ISAA shareholders over the pre-combination carrying value of ISAA’s identifiable net assets acquired represents compensation for the service of a stock exchange listing for its shares and is expensed as incurred.

Emerging Growth Company

Hypebeast is, and consequently, following the Business Combination, will be, an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the “**JOBS Act**”). As such, the combined company will be eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the “**Sarbanes-Oxley Act**”), reduced disclosure obligations regarding executive compensation in their periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. If some investors find the combined company’s securities less attractive as a result, there may be a less active trading market for the combined company’s securities and the prices of the combined company’s securities may be more volatile.

The combined company will remain an emerging growth company until the earlier of: (i) the last day of the fiscal year (a) following the fifth anniversary of the ISAA IPO, (b) in which Hypebeast has total annual gross revenue of at least \$1.07 billion, or (c) in which the combined company is deemed to be a large accelerated filer, which means the market value of the combined company’s common equity that is held by non-affiliates exceeds \$700 million as of the last business day of its most recently completed second fiscal quarter; and (ii) the date on which the combined company has issued more than \$1.00 billion in non-convertible debt securities during the prior three-year period. References herein to “emerging growth company” have the meaning associated with it in the JOBS Act.

Foreign Private Issuer

Hypebeast is a foreign private issuer within the meaning of the rules under the Exchange Act and, as such, Hypebeast is permitted to follow the corporate governance practices of its home country in lieu of the corporate governance standards of Nasdaq Stock Market LLC applicable to U.S. domestic companies. For example, Hypebeast is not required to have a majority of the board consisting of independent directors nor have a compensation committee or a nominating and corporate governance committee consisting entirely of independent directors. While Hypebeast does not currently intend to follow home country practice in lieu of the above requirements, Hypebeast could decide in the future to follow home country practice. As a result, Hypebeast’s shareholders may not have the same protection afforded to shareholders of U.S. domestic companies that are subject to Nasdaq corporate governance requirements. As a foreign private issuer, Hypebeast is also subject to reduced disclosure requirements and are exempt from certain provisions of the U.S. securities rules and regulations applicable to U.S. domestic issuers such as the rules regulating solicitation of proxies and certain insider reporting and short-swing profit rules.

Risk Factors

Risks Relating to Hypebeast's Business and Operations

- *Hypebeast's business depends on its ability to offer digital media content and online retail products that attract visitors and online shoppers.*
- *Hypebeast depends on the Internet traffic to its websites for the operation of its business.*
- *Hypebeast relies on its e-commerce suppliers to supply goods for sale on its e-commerce platform.*
- *Hypebeast's business depends on its ability to maintain existing relationship with brand owners and advertising agencies and its ability to attract new digital media customers to place advertisements with it.*
- *Hypebeast relies on customers in the fashion industry.*
- *Hypebeast's business depends on a strong brand, which it might not be able to maintain or enhance; unfavorable customer feedback or negative publicity could adversely affect its brand.*
- *Any unauthorized use of Hypebeast's brand name or any other intellectual property infringements by third parties, and the expenses incurred in protecting such intellectual property rights, may adversely affect Hypebeast's business and reputation.*
- *Hypebeast faces risks and uncertainties in the licensing and approval requirements for its services. If Hypebeast fails to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment in China, its financial condition and results of operations may be materially and adversely affected.*
- *Hypebeast is exposed to the risk of infringement of intellectual property rights owned by third parties.*
- *Hypebeast may not be able to sustain the growth of revenue and profitability that it experienced historically.*
- *If Hypebeast fails to achieve the marketing objectives of the brand owners and advertising agencies, it could lose customers.*

Risks Relating to the Corporate Structure

- *If the PRC government deems that the contractual arrangements that establish the structure for operating our operations in mainland China (the “**Contractual Arrangements**”) 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, Hypebeast could be subject to severe penalties or be forced to relinquish its interests in those operations.*
- *The Contractual Arrangements may not be as effective as direct ownership in providing control over Hypebeast Cultural.*
- *The shareholder of Hypebeast Cultural may potentially have a conflict of interests with Hypebeast.*
- *The Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed.*
- *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.*
- *Any failure by Hypebeast Cultural or its shareholder to perform their obligations under the Contractual Arrangements with them would have a material and adverse effect on the business of Hypebeast.*
- *Hypebeast does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder.*
- *Hypebeast would be adversely affected if Hypebeast Cultural suffers losses.*
- *Uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and its Implementation Regulations and how they may impact the viability of Hypebeast’s current corporate structure, corporate governance and business operations.*
- *Hypebeast may rely on dividends and other distributions on equity paid by its PRC subsidiary to fund any cash and financing requirements it may have, and any limitation on the ability of Hypebeast’s PRC subsidiary to make payments to it could have a material and adverse effect on its ability to conduct its business.*

Risks Relating to Doing Business in China

Hypebeast, its PRC Subsidiary and the VIE Entity also face various other legal and operational risks associated with doing business in China, including the risk that, to the extent Hypebeast's cash in the business is in the PRC or a PRC entity, the funds may not be available to distribute dividends to Hypebeast's investors, or for other use outside of the PRC, due to interventions in or the imposition of restrictions and limitations on the ability of Hypebeast, its subsidiaries, or the VIE Entity by the PRC government to transfer cash, and the risk that Hypebeast cannot assure you that the PRC government will not intervene in or impose restrictions on the ability of Hypebeast, Hypebeast's subsidiaries, and the VIE Entity to transfer cash. Such risks associated with doing business in China.

- *Hypebeast is subject to risks relating to the PRC government's significant authority to intervene in or influence on its mainland China operations. See "Risk Factors — Risks Relating to Doing Business in China — The PRC government has significant authority to intervene or influence in a company's operations in mainland China, such as Hypebeast's, at any time. The PRC government may exert more control over offerings conducted overseas by and/or foreign investment in China-based issuers. If the PRC government exerts more oversight and control over offerings that are conducted overseas and/or foreign investment in China based issuers and Hypebeast were to be subject to such oversight and control, it may result in a material adverse change to Hypebeast's business operations, including its Hong Kong operations, significantly limit or completely hinder its ability to offer or continue to offer securities to investors, and cause its shares to significantly decline in value or become worthless."*
- *Hypebeast is subject to risks relating to the uncertainties arising from the legal system in mainland China. See "Risk Factors — Risks Relating to Doing Business in China — Uncertainties arising from the legal system in mainland China, including uncertainties regarding the interpretation and enforcement of PRC laws and the possibility that regulations and rules can change quickly with little advance notice, could hinder Hypebeast's ability to offer or continue to offer shares, result in a material adverse change to its business operations, and damage Hypebeast's reputation, which would materially and adversely affect its financial condition and results of operations and cause its shares to significantly decline in value or become worthless."*
- *Hypebeast is subject to risks relating to the Holding Foreign Companies Accountable Act. See "Risk Factors — Risks Relating to Doing Business in China — The ADSs will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or as early as 2023 if proposed changes to the law are enacted. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment."*

- *Hypebeast is subject to risks relating to PCAOB’s inability to inspect Hypebeast’s auditor. See “Risk Factors — Risks Relating to Doing Business in China — The PCAOB is currently unable to inspect Hypebeast’s auditor in relation to their audit work performed for Hypebeast’s financial statements and the inability of the PCAOB to conduct inspections over Hypebeast’s auditor deprives Hypebeast’s investors with the benefits of such inspections.”*
- *Hypebeast is subject to risks relating to cybersecurity. See “Risk Factors — Risks Relating to Doing Business China — Failure to comply with cybersecurity, data privacy, data protection, or any other laws and regulations related to data may materially and adversely affect Hypebeast’s business, financial condition, and results of operations.”*
- *Hypebeast is subject to risks relating to the permission or approval from, or the filing with, the CSRC, the CAC, or other PRC authorities in connection with this offering. See “Risk Factors — Risks Relating to Doing Business in China — If Hypebeast were to be required to obtain any permission or approval from, or the filing with, the CSRC, the CAC, or other PRC authorities in connection with this offering under PRC law, it cannot predict whether or for how long it will be able to obtain such approval or complete such filing.”*
- *Hypebeast is subject to risks relating to PRC restrictions on currency exchange. See “Risk Factors — Risks Relating to Doing Business in China — Hypebeast is subject to PRC restrictions on currency exchange.”*
- *Hypebeast is subject to risks relating to RC regulation of loans to and direct investment in PRC entities. See “Risk Factors — Risks Relating to Doing Business in China — PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent Hypebeast from using the proceeds of Hypebeas’ s public offering to make loans or additional capital contributions to its PRC subsidiary, which could materially and adversely affect Hypebeast’s liquidity and its ability to fund and expand Hypebeast’s business.”*

SUMMARY UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following summary unaudited pro forma condensed combined financial data (the “**Summary Pro Forma Information**”) gives effect to the transactions contemplated by the Business Combination Agreement (the “**Business Combination**”). ISAA will be treated as the “acquired” company for financial reporting purposes. The Business Combination, which is not within the scope of IFRS 3 since ISAA does not meet the definition of a business in accordance with IFRS 3, is accounted for as a share-based payment transaction within the scope of IFRS 2. The net assets of ISAA will be stated at their pre-combination carrying amounts, with no goodwill or other intangible assets recorded. Any excess of the fair value of consideration transferred to ISAA’s shareholders over the pre-combination carrying value of ISAA’s identifiable net assets acquired represents compensation for the service of a stock exchange listing for its shares and is expensed as incurred.

The unaudited pro forma condensed combined statement of financial position are shown as of March 31, 2022. The unaudited pro forma condensed combined statement of financial position includes ISAA’s unaudited balance sheet as of March 31, 2022 and Hypebeast’s audited consolidated statement of financial position as of March 31, 2022. The summary unaudited pro forma condensed combined statements of profit or loss and other comprehensive income give effect to the Transactions as if they had occurred on April 1, 2021. The summary unaudited pro forma condensed combined statements of profit or loss and other comprehensive income include ISAA’s unaudited statement of operations as well as Hypebeast’s audited consolidated statement of operations for the year ended March 31, 2022.

The Summary Pro Forma Information has been derived from, and should be read in conjunction with, the more detailed unaudited pro forma condensed combined financial information included in the section titled “*Unaudited Pro Forma Condensed Combined Financial Information*” in this proxy statement/prospectus and the accompanying notes thereto. The unaudited pro forma condensed combined financial information is based upon, and should be read in conjunction with, the historical financial statements and related notes of ISAA and Hypebeast for the applicable periods included in this proxy statement/prospectus. The Summary Pro Forma Information has been presented for informational purposes only and is not necessarily indicative of what Hypebeast’s financial position or results of operations actually would have been had the Business Combination been completed as of the dates indicated. In addition, the Summary Pro Forma Information does not purport to project the future financial position or operating results of Hypebeast following the Business Combination.

The unaudited pro forma condensed combined financial information has been prepared using the assumptions below:

- **Assuming No Redemptions:** This presentation assumes that no Public Shareholders of ISAA exercise redemption rights respect to their Public Shares for a pro rata share of cash in the Trust Account.
- **Assuming Maximum Redemption:** This presentation assumes that 15,123,000 ISAA Public Shares are redeemed for their pro rata share of the cash in the Trust Account, which is the maximum amount that can be redeemed. This scenario gives effect to ISAA share redemptions for aggregate redemption payments of US\$151,239,186 (HK\$1,184,580,924) at a redemption price of approximately US\$10.00 (HK\$78.33) based on the investments held in the Trust Account as of March 31, 2022. The Merger Agreement includes as a condition to closing the Business Combination that, at Closing, the available closing cash amount must be at least US\$35,000,000 (HK\$274,137,500) comprising (i) the cash held in the Trust Account after giving effect to the ISAA shareholder redemption and (ii) aggregate proceeds from the PIPE Financing and Equity Financing (the “**Available Closing Cash Amount**”).

Pro Forma Combined

(in thousands, except share and per share amounts)

Summary Unaudited Pro Forma Condensed Combined Statement of Profit or Loss Data For the Year Ended March 31, 2022

	Assuming No Redemptions		Assuming Maximum Redemptions	
Net loss for the period	HK\$	(29,226)	HK\$	(329,225)
Net loss per share, ordinary shares — basic and diluted ⁽¹⁾	HK\$	(0.55)	HK\$	(8.56)
Weighted average shares outstanding, ordinary shares — basic and diluted		53,574,300		38,451,300

Summary Unaudited Pro Forma Condensed Combined Statement of Financial Position Data as of March 31, 2022

Total assets	HK\$	2,004,678	HK\$	849,552
Total liabilities	HK\$	245,521	HK\$	245,521
Total equity	HK\$	1,759,157	HK\$	604,031

- (1) The computation of diluted loss per share did not assume the exercise of share options granted by Hypebeast since the exercise would result in a decrease in loss per share.

TRADING MARKETS AND DIVIDENDS

Market of Hypebeast Securities

The following table shows, for the periods indicated, the high and low bid information per Hypebeast Ordinary Share as reported on the HKSE. Hypebeast Ordinary Shares commenced public trading on April 11, 2016.

Quarter Ended	High	Low
<i>2022</i>		
June 30	HK\$1.26	HK\$0.77
March 31	HK\$1.13	HK\$0.75
<i>2021</i>		
December 31	HK\$1.28	HK\$0.98
September 30	HK\$1.34	HK\$0.93

RISK FACTORS

Risks Relating to Hypebeast's Business and Operations

Hypebeast's business depends on its ability to offer digital media content and online retail products that attract visitors and online shoppers.

Hypebeast's future growth depends on its ability to retain visitors to its websites and social media platforms, as well as its ability to continue attracting new online shoppers and gaining new purchases from its e-commerce platform. Constantly changing fashion trend and consumer preferences have affected and will continue to affect Hypebeast's business. To maintain its attractiveness, Hypebeast's websites and social media platforms are constantly updated to provide latest trend in fashion, lifestyle, culture and music. If Hypebeast fails to update its websites and social media platforms regularly, readers may lose interest in its online platforms and may not return again to look for information on new products and latest trend contents.

Hypebeast attempts to analyze visitors' and online shoppers' preference using data and determine its product selection and marketing strategy for its e-commerce platform accordingly. It cannot guarantee that its prediction on consumer behavior could be accurate. In addition, while visitors and followers of Hypebeast's integrated digital platforms are mostly from the male demographic, its online shoppers' gender ratio are near equal, which exposes Hypebeast to risks of disproportionate and unpredictable online conversion rates between its digital websites and social media platforms, with its e-commerce platform leading to missed targeted segments. There can be no guarantee or assurance that the number of either gender's online shoppers will continue to grow at the same rate as the future growth rate of Hypebeast's digital media content readership. If Hypebeast's prediction deviates further from the online retail shoppers' actual preference and it fails to offer products that are attractive to retail consumers at its e-commerce platform, the sales at its e-commerce platform may be adversely affected.

Further, privacy concerns and tightening regulatory restrictions will prevent Hypebeast from collecting or using data it collected in the course of its business to analyze consumer preference in a meaningful way or if there are any defects in its data analytic model, Hypebeast's prediction on consumer behavior may not be accurate. With regard to the accuracy of its data, Hypebeast relies on the information provided by its registered users or online shoppers as well as information obtained by monitoring its visitors' browsing behavior. Hypebeast does not verify the authenticity of all such data. If the information that Hypebeast collects is materially inaccurate or false, or there are increasing regulatory requirements over user consent in the absence of which prevents Hypebeast to capture and analyze such consumer preference data, its prediction on market trends as well as its business implementation and monetization strategies may be adversely affected.

Hypebeast must stay abreast of constantly changing consumer preferences and anticipate product trends that will appeal to existing and potential visitors and online shoppers, and any failure to identify and respond to such trends could result in decreased number of visitors and online shoppers and reduced attractiveness of its websites as a marketing platform for advertisers. This may in turn lead to significant adverse effects on its business, financial condition and results of operations.

Hypebeast depends on the Internet traffic to its websites for the operation of its business.

The Hypebeast, Hypebae and Popbee websites, together with Hypebeast's social media platforms, attract a large number of young adult readers by featuring up-to-date fashion, lifestyle, culture and music trends that are appealing to millennials. Through the Internet, Hypebeast's websites as well as the advertisements on these websites are delivered to its followers and visitors around the globe. Its digital media customers choose Hypebeast for its ability to deliver the advertising materials to their target viewers. As such, the revenue from its digital media business depends on Hypebeast's ability to attract Internet traffic to its websites. In addition, sales of its e-commerce segment also depend heavily on the number of Internet users browsing its e-commerce platform.

In view of the importance of Internet traffic to Hypebeast's websites and e-commerce platform, should there be (i) any reduction in the number of followers and visitors in its websites and its e-commerce platform; (ii) any decrease in the popularity of its websites and its e-commerce platform in the markets where it operates; (iii) any failure by Hypebeast or third parties to make improvement, upgrades or enhancement to its websites and its e-commerce platform in a timely manner; (iv) any lasting or prolonged server interruption due to network failures or other factors; or (v) any other adverse developments specific to its websites and its e-commerce platform, Hypebeast's business, financial condition and results of operations could be adversely affected.

Hypebeast relies on its e-commerce suppliers to supply goods for sale on its e-commerce platform.

Hypebeast plans its procurement for the e-commerce platform at least 3 to 6 months before the commencement of each fashion season. Generally, Hypebeast does not enter into any long-term contracts with suppliers of its e-commerce platform. Such arrangement gives Hypebeast flexibility in deciding the brands and the type of products to procure for the next season, which involves consideration on the forthcoming market trends and the popularity of the brands as revealed by its market analysis. Further, due to Hypebeast's brand recognition and relationship with suppliers, favorable terms were being offered by some of its suppliers such as consignment sale arrangements and extended credit periods.

Hypebeast may also experience shipment delays in delivering popular items to its e-commerce warehouse located in Hong Kong, or not be able to replenish such items if they are sold out quickly. Hypebeast cannot guarantee that its suppliers will continue to provide goods to it and will provide the goods in an amount and lead time that is sufficient to meet the demand of its e-commerce customers. Hypebeast's agreements typically do not restrict its suppliers from selling products to other buyers or distributors. It also cannot assure you that the suppliers will continue to offer products to it on commercially attractive terms. Even if Hypebeast maintains good relationships with its suppliers, it may be unable to remain in business due to economic conditions, labor actions, regulatory or legal decisions, natural disasters or other causes. In the event that Hypebeast is unable to source products at all or at favorable terms, the revenue and operation of its e-commerce segment may be materially affected.

Hypebeast's business depends on its ability to maintain existing relationship with brand owners and advertising agencies and its ability to attract new digital media customers to place advertisements with it.

Hypebeast provides advertisement spaces and services to high-profile international brand owners and their advertising agencies. Hypebeast's ability to continue to grow its revenue and profit will depend in large part on expanding business with its current digital media customers and attracting new ones. Hypebeast relies on its reputation in the industry as well as its websites' viewing statistics to attract brand owners and advertising agencies to place advertisements with it. Hypebeast cannot guarantee that its digital media platforms will remain attractive. Further, the number of Hypebeast's current digital media customers may not expand further and may even decline. As Hypebeast's contracts with its digital media customers are generally on individual project basis, it generally does not enter into any long-term business contracts with its digital media customers. Accordingly, Hypebeast may have limited visibility as to its future revenue streams and there is no assurance that it will maintain or increase the level of its business with existing or potential customers. Should Hypebeast's digital media customers decide to reallocate their budgets and choose its competitors due to the market conditions or it fails to provide attractive digital media content and pricing structures to attract or retain customers or any other factors, the demand for its services may not grow or even decline and its business, results of operations and financial condition may be materially and adversely affected. Hypebeast also cannot guarantee that it would secure new digital media customers to advertise in its platforms.

If Hypebeast is unable to attract new visitors and maintain or increase consumer traffic to Hypebeast's websites or various digital media platforms, Hypebeast's potential digital media customers may not use, and existing digital media customers may not continue to use Hypebeast's solutions for their promotional campaigns, then Hypebeast's sales will decrease and Hypebeast's operating results will be adversely affected.

Hypebeast relies on customers in the fashion industry.

Some of Hypebeast's digital media customers are from the fashion industries, including producers of apparel, accessory and footwear. The revenue and growth of the fashion industry is highly sensitive to the general economic performance regionally and globally. Should the fashion industry suffer a downturn or be affected by fluctuations in the macroeconomic conditions, the branding and marketing budgets of brand owners conducting business with Hypebeast may be adversely affected. Hypebeast's sales of branded products via its e-commerce platform would also be adversely affected if consumers are less willing to spend money on fashionable items due to economic downturn. This would have an impact on Hypebeast's business and financial performance.

Hypebeast does not enter into any long term contracts with its e-commerce customers. Should Hypebeast's e-commerce customers change their shopping behavior or it fails to offer goods which are appealing to its customers for sale on the e-commerce platform, its business results of operations and financial condition may be materially and adversely affected.

Hypebeast's business depends on a strong brand, which it might not be able to maintain or enhance; unfavorable customer feedback or negative publicity could adversely affect its brand.

Hypebeast believes that its Hypebeast brand under which it operates has significantly contributed to the growth of its business. It also believes that the strong awareness of the Hypebeast brand contributes to higher organic traffic on its websites and lower marketing costs. Therefore, Hypebeast believes that maintaining and enhancing its Hypebeast brand, whilst building and maintaining its other vertical brands, is critical to expand and retain its base of visitors, customers and suppliers.

Hypebeast's brand may be adversely affected if its public image or reputation is tarnished by negative publicity. Customer complaints or negative publicity about its websites, products, delivery times, product returns procedures, customer data handling and security practices, or customer support on its Internet-based platforms such as blogs and social media websites or on other platforms could have a significant negative impact on its reputation and on the popularity of its websites.

Hypebeast cannot guarantee that negative reports about its business or its brand will not occur in the future and serious damage to its brand, public image, reputation and business may follow as a result. If Hypebeast is unable to maintain or enhance its brand image, or if its brand image is damaged by negative publicity or if its brand is not accepted by followers and visitors, this could have a material adverse effect on its business, financial condition and results of operations.

Any unauthorized use of Hypebeast's brand name or any other intellectual property infringements by third parties, and the expenses incurred in protecting such intellectual property rights, may adversely affect Hypebeast's business and reputation.

Hypebeast regards its brand, trademarks, copyright in the digital content and other intellectual property rights as critical to its success. It has developed Hypebeast into a strong and well-recognised brand in the digital media and fashion industry. Hypebeast believes that many digital media customers approached it for its advertising services because of the reputation and strong brand image. It also believes that the followers and visitors of its platforms are attracted to the digital media platforms because of the quality digital content created by the its editorial teams. These visitors and followers may access the HBX E-Commerce platform via the link on the Hypebeast website and become Hypebeast's e-commerce customers. Hypebeast's continuing success and growth of both the digital media and e-commerce segments therefore depend on the its ability to protect and promote its brand, trademarks, copyright and other intellectual property rights.

As of March 31, 2022, Hypebeast owned certain copyrights in relation to its digital media content and advertising materials, including artistic works (such as artworks and photos), films (such as videos) or literary works (such as text) and a total of 231 trademarks registrations, 180 trademark applications and 121 domain names (amongst which 2 domain names are awaiting verification for registration). Unauthorized use of the intellectual properties by third parties may adversely affect the business and reputation of Hypebeast. For example, competitors and other third parties may imitate Hypebeast's brand or infringe its trademark by using an identical brand name or trademark or by creating brand names or inventing keywords that are confusingly similar to those owned by Hypebeast. It may also be possible for third parties to obtain and use Hypebeast's copyrighted materials, such as articles and blog posts on its digital media platforms, without authorization. Preventing such unauthorized use of intellectual property is inherently difficult. If Hypebeast is unable to prevent such unauthorized use, competitors and other third parties may drive visitors and followers away from Hypebeast, which could harm its reputation and materially and adversely affect its results of operations.

Hypebeast generally relies on trademark and copyright laws to protect its intellectual property rights. However, the validity, viability, enforceability and scope of protection of intellectual property in Internet-related industries could be uncertain. In particular, the laws in certain other countries may not offer intellectual property protection to the same extent as the laws of Hong Kong, and the laws in certain jurisdictions where Hypebeast hold intellectual property protection rights may not be extendable to certain other locations where infringement has taken place. In the future, if suspected infringement arises, litigation may be necessary to enforce Hypebeast's intellectual property rights and to protect its intellectual properties. Future litigation could result in substantial costs and diversion of resources. As of the date of this proxy statement/prospectus, Hypebeast has applied for the trademark registration of 180 trademarks in Hong Kong, the U.S., mainland China, the EU, Japan, the

United Kingdom, Canada, South Korea and other countries and regions. However, there is no assurance that these applications for trademark registration will eventually be approved or that Hypebeast would be granted exclusive rights to use these marks as registered trademarks. If the trademarks cannot be registered, or if the registration process is delayed, such trademarks may be infringed, which may materially and adversely affect Hypebeast's business, prospects, results of operations and financial condition. In addition, there is no assurance that the use of the trademarks by Hypebeast will not infringe the intellectual property rights of any other third party or in breach of the laws of Hong Kong, the US, mainland China or other jurisdictions (whether stated above or otherwise newly identified) before the registration process has commenced and/or is completed. Any claim in relation to the use of trademark by Hypebeast, made or threatened to be made against it, in the future, regardless of merits, could result in litigation and could adversely and materially affect its business, results of operations and financial conditions.

Hypebeast faces risks and uncertainties in the licensing and approval requirements for its services. If Hypebeast fails to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment in China, its financial condition and results of operations may be materially and adversely affected.

The online marketing industry, the VAT industry and the video production industry in China are highly regulated by the PRC government. Hypebeast is required to obtain and maintain various licenses and permits and fulfill registration and filing requirements in order to conduct and operate Hypebeast's business currently carried out. Hypebeast cannot assure you that Hypebeast historically operated, or is operating with proper or adequate approvals, licenses or permits, or is able to successfully update or renew the licenses or permits required for its business in a timely manner or that these licenses or permits are sufficient to conduct all of the its present or future business.

Hypebeast may be required to obtain additional licenses or permits for its services. Regulations in China with respect to the online marketing industry, the VAT industry and the video production industry are still in its nascent stage. The relevant laws and regulations are relatively new and still evolving, and their interpretation and enforcement involve significant uncertainty and ambiguity. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. Any failure to obtain additional licenses or permits for Hypebeast's services may subject Hypebeast to fines, legal sanctions or an order to suspend Hypebeast services in China.

Hypebeast is exposed to the risk of infringement of intellectual property rights owned by third parties.

Hypebeast's digital media platforms report the latest trend in fashion, lifestyle, culture and music. The articles written by its editorial teams and posted on its digital media platforms include updates, event reports and product reviews. Its editorial teams gather information from various sources to create digital content and may include artworks, photos or videos in the articles. Where possible, Hypebeast endeavors to create original artworks, photos or videos or use materials provided to it by brand owners or their advertising agencies. In other situations, Hypebeast acknowledges the sources of these artworks, photos and/or videos.

The copyright of the artworks, photos and videos Hypebeast used on its digital media platforms may be owned by third parties. Hypebeast cannot guarantee the copyright owner will not object to the use of the relevant copyrighted materials on its digital media platforms. Hypebeast may incur legal liability for infringing intellectual property rights in the pictures or videos that it posts on its digital media platforms.

Hypebeast cannot assure that in the future it will not be threatened or sued upon in relation to infringement of intellectual property rights of others. Any such claims, if arise and regardless of their merits, could be time-consuming and costly to defend, and may result in litigation and divert management's attention and resources. Furthermore, an adverse determination in any such litigation or proceedings to which Hypebeast may become a party could cause Hypebeast to pay substantial damages, may result in harm to its reputation or may require it to pay ongoing royalties or may subject it to injunctions requiring Hypebeast to remove content or take other steps to prevent infringement, each of which could prevent Hypebeast from pursuing some or all of its business and result in its users and advertising customers or potential users and advertising customers deferring or limiting their use of its services, which could materially adversely affect its financial condition and results of operations.

Hypebeast may not be able to sustain the growth of revenue and profitability that it experienced historically.

Hypebeast experienced fluctuations in its revenue and gross profit margin during the recent fiscal years and will implement plans to sustain the growth momentum of its business. Hypebeast's revenue increased from HK\$674.2 million in the fiscal year ended March 31, 2021 to HK\$895.6 million (US\$114.3 million) in the fiscal year ended March 31, 2022, in line with the recovery in Hypebeast's business during the post-COVID-19 pandemic period. Similarly, Hypebeast's gross profit margin increased from 49.6% in the fiscal year ended March 31, 2021 to 61.3% in the fiscal year ended March 31, 2022.

External factors affecting the development of, and which may add uncertainty to, Hypebeast's business include but are not limited to the economic conditions of the US, the EU, Asia and Hong Kong, the general industry trend, the consumption behavior of consumers and government policies. In order to sustain the growth momentum, Hypebeast plans to, among others, increase the traffic to its digital media platforms which it may monetize into its revenue and profitability.

Hypebeast intends to introduce additional localized websites in different languages for different regions of the world. Hypebeast also has to recruit additional employees with the necessary skills and knowledge in relation to its business. Its content production team requires staff who are proficient in multimedia design and its marketing team looks for sales talents who are able to solicit business from brand owners and advertising agencies. Hypebeast cannot guarantee that it could recruit the required skilled persons for the growth of its business.

In addition, the growth and expansion of Hypebeast's business will require significant managerial, financial and human resources and may result in significant expenditures incurred by Hypebeast, which may or may not be recoverable, and may divert management's attention from other business concerns. There is no assurance that Hypebeast will successfully implement its strategies or that its strategies, even if implemented, will result in the achievement of its objectives.

In the event that Hypebeast fails to implement efficiently the aforementioned measures to sustain the growth of its revenue and profitability or it fails to secure recurring business from its media service and e-commerce customers, its business operations and financial conditions may be adversely affected.

If Hypebeast fails to achieve the marketing objectives of the brand owners and advertising agencies, it could lose customers.

Hypebeast offers services to digital media customers depending on the individual needs and marketing objectives of the brand owners and advertising agencies. In general, the marketing objectives of an advertiser or marketer, such as the number of impression of an advertisement, will be set out in the relevant agreement with the customer before the commencement of a project and may be revised throughout the project, and Hypebeast's digital media services may be fine-tuned with reference to the feedback from the customer.

Most of Hypebeast's digital media customers assess its performance mainly based on its effectiveness in achieving their marketing objectives. As a result, Hypebeast is expected to provide effective digital media services that can achieve the desired marketing objectives (such as reaching a specific number of impressions within a given time frame). If Hypebeast's digital media services are not able to achieve the desired marketing objectives, its relationships with digital media customers, reputation and revenue will be adversely affected.

Hypebeast’s international footprint exposes it to a variety of different local legal, regulatory, tax, payment, and cultural standards which it might fail to comply with.

While Hypebeast’s physical presence is largely concentrated in Hong Kong, its websites and social media platforms can be viewed by Internet users around the world. For its e-commerce platform, Hypebeast sources its offering of fashion products from various countries including US, Germany, France and Japan and Hypebeast had sold its goods to customers globally in the past. Therefore, the international scope of Hypebeast’s operations exposes it to several types of complexities that increase the risks associated with its business, including but not limited to:

- the need to serve its overseas customers with different cultural background and time zones resulting in difficulties in maintaining relationship with them;
- the need to effectively adjust its business to target the local markets, including the offering of country-specific websites in foreign languages (the Hypebeast website is available in traditional and simplified Chinese, Japanese, Korean, Indonesia and English language);
- different local laws and regulations, including relating to consumer protection, data privacy, labor, intellectual property, licensing, tax, trade, and customs duties or other trade restrictions;
- the potential for unexpected changes in legal, political or economic conditions in the countries from which Hypebeast sources or into which it sells;
- exposure to liabilities under various anti-corruption and anti-money laundering laws; and
- fluctuations in foreign exchange rates against the Hong Kong dollar.

If Hypebeast fails to manage these risks adequately, or if one or more of these risks materializes, this could have a material adverse effect on its reputation, business, financial condition and results of operations.

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

Hypebeast uses a number of third-party couriers to deliver goods ordered by its e-commerce customers at the e-commerce platform. Interruptions to or failures in these third parties’ delivery services could prevent the timely or proper delivery of the goods to customers. These interruptions may be due to events that are beyond Hypebeast’s control or the control of these delivery companies, such as inclement weather, natural disasters, transportation

disruptions or labor unrest. If these third-party couriers fail to deliver the goods, Hypebeast may not be able to find alternative delivery companies to provide delivery services in a timely and reliable manner, or at all. If the goods are not delivered in proper condition or on a timely basis to its customers, Hypebeast's business and reputation could suffer.

Hypebeast relies on online payment service providers for the settlement of sales transacted on its e-commerce platform. Hypebeast also relies on third-party technical service providers for the operation of its integrated digital platforms. Any technical interruption in the functions provided by its third-party service providers could have a material adverse effect on the financial condition of Hypebeast.

Hypebeast's e-commerce business is subject to seasonality risk.

Hypebeast's e-commerce business is seasonal and it typically records higher sales during the months between October and January and also between May and July. Its sales may be affected by a change in weather in different countries. Historically, the fourth quarter of each year generally contributes the largest portion of the annual revenues of its e-commerce business as a result of increased advertising and promotion activities, which is primarily because (i) shoppers traditionally increase their spending on warm clothes and other fashion items during the winter season; and (ii) a number of promotions of its e-commerce platform typically occur in the winter season, such as Thanksgiving sale and Cyber Monday sale which are followed by the Christmas and New Year sales. Festive shopping, with customers shopping for gifts and treats, is an important driver for sales on Hypebeast's e-commerce business. In addition, the festive ambience, as well as holiday promotions, also make impulse spending more likely. Therefore, historically revenue performance has seen a greater spike during the winter months, where there are numerous holiday celebrations such as Thanksgiving or Christmas. In addition, as a result of seasonal fluctuations, comparisons of sales and operating results between different quarters within a single year are not necessarily meaningful and should not be relied on as indicators of Hypebeast's full-year performance.

Hypebeast's business operations could be significantly disrupted by information technology system failures or undetected programming errors or other defects of its platforms.

Hypebeast's business operations and success depend on the stable performance of its information technology system, which it utilizes to, among other things:

- host its integrated digital platforms comprising Hypebeast, Hypebae, Popbee and HBX store;
- analyze consumer preference;

- communicate with its digital media customers;
- design, execute and place advertisements; and
- monitor its inventory level.

Any system failure that interrupts Hypebeast's ability to provide services to digital media customers and sell its products to consumers through the e-commerce platform could significantly reduce the attractiveness of its services and reduce its revenue. Hypebeast's systems are vulnerable to a variety of events, including telecommunications failures, power shortages, computer virus infection, malicious human acts and natural disasters. In addition, any steps to increase the reliability and to avoid the redundancy of its information technology system may not be effective and may not be successful in preventing system failures.

Hypebeast's integrated digital platforms may contain undetected programming errors or other defects and it faces the challenge of external interruptions. For example, parties unrelated to Hypebeast may develop programs to interrupt the operation of its websites and online store. Users may also develop programs or use other means to infringe content of its integrated digital platforms. The occurrence of undetected errors or defects in its integrated digital platforms, and Hypebeast's failure to discover and stop the external interruptions could disrupt its operations, damage its reputation and weaken its users' experience. As a result, such errors, defects and external interruptions could adversely affect Hypebeast's business, financial condition and results of operations.

Hypebeast may be liable for its users' privacy being compromised which may materially and adversely affect its reputation and business.

Hypebeast collects, receives, stores and processes personal information and other data from users of its websites. In addition to standard data security measures such as passwords and firewalls, Hypebeast seeks to protect users' information and accounts by employing comprehensive content filters, such as auto-detecting and blocking the appearance of phone numbers or bank account numbers to ensure that content posted by its users on its webpages are screened to prevent disclosure of personal information. As of the date of this proxy statement/prospectus, there has been no material users' privacy breach.

Hypebeast collects various personal data in the operation of its business. For example, visitors may register for an account on its integrated digital platforms. Similarly Hypebeast also collects its online shoppers' personal details such as name and address for the delivery of the goods. In addition, its information technology system monitors visitors' activities on its webpages so as to collect data on consumer preference.

Hypebeast collects personal data from registered users with their prior consent. Hypebeast's privacy policy is stated at the webpages of its integrated digital platforms. Its internal control procedure aims to ensure compliance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong or other applicable laws) in relation to the proper collection, use and storage of the personal data it collected.

Despite its efforts to employ security features to safeguard user information, there is no guarantee that Hypebeast can successfully keep its users free from inappropriate behavior, offensive contact or other acts of third parties that violate the privacy of its users. Similar to other providers of Internet content services and operators of Internet platforms, Hypebeast is subject to risks of hacking. Unauthorized users may gain access to or control of other users' personal accounts and their personal data for malicious purposes. Any failure or perceived failure by Hypebeast to (i) prevent its users' exposure to such infiltration and (ii) comply with its privacy policies, its privacy-related obligations to users or other third parties, or any privacy laws or regulations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or users' personal data, may result in governmental enforcement actions, litigation or public statements against Hypebeast by its users, consumer advocacy groups or others, which would detrimentally affect its reputation, and materially and adversely affect its business.

Hypebeast is subject to product liability risk for the goods sold on its e-commerce platform.

In recent fiscal years, Hypebeast primarily sold clothing, shoes and accessories to its e-commerce customers worldwide through the e-commerce platform. Hypebeast cannot guarantee that the goods shipped to its customers are free of any patent or latent defects. If defective or sub-standard goods cause damage or injury to its customers or persons who deal with the goods, Hypebeast may be liable for the damage or injury.

In addition, any defects in the products could result in material and adverse customer reaction towards Hypebeast, resulting in negative publicity and additional time, effort and expenditures to correct the problems and settle or defend the claims against Hypebeast. Hypebeast maintains limited insurance policies covering losses related to potential product liabilities. Nonetheless, any litigation in relation to product liability claims may result in substantial costs and diversion of its resources.

There is no assurance that Hypebeast will not encounter any of the abovementioned claims in the future. Any such claims may have an adverse monetary impact. Even if such claims are found meritless, the resulting negative publicity may cause significant damage to Hypebeast's reputation.

Hypebeast relies on the availability of social media platforms for the promotion of its business.

Hypebeast makes use of various social media platforms, such as Facebook, Instagram, Twitter, Pinterest, YouTube, Weibo and Snapchat to promote its business. For instance, its Hypebeast accounts on Facebook, Instagram and Twitter recorded approximately 29,488,773 followers as of February 28, 2022. Hypebeast also put its articles on Facebook so that its viewers may like or share its posts, thereby allowing the post to reach a broader followers and visitors.

While Hypebeast has internal control policies in place to monitor the content it uploads to the above social media platforms and ensure compliance with these social media platforms' policies, Hypebeast cannot guarantee that these social media platforms will continue to allow it to operate its accounts. If its accounts are blocked or banned, Hypebeast will lose a channel for communicating with its viewers and its popularity may be adversely impacted. Hypebeast may also as a result fail to attract viewers to its other websites through these social media platforms, leading to decreased monthly page views or monthly unique visitors and losing both advertising and retail customers.

If Hypebeast's digital content is not viewed by its visitors and followers, Hypebeast's digital media customers may not engage it for advertising services and its financial results will be adversely impacted.

Further, such social media platforms do not charge Hypebeast fees for its corporate user accounts. If these social media platforms demand payment of fees for its corporate user accounts, Hypebeast's financial performance may be adversely affected.

Rapid changes in fashion trends, consumer preference and spending patterns may affect Hypebeast's e-commerce business and result in obsolete or slow-moving inventories.

The sale of Hypebeast's products on the e-commerce platform is subject to fashion trends, consumer preferences and spending patterns which may change rapidly. Hypebeast's ability to analyze and predict fashion trends precisely as well as its ability to respond in a timely manner will determine the level of success of its e-commerce business and its growth rate. In addition, demand for products can change between the time when inventories are ordered and they are sold. As such, Hypebeast's customers may not order its products in the quantities that it expects. As at March 31, 2021 and 2022, Hypebeast's inventories amounted to HK\$42.4 million and HK\$69.7 million (US\$8.9 million), respectively. Its inventory turnover days in the fiscal years ended March 31, 2021 and 2022 were approximately 159 and 158 days, respectively. If Hypebeast fails to anticipate, identify or respond to changes in consumer preferences in a timely manner, it may experience a reduced demand for its products, a lower level of revenue and an increased level of inventory turnover days as well as inventory obsolescence. Further, if Hypebeast fails to manage its inventories effectively,

it may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, Hypebeast may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins or a loss. High inventory levels may also require Hypebeast to commit substantial capital resources, preventing it from using that capital for other important purposes. As such, Hypebeast's results of operations, financial performance and business could be materially and adversely affected.

As a result of being a public company, Hypebeast is obligated to develop and maintain proper and effective internal controls over financial reporting, and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in Hypebeast and, as a result, the value of its securities.

Hypebeast will be required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of its internal control over financial reporting as of the end of the fiscal year that coincides with the filing of its second annual report on Form 20-F. This assessment will need to include disclosure of any material weaknesses identified by Hypebeast's management in its internal control over financial reporting. In addition, Hypebeast's independent registered public accounting firm will be required to attest to the effectiveness of its internal control over financial reporting in its first annual report required to be filed with the SEC following the date Hypebeast is no longer an "emerging growth company."

Hypebeast's current internal controls and any new controls that it develops may become inadequate because of changes in conditions in its business. In addition, changes in accounting principles or interpretations could also challenge its internal controls and require that it establish new business processes, systems and controls to accommodate such changes. Additionally, if these new systems, controls or standards and the associated process changes do not give rise to the benefits that Hypebeast expects or do not operate as intended, it could materially and adversely affect its financial reporting systems and processes, its ability to produce timely and accurate financial reports or the effectiveness of its internal control over financial reporting. Moreover, Hypebeast's business may be harmed if it experiences problems with any new systems and controls that result in delays in their implementation or increased costs to correct any post-implementation issues that may arise.

During the evaluation and testing process of Hypebeast's internal controls, if it identifies one or more material weaknesses in its internal control over financial reporting, it will be unable to certify that its internal control over financial reporting is effective. Hypebeast cannot assure you that there will not be material weaknesses or significant deficiencies in its internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit its ability to accurately report its financial condition or results of operations. If Hypebeast is unable to conclude that its internal control over financial reporting is effective, or if its independent registered public

accounting firm determines that it has a material weakness or significant deficiency in its internal control over financial reporting, Hypebeast could lose investor confidence in the accuracy and completeness of its financial reports, the market price of its securities could decline, and Hypebeast could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in its internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict its future access to the capital markets.

The growth and expansion of Hypebeast's business places a continuous, significant strain on its operational and financial resources, and its internal controls and procedures may not be adequate to support its operations. As Hypebeast continues to grow, it may not be able to successfully implement requisite improvements to these systems, controls and processes, such as system access and change management controls, in a timely or efficient manner. Hypebeast's failure to improve its systems and processes, or their failure to operate in the intended manner, whether as a result of the growth of Hypebeast's business or otherwise, may result in its inability to accurately forecast its revenue and expenses, or to prevent certain losses. Moreover, the failure of Hypebeast's systems and processes could undermine its ability to provide accurate, timely and reliable reports on its financial and operating results and could impact the effectiveness of its internal control over financial reporting. In addition, Hypebeast's systems and processes may not prevent or detect all errors, omissions or fraud.

Hypebeast has identified significant deficiencies in its internal controls over financial reporting, which, if not corrected, could affect the reliability of Hypebeast's financial statements and have other adverse consequences.

In connection with the audit of Hypebeast's consolidated financial statements as of and for the years ended March 31, 2021 and 2022, Hypebeast and Hypebeast's independent registered public accounting firm have identified significant deficiencies in Hypebeast's internal controls over financial reporting, which Hypebeast has begun to address and have a plan to further address. A significant deficiency is a deficiency, or a combination of deficiencies, in internal controls over financial reporting that is less severe than a material weakness but important enough to merit attention by those responsible for oversight of the company's financial reporting.

The significant deficiencies identified relate to (i) Hypebeast's insufficient accounting personnel with appropriate knowledge of SEC reporting, and (ii) Hypebeast's lack of formal, comprehensive accounting policies and procedures relating to the application and compliance with SEC reporting.

Neither Hypebeast nor its independent registered public accounting firm undertook a comprehensive assessment of Hypebeast's internal controls under the Sarbanes-Oxley Act for purposes of identifying and reporting any weakness in Hypebeast's internal controls over financial reporting. Had Hypebeast performed a formal assessment of its internal controls over financial reporting, or had Hypebeast's independent registered public accounting firm performed an audit of Hypebeast's internal control over financial reporting, additional internal control deficiencies may have been identified.

Hypebeast has begun remediation and will continue to implement several measures, including, among others: (i) hiring a chief accounting officer with appropriate knowledge and experience in SEC reporting. The chief accounting officer, together with other experienced accountants, would support Hypebeast's chief financial officer to continue build up a stronger accounting and finance team with a greater understanding of SEC reporting requirements; (ii) organizing regular training for Hypebeast's accounting staff, especially trainings related to SEC reporting requirements. These staff would be kept current with the SEC reporting requirements via various means, such as attending external SEC reporting seminar as well as the getting access of the most updated SEC technical information; (iii) formulating comprehensive accounting policies and procedures that's tailored to Hypebeast's business. Such policies would include but not limited to (a) compliance reporting checklist for annual report and other SEC filings; and (b) processes to monitor new SEC reporting requirements; (iv) implementing internal controls over financial reporting policies to ensure accounting policies and procedures are operating effectively; and (v) creating relevant SEC reporting policies and procedures manual, which will be maintained, regularly reviewed, updated and readily accessible to accounting personnel. However, the implementation of these measures may not fully address these deficiencies in Hypebeast's internal control over financial reporting, and Hypebeast cannot conclude that they have been fully remediated. Hypebeast's failure to correct these deficiencies or failure to discover and address any other deficiencies could result in inaccuracies in Hypebeast's financial statements and impair Hypebeast's ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. Moreover, ineffective internal control over financial reporting could significantly hinder Hypebeast's ability to prevent fraud.

Hypebeast's historical outstanding accounts receivable have been high. Inability to collect the accounts receivable on a timely basis, if at all, could materially and adversely affect Hypebeast's financial condition, liquidity and results of operations.

As of March 31, 2021 and 2022, Hypebeast's traded and outstanding unbilled accounts receivables were HK\$172.7 million and HK\$151.7 million (US\$19.4 million), respectively. Although Hypebeast conducts credit evaluations of its customers, it generally does not require collateral or other security from its customers. In addition, Hypebeast has had a relatively high customer concentration. As a result, an extended delay or default in payment relating to a significant account will have a material and adverse effect on the aging schedule and turnover days of its accounts receivable. Hypebeast's inability to collect its accounts receivable on a timely basis, if at all, could materially and adversely affect its financial condition, liquidity and results of operations.

Fluctuations in foreign currency exchange rates may result in foreign currency exchange losses.

Hypebeast undertakes certain operating transactions in foreign currency, mainly in USD and Euro, which exposes Hypebeast to foreign currency risk. In the fiscal years ended March 31, 2021 and 2022, revenue received from its digital media customers denominated in USD was approximately USD23.1 million and USD38.2 million, representing approximately 40.0% and 45.5% of total digital media income, respectively; and those denominated in Euro was approximately EUR4.6 million and EUR8.6 million, representing approximately 9.5% and 11.8% of total digital media income, respectively. Other major currencies and revenue received from its e-commerce customers was dominated in USD. In the fiscal years ended March 31, 2021 and 2022, payments made by Hypebeast for settlement of purchases from its suppliers denominated in USD were approximately USD3.3 million and USD4.8 million, representing approximately 21.3% and 23.6% of total purchase, respectively; and those denominated in Euro were approximately EUR6.1 million and EUR8.6 million representing approximately 48.0% and 42.1% of total purchase, respectively.

The value of HK\$ against USD, Euro and other currencies may fluctuate and Hypebeast's cash flows, revenues, earnings and financial position may be materially and adversely affected if there is any severe fluctuation in exchange rates among HK\$, USD and Euro. Hypebeast has not used and at present does not intend to use any derivative instruments in foreign currency to hedge the risk against foreign currency exchange fluctuations. Accordingly, Hypebeast is exposed to exchange rate fluctuations and such exposure may adversely affect the financial position and performance of Hypebeast.

If Hypebeast fails to attract, recruit or retain its key personnel including its executive directors, senior management and key employees, its ongoing operations and growth could be affected.

Hypebeast's success depends to a large extent on the efforts of its key personnel including its executive directors, senior management and key employees. For instance, its chairman, chief executive officer and executive director, Mr. Ma is the founder of Hypebeast and is responsible for the overall business development and financial and strategic planning of Hypebeast. There is no assurance that Mr. Ma or other key personnel will not voluntarily terminate their employment with Hypebeast. The loss of any of its key personnel could be detrimental to Hypebeast's ongoing operations. Hypebeast's success will also depend on its ability to attract and retain qualified personnel in order to manage its existing operations as well as its future growth. Hypebeast may not be able to successfully attract, recruit or retain key personnel and this could adversely impact its growth.

Adverse changes in Hong Kong's or global economic and political policies could materially and adversely affect Hypebeast's business, financial condition and results of operations.

Any prolonged slowdown in the global or Hong Kong economy or changes in political conditions may have a negative impact on Hypebeast's business, results of operations and financial condition, and continued turbulence in the international markets may adversely affect Hypebeast's ability to access the capital markets to meet potential liquidity needs. The global spread of COVID-19 in a significant number of countries around the world and the traveling restrictions due to COVID-19 have resulted in, and may intensify, global economic distress, and the extent to which it may affect Hypebeast's business and results of operations will depend on the Hypebeast's future developments, which are highly uncertain and cannot be predicted.

In addition, Hypebeast's results of operations may also be affected by geopolitical events and other developments beyond Hypebeast's control, which may in turn adversely affect the economic and market conditions in Hong Kong and globally. There have been concerns over unrest, terrorist threats and the potential for war in the Middle East, Europe and elsewhere, as well as over the conflicts involving Ukraine, Syria and North Korea. For example, the military conflict between Russia and Ukraine has resulted in an escalated regional instability, amplified the existing geopolitical tension among Russia and other countries in the region and in the west, as well as adversely affected commodity and other financial markets or economic conditions. The United States, European Union, the United Kingdom, Switzerland and other countries have imposed, and may further impose, financial and economic sanctions and export controls targeting certain Russian entities and/or individuals, which could adversely affect the global economy and financial markets, even though Hypebeast does not have any direct exposure to Russia. The duration of such military conflict and the related sanctions, as well as their impact on the global financial markets,

cannot be predicted. In addition, political unrest such as protests or demonstrations could disrupt economic activities and adversely affect Hypebeast's business. The unrest in Hong Kong in recent years led to decreased consumer spending and an overall negative impact on Hong Kong's economy. There can be no assurance that these protests and other economic, social, or political unrest in the future will not have a material adverse effect on Hypebeast's financial conditions and results of operations. Furthermore, there is considerable uncertainty over the long-term effects of the monetary and fiscal policies adopted by central banks and financial authorities in some of the world's leading economies, including the United States and China.

Hypebeast may face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt its operations.

Hypebeast's business may be materially and adversely affected by the effects of natural disasters, health epidemics or other public safety concerns. For example, the outbreak of a novel strain of coronavirus (COVID-19), first reported in December 2019, has spread rapidly throughout the world. On March 11, 2020, the World Health Organization declared the outbreak a "global pandemic". The pandemic has resulted in government authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, stay-at-home or shelter-in-place orders and business shutdowns. These measures may adversely impact Hypebeast's employees and operations and the operations of its customers, suppliers and business partners, and may negatively impact demands for digital media and e-commerce services. In 2020, Hypebeast experienced decrease in its revenue as a result of the COVID-19 pandemic. In 2021 and 2022, its business operation had substantially returned to normal levels. Recently, there has been an increasing number of COVID-19 cases, including the COVID-19 Delta and Omicron variant cases, in multiple countries and regions. As a result, various measures, including travel restrictions and stay-at-home orders, have been reinstated and Hypebeast may have to adjust various aspects of its operations. Concerns about the transmission of COVID-19 and mandates or orders from government authorities could continue to affect consumer behaviors, leading to changes in consumer spending. There remain significant uncertainties surrounding COVID-19, including the existing and new variants of COVID-19, and its further development as a global pandemic, including the effectiveness of vaccine programs against existing and any new variants of COVID-19. The extent to which the COVID-19 outbreak may continue to adversely affect the macro-economic environment as well as Hypebeast's business, results of operations and financial condition remains uncertain, and will depend on future developments, including the duration, severity and reach of the COVID-19 outbreak, and actions taken to contain the outbreak or treat its impacts.

Hypebeast's headquarters is located in Hong Kong, where most of its management and employees currently reside. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Hong Kong and other locations where Hypebeast's offices reside in, its operation may experience material disruptions, which may materially

and adversely affect its business, financial condition and results of operations. It is also vulnerable to natural disasters and other calamities. Fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events may give rise to server or service interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware, as well as adversely affect its ability to provide products and services. Hypebeast's business operation could also be disrupted if any of its employees are suspected of having contracted any contagious disease or condition, since it could require its employees to be quarantined or its offices to be closed down and disinfected. All of these may have a material adverse effect on Hypebeast's results of operations and financial condition in the near terms. Additionally, if the outbreak persists or escalates, it may be subject to further negative impact on its business operations or financial condition.

Risks Relating to the Industry

If Hypebeast fails to successfully develop and introduce new services, and keep up with the rapidly changing technology, its competitive position and ability to generate revenue and growth could be affected.

Internet is a fast changing and evolving platform. In order to adapt to this environment, Hypebeast has to continuously develop new services for its business, such as customized websites for its viewers in different regions of the world. The introduction of new services is subject to risks and uncertainties. Unexpected technical, operational, distribution or other problems could delay or prevent the introduction of its new services. Moreover, there can be no assurance that any of Hypebeast's new features and services will achieve widespread market acceptance.

Hypebeast's success also depends on its ability to adapt to rapidly changing technologies and to enhance the quality of its existing services. Hypebeast may experience difficulties that could delay or prevent the successful design, development, introduction or marketing of its new services or products. Any new service or product Hypebeast develops will need to meet the requirements of its existing and potential customers and may not achieve significant market acceptance. If Hypebeast fails to keep pace with changing technologies and to introduce successful and well-accepted products or services for its existing or potential customers, it could lose its customers and its revenue and growth could be adversely affected.

Intense competition in the media segment.

The online marketing industry is intensely competitive. In the highly competitive online marketing industry, Hypebeast may not be able to compete successfully and this could reduce its market share and adversely affect its financial performance.

There are numerous companies that specialize in the provision of online marketing and advertising services. Hypebeast competes with other competitors in Hong Kong, US and worldwide primarily on the following bases:

- brand recognition;
- quality of services;
- effectiveness of sales and marketing efforts;
- creativity in design and content of its websites;
- price;
- strategic relationships with brand owners and advertising agencies;
- hiring and retention of talented staff; and
- quality and volume of traffic of its websites.

Increased competition may result in price reductions for advertising space, reduced margins and loss of Hypebeast's market share. Hypebeast's existing competitors may in the future achieve greater market acceptance and recognition and gain a greater market share. It is also possible that potential competitors may emerge and acquire a significant market share. If existing or potential competitors develop or offer services that are superior to those offered by Hypebeast in terms of any of the above areas, Hypebeast's business, results of operations and financial conditions would be negatively affected. Hypebeast also competes with traditional forms of media, such as newspapers, magazines, radio and television broadcast, for brand owners and advertising agencies and advertising revenue.

Its existing and potential competitors may enjoy competitive advantages over it, such as longer operating histories, greater name recognition, larger customer bases, greater access to advertising space on popular websites, apps and mobile sites, and significantly greater financial, technical and marketing resources. If Hypebeast fails to compete successfully, it could lose customers. Hypebeast also cannot assure you that its strategies will remain competitive or that they will continue to be successful in the future. Increasing competition could result in pricing pressure and loss of its market share, either of which could have a material adverse effect on its financial conditions and results of operations.

Further, Hypebeast's ability to generate and maintain certain level of revenue in the digital media services segment will depend on a number of factors, many of which are beyond its control, including but not limited to:

- intensified competition in the marketing and advertising industry and potential downward pressure on advertising prices;
- the acceptance and/or attractiveness of online digital media and social media platforms as an effective way for advertisers to place advertisements;
- availability of quality advertising space;
- the effectiveness of its marketing strategy, delivery, tracking and reporting systems;
- the development of software that blocks digital advertisements and the expansion of advertisement blocking on digital media and social media platforms, which might affect the delivery, display or tracking of digital advertisements; and
- implementation of government policy that promotes Internet and e-commerce industries.

Intense competition in the e-commerce business.

In the e-commerce business Hypebeast competes with its competitors for customer orders and brand owners who supply their goods for Hypebeast to sell. Hypebeast's current or potential competitors include major online retailers in US and worldwide that offer a wide range of general or fashionable merchandise product categories, major traditional retailers that are moving into online retailing and major Internet companies that have commenced e-commerce businesses and physical retail stores.

In addition, new and enhanced technologies may increase the competition in the e-commerce industry. New competitive business models may appear, for example, based on new forms of social media or social commerce. Increased competition may reduce Hypebeast's margins, market share and brand recognition, or result in significant losses. Some of its current or future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases or greater financial, technical or marketing resources than Hypebeast does. Those smaller companies or new entrants may be acquired by, receive investment from or enter into strategic relationships with well-established and well-financed companies or investors which would help enhance their competitive positions.

Some of Hypebeast's competitors may be able to secure more favorable terms from brand owners, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing or inventory policies and devote substantially more resources to their websites, mobile apps and systems development than Hypebeast.

Hypebeast cannot assure you that it will be able to compete successfully against current or future competitors, and competitive pressures may have a material and adverse effect on its business, financial condition and results of operations.

Hypebeast's revenue growth depends on the continuous growth of Internet usage and infrastructure.

If use of the Internet does not continue to grow, or if the Internet infrastructure does not effectively support its growth, Hypebeast's revenue and growth could be adversely affected.

Hypebeast's business and financial results depend heavily on the continuous growth in the use of Internet, whether through computers or other mobile connected devices. Internet usage may be inhibited for a number of reasons, many of which are beyond Hypebeast's control, including but not limited to:

- security concerns;
- unavailability of inexpensive and high speed service;
- inconsistent quality of service; and
- inadequate network infrastructure.

If Internet infrastructure is unable to support the growing use of the Internet, the performance, usability and reliability of the Internet may be hindered and may decline. In addition, websites, apps and mobile sites may experience interruptions in their service as a result of sabotage and other delays occurring throughout the Internet network infrastructure. The Internet could lose its viability as a commercial medium due to delays in the development or adoption of new technology required to accommodate increased levels of Internet activity. If use of the Internet does not continue to grow, or if the Internet infrastructure does not effectively support its growth, Hypebeast's revenue and growth could be adversely affected.

The PRC's regulation and censorship of information distributed over the Internet in the PRC may adversely affect Hypebeast's business and Hypebeast may be liable for information contained on its website.

The PRC Government has enacted laws and regulations governing Internet access and the distribution of products, services, news, information, audio-video programs and other content through the Internet. The PRC Government prohibits the distribution of information through the Internet that it deems to be in violation of PRC laws and regulations. If any of the content on Hypebeast's, its PRC subsidiary' or the VIE Entity's digital media platform were deemed to violate any content restrictions by the PRC Government, it would not be

able to continue to display such content and could become subject to penalties which could materially and adversely affect its business, financial condition and results of operations. Hypebeast may also be subject to potential liability for any unlawful actions.

Risks Relating to the Corporate Structure

If the PRC government deems that the contractual arrangements that establish the structure for operating the operations in mainland China (the “Contractual Arrangements”) 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, Hypebeast could be subject to severe penalties or be forced to relinquish its interests in those operations.

The PRC government regulates certain businesses through strict business licensing requirements and laws and regulations including restrictions on foreign investment. For instance, foreign investors are not allowed to own more than 50% equity interests in any PRC company engaging in VAT services with certain exceptions relating to online retail and mobile commerce, domestic multi-party communications, store-and-forward, call centers business. In addition, foreign investments in the video production business are prohibited. Because Hypebeast is an exempted company incorporated in the Cayman Islands, it is classified as a foreign enterprise under PRC laws and regulations, and its wholly-owned PRC subsidiary, Beijing Hypebeast Trading Co., Ltd (“**Beijing Hypebeast**”), is a foreign-invested enterprise (“**FIE**”). To comply with PRC laws and regulations, Hypebeast relies on the Contractual Arrangements with Hypebeast Cultural Communication (Beijing) Co., Ltd (“**Hypebeast Cultural**”) and its shareholder to conduct VAT services and video production services in mainland China. Hypebeast’s position of being the primary beneficiary of Hypebeast Cultural for the accounting purposes are limited to the conditions that Hypebeast met for consolidation of Hypebeast Cultural under IFRS. Such conditions include that (i) Hypebeast has the power to govern the activities which most significantly impact Hypebeast Cultural’s economic performance, and (ii) Hypebeast is entitled to receive benefits from Hypebeast Cultural that could potentially be significant to Hypebeast Cultural. Only if Hypebeast meets the aforementioned conditions, Hypebeast will be deemed as the primary beneficiary of Hypebeast Cultural, and Hypebeast Cultural will be treated as Hypebeast’s consolidated affiliated entities for the accounting purposes.

Hypebeast believes that the ownership structures of Hypebeast Cultural and Beijing Hypebeast comply with all existing PRC laws and regulations, and the Contractual Arrangements between Beijing Hypebeast, Hypebeast Cultural and its shareholder 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, the legality and enforceability of such Contractual Arrangements as a whole have not been tested in any PRC courts and there are substantial uncertainties regarding the interpretation and application of current and future

PRC laws, regulations and rules. If Hypebeast 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 Hypebeast and Hypebeast Cultural;
- imposing fines, confiscating the income from Hypebeast Cultural, or imposing other requirements with which Hypebeast or Hypebeast Cultural may not be able to comply;
- requiring Hypebeast 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 Hypebeast's ability to consolidate or derive economic interests from, or its position to be the primary beneficiary of Hypebeast Cultural; or
- restricting or prohibiting Hypebeast's use of the proceeds of any of its financing outside PRC to finance Hypebeast's business and operations in PRC.

The imposition of any of these penalties would result in a material and adverse effect on Hypebeast's ability to conduct its business. In addition, it is unclear what impact the PRC government actions would have on Hypebeast 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 the Contractual Arrangements to be in violation of PRC laws and regulations. If the imposition of any of these government actions causes Hypebeast 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 Hypebeast is not able to restructure its ownership structure and operations in a satisfactory manner, Hypebeast 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 Hypebeast in this event, would have a material adverse effect on its financial condition and results of operations and cause the value of its securities to significantly decline.

Furthermore, it is uncertain whether any new PRC laws, rules or regulations relating to Contractual Arrangements will be adopted or if adopted, what they would provide. For example, the National People's Congress approved the PRC Foreign Investment Law on March 15, 2019 (the "**Foreign Investment Law**") and the State Council approved the Regulation on Implementing the Foreign Investment Law (the "**Implementation Regulations**") on December 12, 2019, effective from January 1, 2020. The Supreme

People's Court of China issued a judicial interpretation on the Foreign Investment Law on December 26, 2019, effective from January 1, 2020. The Foreign Investment Law and the Implementation Regulations do not touch upon the relevant concepts and regulatory regimes that were historically suggested for the regulation of the variable interest entity structures, and thus this regulatory topic remains unclear under the Foreign Investment Law. Since the Foreign Investment Law and the Implementation Regulations are new, there are substantial uncertainties exist with respect to its implementation and interpretation and it is also possible that variable interest entities will be deemed as foreign invested enterprises and be subject to restrictions in the future. Such restrictions may cause interruptions to Hypebeast's operations, products and services and may incur additional compliance cost, which may in turn materially and adversely affect our business, financial condition and results of operations and cause the value of its securities to significantly decline.

Any of these events could cause significant disruption to our business operations and severely damage Hypebeast's reputation, which would in turn materially and adversely affect Hypebeast's business, financial condition and results of operations and cause the value of its securities to significantly decline. If occurrences of any of these events results in Hypebeast's inability to direct the activities of the VIE Entity in mainland China that most significantly impact their economic performance, or Hypebeast's failure to receive the economic benefits from the VIE Entity, Hypebeast may not be able to consolidate the entity in its consolidated financial statements in accordance with IFRS.

The Contractual Arrangements may not be as effective as direct ownership in providing control over Hypebeast Cultural.

Hypebeast relies on the Contractual Arrangements to operate its business in mainland China. Such Contractual Arrangement may not be as effective in providing Beijing Hypebeast with control over Hypebeast Cultural as direct ownership. Hypebeast's position of being the primary beneficiary of Hypebeast Cultural for the accounting purposes are limited to the conditions that Hypebeast met for consolidation of Hypebeast Cultural under IFRS. Such conditions include that (i) Hypebeast has the power to govern the activities which most significantly impact Hypebeast Cultural's economic performance, and (ii) Hypebeast is entitled to receive benefits from Hypebeast Cultural that could potentially be significant to Hypebeast Cultural. Only if Hypebeast meets the aforementioned conditions, Hypebeast will be deemed as the primary beneficiary of Hypebeast Cultural, and Hypebeast Cultural will be treated as Hypebeast's consolidated affiliated entities for the accounting purposes. 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 Contractual Arrangements, Hypebeast relies on the performance by the shareholder of Hypebeast Cultural of her obligations under the Contractual Arrangements to be the primary beneficiary of Hypebeast Cultural. Such risks exist throughout the period in which Hypebeast intends to operate its business through the

Contractual Arrangements with Hypebeast Cultural. Hypebeast may replace the shareholder of Hypebeast Cultural at any time pursuant to the Contractual Arrangements with Hypebeast Cultural and its shareholder. However, if any dispute relating to these contracts remains unresolved, Hypebeast will have to enforce its rights under the Contractual Arrangements through the operations of PRC law and courts and therefore will be subject to uncertainties in the PRC legal system. Therefore, the Contractual Arrangements with the shareholder of Hypebeast Cultural may not be as effective in ensuring Beijing Hypebeast's position of being the primary beneficiary of Hypebeast Cultural as direct ownership would be.

The shareholder of Hypebeast Cultural may potentially have a conflict of interests with Hypebeast.

Hypebeast's position of being the primary beneficiary of Hypebeast Cultural for the accounting purposes are limited to the conditions that Hypebeast met for consolidation of Hypebeast Cultural under IFRS. Such conditions include that (i) Hypebeast has the power to govern the activities which most significantly impact Hypebeast Cultural's economic performance, and (ii) Hypebeast is entitled to receive benefits from Hypebeast Cultural that could potentially be significant to Hypebeast Cultural. Only if Hypebeast meets the aforementioned conditions, Hypebeast will be deemed as the primary beneficiary of Hypebeast Cultural, and Hypebeast Cultural will be treated as Hypebeast's consolidated affiliated entities for the accounting purposes. Therefore, conflict of interests of the shareholder of Hypebeast Cultural will adversely affect the interests of Hypebeast. Pursuant to the Exclusive Option and Equity Trust Agreement, the shareholder of Hypebeast Cultural will irrevocably appoint any person as designated by Beijing Hypebeast as their representative to exercise the voting rights of such shareholder of Hypebeast Cultural. Therefore, it is unlikely that there will be potential conflict of interests between Hypebeast and the shareholder of Hypebeast Cultural. However, in the unlikely event that conflict of interests arises and cannot be resolved, Hypebeast will consider removing and replacing the shareholder of Hypebeast.

The Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed.

Hypebeast could face material adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements 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 Hypebeast 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.

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 Hypebeast.

Any failure by Hypebeast Cultural or its shareholder to perform their obligations under the Contractual Arrangements with them would have a material and adverse effect on the business of Hypebeast.

If Hypebeast Cultural or its shareholder fail to perform their respective obligations under the Contractual Arrangements, Hypebeast may have to incur substantial costs and expend additional resources to enforce such arrangements. Hypebeast 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 shareholder of Hypebeast Cultural 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 Contractual Arrangements, or if they were otherwise to act in bad faith towards Hypebeast, Hypebeast may have to take legal actions to compel them to perform its contractual obligations. All the Contractual Arrangements 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 Hypebeast'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 contain uncertainty and require additional expenses

and delay. Hypebeast Cultural holds the necessary licenses and permits of Hypebeast. In the event Hypebeast is unable to enforce the Contractual Arrangements, Hypebeast may not be able to maintain its position of being the primary beneficiary of Hypebeast Cultural, and its ability to conduct these businesses may be negatively affected.

Hypebeast does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder.

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

Hypebeast 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 Contractual Arrangements. 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 Hypebeast, (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 Hypebeast's financial statements under the applicable accounting principles, Hypebeast's business, financial position and results of operations would be adversely affected if Hypebeast Cultural suffers losses.

Uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and its Implementation Regulations and how they may impact the viability of Hypebeast's current corporate structure, corporate governance and business operations.

The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since the Foreign Investment Law and the Implementation Regulations are relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals,

enterprises or other entities in mainland China. Though it does not explicitly classify the Contractual Arrangements as a form of foreign investment, there is no assurance that foreign investment via the Contractual Arrangements would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for the Contractual Arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing Contractual Arrangements, Hypebeast may face substantial uncertainties as to whether it can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect Hypebeast's current corporate structure, corporate governance and business operations.

Hypebeast may rely on dividends and other payments made by its PRC subsidiary to fund any cash and financing requirements it may have, and any limitation on the ability of Hypebeast's PRC subsidiary to make payments to it could have a material and adverse effect on its ability to conduct its business.

Hypebeast is a holding company incorporated under the laws of the Cayman Islands and as such relies on dividends and other payments made by its PRC subsidiary to satisfy part of its liquidity requirements. If Hypebeast's PRC subsidiary incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to Hypebeast. In addition, the income of Hypebeast's PRC subsidiary in turn depends on the service fees paid by the VIE Entity and the PRC tax authorities may require Hypebeast to adjust the taxable income under the Contractual Arrangements in a manner that would materially and adversely affect the ability of Hypebeast's PRC subsidiary to pay dividends and make other payments to Hypebeast.

In addition, Hypebeast's PRC subsidiary are required to maintain certain statutory reserves and may also allocate a portion of their after-tax profits to statutory reserves, which in each case are not distributable as cash dividends except in the event of liquidation. Any limitation on the ability of Hypebeast's PRC subsidiary to pay dividends or make other payments to it could materially and adversely limit Hypebeast's ability to grow, make investments or acquisitions that could be beneficial to its business, pay dividends, or otherwise fund and conduct its business. For example, relevant PRC laws and regulations permit the PRC companies to pay dividends only out of their accumulated after-tax profits, if any, as determined in accordance with PRC accounting standards and regulations and Hypebeast's PRC subsidiary shall make up its losses of previous years when conducting outward remittance. Additionally, Hypebeast's PRC subsidiary can only distribute dividends upon approval of the shareholders after they have met the PRC requirements for appropriation to the statutory reserves. For the restriction of loans or advances, see "Risk Factors — Risks Relating to Doing Business in China — PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent Hypebeast from using the proceeds of Hypebeast's public offering to make loans or additional capital contributions to its PRC subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business." As a result of these and other restrictions under the PRC laws and regulations, Hypebeast's PRC subsidiary are restricted to transfer a portion of their net assets to Hypebeast either in the form of dividends, loans or advances.

Risks Relating to Doing Business in China

The PRC government has significant authority to intervene or influence in a company's operations in mainland China, such as Hypebeast's, at any time. The PRC government may exert more control over offerings conducted overseas by and/or foreign investment in China-based issuers. If the PRC government exerts more oversight and control over offerings that are conducted overseas and/or foreign investment in China based issuers and Hypebeast were to be subject to such oversight and control, it may result in a material adverse change to Hypebeast's business operations, including its Hong Kong operations, significantly limit or completely hinder its ability to offer or continue to offer securities to investors, and cause its shares to significantly decline in value or become worthless.

Hypebeast conducts its operations in mainland China through its PRC subsidiary and the VIE Entity. Hypebeast's operations in mainland China are governed by PRC laws and regulations. The PRC government may intervene or influence its business operations at any time, or may extend such oversight and control to Hypebeast's Hong Kong operations, which could result in a material change in Hypebeast's operations and/or the value of its shares. In addition, the PRC government has recently indicated an intent to exert more oversight and control over listings conducted overseas and/or foreign investment in China-based issuers. Hypebeast cannot assure you that the oversight will not be extended to companies operating in Hong Kong like it and any such action may hinder its ability to

offer or continue to offer its securities to investors, result in a material adverse change to its business operations, including its Hong Kong operations, and damage its reputation, which could cause its shares to significantly decline in value or become worthless. See also “-Failure to comply with cybersecurity, data privacy, data protection, or any other laws and regulations related to data may materially and adversely affect its business, financial condition, and results of operations.”

Uncertainties arising from the legal system in mainland China, including uncertainties regarding the interpretation and enforcement of PRC laws and the possibility that regulations and rules can change quickly with little advance notice, could hinder Hypebeast’s ability to offer or continue to offer shares, result in a material adverse change to its business operations, and damage Hypebeast’s reputation, which would materially and adversely affect its financial condition and results of operations and cause its shares to significantly decline in value or become worthless.

Hypebeast may be affected directly or indirectly by PRC laws and regulations. The legal system in mainland China is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases may be cited for reference but have less precedential value. The laws, regulations, and legal requirements in mainland China are quickly evolving and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to you and Hypebeast. In addition, Hypebeast cannot predict the effect of future developments in the PRC legal system, particularly with regard to new economies, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all. As a result, Hypebeast may not be aware of its potential violation of these policies and rules. In addition, any administrative and court proceedings in China may be protracted and result in substantial costs and diversion of resources and management attention.

New laws and regulations may be enacted from time to time and substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to Hypebeast’s businesses. In particular, the PRC government authorities may continue to promulgate new laws, regulations, rules and guidelines governing new economy companies with respect to a wide range of issues, such as intellectual property, unfair competition and antitrust, privacy and data protection, and other matters. Compliance with these laws, regulations, rules, guidelines, and implementations may be costly, and any incompliance or associated inquiries, investigations, and other governmental actions may divert significant management time and attention and Hypebeast’s financial resources, bring negative publicity, subject it to liabilities or administrative penalties, or materially and adversely affect its business, financial condition, results of operations, and the value of its shares.

The ADSs will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or as early as 2023 if proposed changes to the law are enacted. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

The HFCAA was signed into law on December 18, 2020. The HFCAA states that if the SEC determines that Hypebeast has filed audit reports issued by a registered public accounting firm that has not been subject to inspection for the PCAOB for three consecutive years beginning in 2021, the SEC will prohibit Hypebeast's shares or the ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in China. The PCAOB identified Hypebeast's auditor as one of the registered public accounting firms that the PCAOB is unable to inspect or investigate completely, and therefore, Hypebeast's auditor is subject to the abovementioned PCAOB's determination. In March 2022, the SEC issued its first list of issuers identified under the HFCAA indicating that the companies on the list are now formally subject to the delisting provisions if they remain on the list for three consecutive years.

Whether the PCAOB will be able to conduct inspections of Hypebeast's auditor before the issuance of Hypebeast's financial statements on Form 20-F for the year ending December 31, 2023, which is due by April 30, 2024, or at all, is subject to substantial uncertainty and depends on a number of factors out of Hypebeast's, and Hypebeast's auditor's, control. If the ADSs are prohibited from trading in the United States, there is no certainty that Hypebeast will be able to list on a non-U.S. exchange or that a market for the ADSs will develop outside of the United States. Such a prohibition would substantially impair your ability to sell or purchase the ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of the ADSs. Also, such a prohibition would significantly affect Hypebeast's ability to raise capital on terms acceptable to Hypebeast, or at all, which would have a material adverse impact on Hypebeast's business, financial condition, results of operations, and prospects.

On June 22, 2021, the U.S. Senate passed a bill, which would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two. On February 4, 2022, the U.S. House of Representatives passed a bill, which contained, among other things, an identical provision. If this provision is enacted into law and the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA is reduced from three years to two, then the ADSs could be prohibited from trading in the United States as early as 2023.

The PCAOB is currently unable to inspect Hypebeast’s auditor in relation to their audit work performed for Hypebeast’s financial statements and the inability of the PCAOB to conduct inspections over Hypebeast’s auditor deprives Hypebeast’s investors with the benefits of such inspections.

Hypebeast’s auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this prospectus, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Hypebeast’s auditor is included on a list of audit firms the PCAOB determined it is unable to inspect or investigate completely because of a position taken by one or more authorities in those jurisdictions, and is therefore subject to the PCAOB’s determination announced by the PCAOB on December 16, 2021 and currently not inspected by the PCAOB.

Inspections of other audit firms that the PCAOB has conducted outside China have identified deficiencies in those firms’ audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of the PCAOB to conduct inspections or full investigations of Hypebeast’s auditor would deprive investors in Hypebeast’s securities of the benefits of such PCAOB inspections. In addition, the inability of the PCAOB to conduct inspections or full investigations of auditors would make it more difficult to evaluate the effectiveness of Hypebeast’s independent registered public accounting firm’s audit procedures or quality control procedures as compared to auditors that are subject to the PCAOB inspections, which could cause investors and potential investors to lose confidence in the audit procedures and reported financial information and the quality of Hypebeast’s financial statements.

Failure to comply with cybersecurity, data privacy, data protection, or any other laws and regulations related to data may materially and adversely affect Hypebeast’s business, financial condition, and results of operations.

Hypebeast may be subject to a variety of cybersecurity, data privacy, data protection, and other laws and regulations related to data, including those relating to the collection, use, sharing, retention, security, disclosure, and transfer of confidential and private information, such as personal information and other data. These laws and regulations apply not only to third-party transactions, but also to transfers of information within its organization.

These laws and regulations may restrict Hypebeast’s business activities and require it to incur increased costs and efforts to comply, and any breach or noncompliance may subject Hypebeast to proceedings against it, damage its reputation, or result in penalties and other significant legal liabilities, and thus may materially and adversely affect its business, financial condition, and results of operations.

In some jurisdictions, including mainland China, the cybersecurity, data privacy, data protection, or other data-related laws and regulations are relatively new and evolving, and their interpretation and application may be uncertain. For example, the PRC Data Security Law, which was promulgated by the Standing Committee of the National People's Congress on June 10, 2021 and took effect on September 1, 2021, requires data collection to be conducted in a legitimate and proper manner, and stipulates that, for the purpose of data protection, data processing activities must be conducted based on data classification and hierarchical protection system for data security. Furthermore, the recently issued Opinions on Strictly Cracking Down on Illegal Securities Activities require (i) speeding up the revision of the provisions on strengthening the confidentiality and archives management relating to overseas issuance and listing of securities and (ii) improving the laws and regulations relating to data security, cross-border data flow, and management of confidential information. The PRC Personal Information Protection Law, which was promulgated by the Standing Committee of the National People's Congress on August 20, 2021 and took effect on November 1, 2021, integrates the scattered rules with respect to personal information rights and privacy protection and applies to the processing of personal information within mainland China as well as certain personal information processing activities outside mainland China, including those for the provision of products and services to natural persons within China or for the analysis and assessment of acts of natural persons within mainland China. Although as of the date of this proxy statement/prospectus, Hypebeast, its PRC subsidiary and the VIE Entity had not collected, stored, or managed any personal information in mainland China, given that there remain uncertainties regarding the further interpretation and implementation of those laws and regulations, Hypebeast cannot assure you that it will be compliant with all relevant laws and regulations in all respects, and it may be ordered to rectify and terminate any actions that are deemed illegal by the government authorities and become subject to fines and other government sanctions, which may materially and adversely affect its business, financial condition, and results of operations.

The Regulations on Network Data Security Management (Draft for Comments), or the Draft Network Data Regulations, was released by the CAC on November 14, 2021. According to the Draft Network Data Regulations, data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or division of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad of data processors processing over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. The Draft Network Data Regulations also provide that operators of large internet platforms that set up headquarters, operation centers or research and development centers overseas shall report to the national cyberspace administration and competent authorities. In addition, the Draft Network Data Regulations also require that data processors processing important data or listed overseas shall conduct an annual data security self-assessment or entrust a data security service institution to do so, and submit the data security assessment report of the previous year to

the local branch of CAC before January 31 each year. As of the date of this proxy statement/prospectus, the Network Data Regulations had not yet been formally adopted and there is no timetable as to when it will be enacted. As such, substantial uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation, and Hypebeast cannot assure that relevant governmental authorities will not interpret the laws and regulations in ways that may negatively affect it. On December 28, 2021, Measures for Cybersecurity Review was issued by CAC jointly with other governmental authorities, which took effect on February 15, 2022. Under the Measures for Cybersecurity Review, critical information infrastructure operators procure internet products and services must be subject to the cybersecurity review if their activities affect or may affect national security. The Measures further stipulate that network platform operators holding personal information of more than one million users shall apply with the Cybersecurity Review Office for a cybersecurity review before any listing in a foreign country. However, the exact scope of “critical information infrastructure operators” and “network platform operators” under the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of the applicable laws. Regulatory requirements on cybersecurity and data security in the PRC are constantly evolving and can be subject to varying interpretations or significant changes, which may result in uncertainties about the scope of our responsibilities in that regard.

Given that: (i) the personal information held by Hypebeast, its subsidiaries and the VIE Entity from the mainland China operation is less than one million; (ii) Hypebeast and the VIE Entity have not been informed as a critical information infrastructure operator by any governmental authorities; and (iii) Hypebeast and the VIE Entity do not commit any act that threatens or endangers national security, and the Company has not received any investigation, notice, warning or sanction from any governmental authority with respect to national security issues arising from the operations or this offering, as of the date of this proxy statement/prospectus, Hypebeast believes that Hypebeast and the VIE Entity do not need to proactively apply for the cybersecurity review required by the CAC for this offering. However, there remains uncertainty as to how the Measures will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Measures and there is no assurance that PRC regulatory agencies, including the CAC, would take the same view as Hypebeast does. If any such new laws, regulations, rules, or implementation and interpretation comes into effect, Hypebeast and the VIE Entity will take all reasonable measures and actions to comply and to minimize the adverse effect of such laws on Hypebeast. However, Hypebeast cannot assure you that Hypebeast and the VIE Entity can fully or timely comply with such laws. In the event that Hypebeast and the VIE Entity are subject to any mandatory cybersecurity review and other specifications required by the CAC, Hypebeast and the VIE Entity face uncertainty as to whether any clearance or other required actions can be timely completed, or at all. Given such uncertainty, Hypebeast and the VIE Entity may be further required to suspend Hypebeast’s and the VIE Entity’s relevant business, shut down Hypebeast’s and the VIE Entity’s website, or face other

penalties, which could materially and adversely affect Hypebeast's and the VIE Entity's business, financial condition, and results of operations, and/or the value of Hypebeast's securities or could significantly limit or completely hinder Hypebeast's ability to offer or continue to offer securities to investors. In addition, if any of these events leads to a result that Hypebeast becomes unable to direct the activities of the VIE Entity or lose the right to receive their economic benefits, Hypebeast will not be able to consolidate the VIE Entity into its consolidated financial statements in accordance with IFRS, which could cause the value of Hypebeast's securities to significantly decline or become worthless.

Although Hypebeast believes the permission or approval from, or the filing with, the CSRC, the CAC, or other PRC authorities is not required in connection with this offering under PRC law, it cannot assure you that the regulators in mainland China hold the same position with Hypebeast or will not adopt new laws, regulations and rules or detailed implementations and interpretations or will not subsequently require Hypebeast to undergo the approval procedures and subject Hypebeast to sanctions. Any action by the PRC government to exert moreover sight and control over offerings that are conducted overseas and foreign investment in China-based issuers could result in a material change in Hypebeast's operation, cause the value of its securities to significantly decline, and significantly limit or completely hinder Hypebeast's ability to offer or continue to offer its ADSs to investors.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, purport to require offshore special purpose vehicles that are controlled by PRC domestic companies or individuals and that have been formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies or assets to obtain CSRC approval prior to publicly listing and trading their securities on an overseas stock exchange. The interpretation and implementation of the regulations remain unclear.

In addition, the PRC government authorities may strengthen oversight over offerings that are conducted overseas. For instance, on July 6, 2021, the relevant PRC governmental authorities promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities, which emphasized the need to strengthen the supervision over overseas listings by PRC companies. Effective measures, such as promoting the construction of relevant regulatory systems, are to be taken to deal with the risks and incidents of China-based overseas-listed companies, cybersecurity and data privacy protection requirements and similar matters. On November 14, 2021, the CAC publicly solicited opinions on the Draft Network Data Regulations, according to which, data processors listing abroad processing over one million users' personal information shall apply for cybersecurity review. On December 28, 2021, the Revised Cybersecurity Review Measures was released, which stipulate, among others, that any network platform operator holding more than one million individuals' personal information that intends to apply for listing in a foreign country shall

apply for a cybersecurity review. See also “-Failure to comply with cybersecurity, data privacy, data protection, or any other laws and regulations related to data may materially and adversely affect Hypebeast’s business, financial condition, and results of operations.” These statements and regulations are recently issued and there remain substantial uncertainties about their interpretation and implementation.

On December 24, 2021, the CSRC issued Provisions of the State Council on the Management of the Overseas Listing and Issuance of Domestic Enterprises (Draft for Comments) and Administrative Measures on the Management of the Overseas Listing and Issuance of Domestic Enterprises (Draft for Comments) (collectively, the “**Draft Overseas Listing Rules**”) for public consultations. Under the Draft Overseas Listing Rules, issuers that intend to list or offer securities on foreign stock exchanges through direct offshore listing (i.e., the listing of a PRC-incorporated company) or indirect offshore listing (i.e., the listing of an overseas company that meets the following conditions: (a) more than 50% of the revenue, profit, gross assets or net assets of the issuer in the last fiscal year originated from a PRC-incorporated company or companies, (b) a majority of the issuer’s senior executives in charge of its business operations are PRC citizens or habitually reside in the PRC and the issuer’s business operations are mainly conducted or located in the PRC) shall complete a filing with the CSRC within three business days upon the issuer’s initial filing of its listing application documents with the foreign stock exchange. The relevant filing materials include but are not limited to: (i) the filing report and relevant undertakings; (ii) regulatory opinions issued by, filings with or approvals from competent authorities of our industry, if applicable; (iii) cybersecurity assessment review opinions issued by competent authorities, if applicable; (iv) opinions issued by a PRC legal counsel; and (iv) the prospectus used for the overseas listing. If the filing documents submitted to the CSRC are complete and in compliance with the applicable requirements, the CSRC will issue a notice of record within 20 business days. It is uncertain whether, when and in what form the Draft Overseas Listing Rules will be enacted.

Considering that (i) Draft Overseas Listing Rules have not come into effect; (ii) no explicit provisions under currently effective PRC laws, regulations and rules clearly classifies indirect listing through contractual arrangements like Hypebeast’s existing corporate structure are required to obtain approvals from PRC authorities, as advised by King & Wood Mallesons, Hypebeast’s PRC legal counsel, Hypebeast believes that Hypebeast and the VIE Entity are not required to submit applications for the approval of, or the filing with, the CSRC or other equivalent PRC government authorities according to currently effective PRC laws, regulations and rules at this stage. However, as the Draft Overseas Listing Rules have not been formally adopted and the Negative List 2021 was newly published, and due to the lack of further clarifications or detailed rules and regulations, there are still uncertainties as to how the aforementioned rules will be interpreted or implemented and whether the PRC regulatory agencies may adopt new laws, regulations, rules, or detailed implementation and interpretation and there is no assurance that PRC regulatory agencies, including the CSRC, would take the same view as Hypebeast and King & Wood Mallesons,

Hypebeast's PRC legal counsel, do. And Hypebeast cannot assure you that it can fully or timely comply with such laws. If it is determined that the approval of the CSRC or other PRC government authorities is required for this offering, or if the CSRC or other regulatory agencies later promulgate new rules or explanations requiring that Hypebeast obtain their approvals for this offering, Hypebeast may be unable to obtain a waiver of such approval requirements, and Hypebeast may face sanctions by the CSRC or other PRC regulatory agencies for failure to obtain or delay in obtaining approvals from the CSRC or other PRC regulatory agencies for this offering. These regulatory authorities may impose fines and penalties on Hypebeast's operations in China, limit Hypebeast's ability to pay dividends outside of China, limit Hypebeast's operating privileges in China, delay or restrict the repatriation of the proceeds from Hypebeast's offshore offerings into China or take other actions that could materially and adversely affect Hypebeast's business, reputation, financial condition, results of operations, prospects, as well as the trading price of the ADSs. The CSRC or other PRC regulatory agencies may also take actions requiring Hypebeast, or making it advisable for Hypebeast, to halt this offering before the settlement and delivery of the ADSs that Hypebeast is offering. Consequently, if you engage in market trading or other activities in anticipation of and prior to the settlement and delivery of the ADSs Hypebeast is offering, you would be doing so at the risk that the settlement and delivery may not occur. Hypebeast and the VIE Entity have been closely monitoring regulatory developments in China regarding any necessary approvals from the CSRC, the CAC, or other PRC regulatory authorities required for overseas listings, including this offering.

Hypebeast is subject to PRC restrictions on currency exchange.

Some of Hypebeast's expenses and a portion of its revenues are denominated in Renminbi. The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under Hypebeast's current corporate structure, it may rely on dividend payments from its PRC subsidiary to fund any cash and financing requirements it may have. Under existing PRC foreign exchange control regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, Hypebeast's PRC subsidiary are currently able to pay dividends in foreign currencies to Hypebeast without prior approval from SAFE by complying with certain procedural requirements. However, approval from or filing, registration with or report to appropriate government authorities or designated banks is required where Renminbi is to be converted into foreign currency and remitted out of mainland China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. As a result, Hypebeast Cultural needs to obtain and complete SAFE approval or registration to use cash generated from its operations to pay off its respective debt in a currency other than Renminbi owed to entities outside mainland China (if any), or to make other capital expenditure payments outside mainland China in a currency

other than Renminbi. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Since a part of Hypebeast's future net income and cash flow will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit its ability to utilize cash generated in Renminbi to fund its business activities outside of the PRC or pay dividends in foreign currencies to its shareholders, and may limit its ability to obtain foreign currency through debt or equity financing for its PRC subsidiary and the VIE Entity.

Hypebeast may be affected by the currency peg system in Hong Kong

Since 1983, Hong Kong dollars have been pegged to the US dollars at the rate of approximately HK\$7.80 to US\$1.00. There is no assurance that this policy will not be changed in the near future. If the pegging system collapses and the value of the Hong Kong dollars rises against the US dollar, Hypebeast's sale in US or other US currency based regions may be adversely affected. PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent Hypebeast from using the proceeds of Hypebeast's public offering to make loans or additional capital contributions to its PRC subsidiary, which could materially and adversely affect Hypebeast's liquidity and its ability to fund and expand Hypebeast's business.

Hypebeast is an offshore holding company conducting its operations in mainland China through its PRC subsidiary and the VIE Entity. Hypebeast may make loans to its PRC subsidiary and the VIE Entity subject to the approval or registration from governmental authorities and limitation on amount, or Hypebeast may make additional capital contributions to its wholly foreign-owned subsidiaries in mainland China. Any loans to its wholly foreign-owned subsidiary in mainland China, which are treated as foreign investment enterprise (the "FIE") under PRC law, are subject to foreign exchange loan registrations. In addition, a FIE, shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of an FIE shall not be used for the following purposes: (i) directly or indirectly used for payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities or investments other than banks' principal-secured products unless otherwise provided by relevant laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or SAFE Circular 19, effective June 2015 and amended on December 2019, in replacement of a former regulation. According to SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of

a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans (unless otherwise permitted in the business license), the repayment of inter-enterprise loans or the repayment of bank loans that have been transferred to a third party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in China in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit Hypebeast's ability to transfer any foreign currency Hypebeast holds, including the net proceeds from this offering, to Hypebeast's PRC subsidiary, which may adversely affect its liquidity and ability to fund and expand Hypebeast's business in China. On October 23, 2019, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment, or the SAFE Circular 28, which, among other things, allows all foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. On April 10, 2020, the SAFE issued the Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business, or the SAFE Circular 8. The SAFE Circular 8 provides that under the condition that the use of the funds is genuine and compliant with current administrative provisions on use of income relating to capital account, enterprises are allowed to use income under capital account such as capital funds, foreign debts and overseas listings for domestic payment, without submission to the bank prior to each transaction of materials evidencing the veracity of such payment. However, since the SAFE Circular 28 and SAFE Circular 8 are relatively new, it is unclear how SAFE and competent banks will carry these out in practice.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, Hypebeast cannot assure you that the PRC government will not intervene in or impose restrictions on the ability of Hypebeast, Hypebeast's subsidiaries, and the VIE Entity to transfer cash and that Hypebeast, Hypebeast's subsidiaries, and the VIE Entity will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by Hypebeast to its PRC subsidiary or the VIE Entity

or with respect to future capital contributions. If Hypebeast, Hypebeast's subsidiaries, and the VIE Entity fail to complete such registrations or obtain such approvals, their ability to use the proceeds from its public offering and to capitalize or otherwise fund Hypebeast's PRC operations may be negatively affected, which could materially and adversely affect Hypebeast's liquidity and its ability to fund and expand its business.

Costs of conducting business in Hong Kong

The costs of doing business in Hong Kong is high as compared to its surrounding regions. Hypebeast rents office space and warehouse in Hong Kong. The majority of its workforce is also based in Hong Kong. In view of the high rental price and high labour cost in Hong Kong, Hypebeast needs to exercise careful control over its expenditures in these areas. Should Hypebeast fail to control its costs, the financial performance of Hypebeast may be adversely affected.

Risk Factors Relating to the Business Combination

In the event that a significant number of ISAA's shares of common stock are redeemed, the Hypebeast's ordinary shares may become less liquid following the Business Combination.

If a significant number of ISAA's shares of common stock are redeemed, Hypebeast may be left with a significantly smaller number of stockholders. As a result, trading in the shares of Hypebeast following the Business Combination may be limited and your ability to sell your shares in the market could be adversely affected.

ISAA may waive one or more of the conditions to the Business Combination without resoliciting stockholder approval for the Business Combination.

ISAA may agree to waive, in whole or in part, some of the conditions to its obligations to complete the Business Combination, to the extent permitted by applicable laws. The ISAA Board will evaluate the materiality of any waiver to determine whether amendment of this proxy statement/prospectus and resolicitation of proxies is warranted. In some instances, if the ISAA Board determines that a waiver is not sufficiently material to warrant resolicitation of stockholders, ISAA has the discretion to complete the Business Combination without seeking further stockholder approval. For example, it is a condition to ISAA's obligations to close the Business Combination that there be no restraining order, injunction or other order restricting Hypebeast's conduct of its business, however, if the ISAA Board determines that any such order or injunction is not material to the business of Hypebeast, then the ISAA Board may elect to waive that condition and close the Business Combination.

There will be a substantial number of Hypebeast ordinary shares available for sale in the future that may adversely affect the market price of Hypebeast's ordinary shares.

Hypebeast may issue such number of shares as may be approved by its shareholders and authorized by its directors, in accordance with the terms of its constitution. The shares to be issued to the Sponsor and officers and directors of ISAA will be subject to lock-up restrictions for a period of up to three-years from the date of closing of the Business Combination, subject to the early release provisions set forth in the Sponsor Lock-up Agreement. After the expiration of the lock-up restrictions, there will then be an additional 5,360,800 shares that are eligible for trading in the public market. The availability of such a significant number of securities for trading in the public market may have an adverse effect on the market price of Hypebeast's ordinary shares.

ISAA's stockholders will experience immediate dilution as a consequence of the issuance of Hypebeast's ordinary shares as consideration in the Business Combination. Having a minority share position may reduce the influence that ISAA's current stockholders have on the management of ISAA.

Immediately following the Business Combination and assuming (i) there are no redemptions of ISAA public shares; (ii) Hypebeast will have a total of 30,000,000 Consolidated Shares issued and outstanding immediately before Closing and (iii) the PIPE Investors (including any Additional PIPE Investors) will complete their subscription of Consolidated Shares on the Closing Date and concurrently with the Closing pursuant to the respective PIPE Subscription Agreements and any Permitted Equity Agreements (which as of the date of this proxy statement/prospectus consist of commitments totaling US\$15.3 million), ISAA's current public stockholders will own approximately 31.13% of Hypebeast, ISAA's current directors, officers and affiliates will own approximately 10.01% of Hypebeast, and the existing shareholders of Hypebeast will own approximately 56.00% of Hypebeast.

Immediately following the Business Combination and assuming (i) redemption by holders of 15,014,000 ISAA's outstanding shares of common stock; (ii) Hypebeast will have a total of 30,000,000 Consolidated Shares issued and outstanding immediately before Closing and (iii) the PIPE Investors (including any Additional PIPE Investors) will complete their subscription of Consolidated Shares on the Closing Date and concurrently with the Closing pursuant to the respective PIPE Subscription Agreements and any Permitted Equity Agreements (which as of the date of this proxy statement/prospectus consist of commitments totaling US\$15.3 million), ISAA's current public stockholders will own approximately 4.05% of Hypebeast, ISAA's current directors, officers and affiliates will own approximately 13.94% of Hypebeast, and the existing shareholders of Hypebeast will own approximately 78.02% of Hypebeast. The forgoing amounts of percentage ownership will change (x) if the actual facts differ from the assumptions set forth above or (y) if the Company enters into any additional Permitted Equity Subscription Agreements after the date of this proxy statement/prospectus and before Closing. The minority position of the former ISAA stockholders will give them limited influence over the management and operations of the post-Business Combination company.

ISAA and Hypebeast have incurred and expect to incur significant costs associated with the Business Combination. Whether or not the Business Combination is completed, the incurrence of these costs will reduce the amount of cash available to be used for other corporate purposes by Hypebeast if the Business Combination is completed or by ISAA if the Business Combination is not completed.

ISAA and Hypebeast expect to incur significant costs in connection with consummating the Business Combination, and operating as a public company following the consummation of the Business Combination.

All expenses incurred in connection with the Merger Agreement and the transactions contemplated thereby (including the Business Combination), including all legal, accounting, consulting, investment banking and other fees, expenses and costs, will be for the account of the party incurring such fees, expenses and costs.

ISAA's and Hypebeast's transaction expenses are currently estimated at approximately \$[•], including a cash underwriting fee of \$3,336,000 paid to the underwriter at completion of ISAA's IPO and \$5,838,000 in additional underwriting commissions payable to the underwriter of ISAA's IPO upon consummation of the Business Combination. The amount of these deferred underwriting commissions will not be adjusted for any shares that are redeemed in connection with the Business Combination. The per share amount to be distributed to stockholders who properly exercise their redemption rights will not be reduced by the deferred underwriting commissions, and after such redemptions, the per share value of shares held by non-redeeming stockholders will reflect ISAA's obligation to pay the deferred underwriting commissions. Assuming no redemptions, these deferred underwriting commissions represent an effective underwriting fee percentage of approximately 2.3%,

assuming a value of \$166,800,000, in addition to the underwriting commissions paid at the closing of ISAA's IPO. Assuming 10% redemption of shares, these deferred underwriting commissions represent an effective underwriting fee percentage of approximately 2.6%, assuming a value of \$150,120,000 (which assumes redemptions at \$10.00 per share), in addition to the underwriting commissions paid at the closing of ISAA's IPO. Assuming 50% redemption of shares, these deferred underwriting commissions represent an effective underwriting fee percentage of approximately 4.7%, assuming a value of \$83,400,000 (which assumes redemptions at \$10.00 per share), in addition to the underwriting commissions paid at the closing of ISAA's IPO. Assuming 75% redemption of shares, these deferred underwriting commissions represent an effective underwriting fee percentage of approximately 9.3%, assuming a value of \$41,700,000 (which assumes redemptions at \$10.00 per share), in addition to the underwriting commissions paid at the closing of ISAA's IPO. Assuming the maximum redemptions scenario, these deferred underwriting commissions represent an effective underwriting fee percentage of approximately 23.4%, assuming a value of \$16,660,000 (which assumes redemptions at \$10.00 per share), in addition to the underwriting commissions paid at the closing of ISAA's IPO.

Whether or not the Business Combination is completed, ISAA expects to incur approximately USD\$[1] million in expenses. These expenses will reduce the amount of cash available to be used for other corporate purposes by Hypebeast if the Business Combination is completed or by ISAA if the Business Combination is not completed.

Risks Relating to the Combined Company's Securities Following the Business Combination

The price of Hypebeast Ordinary Shares may be volatile, and the value of Hypebeast Ordinary Shares may decline.

Hypebeast cannot predict the prices at which Hypebeast Ordinary Shares will trade. The price of Hypebeast Ordinary Shares may not bear any relationship to the market price at which Hypebeast Ordinary Shares will trade after the Transactions or to any other established criteria of the value of Hypebeast's business and prospects, and the market price of Hypebeast Ordinary Shares following the Business Combination may fluctuate substantially and may be lower than the price agreed by ISAA and Hypebeast in connection with the Transactions. In addition, the trading price of Hypebeast Ordinary Shares following the Business Combination could be subject to fluctuations in response to various factors, some of which are beyond Hypebeast's control. These fluctuations could cause you to lose all or part of your investment in Hypebeast Ordinary Shares as you might be unable to sell these securities at or above the price you paid in the Transactions. Factors that could cause fluctuations in the trading price of Hypebeast Ordinary Shares include the following:

- actual or anticipated fluctuations in Hypebeast's financial condition or results of operations;

- variance in Hypebeast’s financial performance from expectations of securities analysts;
- changes in Hypebeast’s projected operating and financial results;
- changes in laws or regulations applicable to Hypebeast’s business;
- announcements by Hypebeast or its competitors of significant business developments, acquisitions or new offerings;
- sales of Hypebeast Ordinary Shares by Hypebeast, its shareholders or its warrant holders, as well as the anticipation of lockup releases;
- significant breaches of, disruptions to or other incidents involving Hypebeast’s information technology systems or those of its business partners;
- Hypebeast’s involvement in litigation;
- conditions or developments affecting the digital advertising and online retail industries in Hong Kong;
- changes in Hypebeast’s senior management or key personnel;
- the trading volume of Hypebeast’s securities;
- changes in the anticipated future size and growth rate of Hypebeast’s markets;
- publication of research reports or news stories about Hypebeast, its competitors or its industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- general economic and market conditions; and
- other events or factors, including those resulting from war, incidents of terrorism, global pandemics or responses to these events.

The process of taking a company public by means of a business combination with a special purpose acquisition company is different from taking a company public through an IPO and may create risks for Hypebeast’s unaffiliated investors.

An IPO involves a company engaging underwriters to purchase its shares and resell them to the public. An underwritten offering imposes statutory liability on the underwriters for material misstatements or omissions contained in the registration statement unless they are able to sustain the burden of proving that they did not know and could not reasonably have discovered such material misstatements or omissions. This is referred to as a “due diligence” defense and results in the underwriters undertaking a detailed review of an IPO company’s business, financial condition and results of operations. Going public via a business combination with a special purpose acquisition company (“SPAC”), such as ISAA, does not involve any underwriters and may therefore result in less careful vetting of information that is presented to the public.

In addition, going public via a business combination with a SPAC does not involve a bookbuilding process as is the case in an IPO. In any IPO, the initial value of a company is set by investors who indicate the price at which they are prepared to purchase shares from the underwriters. In the case of a business combination involving a SPAC, the value of the target company is established by means of negotiations between the target company and the SPAC. The process of establishing the value of a target company in a SPAC business combination may be less effective than an IPO bookbuilding process and also does not reflect events that may have occurred between the date of the Merger Agreement and the closing of the transaction.

In addition, while IPOs are frequently oversubscribed, resulting in additional potential demand for shares in the aftermarket following an IPO, there is no comparable process of generating investor demand in connection with a business combination between a target company and a SPAC, which may result in lower demand for the combined company’s securities after closing, which could in turn decrease liquidity and trading prices as well as increase trading volatility.

An active trading market for Hypebeast Ordinary Shares may not develop or be sustained, which would adversely affect the liquidity and price of Hypebeast Ordinary Shares.

Following the Business Combination, the price of Hypebeast Ordinary Shares may fluctuate significantly due to the market’s reaction to the Business Combination and general market and economic conditions. An active trading market for Hypebeast’s ordinary shares following the Business Combination may never develop or, if developed, may not be sustained. The trading price or liquidity for Hypebeast Ordinary Shares on the Hong Kong Stock Exchange might not be indicative of those of Hypebeast Ordinary Shares on Nasdaq following the completion of the Business Combination. In addition, the price

of Hypebeast Ordinary Shares after the Business Combination may vary due to general economic conditions and forecasts, Hypebeast's general business condition and the release of Hypebeast's financial reports.

Additionally, if the combined company's securities are not listed on Nasdaq and are quoted on the OTC Bulletin Board (an inter-dealer automated quotation system for equity securities that is not a national securities exchange)], the liquidity and price of Hypebeast Ordinary Shares may be more limited than if Hypebeast were quoted or listed on Nasdaq or another national securities exchange. You may be unable to sell your securities unless a market can be established or sustained.

If Hypebeast does not meet the expectations of equity research analysts, if they do not publish research reports about Hypebeast's business or if they issue unfavorable commentary or downgrade Hypebeast Ordinary Shares, the price of Hypebeast Ordinary Shares could decline.

The trading market for Hypebeast Ordinary Shares will rely in part on the research reports that equity research analysts publish about Hypebeast and its business. The analysts' estimates are based upon their own opinions and are often different from Hypebeast's estimates or expectations. If its results of operations are below the estimates or expectations of equity research analysts and investors, the price of Hypebeast Ordinary Shares could decline. Moreover, the price of Hypebeast Ordinary Shares could decline if one or more equity research analysts downgrade Hypebeast Ordinary Shares or if those analysts issue other unfavorable commentary or cease publishing reports about Hypebeast or its business.

Hypebeast's issuance of additional share capital in connection with financings, acquisitions, investments, Hypebeast's equity incentive plans or otherwise will dilute all other shareholders.

Hypebeast expects to issue additional share capital in the future that will result in dilution to all other shareholders. Hypebeast expects to grant equity awards to key employees under its equity incentive plans. Hypebeast may also raise capital through equity financings in the future. As part of its business strategy, Hypebeast may acquire or make investments in companies, solutions or technologies and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional share capital may cause shareholders to experience significant dilution of their ownership interests and the per share value of Hypebeast Ordinary Shares to decline.

Hypebeast does not intend to pay dividends for the foreseeable future, and as a result, your ability to achieve a return on your investment will depend on appreciation in the price of Hypebeast Ordinary Shares.

Hypebeast does not intend to pay any cash dividends in the foreseeable future, and any determination to pay dividends in the future will be at the discretion of its board of directors. Accordingly, you may need to rely on sales of Hypebeast Ordinary Shares after price appreciation, which may never occur, as the only way to realize any future gains on your investment.

Hypebeast is an “emerging growth company,” and it cannot be certain if the reduced reporting and disclosure requirements applicable to emerging growth companies will make Hypebeast Ordinary Shares less attractive to investors.

Hypebeast is an “emerging growth company,” as defined in the JOBS Act, and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards.

The combined company will remain an emerging growth company until the earlier of: (i) the last day of the fiscal year (a) following the fifth anniversary of the consummation of this offering, (b) in which the combined company has total annual gross revenue of at least \$1.07 billion, or (c) in which the combined company is deemed to be a large accelerated filer, which means the market value of the combined company’s common equity that is held by non-affiliates exceeds \$700 million as of the last business day of its most recently completed second fiscal quarter; and (ii) the date on which the combined company has issued more than \$1.00 billion in non-convertible debt securities during the prior three-year period. References herein to “emerging growth company” have the meaning associated with it in the JOBS Act.

Hypebeast cannot predict if investors will find Hypebeast Ordinary Shares less attractive if Hypebeast chooses to rely on these exemptions. If some investors find Hypebeast Ordinary Shares less attractive as a result, there may be a less active trading market for Hypebeast Ordinary Shares, and the price of Hypebeast Ordinary Shares may be more volatile.

Hypebeast will be a foreign private issuer, and as a result, it will not be subject to U.S. proxy rules and will be subject to Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those of a U.S. domestic public company.

Upon the closing of the Transactions, Hypebeast will report under the Exchange Act as a non-U.S. company with foreign private issuer status. Because Hypebeast qualifies as a foreign private issuer under the Exchange Act, it is exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including, among others, (1) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act, (2) the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time, and (3) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information. In addition, foreign private issuers are not required to file their annual report on Form 20-F until 120 days after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year, and U.S. domestic issuers that are large accelerated filers are required to file their annual report on Form 10-K within 60 days after the end of each fiscal year. As a result of all of the above, you may not have the same protections afforded to shareholders of a company that is not a foreign private issuer.

As Hypebeast is a “foreign private issuer” and intends to follow certain home country corporate governance practices, its shareholders may not have the same protections afforded to shareholders of companies that are subject to all Nasdaq corporate governance requirements.

As a foreign private issuer, Hypebeast has the option to follow certain home country corporate governance practices rather than those of Nasdaq, provided that it discloses the requirements it is not following and describe the home country practices it is following. If Hypebeast chooses to follow home country practices in the future, its shareholders may not have the same protections afforded to shareholders of companies that are subject to all Nasdaq corporate governance requirements.

Hypebeast may lose its foreign private issuer status in the future, which could result in significant additional costs and expenses.

As discussed above, Hypebeast is a foreign private issuer, and therefore, it is not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act. The determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter, and accordingly, the next determination will be made with respect to Hypebeast on June 30, 2022. In the future, Hypebeast would lose its foreign private issuer status if (1) more than 50% of its outstanding voting securities are owned by U.S. residents and (2) a majority of its directors or executive officers are U.S. citizens or residents, a majority of its assets are located in the U.S., or its business is administered principally in the U.S. If Hypebeast loses its foreign private issuer status, it will be required to file with the SEC periodic reports and registration statements on U.S. domestic issuer forms, which are more detailed and extensive than the forms available to a foreign private issuer. It will also have to mandatorily comply with U.S. federal proxy requirements, and its officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. In addition, Hypebeast will lose its ability to rely upon exemptions from certain corporate governance requirements under the listing rules of Nasdaq. A U.S.-listed public company that is not a foreign private issuer will incur significant additional legal, accounting and other expenses that a foreign private issuer will not incur.

Hypebeast does not intend to make any determinations on whether it or its subsidiaries are CFCs for U.S. federal income tax purposes.

Hypebeast does not intend to make any determinations on whether it or any of its subsidiaries are treated as "controlled foreign corporations" within the meaning of Section 957(a) of the Code ("CFCs"), or whether any U.S. Holder of Hypebeast Ordinary Shares is treated as a "United States shareholder" within the meaning of Section 951(b) of the Code with respect to any such CFC. Hypebeast does not expect to furnish to any U.S. Holder of Hypebeast Ordinary Shares information that may be necessary to comply with applicable reporting and tax paying obligations with respect to CFCs. The Internal Revenue Service, or the IRS, has provided limited guidance regarding the circumstances in which investors may rely on publicly available information to comply with their reporting and taxpaying obligations with respect to CFCs. U.S. Holders of Hypebeast Ordinary Shares should consult their tax advisors regarding the potential application of these rules to their particular circumstances.

If Hypebeast or any of its subsidiaries are characterized as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes, U.S. Holders may suffer adverse U.S. federal income tax consequences.

A non-U.S. corporation generally will be treated as a PFIC for U.S. federal income tax purposes, in any taxable year if either (1) at least 75% of its gross income for such year is passive income or (2) at least 50% of the value of its assets (generally based on an average of the quarterly values of the assets) during such year is attributable to assets that produce or are held for the production of passive income. Based on the 2021 composition of the income, assets and operations of Hypebeast and its subsidiaries, Hypebeast does not believe it will be treated as a PFIC for the taxable year that includes the Business Combination, however there can be no assurances in this regard or any assurances that Hypebeast will not be treated as a PFIC in any future taxable year. Moreover, the application of the PFIC rules is subject to uncertainty in several respects, and Hypebeast cannot assure you that the IRS will not take a contrary position or that a court will not sustain such a challenge by the IRS.

Whether Hypebeast or any of its subsidiaries are a PFIC for any taxable year is a factual determination that depends on, among other things, the composition of Hypebeast's income and assets, its market value and the market value of its subsidiaries' shares and assets. Changes in Hypebeast's composition, the composition of its income or the composition of any of its subsidiaries assets may cause it to be or become a PFIC for the current or subsequent taxable years. Whether Hypebeast is treated as a PFIC for U.S. federal income tax purposes is a factual determination that must be made annually at the close of each taxable year and, thus, is subject to significant uncertainty.

If Hypebeast is a PFIC for any taxable year, a U.S. Holder of Hypebeast Ordinary Shares may be subject to adverse tax consequences and may incur certain information reporting obligations. U.S. Holders of Hypebeast Ordinary Shares are strongly encouraged to consult their own advisors regarding the potential application of these rules to Hypebeast and the ownership of Hypebeast Ordinary Shares.

The Business Combination may be a taxable event for U.S. Holders of ISAA Shares of Common Stock.

It is intended that the Merger qualify as a "reorganization" within the meaning of Section 368 of the Code and, as a result, a U.S. Holder (as defined below) would not recognize gain or loss on the exchange of ISAA shares of common stock for Hypebeast ordinary shares pursuant to the Business Combination.

However, there are many requirements that must be satisfied in order for the Merger to qualify as a reorganization under Section 368(a) of the Code, some of which are based upon factual determinations, and the reorganization treatment could be adversely affected by events or actions that occur or are taken after the Merger. One such requirement, among

others, is that the acquiring corporation continue, either directly or indirectly through certain controlled corporations, either a significant line of the acquired corporation's historic business or use a significant portion of the acquired corporation's historic business assets in a business, in each case, within the meaning of Treasury regulations Section 1.368-1(d). However, due to the absence of guidance bearing directly on how the above rules apply in the case of an acquisition of a corporation with no active business and only investment-type assets, such as ISAA, the qualification of the Merger as a reorganization is not free from doubt. In addition, the treatment of the Merger as a reorganization would depend on whether sufficient stockholders of ISAA exchange their common stock for Hypebeast ordinary shares rather than redeem it for cash. If a significant number of stockholders of ISAA decide to redeem their common stock, the "continuity of business enterprise" requirement that is necessary to qualify as a reorganization under Section 368(a) of the Code may not be satisfied and the requirement that ISAA retain "substantially all" of its assets to qualify as a reorganization under Section 368 of the Code may not be satisfied. Due to the absence of guidance bearing directly on whether an acquisition of a corporation with no active business can qualify as a "reorganization" under Section 368(a) of the Code, legal counsel to ISAA on U.S. federal income tax matters is not rendering an opinion regarding the qualification of the Merger as a "reorganization" under Section 368(a) of the Code. No ruling has been, or will be, sought by ISAA or Hypebeast from the IRS with respect to the Business Combination and there can be no assurance that the IRS will not challenge the qualification of the Merger as a "reorganization" under Section 368(a) of the Code or that a court would not sustain such a challenge. Moreover, Section 367(a) of the Code and the applicable Treasury regulations promulgated thereunder provide that, where a U.S. person exchanges stock or securities in a U.S. corporation for stock or securities in a non-U.S. ("**foreign**") corporation in a transaction that qualifies as a reorganization, the U.S. person is required to recognize any gain, but not loss, realized on such exchange unless certain additional requirements are met. There are significant factual and legal uncertainties concerning the determination of whether these requirements will be satisfied in the case of the Business Combination.

If the Merger does not qualify as a reorganization for a reason other than the application of Section 367(a) of the Code, a U.S. Holder that exchanges its ISAA shares of common stock for the consideration under the Business Combination will recognize gain or loss equal to the difference between (i) the fair market value of the Hypebeast ordinary shares received and (ii) the U.S. Holder's adjusted tax basis in the ISAA shares of common stock exchanged.

PROPOSAL NO. 1

THE MERGER PROPOSAL

Summary of Hypebeast Financial Analysis

The following is a summary of the financial analyses prepared by ISAA management and reviewed by the ISAA Board in connection with the valuation of Hypebeast. The summary set forth below does not purport to be a complete description of the financial analysis performed or factors considered by ISAA nor does the order of the financial analysis described represent the relative importance or weight given to those financial analysis by the ISAA Board. We may have deemed various assumptions more or less probable than other assumptions, so the valuations implied by the analysis summarized below should not be taken to be ISAA's view of the actual value of Hypebeast.

While presented with numerical specificity, the financial analyses prepared by ISAA management are forward-looking and reflect numerous estimates and assumptions including, but not limited to, future industry performance under various industry scenarios as well as assumptions for competition, general business, economic, market and financial conditions and matters specific to the business of Hypebeast, all of which are inherently uncertain and difficult to predict and many of which are beyond the preparing parties' control including, among other things, that Hypebeast:

- Will continue to be able to operate profitably without reliance on future outside investment;
- Will continue to have well diversified revenue streams across its three primary business units: media, agency services and ecommerce;
- Will continue to be geographically diversified in terms of revenue from each of its three primary business units;
- Will continue to have a diversified client base for its media and agency services business units, mitigating concentration risk from specific industries and/or specific clients;
- Will maintain a consistent pace of new client acquisitions and continue to grow its market share;
- Will enter into new license or collaboration agreements; and
- Will continue to be subject to matters described in the sections titled "*Cautionary Note Regarding Forward-Looking Statements*" and "*Risk Factors*."

Further, the ISAA management specifically assumed:

- Hypebeast will be able to continuously execute on its business plan, both in terms of existing operations and opportunities for future expansion; and
- the cash delivered to Hypebeast at the closing of the Business Combination will be sufficient to finance Hypebeast for the next several years, allowing for the achievement of meaningful catalysts and value creation as a result of the closing of the Business Combination.

None of Hypebeast, ISAA, or any other person assumes responsibility if future results are materially different from those discussed. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth below. In addition, analyses relating to the value of Hypebeast do not purport to be appraisals or reflect the prices at which Hypebeast shares may actually be valued upon closing of the Business Combination. Accordingly, the assumptions and estimates used in, and the results derived from, the financial analyses are inherently subject to substantial uncertainty. Except as otherwise noted, the following analysis, to the extent that it is based on market data, is based on market data as it existed on or before January 8, 2022 and is not necessarily indicative of current market conditions.

Selected Comparable Public Company Analysis

ISAA reviewed certain financial information of Hypebeast and compared it to certain comparable disruptive, tech-enabled media and ecommerce companies, selected based on ISAA's experience and the professional judgment of its management team. ISAA identified the following criteria as significant in determining whether a company was considered to be comparable:

- **Digital Media Businesses:** Hypebeast operates within the digital media industry, and generates significant revenue through advertising contracts with clients. Other companies with similar profiles in terms of clientele and service offerings share a number of characteristics with respect to market opportunity and revenue cycle, among others.

- **Inventory eCommerce and Marketplace Companies:** Hypebeast operates a robust eCommerce website shipping to a worldwide customer base across fashion verticals that include streetwear, casual wear, high fashion, lifestyle and accessories. A small percentage of Hypebeast's eCommerce offerings are considered to be used and ISAA believes a significant opportunity for further investment into Marketplace and ReCommerce exists.
- **Luxury Fashion and Streetwear Brands:** Hypebeast generates revenue from both luxury fashion and streetwear brands by both contract-based advertising and eCommerce activities, through inventory eCommerce and ReCommerce.

None of the selected companies has characteristics identical to Hypebeast. Some of the companies have greater resources than does Hypebeast, and their businesses may be more mature than Hypebeast. An analysis of selected publicly traded companies is not purely quantitative; rather it involves complex considerations and judgments concerning differences in financial and operating characteristics of the selected companies and other factors that could affect the public trading values of the companies reviewed. ISAA believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the selected public company analysis. Accordingly, ISAA also made qualitative judgments, based on its experience and the professional judgment of its management team, concerning differences between the operational, business and/or financial characteristics of Hypebeast and the selected companies to provide a context in which to consider the results of the quantitative analysis.

FY2021 Metrics	Rev. Growth	EBITDA Margin	EV/ Revenue	EV/ EBITDA
Hypebeast	34.9%*	21.6%**	2.6x*	11.8x**
Media				
Buzzfeed	23.8%	10.9%	2.0x	18.7x
NY Times	17.4%	15.3%	3.3x	21.7x
Warner Music	17.8%	19.6%	4.7x	23.7x
S4 Capital	90.1%	15.8%	4.8x	30.0x
Playboy	59.3%	13.1%	5.3x	40.1x
Inventory eCommerce				
Mytheresa	42.0%	9.7%	2.6x	26.6x
Revolve	49.9%	11.5%	4.5x	39.4x
Stitch Fix	21.5%	nm	0.9x	nm

FY2021 Metrics	Rev. Growth	EBITDA Margin	EV/ Revenue	EV/ EBITDA
Marketplace & ReCommerce				
TheRealReal	52.1%	nm	2.6x	nm
Poshmark	23.2%	1.1%	2.1x	nm
1stdibs.com	25.5%	nm	2.7x	nm
ThredUp	34.0%	nm	4.0x	nm
Farfetch	35.0%	0.1%	5.2x	nm
Luxury				
Moncler	27.4%	40.8%	9.1x	22.2x
Richemont	nm	20.9%	5.7x	27.4x
V.F. Corp	nm	11.1%	3.8x	34.6x
Medians				
Media	23.8%	15.3%	4.7x	23.7x
Inventory E-Comm	42.0%	10.6%	2.6x	33.0x
Marketplace & Re-Comm	34.0%	0.6%	2.7x	—
Luxury	27.4%	20.9%	5.7x	27.4x

* Based upon Hypebeast projected revenue of not less than US\$117 million (HK\$916 million) for the financial year ended March 31, 2022, which was made in October 2021 during Hypebeast's discussion with ISAA in relation to the Merger. Later in February 2022, Hypebeast revised its projected revenue to not less than US\$112 million (HK\$877 million) based upon updated actual results. ISAA did not believe that the subsequent revision to Hypebeast projected revenue to not less than US\$112 million materially affected the valuation analysis.

** Implied based on H1 FY2021 actual EBITDA margin.

Hypebeast compares favorably to the selected companies across all categories in terms of both operational benchmarking and valuation. Operationally Hypebeast has revenue growth at the top end of the range across all of the selected companies while maintaining an EBITDA margin that is well above the median across all but luxury comps, where it still slightly above at the median. In terms of valuation Hypebeast compares very favorably across all of the selected companies as a both a multiple of 2021 revenue and EBITDA. For example, using a 2021 EV/EBITDA of 23.7 (the median for media companies), results in Hypebeast having a valuation of US\$584 million.

In addition to ISAA's analysis of comparable public companies, ISAA also considered the market cap and pre-Merger consolidated equity value implied by Hypebeast's share price on the HKSE, where it has seen in significant appreciation since listing in 2016. In 2021 Hypebeast had a high market cap of over US\$500 million based on the closing price of its shares on February 16, 2021 at the HKSE (assuming a US\$/HK\$ exchange

rate of 1:7.8, as of the same date). As of January 10, 2022 Hypebeast's market cap was approximately US\$280 million (assuming a US\$/HK\$ exchange rate of 1:7.8, as of the same date). ISAA believes that Hypebeast is undervalued on the HKSE due to limited exposure and sub-optimal access for US investors, it's largest market from a business perspective. Furthermore, ISAA's management believes that the proceeds from this transaction and ISAA's involvement will significantly accelerate Hypebeast's organic growth trajectory.

Accordingly, and in addition to ISAA's fundamental and comparative analysis, ISAA believes that a modest implied pre-Merger consolidated equity value premium to the HKSE market cap is justified.

Anticipated Accounting Treatment

ISAA will be treated as the "acquired" company for financial reporting purposes. The Merger will be treated as an acquisition of ISAA by Hypebeast in the way of Hypebeast issuing equity instruments for the net assets of ISAA as of the closing date. The identifiable assets and liabilities of ISAA will be stated at precombination amount, with no goodwill or other intangible assets recorded. Any excess of the fair value of equity instruments issued by Hypebeast to ISAA shareholders over the pre-combination carrying value of ISAA's identifiable net assets acquired represents compensation for the service of a stock exchange listing for its shares and is expensed as incurred.

Hypebeast has been determined to be the accounting acquirer based on evaluation of the following facts and circumstances:

- Hypebeast's shareholders will have the largest voting interest in Hypebeast under both the no redemption and maximum redemption scenarios;
- Hypebeast shareholders will have the ability to nominate at least a majority of the members of the Board of Directors of the combined entity; and
- Hypebeast's senior management is the senior management of the post-combination company.

The Business Combination, which is not within the scope of IFRS 3 since ISAA does not meet the definition of a business in accordance with IFRS 3, is accounted for as a share-based payment transaction within the scope of IFRS 2. In the accompanying pro forma information, the identifiable assets and liabilities of ISAA will be stated at their pre-combination carrying amounts, with no goodwill or other intangible assets recorded. Any excess of the fair value of equity instruments issued by Hypebeast to ISAA shareholders over the pre-combination carrying value of ISAA's identifiable net assets acquired represents compensation for the service of a stock exchange listing for its shares and is expensed as incurred.

Resale of Hypebeast Ordinary Shares

The Hypebeast Ordinary Shares to be issued to stockholders of ISAA in connection with the Business Combination will be freely transferable under the Securities Act except for shares issued to any shareholder who may be deemed for purposes of Rule 144 under the Securities Act an “affiliate” of ISAA immediately prior to the Effective Time or an “affiliate” of Hypebeast following the Business Combination. Persons who may be deemed to be affiliates include individuals or entities that control, are controlled by, or are under common control with, Hypebeast or ISAA (as appropriate) and may include the executive officers, directors and significant shareholders of Hypebeast or ISAA (as appropriate).

Stock Exchange Listing of Hypebeast Ordinary Shares

Hypebeast will use reasonable best efforts to cause, prior to the Effective Time, the Hypebeast Ordinary Shares issuable pursuant to the Merger Agreement to be approved for listing on the Nasdaq Capital Market under the symbol “HYPB”, subject to official notice of issuance. Approval of the listing on the Nasdaq Capital Market of the Hypebeast Ordinary Shares (subject to official notice of issuance) is a condition to each party’s obligation to complete the Business Combination.

Combined Company Status as a Foreign Private Issuer under the Exchange Act

Hypebeast expects to remain a “foreign private issuer” (under SEC rules). Consequently, upon consummation of the Business Combination, the combined company will be subject to the reporting requirements under the Exchange Act applicable to foreign private issuers. The combined company will be required to file its annual report on Form 20-F for the year ending March 31, 2022 with the SEC by July 31, 2022. In addition, the combined company will furnish reports on Form 6-K to the SEC regarding certain information required to be publicly disclosed by the combined company in the Cayman Islands or that is distributed or required to be distributed by the combined company to its shareholders.

Based on its foreign private issuer status, the combined company will not be required to file periodic reports and financial statements with the SEC as frequently or as promptly as a U.S. company whose securities are registered under the Exchange Act. The combined company will also not be required to comply with Regulation FD, which addresses certain restrictions on the selective disclosure of material information.

In addition, among other matters, the combined company officers, directors and principal shareholders will be exempt from the reporting and “short-swing” profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of the Hypebeast Ordinary Shares.

Despite its initial exemption due to its foreign private issuer status, Hypebeast, and following the consummation of the Business Combination, the combined company, nevertheless expects to issue interim quarterly financial information publicly and to furnish it to the SEC on Form 6-K.

Combined Company Status as an Emerging Growth Company under U.S. Federal Securities Laws and Related Implications

Each of ISAA and Hypebeast is, and, following the Business Combination, the combined company will be, an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act. As such, the combined company will be eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in their periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. If some investors find the combined company’s securities less attractive as a result, there may be a less active trading market for the combined company’s securities and the prices of the combined company’s securities may be more volatile.

The combined company will remain an emerging growth company until the earlier of: (i) the last day of the fiscal year (a) following the fifth anniversary of the closing of the ISAA IPO, (b) in which the combined company’s has total annual gross revenue of at least \$1.07 billion, or (c) in which the combined company is deemed to be a large accelerated filer, which means the market value of the combined company’s common equity that is held by non-affiliates exceeds \$700 million as of the last business day of its most recently completed second fiscal quarter; and (ii) the date on which the combined company has issued more than \$1.00 billion in non-convertible debt securities during the prior three-year period. References herein to “emerging growth company” have the meaning associated with it in the JOBS Act.

BUSINESS OF HYPEBEAST

In this section, references to “we,” “us” and “our” are intended to refer to Hypebeast Limited and its subsidiaries, unless the context clearly indicates otherwise.

OVERVIEW

We are a global digital media and retail company primarily engaged in (i) the provision of digital media content, creative agency services and online advertising for global brands; and (ii) the sale of goods through our online and offline retail platforms.

We are a valuable media brand with more than 15 years of experience in the digital media industry, and we possess strong brand recognition in the digital media and fashion industries and have amassed a large base of globally engaged followers on our digital media platforms. With over 47.4 million followers and visitors worldwide as of March 31, 2022, we produce and distribute youth-focused digital content centering on fashion, lifestyle, technology, arts and entertainment, culture, music and other topics to our followers and visitors. Digital content is distributed via our media platforms, including our 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. Our global readership community spans across Asia Pacific, the Americas and Europe, and their engagement is supported via multi-language versions of our flagship Hypebeast, Hypebae and Popbee website and social media properties, with content available in English, Chinese, Japanese, Korean and Indonesian. Our community of engaged followers and consumers of lifestyle and culture are attracted to our digital ecosystem by virtue of our content, our offerings, our brand and our opinion leadership in the space. This community is also a coveted target consumer base for our digital advertising and creative agency brand partners, who engage in services with us in order to directly access our group of engaged followers and our unique ability to develop marketing campaigns that resonates with our followers and visitors. Our global creative agency and content distribution network delivers bespoke creative and media distribution solutions to 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 our digital media platforms.

Our HBX E-Commerce platform is a global retail destination distributing more than 250 up-and-coming and established lifestyle brands to customers worldwide. Combined with our flagship shop in Hong Kong and our upcoming physical location in New York City, our HBX E-Commerce platform and retail outlets focus on offering a curated shopping experience by delivering trend-setting apparel, footwear, accessories and lifestyle products to our customers. Combining our industry leading followers and visitors base, our unique foresight on fashion and youth culture movements and our longstanding reputation in the industry as a community and cultural leader, we have the ability to source and curate products most desired by our current and prospective customers, thereby generating growing popularity and usage amongst online shoppers.

We have a track record of steady and profitable revenue growth over the past few years. Our total revenue was HK\$674.2 million in the fiscal year ended March 31, 2021, which increased to HK\$895.6 million (US\$114.3 million) in the fiscal year ended March 31, 2022, in line with the recovery in our business during the post-COVID-19 pandemic period. Our profit for the year showed a robust growth over the same period, which increased from HK\$70.6 million in the fiscal year ended March 31, 2021 to HK\$100.2 million (US\$12.8 million) in the fiscal year ended March 31, 2022.

CORPORATE HISTORY

Our business began in April 2005 when our founder and current chief executive officer, Mr. Ma, established our flagship digital platform, Hypebeast, as a passion and a hobby. Leveraging our first-mover advantages in the digital media industry and Mr. Ma's unique take on cultural and lifestyle news, trends and insights, Hypebeast quickly became an industry leader and established a strong and engaged community of followers and visitors. This engaged visitor base also in turn led to our first commercial digital media advertising contracts with brand partners.

Taking advantage of growth opportunities in the intervening years and supported by our ever-growing base of engaged followers and visitors, our business has diversified and evolved into a global digital media, creative agency and commerce business as it is today.

The key milestones of our key business development are as follows:

Year	Major Business Achievement
2005	Our Hypebeast website was launched by Mr. Ma as a passion and hobby
2007	HBHK (formerly known as 101 Media Lab Limited) was incorporated in Hong Kong
2008	Popbee, our Chinese language, female-driven fashion and lifestyle platform focused on contemporary Asian women, was launched
2012	Our HBX E-Commerce platform was launched
2015	Hypebeast's New York office was established
2016	Hypebeast Limited became a listed company on the GEM Board of The Stock Exchange of Hong Kong Limited Hypebae, our English language, female-driven lifestyle, culture and fashion platform focused on a young and empowered global followers and visitors, was launched Hypebeast's London and Shanghai offices were established
2017	Hypemaker, our global creative studio dedicated to providing creative solutions for brands worldwide, was launched HBX flagship retail store opened at The Landmark, Hong Kong
2018	Hypefest, a 2-day cultural festival with over 10,000 attendees and over 50 brands, was hosted by Hypebeast in Brooklyn, New York
2019	Hypebeast Limited successfully transferred from GEM to the Main Board of The Stock Exchange of Hong Kong Limited
2020	Hypebeans, a communal destination serving quality coffee, was launched

OUR STRENGTHS

We believe that the following competitive strengths have contributed to our success and differentiated us from our competitors:

We possess a valuable brand name in the digital media industry that drives growth of our business, and our leadership in youth culture allows us to attract international brand owners for our advertising services and to supply their branded products to our e-commerce platform.

As an early entrant into digital media with respect to culture and lifestyle at the time when the industry had few well-established players, we possess strong brand recognition in the digital media and fashion industries and have amassed a large base of globally engaged followers on our digital media platforms. Our followers and visitors recognize and respect our brand, our opinion and our community leadership in the cultural space and consistently engage with our content through our digital content network. Our community of followers and visitors reads and shares our content and updates, engages with our editorial and advertising features and shares and connects via our social media platforms, all of which provides exponential exposure to any editorial or brand-driven content distributed to target followers and visitors within our digital media network. Attracted by our ability to deliver bespoke advertising content to our large follower and visitor base, brand owners and other advertisers consistently engage with us as partners for advertising and creative media services.

We are a valuable media brand with more than fifteen years of experience in the digital media industry with a profound understanding of cultural and lifestyle trends and deep knowledge of media and retail consumption patterns of our users and shoppers. Combining these insights with our ability to deliver continuous updates to our global digital content, we are an iconic international online media platform with an accurately positioned target market which builds upon our loyal community of unique followers and visitors. Our customers partner with us as an advertising and creative agency service provider owing to our industry and followers and visitors insight, strong reputation and brand image as well as our engaged and well-established follower and visitor base.

Our brand partnerships also in turn empower our e-commerce business. We benefit from our well-established relationships with our digital media customers with respect to product procurement for our HBX E-Commerce platform and physical retail stores, as certain of our digital media customers are also suppliers of our e-commerce business, including coveted brands which are sought after by our e-commerce customers.

Our integrated digital platforms attract millions of followers all over the world.

Our media platforms had an average 16.4 million MUVs in the fiscal year ended March 31, 2022, and recorded an aggregate of approximately 6.0 million and 19.0 million followers on Facebook and Instagram, respectively, as of March 31, 2022. Our community comprises culturally-engaged, Generation Z and Millennials between the ages of 18 to 35 across the Asia Pacific, the Americas and Europe, with particularly strong engagement from the United States, the United Kingdom, Canada, Australia, Hong Kong, mainland China, Korea, Japan and Southeast Asia. As of March 31, 2022, we recorded MUVs from North America, EMEA and APAC of 7.5 million, 2.1 million, and 6.8 million, while the MPVs from such regions were 16.7 million, 5.9 million, and 18.7 million, respectively.

We attribute our ability to consistently reach and resonate with a global followers and visitors to our capabilities in staying ahead of cultural trends and movements, which is empowered by our strong brand relationships established through the Hypebeast network, our experience and presence as an industry leader, as well as the deep knowledge of our followers' and visitors' media and product consumption patterns obtained from the engagement with our community. These in turn augment our ability to (i) identify and report the latest and newsworthy trends and information in fashion, lifestyle, culture and music that suit our followers' and visitors' interests; (ii) curate products coveted by the fashion-conscious followers and visitors of our digital media platforms; (iii) produce engaging editorial and branded creative agency content that are Generation Z and Millennial-focused and appeal to our followers' and visitors' needs and desires; and (iv) provide tailored, multi-language content with localized insights to suit our regional followers' and visitors' preferences and tastes.

The quality of our digital content attracts a large base of followers and visitors which we are able to capitalize and generate revenue.

Our business model thrives on our ability to attract millions of followers and visitors. Whilst social media platforms and the sharing of articles by our followers bring additional visitors to our integrated digital platforms, our wide range of articles and videos on topics such as fashion, lifestyle, culture and music extends the time our visitors spend on viewing our articles and videos, and the quality of our articles and videos strengthens our brand image, which attracts our visitors to come back to our digital media platforms.

Our global community of followers and visitors empowers our business growth and acts in a virtuous cycle in tandem with our media, creative agency and e-commerce businesses. Our followers and visitors are a natural target audience for brand advertisers' content and products, with our creative agency services and our digital media platforms combining as a one-stop shop delivering bespoke media production and distribution services directly to our 44.7 million strong follower and visitor base worldwide. Further, our community is also a low acquisition cost customer base for our HBX E-Commerce and physical retail platforms. Followers and visitors view our editorial and social media platforms as destinations for product and brand focused content, and our followers and visitors have a strong intent to purchase coveted brands and products on our retail platforms.

Our websites and mobile apps developed by our in-house developers are designed to be customer-experience focused and user-friendly resulting in a compelling user experience which supports our business growth.

We design and develop our websites and mobile apps with a customer-experience focused and user-friendly interface, which can support products from over 700 brand partners for sale and millions of visitors on our HBX E-Commerce platform. We engage third-party service providers to ensure that our system is secured and easy-to-maintain with minimal downtime. Our developers also make use of data analytics software to track the popularity of our editorial and branded content as well as transaction and inventory data of our e-commerce products on our integrated digital platforms, which allows us to cater our digital and product marketing strategies according to the prevailing market trends and develop a deeper understanding of the preferences of our visitors, followers and online shoppers. Our targeted data analytics allow us to create and deliver content that is more focused, curated and appealing to our target followers and visitors and thereby enhances our visitors' experience and engagement with our digital media platforms. As readers become more receptive to our content, our advertisements and marketing campaigns become more effective, interesting and compelling. Further, our data analytics allow our management and our procurement team to gain valuable insights into our online shoppers' preferences and potential customer demand prior to ordering products for up-coming seasons, thereby optimizing our inventory quantities and selection and increasing sales on our e-commerce platform.

We have an experienced senior management team with a proven track record in operating our business.

We have a professional and experienced senior management team with a proven track record. Mr. Ma, our founder, chairman and Chief Executive Officer, has been in the digital media and culture business since 2005. His standing in the industry, the close connections and networks he has developed in the market and his unique vision and insight into culture are all instrumental to the development of our company into the industry leader and cultural driver it is today.

Ms. Janice Lee, our director and Editor-in-Chief of Popbee, possesses over 13 years of experience in digital media industry. As the founder of the Popbee platform and brand, she is instrumental in formulating our strategies in reaching our Asia-focused female followers and visitors. She also assists in the growth and development of our company's mainland China and Hong Kong based media business.

Our senior management team has also contributed immensely to the success of our company. Mr. Patrick Wong, our Chief Financial Officer, has been with our company since 2016 and is responsible for the financial management of our company, in addition to his responsibilities in strategic and operational management in support of the directors. Mr. Wong has more than 15 years of finance and leadership experience working with top-tier, global enterprises in Canada, the United Kingdom and Hong Kong. Ms. Irene Cheung, our Senior Director of Finance and Company Secretary, is primarily responsible for supervising the company's finance activities and accounting operations, overseeing the company's financial planning, budgeting and forecasting and managing the company's corporate secretarial duties. Mr. Huan Nguyen, our Chief Revenue Officer, leads the global development, growth and performance of all processes that generate revenue across our media, agency, and all business franchises and verticals outside of HBX E-Commerce platform. Ms. Sujean Lee, our Chief Experience Officer, oversees Hypebeast's overall brand experience and leads our Global Communications and Public Relations departments to deliver effective and insightful communications to our internal and external stakeholders.

By combining our management's capability in implementing growth strategies and our in-depth knowledge in the digital media industry, our management team is confident that our company is poised to capture potential market opportunities in both digital media and e-commerce segments.

OUR STRATEGIES

We plan to implement the following strategies:

We will continue the integration of editorial, digital media, creative agency and e-commerce businesses to drive conversion of customers.

We have a synergistic platform whereby our engaged community of followers and visitors form a natural audience for our editorial and branded content and are also a latent customer base with strong potential intent to purchase via our e-commerce platform. We plan to drive the continued conversion of our community to become customers through investment in building an integrated editorial-e-commerce digital customer experience and ecosystem, through omni-channel and cross platform promotion strategies, and through exerting Hypebeast's unique ability to identify and curate appealing experiences throughout our editorial to e-commerce funnel. A larger follower and visitor base and in turn an increased number of potential target followers and visitors for brand campaigns extend our opportunities for brand partnership revenue growth.

We will continue to strengthen our business by increasing our sales and marketing efforts.

We plan to continue our targeted marketing efforts to further enhance our brand awareness and recognition and to promote our campaigns, products and initiatives. This may include social media marketing, placement of advertisements, as well as search engine marketing and search engine optimization. We plan to allocate resources to enhance our brand image, to boost customer and user spending and to further extend our followers, visitors and consumers. We plan on investing in content and campaign ideation and production, brand positioning and communication, brand awareness campaigns and digital and performance marketing, as well as other forms of marketing and promotional tactics to expand and broaden our user-customer base and drive conversion of user-customers on our HBX E-Commerce platform.

We will enhance the content of our digital media platforms to retain and expand our base of followers and visitors.

To retain and expand our base of followers and visitors, we intend to enhance our digital media platforms to reach more global users who are interested in the latest trends in fashion, lifestyle, culture, music and other topics in the following ways:

- Enrich our original digital media content by developing further capabilities in video, editorial and other content production;
- Expand our topical coverage into adjacent categories such as sports, art, crypto-currency, to expand the variety of the content and as a focus of readership expansion;
- Expand our regional offerings to promote, establish and monetize the Hypebeast platforms and brand in regions with high opportunities; and
- Enhance our data analytics capabilities in researching and analyzing the preferences, behaviors and needs of our followers and visitors through recruiting additional data scientists and analysts.

We may expand by opportunistic and strategic acquisitions of business and/or companies.

Although we will continue to focus on the organic growth of our business, should opportunities arise for the strategic growth through acquisition of other players in the digital media industry, we would consider consolidating their business with us. We may consider to acquire online digital media company having a broad visitor base to further enhance our global followers and visitors, as well as media and advertising companies with strong advertising platforms and advertising production capabilities. In identifying suitable acquisition targets, we will take into account factors including their reputation, popularity, statistics on MUVs, geographical location, information technology, revenue and customer base, our financial capability and whether the target company's business is complementary to our business. As of the date of this proxy statement/prospectus, we have not identified any acquisition targets.

We will enhance our e-commerce platform by improving our services and expanding our product portfolio.

We intend to enhance our online shoppers' experience on our e-commerce platform and thereby promoting the loyalty of our online shoppers with us by the following ways:

- Improve our data analytics capabilities through upgrading our database and IT systems to analyze the preferences and therefore the demand of our customers so as to plan for the purchase in the following season;
- Enhance the time and cost efficiencies of our e-commerce business by investing in upgrades and improvements to our global logistics and warehousing infrastructures;
- Continue leveraging brand relationships established through the Hypebeast network as well as unique consumer insight derived from our editorial community in curating and delivering brands and products coveted by our target followers and visitors;
- Enhance our customer service to serve our overseas customers in different time zones through recruiting additional customer service personnel; and
- Enhance our inventory system by the addition of automated features.

OUR BUSINESS SEGMENTS

We are a global digital media and retail company primarily engaged in (i) the provision of digital media content, creative agency services and online advertising for global brands; and (ii) the sale of goods through our online and offline retail platforms. Our community of followers and visitors are a coveted target market for our digital media and agency brand partners and also a natural customer base for our e-commerce segment. Our editorial, digital media, creative agency and e-commerce offerings work in tandem and provide synergistic impact on our digital platform following, our digital media and creative agency revenue expansion as well as e-commerce growth. This flywheel effect is shown in the diagram below:

The Hypebeast Flywheel

Highly Complementary & Integrated Business Units

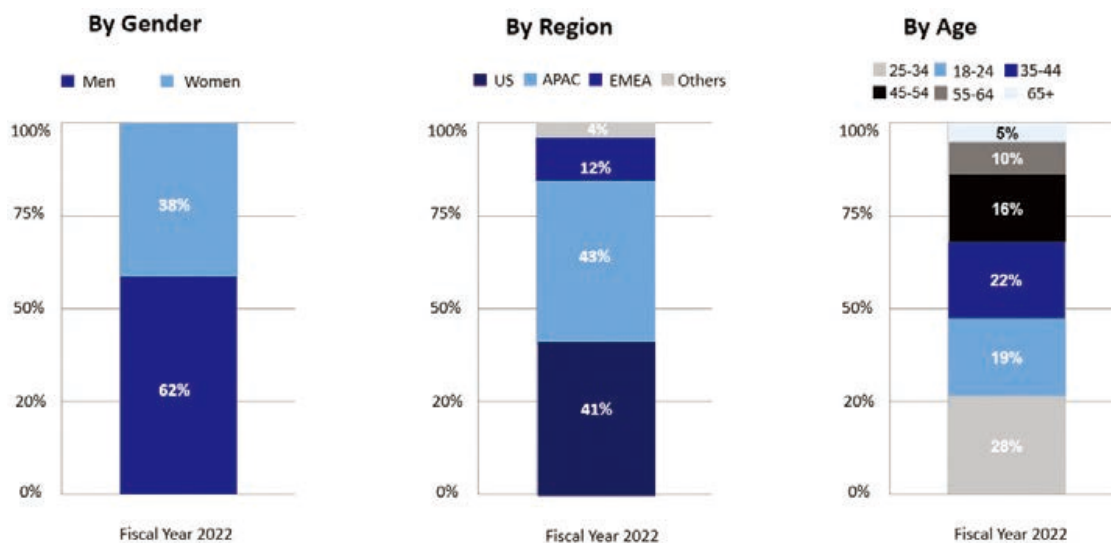


Media Segment

Our digital media business integrates our community of followers and visitors, who are engaged via our free-to-view editorial and social media content across our digital media platforms and popular third-party social media platforms, with our digital advertising and creative agency business which provides advertising and agency services to our customers. Our platforms continue to demonstrate resonance with our expansive community of readers and subscribers through unique, culture-driving content across the globe on our multilingual channels. In the fiscal year ended March 31, 2022, our website platforms recorded an average MUVs of 16.4 million and as of March 31, 2022, our website platforms recorded an aggregate 29.0 million followers on our social media platforms, both representing an increase of approximately 5.1% and 11.1% compared to the same period in 2021.

Central to our digital media strategy is the enhancement and expansion of content on our digital media platforms to reach a wider group of users and followers both demographically and geographically. We have established and promoted various platforms containing content on cultural, fashion and lifestyle trends for diverse user segments, such as Hypebae, a digital media platform which targets female followers and visitors and is expanding into adjacent content categories such as watches, sports and crypto-currency. Digital content distributed on our platforms is generated either by us or third party content creators, or through our cooperation with third party content creators. We enter into standardized work-for-hire agreements with third party content creators. Under such agreements, we typically pay content creators a fixed amount of commission and obtain ownership of the work products. The content creators are obligated to deliver agreed work products following the milestones specified in the agreements. In addition, certain sales campaigns will instead be arranged where clients provide the creative content, and we act as publisher to distribute such content on our platform. Under such agreements, we typically charge a fixed amount of commission and the clients hold intellectual property rights in the content that they provided. Our clients bear indemnification obligations related to any third-party claims arising from the content that they provided.

The average MUVs across the Hypebeast, Hypebae and Popbee platforms in the fiscal years ended March 31, 2021 and 2022 were approximately 15.6 million and 16.4 million, respectively. We also launched multiple language versions of our flagship Hypebeast platform for its website, app and various social media platforms, with content now available in English, Chinese, Japanese, Korean and Indonesian. We believe that this expansion in the breadth of scope of our target followers and visitors as well as the enrichment and enhancement of our digital media content support substantial growth in the number of followers and visitors of our platforms, thereby increasing the appeal of our digital media services to brands and advertising partners globally. The number of MUVs who visit our language-specific websites (i.e. non-English websites), which currently deliver localized content in Chinese, Japanese, Korean and Indonesian, was approximately 3.0 million and 4.1 million in the fiscal years ended March 31, 2021 and 2022. We aim to continue to solidify our position as a leading advertising partner for global brands that need to reach a growing Millennial and Generation Z demographic globally. Set forth below are the demographics of our visitors in the fiscal year ended March 31, 2022.



In the fiscal year ended March 31, 2021 and 2022, revenue of our media segment reached HK\$447.4 million and HK\$653.6 million (US\$83.4 million), respectively. The following table presents the media segment revenue contribution by geographic region for the years indicated.

Geographic region	For the Year Ended March 31,		
	2021	2022	
	HK\$'000	HK\$'000	US\$'000
Hong Kong	36,729	38,374	4,899
PRC	141,166	137,125	17,507
US	117,875	229,421	29,291
UK	16,668	33,670	4,299
Italy	22,797	42,108	5,376
South Korea	39,401	43,924	5,608
Other countries	72,743	12,968	16,466
Total	447,379	653,590	83,446

Our Digital Advertising Services

We offer a portfolio of integrated services to our customers such as brand owners and advertising agencies, including the provision of advertisement spaces and services on our digital media platforms as well as creative agency services. The number of media agreements, including advertising service contracts and creative agency contracts, with our customers and in the fiscal year ended March 31, 2021 and 2022 was 1,207 and 1,594, and the aggregate contract value during the same period was US\$65.5 million and US\$86.3 million, respectively.

Provision of advertisement services and spaces

We provide a range of advertising services from production of advertising materials in graphical, video and photo format to leasing advertisement spaces on our digital media platforms. We utilize advertisement spaces on our digital media platforms to promote products of our brand customers. Our digital advertising services agreements are customary in the industry, according to which we are responsible for content creation and own such content. We hold intellectual property rights in the content with our marks embedded while clients hold intellectual property rights in the content we produced without references to any of our marks. Clients pay us a fixed amount of commission for the use of such content. We indemnify clients for any losses resulting from such content. Our agreements for advertising leasing space are industry standard contracts as well, under which we charge the clients for a fixed amount of commission for the display of the clients' content on our platforms.

The income generated from the provision of advertisement services and spaces is the major source of income for our digital media business segment. In the fiscal years ended March 31, 2021 and 2022, revenue generated from the provision of advertisement space and services represented 48.2% and 58.6% of the revenue of our digital media business, respectively.

Provision of magazines

In the fiscal years ended March 31, 2021 and 2022, revenue generated from publication of magazines represented 0.05% and nil, of the revenue of our digital media business, respectively.

Provision of services for creative agency projects

As part of our media segment, we also deliver bespoke creative agency services to brands, including but not limited to creative conceptualization, technical production and campaign execution in the development and creation of media based content. The combination of industry and cultural knowledge, renowned creative and technical talent and respected aesthetic sense help to promote our creative agency services amongst brands and advertisers, thereby helping us develop various creative services into a focused suite of deliverables to bring to market.

In the fiscal years ended March 31, 2021 and 2022, revenue generated from the provision of services for creative agency projects represented 51.8% and 41.4% of the revenue of our digital media business, respectively.

E-Commerce and Retail Segment

We are engaged in online retail of mainly footwear, apparel, accessories, homeware and lifestyle goods under our HBX E-Commerce platform and retail shop. The HBX E-Commerce platform, which commenced operations in 2012, has focused on delivering the latest third-party branded apparel, footwear, accessories and lifestyle products to our customers. We believe that we have unique insights into streetwear and youth-focused fashion, and is able to deliver products appealing to our target demographic, as evidenced by the growing number of online shoppers at our e-commerce platform. We are also dedicated to enhancing the customers' online retail experience and driving improvements on areas from website usability to order processing as well as shipping and delivery.

Our HBX E-Commerce platform continues to be a leading online destination for cultural enthusiasts, and our product offerings expanded into homeware, toys, and other lifestyle products to positive reception from customers. In the fiscal years ended March 31, 2021 and 2022, the average order value on our HBX E-Commerce platform increased by approximately 11.8% and 3.4%, respectively. In addition to our online retail business, our 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, HBX physical retail store and cafe revenues in the fiscal year ended March 31, 2022 increased by 31.0% and 129.1% compared to the fiscal year ended March 31, 2021, respectively.

Over time, we have established strong relationships with a number of digital media customers who are also brand owners, enabling us to source certain branded products on a priority basis for our e-commerce platform and physical retail stores in certain circumstances.

In order to boost our presence and brand awareness in mainland China, we launched our HBX online flagship store on Tmall Global, China's largest cross-border e-commerce platform, in September 2021. The online flagship store has been well-received by local customers and gained approximately 40,000 followers and visitors in less than two months since its launch. We anticipate customers to be converted to HBX.com as product offering expands.

We source all of the merchandises we sell on our HBX E-Commerce platform from third parties. We entered into industry standard wholesale or consignment agreements, as the case may be, with third party suppliers. Under wholesale agreements, we pay suppliers the quoted price for the merchandises we purchased. Our suppliers are typically responsible for the arrangement of the delivery of the merchandises. Suppliers would remain the exclusive owner of the intellectual property and the owner of the legal title of the merchandises until they receive the full payment of the contract price. Under consignment agreements, we sell the merchandises on behalf of the suppliers and charge a fix rate from the total sales revenue generated from the merchandises' sale. Similar to the wholesale agreements, consignment suppliers are also typically responsible for the arrangement of the delivery of the merchandises.

In the fiscal years ended March 31, 2021 and 2022, revenue of our e-commerce and retail business reached HK\$226.8 million and HK\$242.0 million (US\$30.9 million), respectively.

The following table presents the e-commerce and retail segment revenue contribution by geographic region for the years indicated.

	For the Year Ended March 31,		
	2021	2022	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>US\$'000</i>
Geographical market			
Hong Kong	32,017	46,012	5,874
PRC	17,060	26,406	3,371
US	58,680	51,814	6,615
South Korea	18,523	17,257	2,203
Japan	15,078	14,367	1,834
Taiwan	39,562	41,238	5,265
Other countries	45,913	44,948	5,740
Total	<u>226,833</u>	<u>242,042</u>	<u>30,902</u>

The following table sets forth the e-commerce and retail segment net sales of each of the key product category traded on our platform for the years indicated.

Product Category	For the Year Ended March 31,		
	2021	2022	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>US\$'000</i>
Men	137,439	145,344	18,556
Women	79,439	81,141	10,360
Lifestyle	9,955	15,557	1,986
Total	<u>226,833</u>	<u>242,042</u>	<u>30,902</u>

OUR PLATFORMS

Our award-winning digital media content that showcases the latest trends in fashion, lifestyle, culture, music and other topics by publishing articles, features, videos, news and editorials are primarily delivered over our digital media platforms. Our digital media platforms consist of (i) multi-language versions of Hypebeast.com, Hypebae.com and Popbee.com websites and some dedicated social media platforms for topics such as cars, watches, golf, art and more; and (ii) the related mobile apps. Our HBX E-Commerce platform consists of (i) HBX store website hbx.com and accounts on social media platforms; and (ii) HBX store app, primarily selling third-party branded clothing, shoes and accessories to end-users.

Our Websites

Hypebeast.com

In April 2005, our flagship website Hypebeast.com commenced publication of news and articles that brings to our followers and visitors the latest trends in fashion, lifestyle, culture, music, art, golf, and other topics. Since then, Hypebeast.com has attracted a large number of followers and visitors who are interested in reading articles or watching videos about fashion, footwear, entertainment, music, lifestyle, technology and design. Our content is updated on a continuous basis. In the fiscal year ended March 31, 2022, Hypebeast.com recorded average MUVs of approximately 13.3 million and average MPVs of 35.2 million. Hypebeast.com visitors are between the age of 18 to 34, approximately 65% and 35% of them are male and female respectively.

Hypebeast has millions of followers and visitors worldwide among social media platforms. For instance, as of March 31, 2022, Hypebeast accounts on social media platforms recorded approximately 23.6 million followers, among which 16.2 million are Instagram followers.

Hypebae.com

In February 2016, Hypebae.com, our digital media property aimed at female followers and visitors, was launched. Hypebae mainly distributes female-focused content inspired by fashion, lifestyle, music and beauty. For the year ended March 31, 2022, 56% of Hypebae users are female. Hypebae recorded approximately 1.6 million average MUVs and 2.6 million average MPVs in the fiscal year ended March 31, 2022. As of March 31, 2022, Hypebae attracted 1.6 million social media followers, among which 1.1 million are followers on Instagram.

Hypemoon.com

Launched in May 2022, Hypemoon is a content platform dedicated to all things Web3. The site highlights emerging trends related to crypto, NFTs, metaverse, blockchain, and more. Through the lens of culture, Hypemoon brings together Web3 news, creative content, and our community all in one platform.

Popbee.com

Popbee.com is a digital content provider of women's fashion and beauty targeting markets in Hong Kong, mainland China, Taiwan and other Asian countries and regions. Popbee visitors are between the age of 25 to 44, 70% of them are female. Popbee recorded approximately 1.5 million average MUVs and 3.4 million average MPVs in the fiscal year ended March 31, 2022, Popbee attracted 0.4 million followers on Facebook and 0.1 million followers on Instagram as of March 31, 2022.

HBX.com

HBX E-Commerce platform (previously known as Hypebeast store) was launched in May 2012 and differentiates itself from its competitors by having the latest, most carefully curated shopping experience on offer. As HBX E-Commerce platform greatly expands its product offerings to include lifestyle products, collectibles, homeware and more, it becomes a platform that is not limited to fashion or sneakers, but is rather the supplier for all things culturally-inspired for culture enthusiast. 59% of HBX.com customers are male. In the fiscal year ended March 31, 2022, HBX.com recorded approximately 1.4 million average MUVs, HBX accounts on social media platforms recorded 1.1 million followers and 1.4 million newsletter subscribers, respectively, as of March 31, 2022. Please refer to the sub-section headed "E-Commerce and Retail Segment" in this section for further information on our HBX E-Commerce platform.

Hypemaker.co

Hypemaker is a global creative agency dedicated to providing creative solutions for brands worldwide. From ideation, content amplification, creative production to consumer insight, we have the ability to make brands relevant in the cultural landscape through impactful visual presentation and carefully curated content. Operating worldwide, its curation of innovative campaigns connect across every touchpoint for a wide-range of industries and brands encompassing fashion, lifestyle, automotive, tech, FMCG and more. Brands we work with are adidas, Mercedes Benz, Playstation, TAG Heuer, Pernod Ricard, Moncler to name a few.

Hypebeans.com

Hypebeans is a communal destination serving quality coffee. Serving as a gathering place, the cafe spaces are a place to build community and experience local culture, while enjoying high-quality coffee and locally sourced treats. Available in Hong Kong and Seoul, Hypebeans made its debut in New York at 41 Division Street in 2022.

Our Mobile Apps

Hypebeast, Hypebae and Popbee websites and HBX store website can also be accessed via their related mobile apps. Hypebeast, Hypebae and Popbee mobile apps provide interactive and engaging experience to our users with functions to provide comments and share our articles on social media platforms, while HBX store app was designed to provide a handy and easy-to-use alternative for online shoppers. Our mobile apps are free for download, and support push notifications to notify users of our drops, new arrivals and promotions.

Social Media Platforms

We have established our presence on third-party social media platforms, where our followers are able to access and share our digital content published from time to time. Furthermore, some of these social media platforms provide our followers with an opportunity to share and exchange comments on our contents and products. By following our accounts on social media platforms, followers can easily share our contents with their friends which increases our exposure and expand our like-minded followers and visitors.

As of the date of this proxy statement/prospectus, we maintain our accounts on Facebook, Instagram, Twitter, YouTube, Weibo, WeChat and Naver.

CUSTOMER SERVICES

We offer free return to shoppers of HBX. Our shoppers may return their purchases free of charge within a 30-day return period for products bought on our HBX E-Commerce platform or physical retail shop. We generally do not return or exchange for sale items, including but not limited to underwear and swimwear, electronic products, books and stationeries, body care products (e.g. shampoo, handwash, body lotion) and homeware (e.g. candle, carpet, towels, toys), except where the item received is incorrect, missing or defective. We generally do not refund the courier charge incurred in delivery of the original product to our overseas customers and our overseas customers are also responsible for the shipping expenses in returning the product to us.

Any defective products received by us would be returned to our suppliers and we generally do not incur any loss for product return. To the extent permissible under the relevant law in Hong Kong, we do not generally offer warranties on products sold by us including merchantability and fitness for a particular purpose. In circumstances that our suppliers offer product warranty for defect in materials or workmanship, we may, at our sole discretion, assist our customers to ship the products to the relevant suppliers for repair or exchange. As such, we do not make provisions in our accounts for product return. In the fiscal years ended March 31, 2021 and 2022, the return rate of HBX stores, in terms of the percentage of the total sales of HBX, was approximately 2.5% and 3.6% respectively.

Our customer care consultants will consistently scan for feedbacks across our live shopping channels and e-commerce related social media channels. After receiving feedbacks from our customers, our customer care consultants would respond to such customers' feedbacks through the e-mail functionality of our e-commerce platform, live shopping functionality, which includes online shopping consulting service and live chat feature on our HBX platform, or the respective social media channel which the customers reached out from. Each of our customer care consultants has his/her own login account which allows us to perform analysis on average response time, average handing time and number of cases resolved, which are reviewed monthly by our customer service manager and periodically by the management.

INFORMATION TECHNOLOGY SYSTEM

We have invested intentionally and intensively in technology to enable us to scale and support our continued expansion. We believe establishing a stable, resilient, secured and up-to-date technology infrastructure is critical to the operations of our online business. As our digital media business generates a large amount of internet traffic from visitors across the world, we utilize a third-party services provider to maintain our servers running continuously. We also employ technologies to improve our content delivery. We have strict policies to ensure the stability, security and robustness of the system for our websites or upgrade of software. We are committed to safeguard the confidentiality, integrity and availability of all electronic information.

Our servers are hosted on one of the leading cloud computing service providers and its data center and network architecture are built to satisfy the requirements of security-sensitive organizations. In addition to our routine security check, we use the tools offered by such computing service provider including firewall and back-up services to assist us in meeting our security and stability objectives. Such measures play a crucial role in mitigating risks posed to our technology infrastructure. We are actively tracking our service level such as the traffic data to maintain stability of our integrated digital platforms. We use software to help us monitor our websites performance and availability. We also perform monthly vulnerability scanning to detect any weakness in the security of our integrated digital platforms.

As of March 31, 2022, there were 27 employees in our information technology team. Our information technology team intends to provide training to our employees when new software features are deployed. Our system is protected by regular back-ups which are carried out by our information technology team and our third-party service providers.

Our software infrastructure and the code we developed based on third-party components allow us to perform data analysis. Key components and highlights of our comprehensive and flexible system architecture highlights includes: (i) Global Content Management System that allows our editors to manage, create and edit posts in the form of article posts across all of our web and app content. This system serves as a centralised hub for our editorial content and allows our editorial and marketing teams to collaborate globally to create content for our audience; (ii) Global ERP OMS integration platform that supports e-commerce orders at scale, fulfillment and inventory tracking across multiple regional marketplaces. This platform allows our e-commerce operational teams to view and manage the inventory units to be sold to our customers globally. It also serves as the centralised hub to help our teams streamline the process of pick-pack-shipping orders to our customers if placed across multiple channels; (iii) Proprietary eCommerce platform powers worldwide commerce via seamless shopping experience across web + app platforms. Our e-commerce system application helps us to manage the product details (product name, brand, category, pricing, product details) as shown on our platforms across different languages. This platform

enables us to manage serving the global marketing content, banners, and messaging on our website and apps. In addition, our e-commerce platform is scalable and our information technology team continuously customizes it by incorporating new features and functions suggested by our editorial, sales, creative agency and e-commerce teams which increase our overall productivity; (iv) Retail technology and POS systems linking back to online systems for full omni-channel experience and support of retail growth. Our retail application system serves as point-of-sale for enabling smooth transactions for our customers in-store. These systems allow for omni-channel features, such as Hong Kong retail in-store pick up services for when orders are placed online, which make it more convenient for our customers to complete transactions.; and (v) Customer Retention Management and Data Management Platforms that support activation of first and third-party data. These platforms are established for managing commerce customer data as part of our retention and loyalty program, where the data collected helps us better understand our customer information and influence the customer marketing funnel strategies and re-targeting purposes, such as via newsletter content. Our data management platform serves as our audience targeting tool to enable our sales and advertising teams to increase the performance of our campaigns as well as to analyze our audience behaviors. What's more, to increase traffic to our integrated digital platforms, we have adopted a variety of search engine optimization techniques to increase the page views and ranking of our integrated digital platforms in the search engine result page.

PERSONAL DATA PRIVACY

We collect, receive, store and process a variety of personal information of our followers and visitors and e-commerce customers. We also utilize web traffic reporting and tracking systems provided by third parties that allow us to generate daily traffic statistics and visitor demographics. We provide advertising customers only with non-personal information such as the number of times their advertisements have been viewed or clicked. We do not sell, rent or otherwise share the personal information of our follower and visitors and e-commerce customers with any third parties except in limited circumstances, such as when required by regulatory authorities.

We classify our visitors' and customers' personal information as "sensitive" or "internal". Sensitive information includes name, home address, telephone and e-mail address, while internal information includes other personal information, such as our e-commerce customers' purchase history, our visitors' browsing history and their demographic information. Different levels of access control are maintained for sensitive and internal information. We do not store any credit card information of our e-commerce customers on our system. We believe we have applied adequate measures for safeguarding our visitors' and customers' personal information.

QUALITY CONTROL

Quality Control of Digital Content

We implement various quality control policies with regard to our digital media business, including policies for monitoring the quality of the editorial posts we upload to our 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 our discussion forum. Generally, we communicate with brands and industry contacts for content curation and carry out extensive research throughout the Internet by visiting websites that are relevant to our readers' interests before we determine what articles will be published on our digital media platforms. Once we determine the suitable content for our sites, editors and editorial assistants from our editorial team prepare the articles by composing and editing the text and adding relevant imagery to the articles. We have 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, reviewing and approving the articles, videos and photos before they are posted to ensure that all third-party sourced materials comply with our quality standards. 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. The editorial team of each of Hypebeast, Hypebae and Popbee websites holds meetings from time-to-time to review the most popular articles published in our websites. During the meeting, the senior or chief editors will discuss with editors on the strength of these articles

and analyses the reason that these articles attract our followers and visitors. We believe that such discussion is essential in training our junior editors to avoid intellectual property infringement.

Our sales team and production team maintain regular contact with our customers to ensure that the final products satisfy the requirements of our customers. Senior members in the editorial, sales and production teams also review the materials to ensure the quality and the conformance with ethical and moral standards.

Members of our social media team also monitor our discussion forums and will remove any objectionable content.

Our brand partnership team maintains regular communication with our customers. Any feedback of our digital media production is passed to our production, video and editorial teams for consideration. If there is any complaint or specific demand from our customers, our sales personnel will communicate with the relevant customers to understand and resolve the issue.

Quality Control of Our E-Commerce and Retail Business

The main objectives of quality control in our e-commerce and retail business is to ensure the quality of the goods we received from suppliers and minimize incorrectly packed items and hence reduce the cost associated with returning and exchanging these items.

We have a quality control policy in place to check the goods we receive from our suppliers. After the shipment arrives from our suppliers, our inventory officers check for defects, quality as well as quantity in accordance with our quality control policy. If there is any problem with the products, our inventory officers would report to our procurement team to follow up with the suppliers and resolve the issue.

Prior to delivery of each customer's order, our quality control personnel checks every picking against the customer's order record as stored in our system. Our quality control personnel scans the label on each product being picked and checks whether the style and size of the products are correct. If there is any mistake, the basket of products picked is returned for re-packing. The mistake would also be logged onto our system for record.

SALES AND MARKETING

Our integrated marketing framework represents a core competency that we regard as essential to the success of our digital media and e-commerce businesses. We principally acquire users and customers through online channels, including paid and organic search, display advertising, app stores and social media channels. To continue to maintain and promote our brand, we organize marketing campaigns including social media marketing,

placement of advertisements, and utilizing marketing on search engines to raise the profile of our integrated digital platforms. Over the last three years, we also enhanced our brand partnership department by recruiting additional account service managers, which supports our marketing activities on social media platforms and through offline channels.

Digital Media Business

Our brand and our digital media platforms act as a marketing tool for our company. We continuously post updates on fashion, lifestyle, culture, music and other topics on our digital media platforms and accounts on social media platforms. Many of our digital media customers learn about us through our digital media platforms.

We have a brand partnership team responsible for sales and marketing activities for the promotion of our digital media services, who maintain regular contacts with our existing media customers to understand their marketing needs and keep them updated on our advertising products and services. For potential advertising customers, we inform them of our recent developments and achievements by distributing project portfolios and background materials. Our brand partnership team also attends events organized by brands to broaden the team's network and provide coverage of these events on our digital media platforms. Our brand partnership team conducts cross-selling of advertisement spaces among our various digital media platforms, as well as cross-selling with other business alliances who are independent digital media platform operators and digital publications. We constantly look for and identify synergy among various digital publications, social media platforms and mobile apps and devise impactful cross advertising opportunities.

E-Commerce and Retail Business

We believe that our brand and digital media platforms also provide a free of charge and highly effective marketing channel for our e-commerce and retail business. Followers and visitors of our digital media platforms and accounts on social media platforms may find an item we report on of particular interest to them and HBX store provides a convenient way for these followers and visitors to purchase the item.

Further, our sales and marketing personnel conduct advertising and marketing for our e-commerce and retail business via online channels, such as through Google and Facebook. We employ various search engine optimization techniques to increase the chances that HBX store appears in search engine results. We also engage the advertising services of Google and Facebook to place advertisements on their platforms to promote HBX store.

Depending on our marketing strategy, the general economic condition and seasonality in the industry, we may offer electronic coupons to our e-commerce customers from time to time to redeem a discount upon checkout at HBX store. We also offer a discount program to our customers who attain a minimum spending. We regularly monitor the turnover of the goods we sold on our e-commerce platform. We offer discounts on slow moving goods except for goods that are on consignment sale.

SEASONALITY

Our e-commerce and retail business is seasonal and we typically record higher sales during the months between October and January and also between May and July. Our sales may be affected by a change in weather in different countries. Please refer to the section headed “Risk factors — Hypebeast’s e-commerce and retail business is subject to seasonality risk” in this proxy statement/prospectus.

INTELLECTUAL PROPERTY

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on copyright, trademark and patent law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of April 3, 2022, we had registered 231 trademarks, 119 registered domain names with 2 domain names awaiting registration amid verifying submitted documentations.

We seek to protect our technology and associated intellectual property rights through a combination of patent, copyright and trademark laws, as well as license agreements and other contractual protections. In addition, we enter into employment agreements with confidentiality arrangements with our employees, and cooperation agreements with confidentiality arrangements with business partners to protect our proprietary rights. The agreements we enter into with our employees also provide that all patents, software, inventions, developments, works of authorship and trade secrets created by them during the course of their employment with us are our property.

EMPLOYEES

As of March 31, 2022, we had 465 employees. We generally recruit our employees from the open market and enter into employment contracts with our employees. In addition to salaries, our employees who are retained after the probation period are entitled to discretionary performance bonus and medical insurance coverage. We provide a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. Contributions are made based on a percentage of the employee’s basic salaries.

We regularly review the performance of our employees and make reference to such performance reviews in our discretionary performance bonus, salary review and promotional appraisal in order to attract and retain talented employees. In order to promote overall efficiency, employee loyalty and retention, we provide our employees with technical and operational on-the-job training and promotion prospects.

We also engage services of consultants and freelancers. Our consultants extend the reach of our brand partnership team by liaising with our existing and potential digital media customers located within or outside Hong Kong. We consider that these consultants provide a cost-effective channel for us to communicate with overseas digital media customers. We pay our consultants a fixed fee and/or a commission between 3% and 10.5% on the gross profit derived from either existing or new customers based on their performance.

We engage freelancers on a project-by-project basis for the production of content to be placed on our digital media platforms. The services rendered by these freelancers include translation of articles and shooting of photos or videos in Hong Kong or abroad. We believe it is more cost efficient to engage freelancers for translation services as compared to hiring a full-time translator. Our consultants and freelancers are independent contractors and there is no employer-employee relationship between them and our Group. Our standard contracts with the consultants and freelancers provide that all intellectual property rights arising out of the course of performance of the freelancers' duties or obligations under the contract shall be vested with us; in addition, they will also ensure that in delivering their work product, they will ensure no third-party intellectual property rights will be infringed.

FACILITIES

We are headquartered in Hong Kong. We lease properties for our corporate headquarters, offices as well as store and warehouse premises. Our leases have a term between less than one to seven years. We believe that these facilities are generally adequate to meet our current needs, although we expect to seek additional space as needed to accommodate future growth.

INSURANCE

We are headquartered in Hong Kong. We maintain employees' compensation insurance in compliance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) to cover compensation and costs liable by our Group for personal injuries of our employees in Hong Kong in the course of employment with us. We have also taken out and maintained an office insurance for our office premises and office equipment in Hong Kong. The office insurance policy mainly covers loss resulting from burglary, damages made to insured property and increased cost due to business interruptions. We have also maintained an insurance for our warehouse to cover any damage or loss to our stocks and equipment in the warehouse.

We consider that our insurance coverage is sufficient and in line with the general industry practice in Hong Kong. We do not maintain any product liability insurance as we believe it is not the general industry practice in Hong Kong to take out such insurance.

COMPETITION

Both the digital advertising and retail industries are very competitive. For our digital media business, we face competition from digital vertical news media companies that attract readers and subscribers through specialized or even customized news or editorial opinions. Also, we face competition from horizontal e-commerce companies that sell a range of diversified products to a broad base of customers with the primary advantage of convenience, as well as competition from vertical e-commerce companies that focus on industry-specific marketing approach and sell products in certain industry.

The competitive edges of our business include our well-recognized brand, our global followers and visitors of our integrated digital platforms, our ability to attract more followers and visitors as well as our experience management team with in-depth understanding of fashion, music, culture and lifestyle. We believe that we are well-positioned to effectively compete on the basis of these strengths. However, some of our current or future competitors may have longer operating histories, greater brand recognition, better supplier network, larger customer bases or greater financial, technical or marketing resources than we do.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

We are currently not involved in any material legal or administrative proceedings. We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

We are headquartered in Hong Kong and substantially all of our operations are in Hong Kong. All of our employees are located in Hong Kong. During the years ended March 31, 2021 and 2022 and up to the date of this proxy statement/prospectus, we did not experience any incident of non-compliance which, in the opinion of our directors, is likely to materially and adversely affect our business, financial condition or results of operations. During the years ended March 31, 2021 and 2022 and up to the date of this proxy statement/prospectus, we had complied with all applicable material laws and regulations in Hong Kong.

REGULATION

Mainland China

Regulations Relating to VAT Services

Providers of value-added telecommunications services, like the VIE Entity, are required to obtain a license for VAT services. The PRC Telecommunications Regulations, promulgated by the State Council on September 25, 2000 and recently amend with immediate effect on February 6, 2016, provides the regulatory framework for telecommunications service providers in China. The PRC Telecommunications Regulations classify telecommunications services into basic telecommunications services and VAT services. According to the Catalog of Telecommunications Services, attached to the PRC Telecommunications Regulations and recently amended by the PRC Ministry of Industry and Information Technology, or the MIIT, on June 6, 2019, information services provided via public communication network or the internet are VAT services. As a subcategory of the VAT, internet information services are regulated by the Administrative Measures on Internet Information Services, or the Internet Measures, which was promulgated by the State Council on September 25, 2000 and recently amended with immediate effect on January 8, 2011. Internet information services are defined as “services that provide information to online users through the internet”. The Internet Measures classify internet information services into non-commercial internet information services and commercial internet information services. Commercial internet information service providers must obtain a VAT license from appropriate telecommunications authorities. A VAT license has a term of five years and can be renewed within 90 days prior to its expiration, according to the Administrative Measures for Telecommunications Businesses Operating Licensing, which was promulgated by the MIIT on March 1, 2009, recently amended on July 3, 2017, and became effective on September 1, 2017.

The VIE Entity holds a VAT license, covering information service business.

Regulations Related to Video Production

In July 2004, the SARFT promulgated the Regulations on the Administration of Production of Radio and Television Programs (the “**Radio and TV Programs Regulations**”), as most recently amended on October 29, 2020. Under the Radio and TV Programs Regulations, any entities that engage in the production of radio, video and television programs are required to apply for a license from the National Radio and Television Administration or its provincial level counterparts. Entities shall conduct their business within the permitted scope as provided in their licenses. Entities with the License for Production and Operation of Radio and Television Programs shall conduct their operations strictly in compliance with the approved scope of production and operation.

According to the Negative List 2021, foreign investments in the radio and television program production and operation business, the production of audiovisual products and/or electronic publications and film production and distribution business are prohibited.

The VIE Entity holds a Radio and Television Production Operation License, covering the radio and television programs production and distribution.

Hong Kong

We are subject to the relevant laws and regulations in Hong Kong. Except for the application of a business registration certificate under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), which our Hong Kong subsidiaries have obtained since incorporation and the commencement of their business operations, we are not required to obtain any industry-specific licence, permit, authorisation or qualification for our Group’s operations in Hong Kong.

Regulation of advertising practice

In Hong Kong, there is a number of different ordinances and regulations contain provisions regarding advertising and promotion of products and service, the breach of these provisions may result in criminal offences. Some of the ordinances that are applicable in relation to our digital media operations include the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong), the Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong), the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong), the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) and the Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong).

Regulation of printed media

For the years ended March 31, 2021 and 2022, we have published various magazines in Hong Kong and are subject to laws that regulate the publication of printed media such as the Books Registration Ordinance (Chapter 142 of the Laws of Hong Kong).

Regulation of e-commerce and retail business

For the years ended March 31, 2021 and 2022, we operated an e-commerce and retail business in Hong Kong. The sale of goods in Hong Kong is regulated by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong), the Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) and the Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong). Various other legislations are also relevant to the operations of our e-commerce and retail business, including but not limited to the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong), the Electronic Transaction Ordinance (Chapter 553 of the Laws of Hong Kong), the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong), the Trade Mark Ordinance (Chapter 559 of the Laws of Hong Kong), the Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong), the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong), the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong), the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), and the Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong).

Further details of the aforementioned ordinances are as follows:

- Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (the “**TDO**”): The aim of the TDO is to prohibit false trade descriptions, false, misleading or incomplete information, false marks and misstatements in respect of goods provided in the course of the trade or suppliers of such goods, etc. The definition of trade description under TDO covers a broad range of matters including but not limited to the following aspects of goods: quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard, approval by any person, a person by whom the goods have been acquired, and the goods being of the same kind as goods supplied to a person, etc.

The descriptions of goods offered on our e-commerce and retail business is subject to the regulation of TDO. In addition, the TDO stipulates that any reference to a trader in the ordinance includes any person acting in the name of, or on behalf of, a trader. As such, being a digital media service provider for our marketing customers, who may be regarded as traders in their respective business, we may in such way be held liable for the above offences in the operation of our digital media service segment.

- Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (the “**SOGO**”): SOGO is the main governing law in Hong Kong in relation to sale of goods, which impose certain implied conditions such as the following: (1) where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description; (2) where a seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract are of merchantable quality except for certain defined circumstances; and (3) certain implied undertakings on the seller for every contract of sale, unless there appears from the contract or is to be inferred from the circumstances of the contract an intention that the seller should transfer only such title as he or a third person may have.
- Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) (the “**Consumer Goods Safety Ordinance**”): The Consumer Goods Safety Ordinance is enacted to impose a duty on manufacturers, importers and suppliers of certain consumer goods to ensure that the consumer goods they supply are safe and for incidental purposes. The Consumer Goods Safety Ordinance prohibits a person from supplying, manufacturing, or importing into Hong Kong consumer goods unless the consumer goods comply with the general safety requirement or an approved standard for consumer goods. Currently there is no approved standard which has been approved in any regulation to the Consumer Goods Safety Ordinance.

The general safety requirement is that the consumer goods are reasonably safe having regard to all of the circumstances, including (a) the manner in which, and the purpose for which, the consumer goods are presented, promoted or marketed; (b) the use of any mark in relation to the consumer goods and instructions or warnings given for the keeping, use or consumption of the consumer goods; (c) reasonable safety standards published by a standards institute or similar body for consumer goods of the description which applies to the consumer goods or for matters relating to consumer goods of that description; and (d) the existence of any reasonable means (taking into account the cost, likelihood and extent of any improvement) to make the consumer goods safer.

- Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong) (the “**Consumer Goods Safety Regulation**”): The Consumer Goods Safety Regulation requires any warning or caution affixed on any consumer goods or their packages to be in both the English and the Chinese languages. The warning or caution shall be legible and be placed in a conspicuous position on (a) the consumer goods; (b) any package of the consumer goods; (c) a label securely affixed to the package; or (d) a document enclosed in the package.

- Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) (the “**Supply of Services Ordinance**”): We provide advertising services to our digital media customers. The supply of services in Hong Kong is regulated by the Supply of Services Ordinance, which consolidates and amends the law with respect to the terms to be implied in contracts for the supply of services, such as the following: (1) in a contract for the supply of service where the supplier is acting in the course of a business, there is an implied term that the supplier will carry out the service with reasonable care and skill; and (2) where, under a contract for the supply of a service by a supplier acting in the course of a business, the time for the service to be carried out is not fixed by the contract, is not left to be fixed in a manner agreed by the contract or is not determined by the course of dealing between the parties, there is an implied term that the supplier will carry out the service within a reasonable time.
- Electronic Transaction Ordinance (Chapter 553 of the Laws of Hong Kong) (the “**Electronic Transaction Ordinance**”): The Electronic Transaction Ordinance was enacted, amongst others, to facilitate the use of electronic transactions for commercial and other purposes. It confirms that in the context of contract formation, unless otherwise agreed by the parties, an offer and acceptance of an offer may be in whole or in part expressed by means of electronic records. An electronic signature shall not be denied legal effect on the sole ground that it is an electronic signature.
- Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) (the “**CECO**”): The CECO aims to limit the extent to which civil liability for breach of contract, or for negligence or other breach of duty, can be avoided by means of contract terms and otherwise and to restrict the enforceability of arbitration agreements. Certain of our service contracts with our digital media customers and our contracts for the sale of goods to our e-commerce and retail customers are subject to the provisions of the CECO.
- Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “**PDPO**”): The PDPO aims to protect the privacy of individuals in relation to personal data, which is defined as any data (i) relating directly or indirectly to a living individual (data subject); (ii) from which it is practicable for the identity of the individual to be directly or indirectly ascertained; and (iii) in a form in which access to or processing of the data is practicable. The PDPO regulates the conducts of a data user, i.e. any person who, either alone or jointly or in common with other persons, controls the collection, holding, processing or use of personal data.

Visitors of our Hypebeast.com website and HBX store may choose to register as our members. During the registration process we collect our member’s personal information. We also monitor the online behaviour of our readers so as to gather data for market trend analysis. As such, in carrying out our Group’s operations, we need to comply with the PDPO and its six data protection principles.

In the course of our business, our Group has in its possession private and confidential personal data. As such, our operations in relation to personal data are regulated by the PDPO and our Group falls within the definition of “data user” as defined under the PDPO. Hence, we are subject to the principles set out in the PDPO regarding the collection, use, retention, accuracy and security of and access to personal data.

- Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) (the “**Copyright Ordinance**”): The Copyright Ordinance provides comprehensive protection for recognised categories of work such as literary, dramatic, musical and artistic works. Such protection extends to making available to the public such works on the Internet. Certain copyrights may subsist in the works we create in relation to our digital media content and advertising materials, including artistic works (such as artworks and photos), films (such as videos) or literary works (such as text) that qualify for copyright protection without registration.

The Copyright Ordinance restricts certain acts such as copying and/or issuing or making available copies to the public of a copyright work without the authorisation from the copyright owner which, if done, constitutes “primary infringement” of copyright which does not require knowledge of infringement. The Copyright Ordinance permits certain acts that can be done in relation to copyright works without authorisation from the copyright owner, one of which being fair dealing with a copyright work for the purpose of criticism, review or reporting current events if accompanied by a sufficient acknowledgement of such copyright work and its author. Under the Copyright Ordinance, a person may incur civil liability for “secondary infringement” if that person, amongst others, possesses, sells, distributes or deals with a copy of a work which is, and which he knows or has reason to believe to be, an infringing copy of the work for the purposes of or in the course of any trade or business without the consent of the copyright owner. However, the person will only be liable if, at the time he committed the act, he knew or had reason to believe that he was dealing with infringing copies of the work.

- Trade Mark Ordinance (Chapter 559 of the Laws of Hong Kong) (the “**Trade Mark Ordinance**”): The Trade Mark Ordinance protects registered trademarks. The duration of the registered trademarks is for ten years, which can be further renewed for ten years per renewal. A registered trade mark may be challenged in revocation proceedings if it is not used in Hong Kong for a continuous period of at least three years.
- Subject to certain exemptions, a person infringes a registered trade mark if he uses in the course of trade or business a sign: (1) which is identical to the trade mark in relation to goods or services which are identical to those for which it is registered; (2) which is identical to the trade mark in relation to goods or services which are similar to those for which it is registered, and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public; (3) which is similar to

the trade mark in relation to goods or services which are identical or similar to those for which it is registered and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public; or (4) which is identical or similar to the well-known trade mark in relation to any goods or services, and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.

- Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) (the “**Import and Export Ordinance**”), Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong) (“**Import and Export (General) Regulations**”), and Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) (“**Import and Export (Registration) Regulations**”): The Import and Export Ordinance regulates and controls, inter alia, the import of articles into and the export of articles from Hong Kong. Except under and in accordance with a licence, import and export of the articles listed in Schedules 1 and 2 (respectively) of the Import and Export (General) Regulations are prohibited. The Group does not import or export any such prohibited articles.
- The Import and Export (Registration) Regulations requires, inter alia, every person who imports or exports any article other than an exempted article to lodge with the Commissioner of Customs and Excise an accurate and complete import declaration within 14 days relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner may specify. Articles exempted from the declaration requirement include, amongst others, (i) any postal packet the contents of which are valued at less than HK\$4,000, (ii) any article consisting solely of and marked clearly as a sample of a product intended to be distributed free of charge for the purpose of advertising the product, and (iii) any article consisting solely of and marked clearly as a sample, valued at less than HK\$1,000, of a product intended to be used for advertising the product.
- Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong) (the “**Control of Obscene and Indecent Articles Ordinance**”): The content we post on our digital media platforms and publish in our magazines are subject to the regulations of the Control of Obscene and Indecent Articles Ordinance, such as the prohibition to publish, possess for the purpose of publication or import for the purpose of the publication, any obscene article (whether or not he knows that it is an obscene article). The Obscene Articles Tribunal is empowered to refuse an application to make a classification of an article, to classify an article as neither obscene nor indecent (Class I), indecent (Class II) or obscene (Class III) or to determine whether articles published in magazines in Hong Kong are obscene or indecent.

SELECTED HISTORICAL COMBINED AND CONSOLIDATED FINANCIAL DATA OF HYPEBEAST

The following tables present the summary consolidated financial data of Hypebeast. Hypebeast prepares its consolidated financial statements in accordance with IFRS. Except for numbers in U.S. dollars, which were translated at the exchange rate as stated under “Important Information About Exchange Rates” and presented for the convenience of the readers, the summary consolidated statement of operations data for the years ended March 31, 2021 and 2022, the summary consolidated balance sheet data as at March 31, 2021 and 2022, and the summary consolidated statement of cash flows data for the years ended March 31, 2021 and 2022 have been derived from Hypebeast’s audited consolidated financial statements, which are included elsewhere in this proxy statement/prospectus. Hypebeast’s historical results for any prior period are not necessarily indicative of results expected in any future period.

The financial data set forth below should be read in conjunction with, and is qualified by reference to “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of Hypebeast*” and the consolidated financial statements and notes thereto included elsewhere in this proxy statement/prospectus.

Summary Consolidated Statements of Operations Data

	For the year ended March 31,		
	2021	2022	
	HK\$'000	HK\$'000	US\$'000
Revenue	674,212	895,632	114,348
Cost of revenue	(340,085)	(346,319)	(44,215)
Gross profit	334,127	549,313	70,133
Other income, other gains and losses	3,177	4,880	623
Selling and marketing expenses	(112,791)	(160,391)	(20,478)
Administrative and operating expenses	(125,005)	(202,650)	(25,873)
Professional fee related to the Merger as defined in note 37	—	(30,185)	(3,854)
Impairment losses under expected credit losses model, net of reversal	(4,795)	(11,681)	(1,491)
Impairment losses recognised on intangible assets	—	(2,648)	(338)
Finance costs	(1,622)	(4,588)	(586)
Share of results of joint ventures	—	—	—
Profit before tax	93,091	142,050	18,136
Income tax expense	(22,507)	(41,883)	(5,347)

	For the year ended March 31,		
	2021	2022	
	HK\$'000	HK\$'000	US\$'000
Profit for the year	70,584	100,167	12,789
<i>Other comprehensive (expense) income:</i>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations	3,934	2,878	367
Total comprehensive income for the year	74,518	103,045	13,156
Earnings per share			
Basic (HK cent)	3.47	4.88	
Diluted (HK cent)	3.45	4.87	

Summary Consolidated Balance Sheet Data

	For the year ended March 31,		
	2021	2022	
	HK\$'000	HK\$'000	US\$'000
Total current assets	460,390	562,653	71,836
Total non-current assets	121,195	167,383	21,370
Total assets	581,585	730,036	93,206
Total current liabilities	154,326	194,091	24,780
Total non-current liabilities	66,016	58,029	7,409
Total liabilities	220,342	252,120	32,189
Capital and reserves	361,243	477,916	61,017
Total equity and liabilities	581,585	730,036	93,206

Summary Consolidated Statements of Cash Flow Data

	For the year ended March 31,		
	2021	2022	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>US\$'000</i>
Cash flows generated from operating activities	195,715	158,568	20,245
Cash flows used in investing activities	(12,264)	(70,110)	(8,951)
Cash flows used in financial activities	(43,027)	(15,746)	(2,010)
Effect of foreign exchange rate changes	1,900	1,982	253
Net increase in cash and cash equivalents	140,424	72,712	9,284
Cash and cash equivalents at beginning of the year	67,251	209,575	26,757
Cash and cash equivalents at end of the year	209,575	284,269	36,294

VIE Consolidation Schedule

The following tables set forth the summary consolidated balance sheets data as of March 31, 2021 and 2022 of (i) the parent company, Hypebeast Limited, (ii) its subsidiaries, which include Hypebeast Hong Kong Limited, 102 Media Lab Limited, Hypebeast Inc., HBX New York Inc., HBX 41 Division LLC, Hypebeast UK Limited, Hypebeast Japan 株式會社, Hypebeast Asia Pacific Limited, Hypebeast Company SG Pte. Ltd., COREone Limited, CORE two Limited, COREthree Limited, Cravee Limited, Hype Capital Limited, and Hypebeast WAGMI Inc., (iii) its PRC subsidiary, Beijing Hypebeast, and (iv) the variable interest entity, Hypebeast Cultural, and the summary of the consolidated statements of income and cash flows for the years ended March 31, 2021 and 2022. Hypebeast's (including the VIE Entity's) consolidated financial statements are prepared and presented in accordance with IFRS. Hypebeast's and the variable interest entity's historical results are not necessarily indicative of results expected for future periods. You should read this information together with Hypebeast's (including the VIE Entity's) consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Hypebeast" included elsewhere in this proxy statement/prospectus.

As of March 31, 2022

	Parent		Other subsidiaries		PRC subsidiary		The Variable Interest Entity		Eliminations		Consolidated Total	
	HK\$	US\$	HK\$	US\$	HK\$	US\$	HK\$	US\$	HK\$	US\$	HK\$	US\$
	<i>(in thousands)</i>											
Bank balances and cash	6,658	850	133,479	17,042	124,834	15,938	19,298	2,464	—	—	284,269	36,294
Amounts due from entities												
within the Group	61,741	7,883	192,597	24,589	55,076	7,032	—	—	(309,414)	(39,504)	—	—
Amount due from VIE	—	—	2,959	378	10,009	1,278	—	—	(12,968)	(1,656)	—	—
Trade and other receivables	1,588	203	133,205	17,007	35,070	4,477	13,155	1,680	—	—	183,018	23,367
Investment in subsidiaries												
and VIE.	427,580	54,590	1,913	244	—	—	—	—	(429,493)	(54,834)	—	—
Tax prepayments	—	—	—	—	8,590	1,097	1,920	245	—	—	10,510	1,342
Contract assets	—	—	5,026	642	—	—	128	16	—	—	5,154	658
Inventories	—	—	69,702	8,899	—	—	—	—	—	—	69,702	8,899
Pledged bank deposits	—	—	10,000	1,277	—	—	—	—	—	—	10,000	1,277
Property, plant and												
equipment	—	—	52,481	6,700	211	27	9	1	—	—	52,701	6,728
Intangible assets	—	—	10,896	1,391	871	111	—	—	—	—	11,767	1,502
Right-of-use assets	—	—	69,170	8,831	843	108	—	—	—	—	70,013	8,939
Non-current rental and												
other deposits	—	—	7,622	973	—	—	—	—	—	—	7,622	973
Financial assets at fair												
value through profit or												
loss	—	—	24,258	3,097	—	—	—	—	—	—	24,258	3,097
Deferred tax assets	—	—	1,022	130	—	—	—	—	—	—	1,022	130
Total assets	497,567	63,526	714,330	91,200	235,504	30,068	34,510	4,406	(751,875)	(95,994)	730,036	93,206
Trade and other payables	19,001	2,426	100,740	12,862	13,770	1,758	12,197	1,557	—	—	145,708	18,603
Contract liabilities	—	—	11,602	1,481	—	—	—	—	—	—	11,602	1,481
Bank borrowings	—	—	7,363	940	—	—	—	—	—	—	7,363	940
Lease liabilities	—	—	73,103	9,333	845	108	—	—	—	—	73,948	9,441
Tax payables	—	—	12,646	1,615	178	23	55	7	—	—	12,879	1,645
Derivative financial												
instruments	—	—	620	79	—	—	—	—	—	—	620	79
Amounts due to entities												
within the Group	650	83	202,952	25,912	105,812	13,509	12,968	1,656	(322,382)	(41,160)	—	—
Total liabilities	19,651	2,509	409,026	52,222	120,605	15,398	25,220	3,220	(322,382)	(41,160)	252,120	32,189
Total shareholders' equity	<u>477,916</u>	<u>61,017</u>	<u>305,304</u>	<u>38,978</u>	<u>114,899</u>	<u>14,670</u>	<u>9,290</u>	<u>1,186</u>	<u>(429,493)</u>	<u>(54,834)</u>	<u>477,916</u>	<u>61,017</u>

For the year ended March 31, 2022

	Parent		Other subsidiaries		PRC subsidiary		The Variable Interest Entity		Eliminations (Note)		Consolidated Total	
	HK\$	US\$	HK\$	US\$	HK\$	US\$	HK\$	US\$	HK\$	US\$	HK\$	US\$
	<i>(in thousands)</i>											
Total revenue	—	—	875,325	111,756	110,878	14,156	56,670	7,235	(147,241)	(18,799)	895,632	114,348
Cost of revenue	26	3	302,760	38,654	23,124	2,952	48,262	6,162	(27,853)	(3,556)	346,319	44,215
Gross (loss) profit	(26)	(3)	572,565	73,102	87,754	11,204	8,408	1,073	(119,388)	(15,243)	549,313	70,133
Share of gain from subsidiaries and VIE	133,566	17,053	—	—	—	—	—	—	(133,566)	(17,053)	—	—
Net income	100,167	12,789	84,071	10,735	55,638	7,103	5,377	686	(145,086)	(18,524)	100,167	12,789

Note: The elimination includes the intercompany service fee amounting to HK\$27.9 million (US\$3.6 million) provided by the VIE to the PRC subsidiary.

	For the year ended March 31, 2022											
	Parent		Other subsidiaries		PRC subsidiary		The Variable Interest Entity		Eliminations		Consolidated Total	
	HK\$	US\$	HK\$	US\$	HK\$	US\$	HK\$	US\$	HK\$	US\$	HK\$	US\$
	<i>(in thousands)</i>											
Net cash (used in) provided by operating activities	<u>(10,323)</u>	<u>(1,318)</u>	<u>84,427</u>	<u>10,779</u>	<u>84,545</u>	<u>10,794</u>	<u>(81)</u>	<u>(10)</u>	<u>—</u>	<u>—</u>	<u>158,568</u>	<u>20,245</u>
Dividend received from group companies	—	—	11,521	1,471	—	—	—	—	(11,521)	(1,471)	—	—
Change in amount due from group companies	6,239	797	(127,929)	(16,333)	(33,961)	(4,336)	—	—	155,651	19,872	—	—
Other investing activities	<u>—</u>	<u>—</u>	<u>(69,749)</u>	<u>(8,905)</u>	<u>(412)</u>	<u>(53)</u>	<u>51</u>	<u>7</u>	<u>—</u>	<u>—</u>	<u>(70,110)</u>	<u>(8,951)</u>
Net cash provided by (used in) investing activities	<u>6,239</u>	<u>797</u>	<u>(186,157)</u>	<u>(23,767)</u>	<u>(34,373)</u>	<u>(4,389)</u>	<u>51</u>	<u>7</u>	<u>144,130</u>	<u>18,401</u>	<u>(70,110)</u>	<u>(8,951)</u>
Dividend paid to group companies	—	—	—	—	(11,521)	(1,471)	—	—	11,521	1,471	—	—
Change in amount due to group companies	—	—	96,557	12,327	54,607	6,972	4,487	573	(155,651)	(19,872)	—	—
Other financing activities	<u>7,344</u>	<u>938</u>	<u>(22,121)</u>	<u>(2,824)</u>	<u>(969)</u>	<u>(124)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(15,746)</u>	<u>(2,010)</u>
Net cash provided by (used in) financing activities	<u><u>7,344</u></u>	<u><u>938</u></u>	<u><u>74,436</u></u>	<u><u>9,503</u></u>	<u><u>42,117</u></u>	<u><u>5,377</u></u>	<u><u>4,487</u></u>	<u><u>573</u></u>	<u><u>(144,130)</u></u>	<u><u>(18,401)</u></u>	<u><u>(15,746)</u></u>	<u><u>(2,010)</u></u>

	As of March 31, 2021					
	Parent	Other subsidiaries	The Variable		Eliminations	Consolidated Total
			PRC subsidiary	Interest Entity		
HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
			<i>(in thousands)</i>			
Bank balances and cash	3,398	162,873	28,643	14,661	—	209,575
Amounts due from entities within the Group	67,980	66,565	23,705	—	(158,250)	—
Amount due from VIE	—	1,061	10,512	—	(11,573)	—
Trade and other receivables	878	78,864	106,444	10,756	—	196,942
Investment in subsidiaries and VIE	291,136	1,913	—	—	(293,049)	—
Contract assets	—	514	—	970	—	1,484
Inventories	—	42,389	—	—	—	42,389
Pledged bank deposits	—	10,000	—	—	—	10,000
Property, plant and equipment	—	22,456	132	2	—	22,590
Intangible assets	—	17	945	—	—	962
Right-of-use assets	—	77,168	1,783	—	—	78,951
Non-current rental and other deposits	—	7,176	289	—	—	7,465
Financial assets at fair value through profit or loss	—	1,647	—	—	—	1,647
Amount due from a joint venture	—	9,101	—	—	—	9,101
Deferred tax assets	—	479	—	—	—	479
Total assets	<u>363,392</u>	<u>482,223</u>	<u>172,453</u>	<u>26,389</u>	<u>(462,872)</u>	<u>581,585</u>
Trade and other payables	1,499	58,938	44,684	12,765	—	117,886
Contract liabilities	—	9,020	—	—	—	9,020
Bank borrowings	—	5,996	—	—	—	5,996
Lease liabilities	—	79,965	1,814	—	—	81,779
Tax payables	—	71	7,328	(1,738)	—	5,661
Amounts due to entities within the Group	650	106,395	51,205	11,573	(169,823)	—
Total liabilities	<u>2,149</u>	<u>260,385</u>	<u>105,031</u>	<u>22,600</u>	<u>(169,823)</u>	<u>220,342</u>
Total shareholders' equity	<u>361,243</u>	<u>221,838</u>	<u>67,422</u>	<u>3,789</u>	<u>(293,049)</u>	<u>361,243</u>

Note: The elimination includes the intercompany service fee amounting to HK\$21.2 million provide by the VIE to the PRC subsidiary.

For the year ended March 31, 2021

	The Variable					Consolidated Total
	Parent	Other subsidiaries	PRC subsidiary	Interest Entity	Eliminations (Note)	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(in thousands)</i>					
Total revenue	—	592,425	126,539	34,975	(79,727)	674,212
Cost of revenue	23	259,506	64,618	37,162	(21,224)	340,085
Gross (loss) profit	(23)	332,919	61,921	(2,187)	(58,503)	334,127
Share of gain from subsidiaries and VIE	70,592	—	—	—	(70,592)	—
Net income (loss)	70,584	51,142	36,800	(4,404)	(83,538)	70,584

Note: The elimination includes the intercompany service fee amounting to HK\$21.2 million provide by the VIE to the PRC subsidiary.

For the year ended March 31, 2021

	The Variable					Consolidated Total
	Parent	Other subsidiaries	PRC subsidiary	Interest Entity	Eliminations	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(in thousands)</i>					
Net cash provided by operating activities	10,094	161,558	23,722	341	—	195,715
Dividend received from group companies	—	12,541	—	—	(12,541)	—
Change in amount due from group companies	(9,130)	(21,148)	(13,637)	—	43,915	—
Other investing activities	(2,279)	(9,586)	(432)	33	—	(12,264)
Net cash (used in) provided by investing activities	(11,409)	(18,193)	(14,069)	33	31,374	(12,264)
Dividend paid to group companies	—	—	(12,541)	—	12,541	—
Change in amount due to group companies	—	14,288	23,729	5,898	(43,915)	—
Other financing activities	4,528	(47,555)	—	—	—	(43,027)
Net cash provided by (used in) financing activities	4,528	(33,267)	11,188	5,898	(31,374)	(43,027)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF HYPEBEAST

The following discussion and analysis provides information which Hypebeast's management believes is relevant to an assessment and understanding of Hypebeast's results of operations and financial condition. This discussion and analysis should be read together with "Selected Historical Combined and Consolidated Financial Data of Hypebeast" and the audited and unaudited interim condensed historical consolidated financial statements and related notes that are included elsewhere in this proxy statement/prospectus. This discussion and analysis should also be read together with Hypebeast's pro forma consolidated financial information in the section titled "Unaudited Pro Forma Condensed Combined Financial Information." In addition to historical financial information, this discussion and analysis contains forward-looking statements based upon current expectations that involve risks, uncertainties and assumptions. For more information about forward-looking statements, see the section titled "Cautionary Note Regarding Forward-Looking Statements." Actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" or elsewhere in this proxy statement/prospectus.

Hypebeast's consolidated financial statements have been prepared in accordance with IFRS. All amounts are in U.S. dollars except as otherwise indicated. For more information about the basis of presentation of Hypebeast's consolidated financial statements, see the section titled "Basis of Presentation" and Note 3 to Hypebeast's audited historical consolidated financial statements included elsewhere in this proxy statement/prospectus.

Certain figures, such as interest rates and other percentages included in this section, have been rounded for ease of presentation. Percentage figures included in this section have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this section may vary slightly from those obtained by performing the same calculations using the figures in Hypebeast's consolidated financial statements or in the associated text. Certain other amounts that appear in this section may similarly not sum due to rounding.

Throughout this section, unless otherwise noted "we," "us," "our" and the "Company" refer to Hypebeast and its consolidated subsidiaries.

Company Overview

We are a global digital media and retail company primarily engaged in (i) the provision of digital media content, creative agency services and online advertising for global brands; and (ii) the sale of goods through our online and offline retail platforms. Our community of followers and visitors are a coveted target market for our digital media and agency brand partners and also a natural customer base for our e-commerce and retail segment. Our editorial, digital media, creative agency and e-commerce offerings work in tandem and provide synergistic impact on our digital platform following, our digital media and creative agency revenue expansion as well as e-commerce and retail growth.

We have a track record of steady and profitable revenue growth during the past few years. Our total revenue was HK\$674.2 million in the fiscal year ended March 31, 2021 which increased to HK\$895.6 million (US\$114.3 million) in the fiscal year ended March 31, 2022, in line with the recovery in our business during the post-COVID-19 pandemic period. Our profit for the year showed robust growth over the same period, which increased from HK\$70.6 million in the fiscal year ended March 31, 2021 to HK\$100.2 million (US\$12.8 million) in the fiscal year ended March 31, 2022.

Current Situation with Regards to COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate its spread have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which we operate.

The COVID-19 outbreak has resulted in suspension of or slowdown in certain businesses in certain countries and regions that we operate in to various extents, including mainland China, Hong Kong, the United States, the United Kingdom, Korea and Japan, which has resulted in disruptions or delays to the delivery of a portion of our planned physical advertising campaigns as well as our customers' purchases through our online and offline retail platforms. However, the COVID-19 pandemic also accelerated the digitalization of advertising as global brands shifted marketing dollars from traditional marketing channels to digital channels. As such, for the media segment, we forecast positive developments going forward, and for the e-commerce and retail segment, we expect to undergo more rapid expansion after governments lift pandemic-related restrictions and stabilize supply chain disruptions.

As the COVID-19 situation and the corresponding containment measures abated, our revenues increased from HK\$674.2 million in the fiscal year ended March 31, 2021 to HK\$895.6 million (US\$114.3 million) in the fiscal year ended March 31, 2022, during which time our revenue from the media segment increased from HK\$447.4 million to HK\$653.6 million (US\$83.4 million), and our revenue from the e-commerce and retail segment increased from HK\$226.8 million to HK\$242.0 million (US\$30.9 million).

Throughout the pandemic, we have taken temporary precautionary measures intended to help minimize the risk of the virus to our employees, including encouraging employees to utilize the work from home policy, maintaining good personal hygiene and implementing social distancing protocol for all work conducted onsite.

As the COVID-19 pandemic's intensity wanes and pandemic-related restrictions continue to ease, our events production and offline partnerships under the media segment have already recovered to pre-COVID-19 levels. We expect the demand for offline campaigns and activations to resume and grow as global marketing spend continues to expand. However, concerns about the transmission of COVID-19 and mandates or orders from government authorities could continue to affect consumer behavior, leading to changes in spending. There remain significant uncertainties surrounding COVID-19, including the existing and new variants of COVID-19, and its further development as a global pandemic, including the effectiveness of vaccine programs against existing and any new variants of COVID-19.

As the COVID-19 pandemic continues to evolve, the ultimate extent of the impact on our businesses, operating results, cash flows, liquidity and financial condition will be primarily driven by the severity and duration of the outbreak, the pandemic's impact on Hong Kong, mainland China, the United States and global economies and the timing, scope and effectiveness of governmental responses to the pandemic.

Key Factors Affecting Hypebeast's Performance

We believe that our performance and future success is dependent on multiple factors that both present themselves as significant opportunities and pose risks and challenges, including those discussed below and in the section of this proxy statement/prospectus titled "*Risk Factors*."

Change of overall economic conditions

Some of our digital media customers are from the fashion, luxury goods and consumer industries. The revenue and growth of these industries are highly sensitive to the general economic performance regionally and globally. Should these industries suffer a downturn or be affected by fluctuations in the macroeconomic conditions, the branding and marketing budgets of brand owners and advertising agencies conducting business with us may be adversely affected. As budgets of brand owners and advertising agencies are closely related to the economic trend, we are indirectly exposed to the economic factors and risks that affect such brand owners and advertising agencies, such as the economic conditions of the United States, European countries, Hong Kong, mainland China and other Asian countries, general industry trends, shift in consumption behavior of consumers and government policies. Our e-commerce platform would also be adversely affected if consumers are less willing to spend money on fashionable or luxury items due to economic downturn. This would have an impact on our business and financial performance.

Our ability to offer digital media content and e-commerce products that attract customers

We believe that our ability to provide services satisfactory to the brand owners and advertising agencies is critical to the success of our media segment. Therefore, we must keep abreast of the emergence of new digital media services in order to keep up with the changing demand of brand owners and advertising agencies. Should we fail to stay ahead of the industry trend and rapidly respond to the latest developments and the needs of our digital media customers in terms of offerings and pricing of our services, the continual growth of our business may be affected. To maintain our competitiveness, our digital media platforms and social media platforms are constantly updated to provide up-to-date information on fashion, lifestyle, technology, art and entertainment, culture, music and other topics that appeals to our followers.

For our e-commerce business, we believe that constantly changing product trends and consumer preferences have affected and will continue to affect the e-commerce industry. We must stay abreast of emerging consumer preferences and anticipate product trends that appeal to existing and potential online shoppers, and any failure to identify and respond to such trends could result in decreased number of shoppers to our e-commerce platform. This may in turn lead to significant adverse effects on our business performance, financial condition and results of operations.

Service and product mix

Our profitability and results of operations are affected by our service and product mix. We mainly provide advertising services under the media segment, including the provision of advertisement services and spaces and creative agency services. Our e-commerce and retail segment includes sales of variety of third-party branded products in our online and offline platforms. Our gross profit margins vary between business segments attributable to our different product and service portfolios. Our service and product mix may change over time and the magnitude of such change has affected, and is expected to continue to affect, our financial performance as different products or services generate different gross profits depending on factors such as cost structures and marketing, promotional and pricing strategies. The fluctuation of our overall gross profit margin was principally attributable to change in sales mix in our services and products. Going forward, we will continue to evaluate and adjust portfolio of our service and product offerings from time to time so as to focus on products with higher profit margins, greater market demand and better potential to maintain or increase our profitability.

Attraction and retention of talented staff and staff costs

We believe our employees are one of our most important assets in order to grow and manage our business successfully. We intend to continue to invest in hiring and retaining talented employees. In the fiscal years ended March 31, 2021 and 2022, we retained a management team with extensive industry experiences and a creative workforce. As of March 31, 2022, we had 465 employees. We expect to grow our headcount in selected functions, particularly in editorial, production and sales and marketing functions.

We believe that it is important to continually develop and train our hired personnel and upskill our key existing employees in order to maintain and improve our business performance. As part of our continuing efforts to enhance the quality of our service, we will encourage our staff to attend internal and external training to keep abreast of latest developments in order to support our business growth.

Moreover, we believe that a positive work environment encourages better staff relations and enhanced quality of service by motivated staff, leading to greater employee retention. We are committed to foster a work environment which attracts and inspires people to excel in their work performance by implementing an incentive scheme to align remuneration with performance.

Effectiveness of sales and marketing efforts

We believe attracting visitors to our digital media platforms in a cost-efficient way and converting them into profitable online shoppers of our e-commerce platform is critical to our continued growth. We have incurred and will continue to incur significant expenses in marketing through a broad range of channels to drive website traffic, acquire new customers, grow revenue and enhance our overall brand awareness. Marketing expenses include expenses for online marketing, such as via search engine marketing and social media platform. In addition, we believe that our brand and digital media platforms are highly effective marketing channels for our e-commerce business. Visitors of our digital media platforms and accounts on social media platforms may find an item we reported to be of particular interest and our e-commerce and retail platform to be able to provide a convenient way for them to purchase the item.

Basis of Presentation

Since the listing of the Shares on the Stock Exchange, the Company has been preparing its consolidated financial statements in accordance with HKFRSs. Taking into account the potential dual-listing status of the Company upon completion of the Merger and with a view to ensure transparency of financial information provided to the shareholders and potential investors of the Company, the Company has changed its accounting standards from HKFRSs to IFRSs. HKFRSs have converged with IFRSs. The consolidated financial statements include the accounts of the Company, entities (including the VIE Entity) controlled by the Company, and its wholly owned subsidiaries. Control is achieved when the Company (1) has power over the investee; (2) is exposed, or has rights, to variable returns from its involvement with the investee; and (3) has the ability to use its power to affect its returns.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation. Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Components of Results of Operations

Revenue

We generate revenue from: (1) the media segment, which includes provision of advertising spaces, provision of services for creative agency projects and publication of magazines and (2) the e-commerce and retail segment, which includes operation of online and offline retail platform for the sale of third-party branded clothing, shoes and accessories and commission fee from consignment sales.

Revenue from the media segment comes from the following channels:

- (a) for the provision of advertising spaces, revenue is recognized 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;
- (b) for provision of services for creative agency projects, we engage in project-based production of advertisement (including photo shooting, video production and editorial work prior to the publishing on advertising spaces) based on customers' specifications. Revenue from the provision of services for large-scale projects is recognized based on the agreed payment schedule pursuant to the contracts using output method over the period of the projects; revenue from the provision of services for small-scale projects is recognized when the completed advertisement is delivered to customers, being the point when the customer obtains the control of the advertisement and we have 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; and
- (c) for publication of magazines, we sell magazines to our customers and will also charge for its corresponding delivery. Magazines are typically offered for sale through our online retail platform.

Revenue from the e-commerce and retail segment comes from the following channels:

- (a) for the sales of goods through online and offline retail platform, we sell branded clothing, shoes, accessories and lifestyle products through our retail store and online retail platform operated in Hong Kong. Revenue from sales of goods through online and offline retail platform is recognized when the goods is shipped/delivered to customers or at the retail store, being the point when the customer obtains the control of the goods and we have present right to payment and collection of the consideration is probable. We typically receive payment in full before the sales orders processed; and
- (b) for commission fee from consignment sales, we act as consignee for certain suppliers on selling their clothing, shoes and accessories and lifestyle products to customers through our online retail platform on consignment basis. We are an agent under the consignment sales contracts as our performance obligation is to sell the products supplied by a third party and therefore do not control such products. Accordingly, we recognize revenue in the amount of commission to be received pursuant to the consignment sales contracts when the goods are shipped/delivered to customers, being the point when the customer obtains the control of the goods and we have present right to payment and collection of the consideration is probable. We typically receive payment in full before the consignment sales orders processed.

Cost of Revenue

Our cost of e-commerce and retail segment revenue consists primarily of procurement costs, shipping and handling costs and digital platform cost.

Our cost of media segment revenue consists primarily of campaign production costs, digital content creation cost, digital platform cost, and headcount related costs, such as salaries and related personnel expenses.

Selling and Marketing Expenses

Our selling and marketing expenses consists of commissions, personnel and operating expenses related to distribution of goods, expenses related to branding and promotional activities, headcount related costs, such as salaries and related personnel expenses.

We expect our selling and marketing expenses to increase steadily for the foreseeable future as we invest to support the growth of our regional expansion and to build out our sales force and marketing capabilities.

Administrative and Operating Expenses

Our administrative and operating expenses consist primarily of personnel-related expenses for employees involved in general corporate functions, including executive and administration, legal, human resources, accounting, finance, tax, and information technology. Personnel-related expenses primarily include salaries and benefits. In addition, general and administrative expenses also include allocated facilities costs, such as office, rent, and depreciation expenses, professional services fees and other general corporate expenses.

We expect our general and administrative expenses to increase as we scale up our headcount with the growth of our business and as a result of operating as a U.S.-listed public company, including compliance with the rules and regulations of the Securities Exchange Commission, legal, audit, additional insurance expenses, investor relations activities, and other administrative and professional services.

Finance Costs

Our finance costs primarily consists of interest on bank borrowings and lease liabilities.

Other Income, other Gains and Losses

Our other income, other gains and losses primarily consists of exchange gains and losses and penalty on customers for overdue settlement.

Income Tax Expense

Our income tax expense primarily consists of current tax expenses. Currently, 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 our PRC subsidiary is 25%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

Results of Operations

Comparison of Year Ended March 31, 2022 to Year Ended March 31, 2021

Our unaudited results of operations for the years ended March 31, 2021 and 2022 are presented below:

	For the year ended March 31,				
	2021		2022		
	HK\$'000	%	HK\$'000	US\$'000	%
Revenue	674,212	100.0	895,632	114,348	100.0
Cost of revenue	(340,085)	(50.4)	(346,319)	(44,215)	(38.7)
Gross profit	334,127	49.6	549,313	70,133	61.3
Other income, other gains and losses	3,177	0.4	4,880	623	0.5
Selling and marketing expenses	(112,791)	(16.7)	(160,391)	(20,478)	(17.9)
Administrative and operating expenses	(125,005)	(18.5)	(202,650)	(25,873)	(22.6)
Professional fee related to the Merger as defined in note 37	—	—	(30,185)	(3,854)	(3.4)
Impairment losses under expected credit losses model, net of reversal	(4,795)	(0.7)	(11,681)	(1,491)	(1.3)
Impairment losses recognised on intangible assets	—	—	(2,648)	(338)	(0.3)
Finance costs	(1,622)	(0.3)	(4,588)	(586)	(0.5)
Profit before tax	<u>93,091</u>	<u>13.8</u>	<u>142,050</u>	<u>18,136</u>	<u>15.9</u>
Income tax expense	<u>(22,507)</u>	<u>(3.3)</u>	<u>(41,883)</u>	<u>(5,347)</u>	<u>(4.7)</u>
Profit for the year	<u>70,584</u>	<u>10.5</u>	<u>100,167</u>	<u>12,789</u>	<u>11.2</u>

	For the year ended March 31,				
	2021		2022		
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>US\$'000</i>	<i>%</i>
<i>Other comprehensive (expense) income:</i>					
<i>Item that may be reclassified subsequently</i>					
<i>to profit or loss:</i>					
Exchange differences arising on translation of foreign operations	<u>3,934</u>	<u>0.6</u>	<u>2,878</u>	<u>367</u>	<u>0.3</u>
Total comprehensive income for the year	<u><u>74,518</u></u>	<u><u>11.1</u></u>	<u><u>103,045</u></u>	<u><u>13,156</u></u>	<u><u>11.5</u></u>
Earnings per share					
Basic (HK cent)	<u><u>3.47</u></u>		<u><u>4.88</u></u>		
Diluted (HK cent)	<u><u>3.45</u></u>		<u><u>4.87</u></u>		

Revenue

Our total revenue of HK\$895.6 million (US\$114.3 million) for the year ended March 31, 2022 comprised of HK\$653.6 million (US\$83.4 million) of revenue from the media segment and HK\$242.0 million (US\$30.9 million) from the e-commerce and retail segment. Our total revenue of HK\$674.2 million for the year ended March 31, 2021 comprised of HK\$447.4 million of revenue from the media segment and HK\$226.8 million from the e-commerce and retail segment.

Our revenue increased by HK\$221.4 million, or 32.8%, from HK\$674.2 million for the year ended March 31, 2021 to HK\$895.6 million (US\$114.3 million) for the year ended March 31, 2022.

The significant increase in revenue was primarily due to the significant increase in revenue from the media segment from HK\$447.4 million for the year ended March 31, 2021 to HK\$653.6 million (US\$83.4 million) for the year ended March 31, 2022. This is in turn attributable to (i) the significant increase in the revenue from provision of advertising spaces from HK\$215.6 million to HK\$383.0 million (US\$48.9 million) and (ii) the increase in the revenue from provision of services for creative agency projects from HK\$231.5 million to HK\$270.6 million (US\$34.5 million) in the same periods, primarily due to (i) softer comparatives for the year ended March 31, 2021 due to COVID-19, and(ii) the fact that our total signed contract value and number of signed contracts increased by 31.7% and 32.1% as compared to the year ended March 31, 2021.

The revenue from our e-commerce and retail segment increased from HK\$226.8 million for the year ended March 31, 2021 to HK\$242.0 (US\$30.9 million) for the year ended March 31, 2022 primarily due to our continued efforts to improve and refine its product offerings on HBX.com.

Cost of Revenue

Our cost of revenue remained stable from HK\$340.1 million for the year ended March 31, 2021 to HK\$346.3 million (US\$44.2 million) for the year ended March 31, 2022, despite the significant increase in revenue mainly attributable to the streamlined and cost-optimized productions in media segment for the year ended March 3, 2022. Our cost of revenue for the year ended March 31, 2022 comprises of the cost of revenue from the media segment of HK\$202.7 million (US\$25.9 million) and the cost of revenue from the e-commerce and retail segment of HK\$143.6 million (US\$18.5 million).

Selling and Marketing Expenses

Our selling and marketing expenses increased by HK\$47.6 million, or 42.2%, from HK\$112.8 million for the year ended March 31, 2021 to HK\$160.4 million (US\$20.5 million) for the year ended March 31, 2022. The significant increase was primarily due to our recovery from the COVID-19 pandemic led to increase in revenue followed by increase in (i) the new headcounts within our sales and marketing team to drive current and future revenue and business growth; and (iii) spending in our social media marketing and advertising for digital and e-commerce platforms.

Administrative and Operating Expenses

Our administrative and operating expenses increased by HK\$77.7 million, or 62.1%, from HK\$125.0 million for the year ended March 31, 2021 to HK\$202.7 million (US\$25.9 million) for the year ended March 31, 2022. The overall increase was mainly led by (i) staff costs in support of headcount additions to meet increasing demand; and (ii) weaker comparatives in the year ended March 31, 2021 due to the government subsidies received and other management led cost-savings measures employed.

Income Tax Expenses

Our income tax expense increased by HK\$19.4 million, or 86.1%, from approximately HK\$22.5 million in the year ended March 31, 2021 to approximately HK\$41.9 million in the year ended March 31, 2022, mainly due to the increase in profit before tax.

Other Income, other Gains and Losses

Our other income, other gains and losses increased by HK\$1.7 million, or 53.1%, from HK\$3.2 million for the year ended March 31, 2021 to HK\$4.9 million (US\$0.6 million) for the year ended March 31, 2022. Our other income, other gains and losses for the year ended March 31, 2022 primarily consisted of (i) exchange losses of approximately HK\$1.6 million (US\$0.2 million) for the year ended March 31, 2022, compared to exchange gains of approximately HK\$1.7 million for the year ended March 31, 2021; (ii) surcharges on customers for overdue settlement of approximately HK\$1.3 million (US\$0.2 million) during the year ended March 31, compared to surcharges on customers of approximately HK\$1.1 million for the year ended March 31, 2021; and (iii) gain on fair value changes of financial assets at fair value through profit or loss of approximately HK\$4.2 million (US\$0.5 million). In the year ended March 31, 2021 and the year ended March 31, 2022, we were exposed to foreign exchange differences between the HK\$ and US\$, Euro and RMB arising from our foreign currency denominated accounts receivable, accounts payable and cash balances. In addition, to enhance the turnover of our trade receivables and hence financial liquidity, we maintained a late payment fee policy on customers and applied surcharges for overdue settlements with a determined rate over the overdue balances agreed by customers stated on the payment term.

Liquidity and Capital Resources

Our primary uses of cash are for operating expenses and capital expenditure, which have been funded through a combination of cash generated from our operations and bank borrowings. As of March 31, 2022, we had current assets of HK\$562.7 million (US\$71.8 million), trade and other payables of HK\$145.7 million (US\$18.6 million) and net non-current assets of HK\$167.4 million (US\$21.4 million). Our profit for the fiscal year ended March 31, 2022 was HK\$100.2 million (US\$12.8 million) for the year ended March 31, 2022 and HK\$70.6 million for the year ended March 31, 2021. Our total interest-bearing bank borrowings as of March 31, 2022 were approximately HK\$7.4 million (US\$0.9 million), and current ratio remained at approximately 2.9 times as of March 31, 2022. These bank borrowings were denominated in HK dollar, due within one year or contain a repayable on demand clause, and the interest rates applied were primarily subject to floating rate terms. As of March 31, 2022, we had HK\$70.5 million (US\$9.0 million) available credit facilities comprising of revolving loans, term loan, trade loan, tax loan and bank guarantee. As of March 31, 2022, we had bank balances and cash of HK\$284.3 million (US\$36.3 million) and pledged bank deposits of HK\$10 million (US\$1.3 million), which we placed to a bank to secure banking facilities to us that carry interest at prevailing market rates of 1.85% per annum.

We believe that our cash on hand following the consummation of the Business Combination, including the net proceeds from ISAA's cash in trust (assuming no redemptions by ISAA's stockholders), and the PIPE will be sufficient to meet its working capital and capital expenditure requirements for at least the next 12 months from the date of this proxy statement/prospectus and sufficient to fund its operations. We may, however, need additional cash resources due to changed business conditions or other developments, including disruptions due to the COVID-19 pandemic, uncertainties of market fluctuation and regulatory changes. To the extent that our current resources are insufficient to satisfy its cash requirements, we may need to seek additional equity or debt financing. If the financing is not available, or if the terms of financing are less desirable than we expect, we may be forced to decrease its level of investment in product development or delay, scale back or abandon all or part of our growth strategy, which could have an adverse impact on our business and financial prospects.

Cash Flows Summary

Presented below is a summary of our operating, investing, and financial cash flows:

	For the year ended March 31,		
	2021	2022	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>US\$'000</i>
Cash flows generated from operating activities	195,715	158,568	20,245
Cash flows used in investing activities	(12,264)	(70,110)	(8,951)
Cash flows used in financial activities	(43,027)	(15,746)	(2,010)
Effect of foreign exchange rate changes	1,900	1,982	253
Net increase in cash and cash equivalents	140,424	72,712	9,284
Cash and cash equivalents at beginning of the year	67,251	209,575	26,757
Cash and cash equivalents at end of the year	209,575	284,269	36,294

Cash Flows from Operating Activities

During the year ended March 31, 2022, net cash generated from operating activities was HK\$158.6 million (US\$20.2 million). The primary factors affecting operating cash flows during this period were a profit before tax of HK\$142.1 million (US\$18.1 million), after adjusting for (i) non-cash charges of HK\$50.0 million (US\$6.4 million), consisting primarily of depreciation of right-of-use assets of HK\$21.3 million (US\$2.7 million) arisen from the existing leases of offices and warehouses and a newly entered lease for the coffee shop in South Korea, impairment losses recognised on amount due from a joint venture of HK\$8.7 million (US\$1.1 million) due to non-existence of realistic prospect of recovery after assessing the recent financial information of the joint venture and debtors of trade receivables; (ii) increase in inventories of HK\$29.1 million (US\$3.7 million) due to the resume of inventory purchase to the levels of pre-COVID-19 pandemic period, (iii) decrease in trade and other receivables of HK\$14.6 million (US\$1.9 million) due to invoicing and settlements of unbilled receivables accumulated in prior year due to PRC monthly invoicing quota limit, and increase in trade and other payables of HK\$27.8 million (US\$3.5 million) due to accrual for staff bonus and professional fee related to the Merger; and (iii) payment of income taxes of HK\$45.7 million (US\$5.8 million).

During the year ended March 31, 2021, net cash generated from operating activities was HK\$195.7 million. The primary factors affecting operating cash flows during this period were a profit before tax of HK\$93.1 million, after adjusting for (i) non-cash charges of HK\$42.1 million, consisting primarily of depreciation of right-of-use assets of HK\$21.3 million arisen from the existing leases of offices and warehouses and commencement of lease of a seven storey building in the United States and share-based payment expense of HK\$7.0 million for the existing and new share options granted to directors and employees; net changes in operating assets and liabilities of HK\$83.9 million, consisting primarily of decrease in inventories of HK\$28.0 million due to the promotion and sell-through of pre-existing inventories throughout first half of the year ended March 31, 2021, increase in trade and other payables of HK\$27.5 million due to accrual for campaign cost and commission payable to staff following the strong growth and recovery of revenue in the second half of fiscal year 2021, and decrease in trade and other receivables of HK\$23.5 million due to the collection efforts of trade receivables; and (iii) payment of income taxes of HK\$23.4 million.

Cash Flows Used in Investing Activities

Cash used in investing activities primarily relate to placement and withdrawal of pledged bank deposits and purchase of property, plant and equipment, as we continue to invest in our business infrastructure and scale our operations.

Net cash used in investing activities was HK\$70.1 million (US\$8.9 million) for the year ended March 31, 2022 and HK\$12.3 million for the year ended March 31, 2021. In both periods, this primarily consisted of cash outflows for purchase of property, plant and equipment (mainly consisted of renovation cost for the retail and office premises in the US and for the warehouse in Hong Kong, respectively) amounting to HK\$37.0 million (US\$4.7 million) and HK\$16.9 million, respectively. The proceeds from disposal of property, plant and equipment of HK\$1.3 million (US\$0.2 million) for the year ended March 31, 2022 and the withdrawal of pledged bank deposits of HK\$15.6 million for the year ended March 31, 2021 partially offset the cash outflow in the respective years.

Cash Flows from Financial Activities

Net cash used in financial activities was HK\$15.7 million (US\$2.0 million) for the year ended March 31, 2022, which primarily related to repayments of lease liabilities of HK\$19.9 million (US\$2.5 million).

Net cash used in financial activities was HK\$43.0 million for the year ended March 31, 2021, which was primarily due to repayments of bank borrowings of HK\$34.1 million and repayments of lease liabilities of HK\$19.1 million, which was partially offset by proceeds from bank borrowings of HK\$7.3 million.

Recent Accounting Pronouncements

For a discussion of our new and amendments to IFRSs in issue but not yet effective, see Note 2 to our consolidated financial statements included elsewhere in this proxy statement/prospectus.

Off-Balance Sheet Commitments and Arrangements

During the years presented, we did not have any off-balance sheet commitments or arrangements.

Critical Accounting Policies and Estimates

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements.

We prepare our consolidated financial statements in conformity with IFRS issued by the International Accounting Standards Board, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.

The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this prospectus. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Revenue Recognition

We recognize revenue in accordance with IFRS 15, Revenue from Contracts with Customers, 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.

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 our performance as we perform;
- our performance creates or enhances an asset that the customer controls as we perform;
or
- our performance does not create an asset with an alternative use to us and we have 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.

Sales of goods through online and offline retail platform

Revenue from sales of goods through online and offline retail platform is therefore recognised at a point in time when the goods is shipped/delivered to customers or at our own retail store, being at the point that the customer obtains the control of the goods and we have present right to payment and collection of the consideration is probable. Taking into consideration of the relevant contract terms that entered into with customers on sales of goods through online and offline retail platform, we concluded that we do not have an enforceable right to payment prior to the relevant products shipped/delivered to customers.

During the year ended March 31, 2022, we also granted award credits for customers under our customer loyalty scheme. Revenue from the award credits is recognised when the award credits are redeemed being at the point the customer purchases the goods using the award credits through our own online retail platform and the control of the goods has transferred.

Commission fee from consignment sales

Commission fee from consignment sales represents commission received by us when we act as consignee for certain suppliers on selling their clothing, shoes and accessories to customers through our online retail platform on consignment basis.

We are an agent under the consignment sales contracts as our performance obligation is to sell the products supplied by another party. In this regards, we do not control the products provided by another party before those goods sold and shipped/delivered to customers. Accordingly, we recognise 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 we have present right to payment and collection of the consideration is probable.

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 our performance as we perform. 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.

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, we will typically sign a service contract with the customer, taking into consideration of the relevant contract terms, we concluded that we have 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, we 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 we have present right to payment and collection of the consideration is probable.

Estimated impairment of property, plant and equipment and right-of-use assets of e-commerce business

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, we have to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts, including cash flow projections and an appropriate discount rate.

When it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the cash generating unit (“CGU”) to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of CGUs, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including discount rates or the budgeted sales in the cash flow projections, could materially affect the recoverable amounts.

As a result of the unsatisfactory performance of e-commerce business during the year ended March 31, 2022, we concluded there was indication for impairment and performed impairment assessment on property, plant and equipment and right-of-use assets of e-commerce business. We estimate the recoverable amount of the CGU of e-commerce business to which the asset belongs and the recoverable amount of the CGU has been determined based on its value in use. The key assumptions used for the discounted cash flow projections include discount rate and budgeted sales of the CGU. The discount rate applied was determined by the weighted average cost of capital with the consideration of specific risk premium. The budgeted sales were determined based on the past performance of the CGU and management's expectations on the market development.

As at March 31, 2022, the carrying amounts of property, plant and equipment and right-of-use assets of e-commerce business are HK\$4,302,000 and HK\$19,135,000, respectively. No impairment amount has been recognised for the year ended March 31, 2022.

Impairment assessment of trade and unbilled receivables

We perform impairment assessment under expected credit loss (“ECL”) model on trade and unbilled receivables and the amount of ECL is remeasured 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 represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. We always recognise lifetime ECL for trade and unbilled receivables.

Trade and unbilled receivables that with significant balances or credit-impaired are assessed for ECL individually. The amount of the remaining trade and unbilled receivables are estimated based on collective assessment through grouping of various debtors by geographical locations and then further grouped by past due status of respective trade receivables. We also take into consideration the characteristics like the nature, size and industry of debtors and external credit ratings where available when formulating the grouping. The grouping is regularly reviewed to ensure the constituents of each group continue to share similar credit risk characteristics.

The provision of ECL is sensitive to changes in estimates and 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.

As at March 31, 2021 and 2022, trade and unbilled receivables with gross carrying amounts of HK\$134.8 million and HK\$102.0 million (US\$13.0 million) were assessed collectively with average loss rate from 0.4% to 12.5% and from 0.2% to 10.0%, respectively. Trade and unbilled receivables with gross carrying amounts of HK\$38.9 million and HK\$50.6 million (US\$6.5 million) were assessed individually with all are classified as low risk and loss rate of 0.10% to 1.00% in 2021 and 0.10% to 1.00% in 2022 were applied. During the year ended March 31, 2021 and 2022, we recognised impairment losses under ECL model, net of reversal, of HK\$0.8 million and HK\$3.0 million (US\$0.4 million), respectively.

Consolidation of the VIE Entity

PRC laws and regulations currently restrict foreign ownership of companies involved in the provision of VAT services and video production business. Accordingly, we, through our wholly foreign-owned subsidiary in the PRC, Beijing Hypebeast, has entered into the following contractual arrangements with Hypebeast Cultural, the VIE Entity, and the Legal Owner that enable us to consolidate the VIE Entity for accounting purposes as we are deemed to be the primary beneficiary of the VIE Entity, subject to the conditions that we met for consolidation of VIE Entity under IFRS. Such conditions include that (i) we have the power to govern the activities which most significantly impact VIE Entity's economic performance, and (ii) we are entitled to receive benefits from VIE Entity that could potentially be significant to VIE Entity. Only if we meet the aforementioned conditions, we will be deemed as the primary beneficiary of VIE Entity, and VIE Entity will be treated as our consolidated affiliated entities for the accounting purposes.

We are deemed to be the primary beneficiary of the VIE Entity. Specifically, we believe that the terms of the Exclusive Option and Equity Trust Agreement are currently exercisable and legally enforceable under PRC laws and regulations. We also believe that the lowest price of consideration permitted by the applicable PRC law to exercise the option does not represent a financial barrier or disincentive for us to exercise our rights under the Exclusive Option and Equity Trust Agreement. To exercise our rights under the Exclusive Option and Equity Trust Agreement does not require the consent of the VIE Entity or the Legal Owner. Therefore, we believe this gives us the power to direct the activities that most significantly impact the economic performance of our affiliated entities. We believe that our ability to exercise control, together with the Service Agreement and the Equity Pledge Agreement, give us the rights to receive substantially all of the economic benefits from the VIE Entity in consideration for the services provided by Beijing Hypebeast. Accordingly, as the primary beneficiary of the VIE and in accordance with IFRS, we consolidate the VIE Entity's financial results and assets and liabilities in our consolidated financial statements.

As advised by King & Wood Mallesons, Hypebeast's PRC legal counsel, the ownership structures of Beijing Hypebeast and Hypebeast Cultural are not in violation of applicable PRC laws or regulations currently in effect; and the contractual arrangements among Beijing Hypebeast, Hypebeast Cultural and the Hypebeast Cultural's shareholders governed by PRC law are valid, binding and enforceable against each party thereto in accordance with their terms and applicable PRC laws and regulations currently in effect.

However, King & Wood Mallesons, Hypebeast's PRC legal counsel has also advised us that as there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, and we cannot assure you that the PRC government would agree that our corporate structure or any of the above contractual arrangements comply with current or future PRC laws or regulations. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities may have broad discretion in interpreting these laws and regulations.

Equity-settled share-based payment transactions

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

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 our estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, we revise our 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.

Emerging Growth Company Status

As defined in Section 102(b)(1) of the JOBS Act, we are an emerging growth company (“EGC”). As such, we will be eligible for and intends to rely on certain exemptions and reduced reporting requirements provided by the JOBS Act, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in their periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We will remain an EGC under the JOBS Act until the earliest of (i) the last day of the fiscal year (a) following the fifth anniversary of the ISAA IPO, (b) in which we have total annual gross revenue of at least US\$1.07 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our securities that are held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter; and (ii) the date on which we have issued more than US\$1.00 billion in non-convertible debt securities during the prior three-year period.

Internal Control over Financial Reporting

In the course of auditing our consolidated financial statements included in this proxy statement/prospectus, we and our independent registered public accounting firm identified two significant deficiencies in our internal control over financial reporting, which we have begun to address and have a plan to further address. As defined in the standards established by the PCAOB, a “significant deficiency” is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness but important enough to merit attention by those responsible for oversight of the company’s financial reporting.

The significant deficiencies identified relate to (i) our insufficient accounting personnel with appropriate knowledge of SEC reporting, and (ii) our lack of formal, comprehensive accounting policies and procedures relating to the application and compliance with SEC reporting.

Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control under the Sarbanes-Oxley Act for purposes of identifying and reporting any weakness in our internal control over financial reporting. Had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional control deficiencies may have been identified.

We have begun remediation and will continue to implement several measures, including, among others: (i) hiring a chief accounting officer with appropriate knowledge and experience in SEC reporting. The chief accounting officer, together with other experienced accountants, would support our chief financial officer to continue build up a stronger accounting and finance team with a greater understanding of SEC reporting requirements; (ii) organizing regular training for our accounting staff, especially trainings related to SEC reporting requirements. These staff would be kept current with the SEC reporting requirements via various means, such as attending external SEC reporting seminar as well as the getting access of the most updated SEC technical information; (iii) formulating comprehensive accounting policies and procedures that's tailored to our business. Such policies would include but not limited to (a) compliance reporting checklist for annual report and other SEC filings; and (b) processes to monitor new SEC reporting requirements; (iv) implementing internal controls over financial reporting policies to ensure accounting policies and procedures are operating effectively; and (v) creating relevant SEC reporting policies and procedures manual, which will be maintained, regularly reviewed, updated and readily accessible to accounting personnel. However, the implementation of these measures may not fully address these deficiencies in our internal control over financial reporting, and we cannot conclude that they have been fully remediated. Our failure to correct these deficiencies or failure to discover and address any other deficiencies could result in inaccuracies in our financial statements and impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. Moreover, ineffective internal control over financial reporting could significantly hinder our ability to prevent fraud. However, we cannot assure you that all these measures will be sufficient to remediate our significant deficiencies in time, or at all.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various risks in relation to financial instruments. The main types of risks are foreign currency risk and interest rate risk. While we may enter into hedging contracts from time to time, any changes in the fair value of the contracts could be offset by changes in the underlying value of the transactions being hedged. Furthermore, we currently do not enter into any hedging instrument for cash flow interest rate risk, nor do we currently have a foreign currency hedging policy. Our directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should such need arise.

Interest Rates Risk

We are exposed to fair value interest rate risk in relation to lease liabilities and cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances, the latter of which is mainly concentrated on the fluctuation of Hong Kong Dollar Best Lending Rate arising from our Hong Kong dollars denominated borrowings.

If interest rates had been 50 basis points higher/lower for variable rate bank borrowings, with all other variables held constant, our post-tax profit for the years ended March 31, 2021 and 2022 would decrease/increase by HK\$25,000 and HK\$31,000 (US\$3,958), respectively.

Foreign Currency Risk

We undertake certain operating transactions in foreign currency, which exposes us to foreign currency risk mainly related to the fluctuation against US\$, Euro and RMB during the years ended March 31, 2021 and 2022. As the HK\$ is pegged with the US\$ under the Linked Exchange Rate System, and our business operations and strategies involve revenues and expenditures in Euro and RMB, our exposure to the US\$, Euro and RMB exchange risk is not significant.

We currently do 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.

Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to us. Our credit risk mainly arises from trade and unbilled receivables and contract assets arising from contracts with customers, amount due from a joint venture, and other receivables and deposits, pledged bank deposits and bank balances.

While we do not hold any collateral or other credit enhancements to cover our credit risks associated with our financial assets, we would charge penalty on certain customers for overdue settlement according to the sales agreement. In addition, we limit our credit risk by, among others, performing impairment assessment on a periodic basis and having our management delegate a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, we use an internal credit scoring system to assess the potential customers' credit quality and define credit limits by customer. Limits and scoring attributed to customers are reviewed once a year.

Liquidity Risk

We manage liquidity risk by monitoring and maintaining a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by our directors to finance our operations and mitigate the effects of fluctuations in cash flows. In addition, our directors monitor the utilization of bank borrowings.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Introduction

The following unaudited pro forma condensed combined financial information presents the combination of the financial information of ISAA and Hypebeast adjusted to give effect to the Business Combination and related transactions, and has been prepared in accordance with Article 11 of Regulation S-X. Defined terms included below have the same meaning as terms defined and included elsewhere in this proxy statement/prospectus.

ISAA is a blank check company incorporated in Delaware on January 22, 2021 and formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses.

Hypebeast is an exempted company limited by shares incorporated under the laws of the Cayman Islands. Founded in 2007, Hypebeast is a digital media company primarily engaged in (i) the provision of creative advertising services and online advertising spaces for global brands and (ii) the sale of goods through its online and offline retail platform. The Company 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.

The historical financial information of ISAA was derived from the unaudited condensed financial statements of ISAA as of and for the three months ended March 31, 2022, the unaudited condensed financial statements for the period from January 22, 2021 (inception) through March 31, 2021, and the audited financial statements for the period from January 22, 2021 (inception) through December 31, 2021, included elsewhere in this proxy statement/prospectus. The historical financial information of Hypebeast was derived from the audited financial statements of Hypebeast as of and for the year ended March 31, 2022 included elsewhere in this proxy statement/prospectus. This information should be read together with ISAA's unaudited condensed financial statements and related notes and Hypebeast's audited financial statements and related notes, the sections titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations of ISAA*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Hypebeast*" and other financial information included elsewhere in this proxy statement/prospectus.

The unaudited pro forma condensed combined financial information has been presented for illustrative purposes only and is not necessarily indicative of the financial position and results of operations that would have been achieved had the Business Combination and related transactions occurred on the dates indicated. Further, the unaudited pro forma condensed combined financial information may not be useful in predicting the future financial condition and results of operations of the post-combination company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors. The unaudited pro forma adjustments represent management's estimates based on information available as of the date of the unaudited pro forma condensed combined financial information and is subject to change as additional information becomes available and analyses are performed.

Description of the Business Combination

On April 3, 2022, ISAA entered into an Agreement and Plan of Merger with Hypebeast Limited, a Cayman Islands exempted company with its shares publicly traded with stock code "00150" on the Main Board of The Stock Exchange of Hong Kong Limited (the "**HKSE**") and Hypebeast WAGMI Inc., a Delaware corporation and wholly owned subsidiary of Hypebeast (the "**Merger Sub**"). The Merger will become effective at the time when the certificate of merger becomes effective under the Delaware General Corporation Law (the "**Effective Time**"). At the Effective Time, each ISAA share of common stock issued and outstanding immediately prior to the Effective Time (other than the ISAA Redeeming Shares) will be cancelled and automatically converted into the right to receive, without interest, Hypebeast ordinary shares (the "**Applicable Per Share Merger Consideration**"). Each ISAA stockholder will cease to have any rights with respect to the ISAA shares of common stock except (i) in the case of holders of ISAA shares of common stock that are issued and outstanding as of immediately prior to the Effective Time (other than any ISAA Redeeming Shares), the right to receive the respective portions of the Applicable Per Share Merger Consideration in exchange therefor; and (ii) in the case of any holders of ISAA Redeeming Shares, the right to have their public shares redeemed for cash equal to \$10.00 per share (not including dividends previously paid) in connection with the Business Combination.

Upon disposal of investments, the cash held in the Trust Account will be released to Hypebeast on closing of the Business Combination. The Hypebeast Ordinary Shares (as defined below) to be issued to stockholders of ISAA in connection with the Business Combination will be listed on Nasdaq upon closing of the Business Combination, after which Hypebeast will be a company dual-listed in Hong Kong and the United States.

The Business Combination is expected to close in the third quarter of 2022, following the receipt of the required approval by ISAA's stockholders and the fulfillment of other customary closing conditions.

Prior to the closing of the Business Combination, the ordinary shares of Hypebeast, par value HK\$0.01 per share (the “**Pre-Consolidation Shares**”) shall be consolidated into a number of ordinary shares of Hypebeast (the “**Hypebeast Ordinary Shares**”) equal to the quotient by dividing (i) the number of all Pre-Consolidation Shares that are issued and outstanding immediately prior to the consolidation of Hypebeast ordinary shares (the “**Share Consolidation**”) by the (ii) Consolidation Factor (as defined below).

The “Consolidation Factor” is a number determined by dividing (i) the Pre-Consolidation Shares by the Company Equity Value (as defined below) divided by US\$10.00 (HK\$78.33). For purposes of this calculation, the Pre-Consolidation Shares is the total number of Hypebeast shares issued and outstanding as of the close of business in Hong Kong on the business day prior to the date in which the Share Consolidation occurs, which was determined to be 2,053,629,231. The Company Equity Value is the pre-Merger consolidated equity value of Hypebeast of US\$300,000,000 (HK\$2,349,750,000). As of the date of the Merger Agreement, the Consolidation Factor was 68.45.

Concurrently with the execution of the Merger Agreement, certain investors (each, a “PIPE Investor” and collectively, the “**PIPE Investors**”) entered into subscription agreements, pursuant to which the PIPE Investors have agreed to make a private investment in 1,333,500 Hypebeast shares at US\$10.00 (HK\$78.33) per share for an aggregate purchase price of US\$13,335,000 (HK\$104,446,388), concurrently with completion of the Business Combination.

On July 28, 2022, Hypebeast entered into the Permitted Equity Subscription Agreement (the “**Permitted Equity Financing**”) with an investor (the “**Additional PIPE Investor**”), pursuant to which the Additional PIPE Investor has agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Additional PIPE Investor, an aggregate of 200,000 ordinary shares of Hypebeast, par value HK\$0.01 (the “**Additional Subscription Shares**”) at the subscription price of US\$10.00 (HK\$78.33) per share (the “**Subscription Price**”) for an aggregate purchase price of US\$2,000,000 (HK\$15,665,000), concurrently with completion of the Business Combination.

For more information about the Business Combination, please see the section entitled “*Summary of the Proxy Statement/Prospectus — Overview of the Merger Agreement*”. A copy of the Merger Agreement is attached to this proxy statement/prospectus as Annex A.

Anticipated Accounting Treatment

ISAA will be treated as the “acquired” company for financial reporting purposes. The Merger will be treated as acquisition of ISAA by Hypebeast in the way of Hypebeast issuing equity instruments for the net assets of ISAA as of the closing date. The identifiable assets and liabilities of ISAA will be stated at pre-combination amount, with no goodwill or other intangible assets recorded. Any excess of the fair value of equity instruments issued by Hypebeast to ISAA shareholders over the pre-combination carrying value of ISAA’s identifiable net assets acquired represents compensation for the service of a stock exchange listing for its shares and is expensed as incurred.

Hypebeast has been determined to be the accounting acquirer based on evaluation of the following facts and circumstances:

- Hypebeast’s shareholders, including existing Hypebeast public shareholders and CORE Capital, will have the largest voting interest in Hypebeast under both the no redemption and maximum redemption scenarios;
- Hypebeast shareholders, including existing Hypebeast public shareholders and CORE Capital, will have the ability to nominate at least a majority of the members of the Board of Directors of the combined entity; and
- Hypebeast’s senior management is the senior management of the post-combination company.

The Business Combination, which is not within the scope of IFRS 3 — *Business Combinations* (“**IFRS 3**”) since ISAA does not meet the definition of a business in accordance with IFRS 3, is accounted for as a share-based payment transaction within the scope of IFRS 2 — *Share-based Payment* (“**IFRS 2**”). The identifiable assets and liabilities of ISAA will be stated at their pre-combination carrying amounts, with no goodwill or other intangible assets recorded. Any excess of the fair value of equity instruments issued by Hypebeast to ISAA shareholders over the pre-combination carrying value of ISAA’s identifiable net assets acquired represents compensation for the service of a stock exchange listing for its shares and is expensed as incurred.

Basis of Pro Forma Presentation

Because ISAA reports its historical financial information in U.S. Dollars (“**US\$**”) and Hypebeast reports its historical financial information in Hong Kong Dollars (“**HK\$**”), for purposes of preparing this presentation, all US\$ balance sheet amounts have been translated into HK\$ using an exchange rate of US\$1.00 to HK\$7.83, which was the exchange rate published by the Federal Reserve Board as of March 31, 2022. All US\$ statement of profit or loss and other comprehensive income amount have been translated into HK\$ using an exchange rate of US\$1.00 to HK\$7.78 for the year ended March 31, 2022.

The unaudited pro forma condensed combined financial information has been prepared using the assumptions below with respect to the potential redemption by ISAA’s public stockholders of ISAA’s public shares for cash equal to their pro rata share of the aggregate amount on deposit in the Trust Account:

- **Assuming No Redemption:** This presentation assumes that no public stockholders of ISAA exercise redemption rights with respect to their public shares for a pro rata share of cash in the Trust Account.
- **Assuming Maximum Redemption:** This presentation assumes that 15,123,000 ISAA public shares are redeemed for their pro rata share of the cash in the Trust Account, which is the maximum amount that can be redeemed. This scenario gives effect to ISAA share redemptions for aggregate redemption payments of US\$151,239,186 (HK\$1,184,580,924) at a redemption price of approximately US\$10.00 (HK\$78.33) based on the investments held in the Trust Account as of March 31, 2022. The Merger Agreement includes as a condition to closing the Business Combination that, at Closing, the available closing cash amount must be at least US\$35,000,000 (HK\$274,137,500) comprising (i) the cash held in the Trust Account after giving effect to the ISAA stockholder redemption and (ii) aggregate proceeds from the PIPE Financing and Permitted Equity Financing, less (iii) the ISAA Closing Dividend to be paid at closing to ISAA stockholders that elect not to redeem their shares of ISAA common stock in connection with the Business Combination (the “**Available Closing Cash Amount**”).

The foregoing scenarios are for illustrative purposes only as the actual number of redemptions by ISAA’s public stockholders is uncertain prior to the ISAA shareholder vote with respect to the Business Combination. Accordingly, the actual financial position and results of operations may differ significantly from the pro forma amounts presented herein.

The following summarizes the number of shares outstanding of the combined company under the two redemption scenarios:

	Share Ownership in Hypebeast⁽¹⁾⁽²⁾⁽³⁾			
	Assuming No Redemption (Shares)		Assuming Maximum Redemption (Shares)	
	<i>Number of Ordinary Shares</i>	<i>%</i>	<i>Number of Ordinary Shares</i>	<i>%</i>
Hypebeast shareholders ⁽⁴⁾	8,306,698	15.51%	8,306,698	21.60%
CORE Capital ⁽⁴⁾⁽⁵⁾	21,693,302	40.49%	21,693,302	56.42%
ISAA public stockholders	16,680,000	31.13%	1,557,000	4.05%
Sponsor and its affiliates	5,360,800	10.01%	5,360,800	13.94%
PIPE Investors	1,333,500	2.49%	1,333,500	3.47%
Additional PIPE Investor	200,000	0.37%	200,000	0.52%
Pro forma Combined Ordinary Shares	<u>53,574,300</u>	<u>100.00%</u>	<u>38,451,300</u>	<u>100.00%</u>

- (1) The share numbers and ownership percentages set forth above are not indicative of voting percentages and do not take into account any outstanding Hypebeast options, vested or unvested, that were assumed by the Company upon the completion of the Business Combination. If the actual facts are different than the assumptions set forth above, the share numbers and ownership percentages set forth above will be different.
- (2) For a more detailed description of share ownership upon consummation of the Business Combination, see “Security Ownership of the Combined Company After the Business Combination.”
- (3) In both the No Redemption Scenario and the Maximum Redemption Scenario, the payment of deferred underwriting fees incurred as part of ISAA’s initial public offering will be US\$5,838,000 (HK\$45,726,000).
- (4) The consolidation factor for consolidating ordinary shares of Hypebeast before closing of the Merger (the “**Consolidation Factor**”) shall be determined based upon the pre-Merger consolidation equity value of Hypebeast of HK\$2,349,750,000 (US\$300,000,000) and the total number of issued and outstanding ordinary shares of Hypebeast as of the close of business on the business day immediately before the effective date of the share consolidation.
- (5) CORE Capital is the largest holder of Hypebeast shares as of the date of this proxy statement/prospectus.

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF
FINANCIAL POSITION**
(in thousands, except share and per share amounts)

	As of March 31, 2022	As of March 31, 2022			As of March 31, 2022		As of March 31, 2022
	Hypebeast (IFRS, Historical)	ISAA (U.S. GAAP, Historical)	IFRS Conversion and Presentation Alignment (Note 2)	Transaction Accounting Adjustments (No Redemption Scenario)	Pro Forma Combined (No Redemption Scenario)	Transaction Accounting Adjustments (Maximum Redemption Scenario)	Pro Forma Combined (Maximum Redemption Scenario)
ASSETS							
Non-current assets:							
Property, plant and equipment	HK\$52,701	HK\$—	HK\$—	HK\$—	HK\$52,701	HK\$—	HK\$52,701
Intangible assets	11,767	—	—	—	11,767	—	11,767
Right-of-use assets	70,013	—	—	—	70,013	—	70,013
Rental and other deposits	7,622	—	—	—	7,622	—	7,622
Financial assets at fair value through profit or loss	24,258	—	—	—	24,258	—	24,258
Deferred tax assets	1,022	—	—	—	1,022	—	1,022
Investments held in trust account	—	1,339,217	—	(1,339,217) C	—	—	—
Prepaid expenses, non-current	—	383	—	—	383	—	383
Total non-current assets	167,383	1,339,600	—	(1,339,217)	167,766	—	167,766
Current assets:							
Inventories	69,702	—	—	—	69,702	—	69,702
Trade and other receivables	183,018	—	2,499 B	(1,665) E	183,852	—	183,852
Prepaid expenses and other current assets	—	2,499	(2,499) B	—	—	—	—
Tax prepayments	10,510	—	—	—	10,510	—	10,510
Contract assets	5,154	—	—	—	5,154	—	5,154
Pledged bank deposits	10,000	—	—	—	10,000	—	10,000
Bank balances and cash	284,269	2,247	—	1,339,217 C 104,446 D (135,919) E (45,726) F (6,505) M 15,665 N	1,557,694	(1,184,581) L 23,557 E 5,898 M	402,568
Total current assets	562,653	4,746	—	1,269,513	1,836,912	(1,155,126)	681,786
Total assets	730,036	1,344,346	—	(69,704)	2,004,678	(1,155,126)	849,552

	As of March 31, 2022	As of March 31, 2022		As of March 31, 2022		As of March 31, 2022	
			IFRS Conversion and Presentation Alignment (Note 2)	Transaction Accounting Adjustments (No Redemption Scenario)	Pro Forma Combined (No Redemption Scenario)	Transaction Accounting Adjustments (Maximum Redemption Scenario)	Pro Forma Combined (Maximum Redemption Scenario)
	Hypebeast (IFRS, Historical)	ISAA (U.S. GAAP, Historical)					
LIABILITIES AND EQUITY							
Non-current liabilities:							
Deferred underwriting fee payable	—	45,726	—	(45,726) F	—	—	—
Lease liabilities	58,029	—	—	—	58,029	—	58,029
ISAA ordinary shares subject to redemption	—	—	1,306,461 A	(1,306,461) G	—	—	—
Total non-current liabilities	58,029	45,726	1,306,461	(1,352,187)	58,029	—	58,029
Current liabilities:							
Trade and other payables	145,708	—	63,383 B	(71,229) E	137,862	—	137,862
Franchise taxes payable	—	1,854	(1,854) B	—	—	—	—
Due to related parties	—	1,247	—	—	1,247	—	1,247
Accrued advisory fees	—	54,828	(54,828) B	—	—	—	—
Accrued expenses	—	6,701	(6,701) B	—	—	—	—
Contract liabilities	11,602	—	—	—	11,602	—	11,602
Derivative financial instruments	620	—	—	—	620	—	620
Lease liabilities	15,919	—	—	—	15,919	—	15,919
Bank borrowings	7,363	—	—	—	7,363	—	7,363
Tax payables	12,879	—	—	—	12,879	—	12,879
Total current liabilities	194,091	64,630	—	(71,229)	187,492	—	187,492
Total liabilities	252,120	110,356	1,306,461	(1,423,416)	245,521	—	245,521
Class A common stock subject to possible redemption							
	—	1,306,461	(1,306,461) A	—	—	—	—
Equity:							
ISAA Preferred stock	—	—	—	—	—	—	—
ISAA Class A common stock	—	1	—	(1) I	—	—	—
ISAA Class B common stock	—	3	—	(3) I	—	—	—
Share capital	20,536	—	—	13 D	536	(151) L	385
				167 G			
				54 I			
				(20,236) J			
				2 N			
Reserves	457,380	—	18,500 B	— K	1,758,621	(1,184,430) L	603,646
				(66,355) E		23,557 E	
				1,306,294 G		5,898 M	
				104,433 D			
				(90,975) H			
				(50) I			
				20,236 J			
				(6,505) M			
				15,663 N			
Additional paid-in capital	—	18,500	(18,500) B	—	—	—	—
Accumulated deficit	—	(90,975)	—	90,975 H	—	—	—
Total equity	477,916	(72,471)	—	1,353,712	1,759,157	(1,155,126)	604,031
Total liabilities and equity	HK\$730,036	HK\$1,344,346	HK\$—	HK\$(69,704)	HK\$2,004,678	HK\$(1,155,126)	HK\$849,552

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
(in thousands, except share and per share amounts)

	For the Year Ended March 31, 2022	For the Year Ended March 31, 2022		For the Year Ended March 31, 2022		For the Year Ended March 31, 2022	
	Hypebeast (IFRS, Historical)	ISAA (U.S. GAAP, Historical)	IFRS Conversion and Presentation Alignment (Note 2)	Transaction Accounting Adjustments (No Redemption Scenario)	Pro Forma Combined (No Redemption Scenario)	Transaction Accounting Adjustments (Maximum Redemption Scenario)	Pro Forma Combined (Maximum Redemption Scenario)
Revenue	HK\$895,632	HK\$—	HK\$—	HK\$—	HK\$895,632	HK\$—	HK\$895,632
Cost of revenue	(346,319)	—	—	—	(346,319)	—	(346,319)
Gross profit	549,313	—	—	—	549,313	—	549,313
Other income, other gains and losses	4,880	—	483 B	—	5,363	—	5,363
Impairment losses under expected credit losses model, net of reversal	(11,681)	—	—	—	(11,681)	—	(11,681)
Impairment loss recognised on intangible assets	(2,648)	—	—	—	(2,648)	—	(2,648)
Selling and marketing expenses	(160,391)	—	—	—	(160,391)	—	(160,391)
Professional fees related to the Merger	(30,185)	—	(54,491) B	(58,368) BB	(143,044)	24,699 BB	(118,345)
Finance costs	(4,588)	—	—	—	(4,588)	—	(4,588)
Administrative and other operating expenses	(202,650)	(69,665)	52,648 B	—	(219,667)	(324,698) CC	(544,365)
Income (loss) from operations	142,050	(69,665)	(1,360)	(58,368)	12,657	(299,999)	(287,342)
Interest income on Trust Account	—	94	—	(94) AA	—	—	—
Franchise taxes expense	—	(1,843)	1,843 B	—	—	—	—
Change in fair value of over-allotment option	—	483	(483) B	—	—	—	—
Income (loss) before taxation	142,050	(70,931)	—	(58,462)	12,657	(299,999)	(287,342)
Income tax expense	(41,883)	—	—	—	(41,883)	—	(41,883)
Income (loss) for the period	100,167	(70,931)	—	(58,462)	(29,226)	(299,999)	(329,225)
Other comprehensive income for the period	2,878	—	—	—	2,878	—	2,878
Total comprehensive income (loss) for the period	HK\$103,045	HK\$(70,931)	HK\$—	HK\$(58,462)	HK\$(26,348)	HK\$(299,999)	HK\$(326,347)
Net earnings (loss) per share (Note 4):							
Basic and diluted weighted average shares outstanding		18,600,424					
Basic and diluted net loss per share		HK\$(3.81)					
Basic weighted average ordinary shares outstanding	2,052,921						
Basic earnings per share	HK\$4.88						
Diluted weighted average ordinary shares outstanding	2,058,832						
Diluted earnings per share	HK\$4.87						
Weighted average shares outstanding, ordinary shares — basic and diluted					53,574,300		38,451,300
Net loss per share, ordinary shares — basic and diluted					HK\$(0.55)		HK\$(8.56)

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Note 1. Basis of Presentation

The unaudited pro forma condensed combined financial information has been prepared to illustrate the effect of the Business Combination and has been prepared for informational purposes only.

The historical consolidated financial statements of Hypebeast have been prepared in accordance with IFRS. The historical financial statements of ISAA have been prepared in accordance with U.S. GAAP.

For accounting purposes, the financial statements of the combined company will represent a continuation of the consolidated financial statements of Hypebeast with the acquisition being treated an acquisition of ISAA by Hypebeast in the way of Hypebeast issuing equity instruments for the net assets of ISAA as of the closing date. The identifiable assets and liabilities of ISAA will be stated at pre-combination carrying amounts, with no goodwill or other intangible assets recorded.

The Merger, which is not within the scope of IFRS 3 — *Business Combinations* (“**IFRS 3**”) since ISAA does not meet the definition of a business in accordance with IFRS 3, is accounted for as a share-based payment transaction within the scope of IFRS 2 — *Share-based Payment* (“**IFRS 2**”). The net assets of ISAA will be stated at their pre-combination carrying amounts, with no goodwill or other intangible assets recorded. Any excess of the fair value of equity instruments issued by Hypebeast to ISAA shareholders over the pre-combination carrying value of ISAA’s identifiable net assets acquired represents compensation for the service of a stock exchange listing for its shares and is expensed as incurred.

One-time direct and incremental transaction costs anticipated to be incurred prior to, or concurrent with, the consummation are reflected in the unaudited pro forma condensed combined statement of financial position as either a direct reduction to the reserves or directly expensed and are assumed to be cash settled.

The unaudited pro forma condensed combined statement of financial position as of March 31, 2022 and the unaudited pro forma condensed combined statements of profit or loss and other comprehensive income as of and for the year ended March 31, 2022 are based on the unaudited condensed consolidated financial statements of ISAA and audited consolidated financial statements of Hypebeast. The accounting adjustments for the Business Combination consist of those necessary to account for the Business Combination.

Hypebeast and ISAA did not have any historical relationship prior to the Business Combination. Accordingly, no pro forma adjustments were required to eliminate activities between the companies.

The unaudited pro forma condensed combined statement of profit or loss and other comprehensive income for the year ended March 31, 2022 presents pro forma effect to the Business Combination as if it had been completed on April 1, 2021.

The unaudited pro forma condensed combined statement of financial position as of March 31, 2022 assumes that the Business Combination occurred on March 31, 2022. The unaudited pro forma condensed combined statement of financial position as of March 31, 2022 has been prepared using, and should be read in conjunction with, the following:

- Hypebeast’s audited consolidated statement of financial position as of March 31, 2022 and the related notes for the year ended March 31, 2022, included elsewhere in this proxy statement/prospectus; and
- ISAA’s unaudited balance sheet as of March 31, 2022 and the related notes included elsewhere in this proxy statement/prospectus. ISAA was incorporated on January 22, 2021 and consummated its initial public offering on June 11, 2021. ISAA filed an unaudited condensed balance sheet as of March 31, 2022 on Form 10-Q on May 16, 2022.

The unaudited pro forma condensed combined statement of profit or loss and other comprehensive income for the year ended March 31, 2022 has been prepared using, and should be read in conjunction with, the following:

- Hypebeast’s audited consolidated statement of profit or loss and other comprehensive income for the year ended March 31, 2022 and the related notes, included elsewhere in this proxy statement/prospectus.

- ISAA's historical unaudited statement of operations for the year ended March 31, 2022 includes ISAA's results of operations for the period from January 22, 2021 (inception) through December 31, 2021, plus the results of operations for the three months ended March 31, 2022 less the result of operations for the period from January 22, 2021 (inception) through March 31, 2021. The table below provides a reconciliation of ISAA's historical unaudited statement of operations for the year ended March 31, 2022 as presented for pro forma purposes:

	For the Period from January 22, 2021 (Inception) Through March 31, 2021	For the Period from January 22, 2021 (Inception) Through December 31, 2021	For the Three Months Ended March 31, 2022	For the Year Ended March 31, 2022	For the Year Ended March 31, 2022
Administrative and other operating expenses	<u>\$(1,300)</u>	<u>\$(894,112)</u>	<u>\$(8,056,357)</u>	<u>\$(8,949,169)</u>	<u>HK\$(69,664,638)</u>
Loss from operations	(1,300)	(894,112)	(8,056,357)	(8,949,169)	(69,664,638)
Interest income on Trust Account	—	7,812	4,224	12,036	93,694
Franchise taxes expense	—	(187,945)	(48,767)	(236,712)	(1,842,680)
Change in fair value of over-allotment option	<u>—</u>	<u>62,100</u>	<u>—</u>	<u>62,100</u>	<u>483,416</u>
Loss for the period	<u><u>\$(1,300)</u></u>	<u><u>\$(1,012,145)</u></u>	<u><u>\$(8,100,900)</u></u>	<u><u>\$(9,111,745)</u></u>	<u><u>HK\$(70,930,208)</u></u>

Information has been prepared based on these preliminary estimates, and the final amounts recorded may differ materially from the information presented. The unaudited pro forma condensed combined financial information does not give effect to any anticipated synergies, operating efficiencies, tax savings, or cost savings that may be associated with the Business Combination.

The Management has made significant estimates and assumptions in its determination of the pro forma adjustments. The pro forma adjustments reflecting the consummation of the Business Combination are based on certain currently available information and certain assumptions and methodologies that Hypebeast believes are reasonable under the circumstances. The unaudited condensed pro forma adjustments, which are described in the accompanying notes, may be revised as additional information becomes available and is evaluated. Therefore, it is likely that the actual adjustments will differ from the pro forma adjustments and it is possible the difference may be material. The Management believes that these assumptions and methodologies provide a reasonable basis for presenting all of the significant effects of the Business Combination based on information available to management at the time and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information is not necessarily indicative of what the actual results of operations and financial position would have been had the Business Combination had taken place on the dates indicated, nor are they indicative of the future consolidated results of operations or financial position of the combined company. They should be read in conjunction with the historical financial statements and notes thereto of Hypebeast and ISAA.

Note 2. IFRS Conversion and Presentation Alignment

The historical financial information of ISAA has been adjusted to give effect to the differences between U.S. GAAP and IFRS as issued by the IASB for the purposes of the unaudited pro forma condensed combined financial information. The only adjustment required to convert ISAA's financial statements from U.S. GAAP to IFRS for purposes of the unaudited pro forma condensed combined financial information was to adjust ISAA's Class A common stock subject to possible redemption to non-current financial liabilities under IFRS.

Further, as part of the preparation of the unaudited pro forma condensed combined financial information, certain reclassifications were made to align ISAA's historical financial information in accordance with the presentation of Hypebeast's historical financial information.

The IFRS conversion and presentation alignment adjustments included in the unaudited pro forma condensed combined statement of financial position as of March 31, 2022 and unaudited pro forma condensed combined statement of profit or loss and other comprehensive income for the year ended March 31, 2022 are as follows:

- A. Reflects the adjustment of ISAA's ordinary shares subject to redemption to non-current financial liabilities.
- B. Reflects the reclassifications/alignment of ISAA additional paid-in capital, franchise taxes payable and expenses, accrued expenses, accrued advisory fees, prepaid expenses and other current assets, change in fair value of over-allotment option, and certain administrative and other operating expenses to align ISAA's historical financial information in accordance with the presentation of Hypebeast's historical financial information.

Note 3. Adjustments to Unaudited Pro Forma Condensed Combined Financial Information

Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

The adjustments included in the unaudited pro forma condensed combined balance sheet as of March 31, 2022 are as follows:

- C. Represents release of proceeds from investments held in the Trust Account upon consummation of the Business Combination to fund the closing of the Business Combination.
- D. Represents cash proceeds of US\$13,335,000 (HK\$104,446,388) from the private placement of 1,333,500 shares of Hypebeast at US\$10.00 (HK\$78.33) per share pursuant to the concurrent PIPE Investment.
- E. The estimated total non-recurring transaction costs, inclusive of advisory, banking, printing, legal, and accounting fees of US\$19,402,000 (HK\$151,031,000) under a no redemption scenario and US\$16,375,000 (HK\$127,474,000) under a maximum redemption scenario. Equity issuance costs of US\$1,026,000 (HK\$7,987,000) under a no redemption scenario and US\$1,173,000 (HK\$9,129,000) under a maximum redemption scenario, respectively, are offset to equity through reserves and the remaining balance is charged to profit or loss. Since Hypebeast and ISAA has incurred transaction costs of HK\$30,185,000 and HK\$54,491,000, respectively and recorded an accrual of HK\$16,738,000 and HK\$54,491,000 and deferred issuance cost of HK\$1,665,000 and HK\$0 respectively in the historical financial information, the adjustment represents an additional incurred amount accordingly. The costs charged to profit or loss are included in the unaudited pro forma condensed combined statement of operations for the year ended March 31, 2022 as discussed below (see adjustment BB).
- F. Reflects the settlement in deferred underwriting commissions that become payable at the closing of the Business Combination.
- G. Reflects the reclassification of ISAA's Class A shares of common stock subject to redemption to permanent equity.
- H. Reflects the reclassification of ISAA's historical accumulated deficit to reserves.
- I. Represents the exchange of 1,190,800 ISAA Class A shares of common stock and 4,170,000 ISAA Class B shares of common stock into 5,360,800 Hypebeast shares.

- J. Represents recapitalization of Hypebeast’s outstanding equity occurring prior to the Business Combination.
- K. Represents the preliminary estimated listing service expense recognized, in accordance with IFRS 2, for the excess of the fair value of Hypebeast shares issued over the pre-combination carrying value of ISAA’s identifiable net assets at the date of the Business Combination, resulting in a HK\$0 and HK\$324.7 million charged to profit or loss assuming no redemptions and maximum redemptions, respectively. The fair value of shares issued was estimated based on a market price as of March 31, 2022 of HK\$0.79 per share as adjusted for the Consolidation Factor of 68.45. The value is preliminary and will change based on fluctuations in the share price of the Hypebeast shares through the closing date. A one percent change in the market price per share would result in a change of HK\$ nil and HK\$3.7 million in the estimated expense assuming no redemption and maximum redemption, respectively.

	No Redemption Scenario		Maximum Redemption Scenario	
	Shares	(in 000s)	Shares	(in 000s)
ISAA Public Shareholders	16,680,000	16,680	1,557,000	1,557
Sponsor and its affiliates	5,360,800	5,361	5,360,800	5,361
Total ISAA shares at Closing	22,040,800	22,041	6,917,800	6,918
Market value per Hypebeast share as adjusted by Consolidation Factor at March 31, 2022	HK\$54.08	HK\$54.08	HK\$54.08	HK\$54.08
Fair value of Hypebeast shares issued		HK\$1,191,942		HK\$374,107
Net assets of ISAA as of March 31, 2022		HK\$1,233,990		HK\$49,409
Excess of fair value over net assets — being IFRS 2 charge for listing services		HK\$—		HK\$324,698

- L. Reflects the maximum redemption of 15,123,000 shares for aggregate redemption payments to redeeming Public Shareholders of US\$151,239,186 (HK\$1,184,580,924) (assuming a redemption price of US\$10.00 (HK\$78.33) per share), allocated to share capital and reserves using par value HK\$0.01 per share. This adjustment is recorded after consideration of the closing condition in which the available closing cash amount may be no less than US\$35,000,000 (HK\$274,137,500).

- M. Reflects the dividend of US\$0.05 (HK\$0.39) per public share to ISAA stockholders (the “**ISAA Closing Dividend**”) to be paid at closing to ISAA stockholders that elect not to redeem their shares of ISAA common stock in connection with the Business Combination. The ISAA Closing Dividend will be paid for 16,680,000 and 1,557,000 ISAA public shares under a no redemption and maximum redemption scenario, respectively.
- N. Represents cash proceeds of US\$2,000,000 (HK\$15,665,000) from the issuance of Additional Subscription Shares at US\$10.00 (HK\$78.33) per share pursuant to the concurrent Permitted Equity Financing.

Adjustments to Unaudited Pro Forma Condensed Combined Statements of Profit or Loss and Other Comprehensive Income

The pro forma adjustments included in the unaudited pro forma condensed combined statements of profit or loss and other comprehensive income for the year ended March 31, 2022 are as follows:

- AA. Reflects elimination of investment income on the Trust Account as the investments held in trust account is assumed to be disposed on April 1, 2021.
- BB. Reflects the accrual of additional transaction costs incurred, net of amount capitalized in reserves of US\$1,026,000 (HK\$7,987,000) under a no redemption scenario and US\$1,173,000 (HK\$9,129,000) under a maximum redemption scenario, respectively. These costs are in addition to transaction costs incurred by ISAA and Hypebeast in the respective historical statement of operations for the year ended March 31, 2022. Additional transaction costs are reflected as if incurred on April 1, 2021, the date the Business Combination occurred for the purposes of the unaudited pro forma condensed combined statement of profit or loss and other comprehensive income. This is a non-recurring item.
- CC. Represents HK\$ nil and HK\$324.7 million of expense recognized assuming no redemptions and maximum redemptions, respectively, in accordance with IFRS 2, for the excess of the fair value of Hypebeast shares issued over the pre-combination carrying value of ISAA’s identifiable net assets, as described in adjustment K. This is a nonrecurring item.

Note 4. Net Loss per Share

Net loss per share was calculated using the historical weighted average shares outstanding, and the issuance of additional shares in connection with the Business Combination, assuming the shares were outstanding since April 1, 2021. As the Business Combination and related transactions are being reflected as if they had occurred at the beginning of the periods presented, the calculation of weighted average shares outstanding for basic and diluted net loss per share assumes that the shares issuable in the Business Combination have been outstanding for the entirety of all periods presented. If the number of shares of Public Shares described under the “Assuming Maximum Redemptions” scenario described above are redeemed, this calculation is retroactively adjusted to eliminate such shares for the entire period.

The unaudited pro forma condensed combined financial information has been prepared to present two alternative scenarios with respect to redemption of ordinary shares by Public Shareholders at the time of the Business Combination for the year ended March 31, 2022 (amounts in thousands except share and per share amounts):

	For the Year Ended March 31, 2022	
	Assuming No Redemptions	Assuming Maximum Redemptions
Net loss	HK\$(29,226)	HK\$(329,225)
Weighted average ordinary shares outstanding — basic and diluted	53,574,300	38,451,300
Net loss per share — basic and diluted ⁽¹⁾	HK\$(0.55)	HK\$(8.56)

- (1) The computation of diluted loss per share did not assume the exercise of share options granted by Hypebeast since the exercise would result in a decrease in loss per share.

THE SURVIVING CORPORATION'S DIRECTORS AND EXECUTIVE OFFICERS AFTER THE BUSINESS COMBINATION

The following table sets forth certain information concerning the persons who are expected to serve as directors and executive officers of the combined company following the consummation of the Business Combination:

Directors and Executive Officers	Age	Position/Title
Kevin Ma	39	Chairman of the Board, Director and Chief Executive Officer
Janice Lee	39	Director
Susanna Kwan	54	Director
Carmen Poon	58	Director
Henry Wong	49	Director
Joshua L. Spear	37	Director Nominee
Trevor A. Edwards	59	Director Nominee
Patrick Wong	40	Chief Financial Officer
Irene Cheung	40	Director of Finance and Company Secretary
Huan Nguyen	44	Chief Revenue Officer
Sujean Lee	40	Chief Experience Officer

Executive and Non-executive Directors

Kevin Ma — Upon consummation of the Business Combination, Mr. Ma will continue his role as Chief Executive Officer, Chairman and an Executive Director of the Board. Mr. Ma, who founded Hypebeast in 2007, is also a director of CORE Capital Group Limited, a controlling shareholder of Hypebeast. As Chief Executive Officer, he is primarily responsible for the overall management, business direction and strategies of Hypebeast. Mr. Ma has over 13 years of industry experience in digital media marketing, web business development and social media marketing. 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.

Janice Lee — Upon consummation of the Business Combination, Ms. Lee will continue her role as Editor-in-Chief of Popbee and as an Executive Director of the Board. Ms. Lee joined Hypebeast on February 14, 2008 and established the Popbee website and brand, which targets Asian female millennials. She is responsible for the day-to-day operations of the Popbee website including leading its editorial team and marketing functions. She also assists in the growth and development of the company's PRC and Hong Kong based media business. 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.

Susanna Kwan — Upon consummation of the Business Combination, Ms. Kwan will serve as an independent non-executive director of the Board. Ms. Kwan has served as an independent non-executive director of Emperor Entertainment Hotel Limited (HKEx 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 and 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.

Carmen Poon — Upon consummation of the Business Combination, Ms. Poon will continue her role as an independent non-executive director of the Board. 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.

Henry Wong — Upon consummation of the Business Combination, Mr. Wong will continue his role as an independent non-executive director of the Board. 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 was 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 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. 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.

Joshua L. Spear — Upon consummation of the Business Combination, Mr. Spear will serve as an independent non-executive director of the Board. A visionary investor, entrepreneur and trend spotter, Mr. Spear has been actively involved in nearly every phase of value creation inside of startups. He participated as an early investor in scores of breakthrough entities, all organized around a disruptive or contrarian thesis. Mr. Spear’s early stage investments include Uber, Grand Street (acquired by Etsy), Warby Parker, Justin’s Nut Butter (acquired by Hormel), Makespace, Archer Aviation, June Oven (acquired by Weber), Hipcamp and Styleseat. In addition to identifying Twitter as a major cultural phenomenon, Mr. Spear invested alongside Chris Sacca in Lowercase 140, a pre-IPO affiliate of investors that went on to become the largest owners in the company. Mr. Spear was nominated as a Young Global Leader by the World Economic Forum and served the Chairman of the Global Agenda Council on Social Media. He has been an active and celebrated global speaker about the digital revolution and the companies that are leading that charge. In 2007, Mr. Spear co-founded and formerly worked at Undercurrent, a consulting firm that became world renowned for applying a digital worldview to help solve some of the most complex problems facing today’s corporations and their leaders. Undercurrent has worked with premier consumer branded companies including Ford, GE, IWC, Land Rover, Live Nation and Pepsi.

Mr. Spear has lectured on Digital Strategy and the “Born Digital Generation” to a diverse group of audiences including The World Economic Forum in Davos — as well as educational institutions and universities. He was a visiting professor at KMD, KEIO University Graduate School of Media Design in Japan — where he taught a course on “The Human Brand” through an interactive lecture series. As part of his commitment to the World Economic Young Global Leader program, Mr. Spear completed a variety of educational courses including executive education modules on Global Leadership and Public Policy for the 21st Century at the Harvard Kennedy School, as well as Foundations for Leadership in the 21st Century at the Jackson Institute for Global Affairs at Yale University. He was enrolled in the University of Colorado, Boulder when he began an early “Trend Spotting” website, which ultimately led him to expand his business and investment interests in lieu of pursuing a degree in Journalism.

Trevor A. Edwards — Upon consummation of the Business Combination, Mr. Edwards will serve as an independent non-executive director of the Board. Mr. Edwards spent 25 years, from 1992 to 2018, at Nike Inc. (“NIKE”) where he was instrumental in building the NIKE brand into one of the most innovative and renowned brands around the world. He retired as the President of NIKE in 2018.

Mr. Edwards brings over 30 years of deep global expertise in brand management, product development, marketing, sales, retail, as well as the ability to leverage digital technologies to drive growth. His executive leadership roles at NIKE included strategic visioning, brand management, general, operational and P&L management of NIKE's business. He oversaw all global geographic, category and direct-to-consumer business units, which included product design, product management, merchandising, marketing, sales, operations, digital technology, retail (physical and ecommerce), finance and human resources. During his career at NIKE, Mr. Edwards led some of the brand's most significant innovations, including pioneering NIKE's Integrated Brand model, driving NIKE's City Strategies, spearheading the creation of NIKE+, which was an innovative partnership with Apple Inc., and driving NIKE's accelerated growth through the creation of category management offense (e.g. global football, running, sportswear, women's, etc.).

Mr. Edwards also led NIKE's direct-to-consumer growth strategy through NIKE.com and NIKE Digital, helping to position NIKE as a leading company in leveraging digital technology. Prior to NIKE, Mr. Edwards worked at Colgate-Palmolive in Global Marketing. Mr. Edwards served Director to Mattel Inc. from 2012 to 2018, Director, NIKE Foundation and a Director, Management Leadership for Tomorrow. He received a BBA and MBA from Bernard Baruch College.

Executive Officers and Senior Management

Patrick Wong — Upon consummation of the Business Combination, Mr. Wong will continue his role as Chief Financial Officer of the company. He is primarily responsible for the financial management of Hypebeast, including accounting, business support, strategic planning and analysis, budgeting and forecasting, mergers and acquisitions and investor relations. Mr. Wong began his professional career with PricewaterhouseCoopers in Vancouver and has more than 15 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 is a member of both the Chartered Professional Accountants of British Columbia and The Institute of Chartered Accountants in England and Wales.

Irene Cheung — Upon consummation of the Business Combination, Ms. Cheung will continue her role as senior director of finance and Company Secretary. She is primarily responsible for supervising Hypebeast's finance activities and accounting operations, liaising with external accountants, auditors and lawyers to ensure that all of the Group's financial practices are in line with 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).

Huan Nguyen — Mr. Nguyen, our Chief Revenue Officer, will continue in his role upon consummation of the Business Combination. Mr. Nguyen leads the global development, growth and performance of all processes that generate revenue across our media, agency, and all business franchises and verticals outside of HBX. Mr. Nguyen has been with Hypebeast since 2015, has been instrumental in the extraordinary growth of our North American and global Media and Agency businesses. Mr. Nguyen obtained a Bachelor of Arts degree from the University of California, Los Angeles.

Sujean Lee — Ms. Lee, our company’s Chief Experience Officer, will continue in her role upon consummation of the Business Combination. Ms. Lee oversees Hypebeast’s overall brand experience through the elevation of our consumers’ online and offline journey, accelerating the growth of our business through the direction of omnichannel and marketing strategy and by ensuring the Hypebeast brand is cohesively represented across the company’s various verticals and channels. Ms. Lee also leads our Global Communications and Public Relations departments, working with the team to deliver effective and insightful communications to our internal and external stakeholders. Previously, Ms. Lee served as Chief Operating Officer of Milk Bar (originally Momofuku Milk Bar), and prior to that as Senior Vice President of Corporate Affairs at Chobani. She holds a dual-JD/MBA from Columbia Law School and Columbia Business School, and a BA from Harvard University.

Family Relationships

Mr. Kevin Ma and Ms. Janice Lee are husband and wife.

Independence of Directors

As a result of its ordinary shares being listed on the Nasdaq Capital Market, or the Nasdaq, following consummation of the Business Combination, Hypebeast will adhere to the rules of the Nasdaq in determining whether a director is independent. The board of directors of Hypebeast has consulted, and will consult, with its counsel to ensure that the board’s determinations are consistent with those rules and all relevant securities and other laws and regulations regarding the independence of directors. The Nasdaq listing standards define an “independent director” as a person, other than an executive officer of a company or any other individual having a relationship which, in the opinion of the issuer’s board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Board Composition

The primary responsibilities of the Board will be to provide oversight, strategic guidance, counseling and directions to Hypebeast’s management. We intend to have directors upon the consummation of the Business Combination. Kevin Ma will be appointed as Chairman of the Board and Chief Executive Officer of Hypebeast.

Committees of the Board of Directors

Upon consummation of the Business Combination, Hypebeast will establish a separately standing audit committee, compensation committee, nominating and corporate governance committee and special independent committee.

Audit Committee

Effective upon consummation of the Business Combination, Hypebeast will establish an audit committee comprised of _____ and _____, and will be chaired by _____. _____ will satisfy the “independence” requirements of Nasdaq and meet the independence standards under Rule 10A-3 under the Exchange Act. The Board has also determined that _____ qualifies as an “audit committee financial expert” within the meaning of the SEC rules. The audit committee will have a written charter. The purpose of the audit committee will be, among other things, to appoint, retain, set compensation of, and supervise Hypebeast’s independent accountants, review and approve related party transactions in accordance with Nasdaq requirements, review the results and scope of the audit and other accounting related services and review Hypebeast’s accounting practices and systems of internal accounting and disclosure controls.

Compensation Committee

Effective upon consummation of the Business Combination, the board of directors of Hypebeast will establish a compensation committee. It is expected that the compensation committee will initially consist of _____ and _____, and will be chaired by _____. _____ will satisfy the “independence” requirements of Nasdaq and meet the independence standards under Rule 10A-3 under the Exchange Act.

The compensation committee will have a written charter. The purpose of the compensation committee will be to review and approve compensation paid to Hypebeast’s officers and directors and to administer Hypebeast’s incentive compensation plans, including authority to make and modify awards under such plans.

The compensation committee assists the board in determining its responsibilities in relation to remuneration, including, amongst other matters, making recommendations to the board on Hypebeast’s policy on executive compensation, determining the individual remuneration and benefits package of each of the executive directors and recommending and monitoring the remuneration of senior management below board level.

Nominating and Corporate Governance Committee

Effective upon consummation of the Business Combination, the board of directors of Hypebeast will establish a nominating and corporate governance committee. It is expected that the nominating and corporate governance will initially consist of _____ and _____, and will be chaired by _____. _____ will satisfy the “independence” requirements of Nasdaq and meet the independence standards under Rule 10A-3 under the Exchange Act. The nominating and corporate governance committee will have a written charter. The nominating and corporate governance committee will assist the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees.

Duties of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also owe to our company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care, and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time, and the class rights vested thereunder in the holders of the shares. Our company has the right to seek damages if a duty owed by our directors is breached. In limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

The functions and powers of our Board include, among others:

- convening shareholders’ annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares of our company, including the registering of such shares in our register of members.

Code of Ethics

Upon consummation of the Business Combination, the board of directors will adopt a code of ethics and business conduct that applies to all of our executive officers, directors and employees. The code of ethics and business conduct codifies the business and ethical principles that will govern all aspects of Hypebeast's business.

Corporate Governance Guidelines

Our board of directors will adopt corporate governance guidelines in accordance with the corporate governance rules of Nasdaq that serve as a flexible framework within which our board of directors and its committees operate. These guidelines will cover a number of areas including board membership criteria and director qualifications, director independence, director responsibilities, roles of the Chair of the Board and Chief Executive Officer, meetings of independent directors, committee responsibilities and assignments, board member access to management and independent advisors, director communications with third parties, director compensation, director orientation and continuing education, evaluation of senior management and management succession planning.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of its executive officers. Each executive officers is employed for a continuous term, or a specified time period which will be automatically extended, unless either we or the executive officer gives prior notice to terminate such employment. We may terminate the employment for cause, at any time, without notice or remuneration, for certain acts of the executive officer, including the commitment of any serious or persistent breach or non-observance of the terms and conditions of the employment, conviction of a criminal offense other than one which in the opinion of the board does not affect the executive's position, willful, disobedience of a lawful and reasonable order, misconduct being inconsistent with the due and faithful discharge of the executive officer's material duties, fraud or dishonesty, or habitual neglect of his or her duties. An executive officer may terminate his or her employment at any time with a prior written notice.

Each executive officer has agreed to hold, both during and after the employment agreement expires or is earlier terminated, in strict confidence and not to use or disclose to any person, corporation or other entity without written consent, any confidential information or trade secrets. Each executive officer has also agreed to disclose in confidence to us all inventions, intellectual and industry property rights and trade secrets which they made, discover, conceive, develop or reduce to practice during the executive officer's employment with us and to assign to our company all of his or her associated titles, interests, patents, patent rights, copyrights, trade secret rights, trademarks, trademark rights, mask work rights and other intellectual property and rights anywhere in the world which the executive officer

may solely or jointly conceive, invent, discover, reduce to practice, create, drive, develop or make, or cause to be conceived, invented, discovered, reduced to practice, created, driven, developed or made, during the period of the executive officer's employment with us that are either related to our business, actual or demonstrably anticipated research or development or any of our products or services being developed, manufactured, marketed, sold, or are related to the scope of the employment or make use of our resources. In addition, all executive officers have agreed to be bound by non-competition and non-solicitation restrictions set forth in their agreements. Each executive officer has agreed to devote all his or her working time and attention to our business and use best efforts to develop our business and interests. Moreover, each executive officer has agreed not to, for a certain period following termination of his or her employment or expiration of the employment agreement: (i) carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, employee, partner, agent or otherwise carry on any business in direct competition with us, (ii) solicit or entice away any of our customer, client, representative or agent, or (iii) employ, solicit or entice away or attempt to employ, solicit or entice away any of our officers, managers, consultants or employees.

We have entered into indemnification agreements with its directors and executive officers, pursuant to which we will agree to indemnify its directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or executive officer.

Compensation of Directors and Executive Officers

In the fiscal year ended March 31, 2021, Hypebeast paid an aggregate of HKD2.6 million (US\$0.3 million) in cash and benefits to its directors and executive officers as a group. Hypebeast has not set aside or accrued any amount to provide pension, retirement or other similar benefits to its executive officers and directors.

Share Option Schemes

On March 18, 2016, the Hypebeast conditionally approved and adopted the pre-HK IPO share option scheme (the "**Pre-HK IPO Scheme**") and the post-IPO share option scheme (the "**Post-HK IPO Scheme**") where eligible participants may be granted options entitling them to subscribe for the Hypebeast's shares. The purpose of the share option schemes is to enable the Hypebeast to grant share options to selected participants as incentives or rewards for their contributions. The Pre-HK IPO Scheme has been expired on April 11, 2016. No further options would be granted under the Pre-HK IPO Scheme. The maximum aggregate number of shares that may be issued under the Post-HK IPO Scheme is 169,287,499, and as of the date of this proxy statement/prospectus, 56,558,332 shares are issued and outstanding.

The principal terms of the Post-HK IPO Scheme are summarized below:

Participants. Any director of Hypebeast, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in Hypebeast, 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 Hypebeast, a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of Hypebeast, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of Hypebeast, or a close associate of any of the foregoing persons.

Maximum entitlement of each participant. The substantial shareholders or independent non-executive directors are entitled to no more than 0.1% of the issued shares, or an aggregate value not exceeding HK\$5 million in the 12-month period up to and including the date of such grant. The grant to other participants in any 12-month period shall not exceed 1% of the issued shares from time to time.

Vesting Schedule. As determined by Hypebeast's board of directors upon the grant of an option.

Exercise of Awards. Hypebeast's board of directors shall determine the exercise or purchase price, as applicable, for each award, however such price shall not be less than whichever is the highest of (i) the closing price of the shares as stated in the Hong Kong 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 Hong Kong 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.

Termination. An option may be exercised within a period to be determined and notified by Hypebeast's board of directors 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.

SECURITY OWNERSHIP OF THE COMBINED COMPANY AFTER THE BUSINESS COMBINATION

The following tables sets forth information regarding the beneficial ownership of Hypebeast as of the date of this proxy statement/prospectus by:

- each person who is expected by Hypebeast to be the beneficial owner of 5% or more of the outstanding Hypebeast Ordinary Shares immediately following the consummation of the Business Combination;
- each person who is expected to become an executive officer or a director of Hypebeast upon consummation of the Business Combination; and
- all of the executive officers and directors of Hypebeast as a group upon consummation of the Business Combination.

Unless otherwise indicated, Hypebeast believes that all persons named in the table will have, immediately after the consummation of the Business Combination, sole voting and investment power with respect to all Hypebeast's securities beneficially owned by them.

Beneficial ownership is determined in accordance with SEC rules and includes voting or investment power with respect to securities. Except as indicated by the footnotes below, Hypebeast believes, based on the information furnished to it, that the persons and entities named in the table below will have, immediately after the consummation of the Business Combination, sole voting and investment power with respect to all stock that they beneficially own, subject to applicable community property laws. All Hypebeast Ordinary Shares subject to options exercisable within 60 days of the consummation of the Business Combination are deemed to be outstanding and beneficially owned by the persons holding those options for the purpose of computing the number of shares beneficially owned and the percentage ownership of that person. They are not, however, deemed to be outstanding and beneficially owned for the purpose of computing the percentage ownership of any other person.

The expected beneficial ownership of shares of Hypebeast Ordinary Shares post-Business Combination assumes two scenarios:

- **Scenario 1 — Assuming No Redemptions:** This presentation assumes that no holders of ISAA shares exercise redemption rights for a pro rata share of the funds in the Trust Account.

- **Scenario 2 — Assuming Maximum Redemptions:** This presentation assumes that holders of 15,014,000 ISAA Class A common stock will exercise their redemption rights for approximately \$150,146,812 of funds in the Trust Account. Hypebeast’s obligations under the Merger Agreement are subject to certain customary closing conditions. Furthermore, Hypebeast will only proceed with the Business Combination if it will have net tangible assets of at least \$5,000,001 upon consummation of the Business Combination (as determined in accordance with Rule 3a51-1(g)(1) of the Exchange Act (or any successor rule)). Scenario 2 includes all adjustments contained in Scenario 1 and presents additional adjustments to reflect the effect of maximum redemptions. Scenario 2 does not take into account the Minimum Available Cash Condition.

Based on the foregoing assumptions, and including (a) that _____ Hypebeast Ordinary Shares are issued to the PIPE Investors pursuant to the share subscription agreements dated as of _____, 2022 (including the _____ Hypebeast Ordinary Shares issued to certain affiliates of the Sponsor in connection with the PIPE Investment), (b) that none of the investors set forth in the table have purchased or purchases additional shares of ISAA Class A common stock or ISAA Class B Common Stock (pre-Business Combination) or ordinary shares of Hypebeast (pre-Business Combination), and (c) that _____ Hypebeast Ordinary Shares are issued to persons who are shareholders of Hypebeast. Hypebeast estimates that there would be 53,374,300 Hypebeast Ordinary Shares issued and outstanding immediately following the consummation of the Business Combination in the “no redemption” scenario, and that there would be 38,360,300 Hypebeast Ordinary Shares issued and outstanding immediately following the consummation of the Business Combination, in the “maximum redemption” scenario. If the actual facts are different from the foregoing assumptions or Hypebeast enters into any additional Permitted Equity Subscription Agreements after the date of this proxy statement/prospectus and before Closing, ownership figures in Hypebeast and the columns under Post-Business Combination in the table that follows will be different. Unless otherwise noted, the business address of each of the following beneficial owners is 40/F, Cable TV Tower, No.9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

Name of Beneficial Owner	Pre-Business Combination and PIPE Investment			Post-Business Combination and PIPE Investment					
				Post-Business Combination (Assuming No Redemption)			Post-Business Combination (Assuming Maximum Redemption)		
	Hypebeast Ordinary Shares	% of Class ⁽¹⁾	% of Voting Power ⁽¹⁾	Hypebeast Ordinary Shares	% of Class	% of Voting Power	Hypebeast Ordinary Shares	% of Class	% of Voting Power
All 5% or Greater Shareholders									
CORE Capital Group Limited ⁽²⁾	1,485,000,000	72.29%	72.29%						
Directors and Executive Officers									
Post-Business Combination									
Kevin Ma ⁽²⁾	1,485,780,000	72.33%	72.33%						
Janice Lee ⁽²⁾	1,485,780,000	72.33%	72.33%						
Susanna Kwan	—	—	—						
Carmen Poon	—	—	—						
Henry Wong	—	—	—						
Patrick Wong	*	*	*						
Irene Cheung	*	*	*						
Huan Nguyen	*	*	*						
Sujean Lee	—	—	—						
Joshua L. Spear	—	—	—						
Trevor A. Edwards	—	—	—						
All executive officers and directors as a group (11 persons)	1,499,942,501	73.03%	73.03%						

* Less than one percent (1%) of Hypebeast Ordinary Shares.

- (1) The pre-Business Combination percentage of beneficial ownership of Hypebeast is based on an aggregate of 2,054,129,231 ordinary shares of Hypebeast to be issued and outstanding.
- (2) Represents 780,000 Hypebeast Ordinary Shares directly held by Mr. Kevin Ma, 1,485,000,000 Hypebeast Ordinary Shares held by CORE Capital Group Limited, a British Virgin Islands company ultimately controlled by Mr. Kevin Ma. Ms. Janice Lee was deemed to be interested in 1,485,780,000 Hypebeast Ordinary Shares through the interest of her spouse, Mr. Kevin Ma. Registered address of CORE Capital Group Limited is 2/F, Palm Grove House, P.O. Box 3340, Road Town, Tortola, British Virgin Islands.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Certain Transactions of Hypebeast

Related Party Transactions

Since 2011, Hypebeast entered into a series of tenancy agreements with the parents of Ms. Janice Lee, our executive director (the “**Landlords**”), pursuant to which the Landlords agreed to lease certain property to Hypebeast for residential use purposes. In the fiscal year ended March 31, 2021 and 2022, Hypebeast incurred repayment of lease liabilities of HK\$210,000 and HK\$210,000 (US\$26,811), respectively. In the fiscal year ended March 31, 2021 and 2022, Hypebeast incurred an interest expense on lease liabilities of HK\$10,000 and HK\$11,000 (US\$1,404), respectively. As of March 31, 2021 and 2022, Hypebeast recorded right-of-use assets of HK\$364,000 and HK\$168,000 (US\$21,449), and lease liability of HK\$363,000 and HK\$165,000 (US\$21,066), respectively.

Employment Agreements and Indemnification Agreements

See “The Surviving Corporation’s Directors and Executive Officers after the Business Combination — Employment Agreements and Indemnification Agreements.”

Share Incentives

See “The Surviving Corporation’s Directors and Executive Officers after the Business Combination — Share Option Schemes.”

Ownership and Disposition of Hypebeast Ordinary Shares by U.S. Holders

Distributions on Hypebeast Ordinary Shares

If Hypebeast makes distributions of cash or property on the Hypebeast Ordinary Shares, such distributions will be treated for U.S. federal income tax purposes first as a dividend to the extent of Hypebeast’s current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), and then as a tax-free return of capital to the extent of the U.S. Holder’s tax basis, with any excess treated as capital gain from the sale or exchange of the shares. Since Hypebeast does not intend to provide calculations of its earnings and profits under U.S. federal income tax principles, a U.S. Holder generally would be required to treat all such distributions as dividends for U.S. federal income tax purposes. Any dividend generally will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from U.S. corporations.

- Subject to the discussion below under “— *Passive Foreign Investment Company Rules*,” dividends received by certain non-corporate U.S. Holders (including individuals) may be “qualified dividend income,” which is taxed at the lower applicable capital gains rate, provided that:
- the Hypebeast Ordinary Shares are readily tradable on an established securities market in the United States;
- Hypebeast is neither a PFIC (as discussed below under “— *Passive Foreign Investment Company Rules*”) nor treated as such with respect to the U.S. Holder in any taxable year in which the dividend is paid or the preceding taxable year;
- the U.S. Holder satisfies certain holding period requirements; and
- the U.S. Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property.

There can be no assurance that Hypebeast Ordinary Shares will be considered “readily tradable” on an established securities market in the United States in accordance with applicable legal authorities. Furthermore, there can no assurance that Hypebeast will not be treated as a PFIC in any taxable year. See discussion below under “— *Passive Foreign Investment Company Rules*.” U.S. Holders should consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to Hypebeast Ordinary Shares.

Subject to certain exceptions, dividends on Hypebeast Ordinary Shares will constitute foreign source income for foreign tax credit limitation purposes. If such dividends are qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will be limited to the gross amount of the dividend, multiplied by a fraction, the numerator of which is the reduced rate applicable to qualified dividend income and the denominator of which is the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by Hypebeast with respect to the Hypebeast Ordinary Shares generally will constitute “passive category income” but could, in the case of certain U.S. Holders, constitute “general category income.”

Sale, Exchange, Redemption or Other Taxable Disposition of Hypebeast Ordinary Shares

Subject to the discussion below under “— Passive Foreign Investment Company Rules,” a U.S. Holder generally would recognize gain or loss on any sale, exchange, redemption or other taxable disposition of Hypebeast Ordinary Shares in an amount equal to the difference between (i) the amount realized on the disposition and (ii) such U.S. Holder’s adjusted tax basis in such Hypebeast Ordinary Shares, as applicable. Any gain or loss recognized by a U.S. Holder on a taxable disposition of Hypebeast Ordinary Shares generally will be capital gain or loss. A non-corporate U.S. Holder, including an individual, who has held the Hypebeast Ordinary Shares for more than one year generally will be eligible for reduced tax rates for such long-term capital gains. The deductibility of capital losses is subject to limitations. Any such gain or loss recognized generally will be treated as U.S. source gain or loss. In the event any non-U.S. tax (including withholding tax) is imposed upon such sale or other disposition, a U.S. Holder’s ability to claim a foreign tax credit for such non-U.S. tax is subject to various limitations and restrictions. U.S. Holders should consult their tax advisors regarding the ability to claim a foreign tax credit.

Passive Foreign Investment Company Rules

The treatment of U.S. Holders of the Hypebeast Ordinary Shares could be materially different from that described above, if Hypebeast is treated as a PFIC for U.S. federal income tax purposes. A non-U.S. entity treated as a corporation for U.S. federal income tax purposes generally will be a PFIC for U.S. federal income tax purposes for any taxable year if either:

- at least 75% of its gross income for such year is passive income; or
- at least 50% of the value of its assets (generally based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income.

For this purpose, Hypebeast will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other entity treated as a corporation for U.S. federal income tax purposes in which Hypebeast owns, directly or indirectly, 25% or more (by value) of the stock.

Based on the fiscal year 2021 composition of the income, assets and operations of Hypebeast and its subsidiaries, Hypebeast does not believe it will be treated as a PFIC for the taxable year that includes the Business Combination. However, there can be no assurances in this regard, nor can there be any assurances that Hypebeast will not be treated as a PFIC in any future taxable year. Moreover, the application of the PFIC rules is subject to uncertainty in several respects, and Hypebeast can make no assurances that the IRS will not take a contrary position or that a court will not sustain such a challenge by the IRS.

Whether Hypebeast or any of its subsidiaries is treated as a PFIC is determined on an annual basis. The determination of whether Hypebeast or any of its subsidiaries is a PFIC is a factual determination that depends on, among other things, the composition of Hypebeast's income and assets, and the market value of its and its subsidiaries' shares and assets. Changes in the composition of Hypebeast's or any of its subsidiaries' income or composition of Hypebeast's or any of its subsidiaries' assets may cause it to be or become a PFIC for the current or subsequent taxable years. Under the PFIC rules, if Hypebeast were considered a PFIC at any time that a U.S. Holder owns Hypebeast Ordinary Shares, Hypebeast would continue to be treated as a PFIC with respect to such investment unless (i) it ceased to be a PFIC and (ii) the U.S. Holder made a "deemed sale" election under the PFIC rules. If such election is made, a U.S. Holder will be deemed to have sold its Hypebeast Ordinary Shares at their fair market value on the last day of the last taxable year in which Hypebeast is classified as a PFIC, and any gain from such deemed sale would be subject to the consequences described below. After the deemed sale election, the Hypebeast Ordinary Shares with respect to which the deemed sale election was made will not be treated as shares in a PFIC unless Hypebeast subsequently becomes a PFIC.

For each taxable year that Hypebeast is treated as a PFIC with respect to a U.S. Holder's Hypebeast Ordinary Shares, the U.S. Holder will be subject to special tax rules with respect to any "excess distribution" (as defined below) received and any gain realized from a sale or disposition (including a pledge) of its Hypebeast Ordinary Shares (collectively the "**Excess Distribution Rules**"), unless the U.S. Holder makes a valid QEF election or mark-to-market election as discussed below. Distributions received by a U.S. Holder in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or the U.S. Holder's holding period for the Hypebeast Ordinary Shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the Hypebeast Ordinary Shares;
- the amount allocated to the current taxable year, and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which Hypebeast is a PFIC, will be treated as ordinary income; and
- the amount allocated to each other taxable year will be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

Under the Excess Distribution Rules, the tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution cannot be offset by any net operating losses, and gains (but not losses) realized on the sale of the Hypebeast Ordinary Shares cannot be treated as capital gains, even though the U.S. Holder holds the Hypebeast Ordinary Shares as capital assets.

Certain of the PFIC rules may impact U.S. Holders with respect to equity interests in subsidiaries and other entities which Hypebeast may hold, directly or indirectly, that are PFICs (collectively, “**Lower-Tier PFICs**”). There can be no assurance, however, that Hypebeast does not own, or will not in the future acquire, an interest in a subsidiary or other entity that is or would be treated as a Lower-Tier PFIC. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of Hypebeast’s subsidiaries.

If Hypebeast is a PFIC, a U.S. Holder of Hypebeast Ordinary Shares may avoid taxation under the Excess Distribution Rules described above by making a QEF election. However, a U.S. Holder may make a QEF election with respect to its Hypebeast Ordinary Shares only if Hypebeast provides U.S. Holders on an annual basis with certain financial information specified under applicable U.S. Treasury Regulations. Because Hypebeast currently does not intend to provide U.S. Holders with such information on an annual basis, U.S. Holders generally would not be able to make a QEF election with respect to the Hypebeast Ordinary Shares.

A U.S. Holder of Hypebeast Ordinary Shares may also avoid taxation under the Excess Distribution Rules by making a mark-to-market election. The mark-to-market election is available only for “marketable stock,” which is stock that is regularly traded on a qualified exchange or other market, as defined in applicable U.S. Treasury Regulations. The Hypebeast Ordinary Shares, which are expected to be listed on the Nasdaq, are expected to qualify as marketable stock for purposes of the PFIC rules, but there can be no assurance that they will be “regularly traded” for purposes of these rules. Because a mark-to-market election cannot be made for equity interests in any Lower-Tier PFICs, a U.S. Holder generally will continue to be subject to the Excess Distribution Rules with respect to its indirect interest in any Lower-Tier PFICs as described above, even if a mark-to-market election is made for Hypebeast.

If a U.S. Holder makes a valid mark-to-market election with respect to its Hypebeast Ordinary Shares, such U.S. Holder will include in income for each year that Hypebeast is treated as a PFIC with respect to such Hypebeast Ordinary Shares an amount equal to the excess, if any, of the fair market value of the Hypebeast Ordinary Shares as of the close of the U.S. Holder's taxable year over the adjusted basis in the Hypebeast Ordinary Shares. A U.S. Holder will be allowed a deduction for the excess, if any, of the adjusted basis of the Hypebeast Ordinary Shares over their fair market value as of the close of the taxable year. However, deductions will be allowed only to the extent of any net mark-to-market gains on the Hypebeast Ordinary Shares included in the U.S. Holder's income for prior taxable years. Amounts included in income under a mark-to-market election, as well as gain on the actual sale or other disposition of the Hypebeast Ordinary Shares, will be treated as ordinary income. Ordinary loss treatment will also apply to the deductible portion of any mark-to-market loss on the Hypebeast Ordinary Shares, as well as to any loss realized on the actual sale or disposition of the Hypebeast Ordinary Shares, to the extent the amount of such loss does not exceed the net mark-to-market gains for such Hypebeast Ordinary Shares previously included in income. A U.S. Holder's basis in the Hypebeast Ordinary Shares will be adjusted to reflect any mark-to-market income or loss. If a U.S. Holder makes a mark-to-market election, any distributions Hypebeast makes would generally be subject to the rules discussed above under "— Distributions on Hypebeast Ordinary Shares," except the lower rates applicable to qualified dividend income would not apply.

A U.S. Holder that is eligible to make a mark-to-market election with respect to its Hypebeast Ordinary Shares may do so by providing the appropriate information on IRS Form 8621 and timely filing that form with the U.S. Holder's tax return for the year in which the election becomes effective. U.S. Holders should consult their tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any Lower-Tier PFICs.

A U.S. Holder of a PFIC generally is required to file an IRS Form 8621 on an annual basis. U.S. Holders are strongly encouraged to consult their tax advisors regarding the application of the PFIC rules and the associated reporting requirements to their particular circumstances.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to dividends received by U.S. Holders of Hypebeast Ordinary Shares (including constructive dividends), and the proceeds received on the sale or other taxable disposition of Hypebeast Ordinary Shares effected within the United States (and, in certain cases, outside the United States), in each case, other than U.S. Holders that are exempt recipients (such as corporations). Information reporting requirements will also apply to redemptions from U.S. Holders of ISAA shares of common stock. Backup withholding (currently at a rate of 24%) may apply to such amounts if the U.S. Holder fails to provide an accurate taxpayer identification number (generally on an IRS Form W-9 provided to the paying agent or the U.S. Holder's broker) or is otherwise subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or credit against a holder's U.S. federal income tax liability, if any, provided the required information is timely furnished to the IRS.

The preceding discussion of certain material U.S. federal tax considerations is for general information purposes only. It is not tax advice to holders of ISAA shares of common stock or Hypebeast Ordinary Shares. Each such holder should consult its own tax advisor regarding the particular U.S. federal, state and local, and non-U.S. tax considerations of purchasing, holding, and disposing of ISAA shares of common stock or Hypebeast Ordinary Shares, including the consequences of any proposed change in applicable law.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, Hypebeast will have a share capital comprised of 38,360,300 Hypebeast Ordinary Shares (assuming redemption by holders of 15,014,000 ISAA's outstanding shares of common stock). All of the Hypebeast Ordinary Shares issued in connection with the Merger will be freely transferable by persons other than by Hypebeast's "affiliates" without restriction or further registration under the Securities Act, subject to the restrictions detailed below. Sales of substantial amounts of Hypebeast Ordinary Shares in the public market could adversely affect prevailing market prices of the Hypebeast Ordinary Shares. Prior to the Business Combination, Hypebeast Ordinary Shares were traded on The Stock Exchange of Hong Kong Limited. Hypebeast intends to apply for listing of the Hypebeast Ordinary Shares on Nasdaq in connection with the Business Combination.

Transfer Restrictions

On April 3, 2022, Hypebeast announced its entry into a Sponsor Support Agreement by and among the Sponsor, Hypebeast, ISAA, and officers and directors of ISAA who hold the ISAA shares of common stock. Under the Sponsor Support Agreement, the Sponsor and the officer and directors agreed, with some exclusions, that until the termination of the Merger Agreement, they will not, and will not cause their affiliates not to, without the prior written consent of Hypebeast: (i) (a) offer to sell, contract or agree to sell, hypothecate, pledge, grant any option, right or warrant to purchase or otherwise transfer, dispose of or agree to transfer or dispose of, directly or indirectly, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder, any securities of ISAA held by them, (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such securities, whether any such transaction is to be settled by delivery of such securities, in cash or otherwise, or (c) publicly announce any intention to effect any transaction specified in clause (a) or (b) (the actions specified in clauses (a)-(c) (collectively, a "**Transfer**") or (ii) grant any proxies or enter into any voting arrangement, whether by proxy, voting agreement, voting trust, voting deed or otherwise (including pursuant to any loan of ISAA securities), or enter into any other agreement, with respect to any ISAA securities, in each case, other than as set forth in the Sponsor Support Agreement or the voting and other arrangements under the organizational documents of ISAA.

Regulation S

Regulation S under the Securities Act provides an exemption from registration requirements in the United States for offers and sales of securities that occur outside the United States. Rule 903 of Regulation S provides the conditions to the exemption for a sale by an issuer, a distributor, their respective affiliates or anyone acting on their behalf, while Rule 904 of Regulation S provides the conditions to the exemption for a resale by persons other than those covered by Rule 903. In each case, any sale must be completed in an offshore transaction, as that term is defined in Regulation S, and no directed selling efforts, as that term is defined in Regulation S, may be made in the United States.

Rule 144

Pursuant to Rule 144, a person who has beneficially owned restricted shares of ISAA's common stock for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of ISAA's affiliates at the time of, or at any time during the three months preceding, a sale and (ii) ISAA was subject to the Exchange Act periodic reporting requirements for at least three months before the sale and has filed all required reports under Section 13 or 15(d) of the Exchange Act during the 12 months (or such shorter period as ISAA was required to file reports) preceding the sale.

Persons who have beneficially owned restricted shares of ISAA's common stock for at least six months but who are ISAA's affiliates at the time of, or at any time during the three months preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of:

- 1% of the total number of shares of common stock then outstanding, which will equal 198,400 shares immediately after this offering (or 227,875 if the underwriters exercise their over-allotment option in full); or
- the average weekly reported trading volume of the common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales by ISAA's affiliates under Rule 144 are also limited by manner of sale provisions and notice requirements and to the availability of current public information about ISAA.

Restrictions on the Use of Rule 144 by Shell Companies or Former Shell Companies

Rule 144 is not available for the resale of securities initially issued by shell companies (other than business combination related shell companies) or issuers that have been at any time previously a shell company. However, Rule 144 also includes an important exception to this prohibition if the following conditions are met:

- the issuer of the securities that was formerly a shell company has ceased to be a shell company;
- the issuer of the securities is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act;
- the issuer of the securities has filed all Exchange Act reports and materials required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Current Reports on Form 8-K; and
- at least one year has elapsed from the time that the issuer filed current Form 10 type information with the SEC reflecting its status as an entity that is not a shell company.

As a result, ISAA's initial stockholders will be able to sell their Founder Shares and Private Placement Shares, as applicable, pursuant to Rule 144 without registration one year after ISAA have completed its initial business combination.

Registration Rights

In connection with the IPO, ISAA entered into a registration rights agreement with the Sponsor (the "**Sponsor Registration Rights Agreement**") for the registration for resale under the Securities Act of the Founder Shares and Private Placement Shares (collectively, the "**Sponsor Registrable Shares**"). The holders of a majority of the Sponsor Registrable Shares are entitled to make up to three demands that ISAA register the Sponsor Registrable Shares. Holders of a majority of the Founder Shares or the Private Placement Shares can elect to exercise these registration rights at any time commencing on or after ISAA consummates a Business Combination. In addition, the holders have certain "piggy-back" registration rights with respect to registration statements filed subsequent to the consummation of a business combination. ISAA agreed to bear the expenses incurred in connection with the filing of any such registration statement. As a condition to the consummation of the Business Combination, the Merger Sub, ISAA and the Sponsor will execute a Deed of Novation, pursuant to which the Merger Sub will assume all the rights, duties, obligations, benefits, interest, duties and liabilities of ISAA in, to and under the Sponsor Registration Rights Agreement.

As per the Merger Agreement, ISAA, the Sponsor and Hypebeast will enter into a registration rights agreement (the “**Surviving Corporation Registration Rights Agreement**”) governing the registration for resale under the Securities Act of (i) the Surviving Corporation’s shares of common stock issued to the shareholders of Hypebeast who are not affiliates of Hypebeast or the Surviving Corporation, (ii) all other securities of the Surviving Corporation held by the Surviving Corporation’s officers, directors, nominees, and direct and indirect parents, control persons, affiliates and associates immediately after the Business Combination, and (iii) of the Surviving Corporation issuable to certain service providers in connection with the closing of the Business Combination (collectively, the “**Registrable Securities**”). The Hypebeast Registration Rights Agreement will provide that the holders of a majority of the Registrable Securities can, at any time after the consummation of the Business Combination, make up to four demands that the Surviving Corporation register the Registrable Securities. In addition, the holders of the Registrable Securities have certain “piggy-back” registration rights with respect to registration statements filed subsequent to the consummation of the Business Combination. The Surviving Corporation will bear the expenses incurred in connection with the filing of any such registration statement.

DESCRIPTION OF SECURITIES

Securities of Hypebeast

The following description of the material terms of the share capital of Hypebeast following the Transactions includes a summary of specified provisions of the memorandum of association (the “**Memorandum of Association**”) and the amended and restated articles of association of Hypebeast (the “**Articles of Association**” and together with the Memorandum of Association, the “**Amended and Restated Memorandum and Articles of Association**”) that are currently in effect and will remain effective after the completion of the Business Combination. This description is qualified by reference to Hypebeast’s Amended and Restated Memorandum and Articles of Association as will be in effect upon closing of the Transactions. References in this section to “we” or “us” refer to Hypebeast.

General

Hypebeast is a Cayman Islands exempted company and, as of the Closing, its affairs will be governed by the Amended and Restated Memorandum and Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. Pursuant to the Amended and Restated Memorandum and Articles of Association, Hypebeast is authorized to issue 6,000,000,000 ordinary shares of a par value of HK\$0.01 each (“**Ordinary Shares**”). Hypebeast’s ordinary shares are currently traded on the Stock Exchange of Hong Kong, under the symbol “HYPBY” and with the stock code 00150. Hypebeast is applying to list its ordinary shares on Nasdaq in connection with the Business Combination, after which Hypebeast will be dual listed in the United States and Hong Kong.

Share Capital

All of our issued and outstanding Hypebeast Ordinary Shares are fully paid and non-assessable. The Hypebeast Ordinary Shares are issued in registered form, and are issued when registered in the register of members of Hypebeast. Hypebeast may not issue Hypebeast Ordinary Shares to bearer. Subject to the provisions of the Cayman Companies Act and the Articles of Association and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in Hypebeast are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

The holders of Hypebeast Ordinary Shares will be entitled to one vote per share on all matters that require a shareholder's vote. Subject to the provisions of the Cayman Companies Act and the Amended and Restated Memorandum and Articles of Association and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of Hypebeast or the holder thereof, it is liable to be redeemed.

Dividends

Hypebeast in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Articles of Association provide dividends may be declared and paid out of the profits of Hypebeast, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Variation of Rights

Subject to the Cayman Companies Act, if at any time the share capital of Hypebeast is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles of Association relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned or postponed meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned or postponed meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Transfer of Shares

Subject to the Amended and Restated Memorandum and Articles of Association, Nasdaq rules and the applicable law, our shareholders may transfer all or any of his or her Hypebeast Ordinary Shares by an instrument of transfer. The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to Hypebeast, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

Liquidation

On a winding-up of our company, subject to any rights or restrictions for the time being attached to any class of shares, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively.

Indemnification of Directors and Executive Officers and Limitation of Liability

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. The Articles of Association permit indemnification of officers and directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling our company under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Certain Anti-Takeover Provisions

Certain provisions in the Amended and Restated Memorandum and Articles of Association may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a shareholder might consider to be in its best interests, including attempts that might result in a premium being paid over the market price for Hypebeast Ordinary Shares. These provisions are also designed, in part, to encourage persons seeking to acquire control of us to first negotiate with our board of directors.

Ordinary Shares

The authorized but unissued Hypebeast Ordinary Shares will be available for future issuance by the board of directors on such terms as our board of directors may determine, subject to any limitations in the Amended and Restated Memorandum and Articles of Association. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued Hypebeast Ordinary Shares could render more difficult or discourage an attempt to obtain control over us by means of a proxy contest, tender offer, merger, amalgamation, scheme of arrangement or otherwise.

Preference Shares

Preference shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue these preference shares, the price of Hypebeast Ordinary Shares may fall and the voting and other rights of the holders of Hypebeast Ordinary Shares may be materially adversely affected. Subject to the provisions of the Cayman Companies Act and the Articles of Association and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of Hypebeast or the holder thereof, it is liable to be redeemed.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under the Amended and Restated Memorandum and Articles of Association for a proper purpose and for what they believe in good faith to be in our best interests.

Board of Directors

Our board of directors shall consist of such number of directors as the shareholders may from time to time determine and there should be a minimum of two directors at all times. Upon the consummation of the Business Combination, our board of directors will consist of up to seven directors.

Appointment of Directors

Our directors shall, be elected by the shareholders by way of any ordinary resolution to either fill a casual vacancy or as an addition to the existing directors. Without prejudice to Hypebeast's power to appoint a person to be a director pursuant to the Amended and Restated Memorandum and Articles of Association, the board of directors shall have power at any time to appoint any person who is willing to act as a director, either to fill casual vacancy or as an addition to the existing directors.

Any director may in writing appoint another person to be such director's alternate, with the alternate having the authority to act in the director's place at any meeting at which the appointing director is unable to be present. A director may, but is not required to, appoint another director to be an alternate.

Removal of Directors

A director may be removed from office by ordinary resolution of Hypebeast before the expiration of his period of office. A director will also cease to be a director if he or she (i) dies or becomes bankrupt or makes any arrangement or composition with such director's creditors; (ii) is found to be or becomes of unsound mind; (iii) resigns the office of director by notice in writing to the company; (iv) not being present personally or by proxy or represented by an alternate director at meetings of directors for a continuous period of six months without special leave of absence from our board of directors, and our board of directors passes a resolution that he or she has by reason of such absence vacated office; (v) ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles of Association; or (vi) is prohibited, by any applicable law, from being a director.

Directors' Fiduciary Duties

Under Cayman Islands law, directors and officers owe the following fiduciary duties:

- duty to act in good faith in what the director or officer believes to be in the best interests of the company as a whole;
- duty to exercise powers for the purposes for which those powers were conferred and not for a collateral purpose;
- duty not to improperly fetter the exercise of future discretion;
- duty to exercise powers fairly as between different sections of members;

- duty not to put themselves in a position in which there is a conflict between their duty to the company and their personal interests; and
- duty to exercise independent judgment.

In addition to the above, directors and officers also owe a duty of care which is not fiduciary in nature. This duty has been defined as a requirement to act as a reasonably diligent person having both the general knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company and the general knowledge skill and experience of that director.

Meetings of Shareholders

As a Cayman Islands exempted company, Hypebeast is not obliged by law to call annual general meetings. According to the Articles of Association, Hypebeast must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles of Association, unless a longer period would not infringe the Listing Rules.

Capitalization of Profits and Reserves

Hypebeast may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and capital redemption reserve and the profit and loss account) whether or not the same is available for distribution and accordingly that such amount be set free for distribution among the shareholders or any class of shareholders who would be entitled thereto if it were distributed by way of dividend and in the same proportions, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such shareholders respectively or in paying up in full unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid up among such Members, or partly in one way and partly in the other, and the Board shall give effect to such resolution provided that, for the purposes above, a share premium account and any capital redemption reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be allotted to such shareholders credited as fully paid.

Amended and Restated Memorandum and Articles of Association

The Articles of Association may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles of Association state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to amend the Articles of Association or to change the name of the Company.

Mergers and Consolidations

Hypebeast may by a special resolution merge or consolidate with one or more constituent companies (as defined in the Cayman Companies Act), upon such terms as our directors may determine subject to the Cayman Companies Act.

Transfer Agent and Registrar

Following the completion of the Business Combination, Continental Stock Transfer & Trust Company will act as the transfer agent and registrar for Hypebeast Ordinary Shares.

Stock Exchange Listing

Hypebeast will apply for listing, to be effective at the time of the closing of the Business Combination, of its Hypebeast Ordinary Shares on the Nasdaq under the symbol "HYPB". Hypebeast will not have units issued or traded following consummation of the Business Combination.

Enforceability of Civil Liability under Cayman Islands Law

Hypebeast has been advised by its Cayman Islands legal counsel that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments with the United States), the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment in personam obtained in the federal or state courts of the United States against the Company under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) or, in certain circumstances, an in personam judgment for non-monetary relief, and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

Anti-Money Laundering

If any person in the Cayman Islands knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or money laundering or is involved with terrorism or terrorist financing and property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority of the Cayman Islands, pursuant to the Proceeds of Crime Act (As Revised) of the Cayman Islands if the disclosure relates to criminal conduct or money laundering, or (ii) a police officer of the rank of constable or higher, or the Financial Reporting Authority, pursuant to the Terrorism Act (As Revised) of the Cayman Islands, if the disclosure relates to involvement with terrorism or terrorist financing and property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

Cayman Islands Data Protection Regime

We are subject to a data protection regime in the Cayman Islands, contained in The Data Protection Act, 2017 and The Data Protection Regulations, 2018 (collectively, the “**DPL**”). The Office of the Ombudsman of the Cayman Islands (the “**Ombudsman**”) acts as supervisory authority for the DPL. The DPL provides statutory safeguards for the rights of individuals whose personal information is held and processed in the Cayman Islands or by Cayman Islands entities elsewhere. The DPL imposes obligations on Hypebeast as a data controller, in respect of any data it collects from which any living individual (a “**data subject**”) can be identified (“**personal data**”). Typically, such personal data will be provided to Hypebeast by potential investors at the time of their subscription, and may relate to individual investors or the officers, controllers and beneficial owners of entity investors. The types of data provided may include an individual’s name, residential address or other contact details, signature, nationality, place and date of birth, tax status, tax ID, bank account details, source of funds and/or source of wealth details.

Hypebeast’s obligations in relation to personal data are set out in eight data protection principles contained in the DPL. These require Hypebeast to process personal data fairly and securely and not to retain it for longer than necessary or to re-use it for other purposes. Any third party that processes data on behalf of Hypebeast must agree in writing to act only on our instructions and to keep such data secure.

The DPL gives data subjects certain rights in respect of their personal data. A data subject may require disclosure of its personal data held by or on behalf of Hypebeast and the reasons it is being processed. A data subject may also require Hypebeast to correct or to stop processing their personal data, again unless certain exemptions apply. Exemptions include, for example, the processing being necessary to comply with applicable laws and regulations. Data subjects have rights to complain to the Ombudsman if they consider that Hypebeast has not complied with the DPL. The Ombudsman has broad powers to enforce the DPL against Hypebeast, which could include monetary penalties of up to US\$300,000.

Cayman Islands Privacy Notice

All entities formed or registered in the Cayman Islands, such as Hypebeast, are subject to the DPL. The DPL imposes certain obligations on us as data controllers in respect of any personal data relating to individuals that is provided to us or to any third party on our behalf.

Hypebeast may receive personal data from current and prospective investors (including, for example, personal data on individual directors and beneficial owners or controllers of entities) (“**PD**”).

The types of PD collected by or on behalf of Hypebeast on any individual may include their name, residential address or other contact details, signature, nationality, place and date of birth, tax status, tax ID, bank account details, source of funds and/or source of wealth details.

PD is collected by or on behalf of Hypebeast for the following purposes:

- a. Compliance with applicable laws and regulations (e.g. anti-money laundering rules requiring verification of identity; and tax transparency reporting under the Foreign Account Tax Compliance Act and Common Reporting Standard).
- b. Processing subscriptions, transfers and distributions.
- c. Risk assessment and management.
- d. Ongoing communication with current and prospective investors.
- e. Fulfilment of contractual and other obligations to Investors and other counterparties.

PD is only retained and used by or on behalf of Hypebeast to the extent reasonably necessary for the purposes stated above. Statutory retention periods may require that PD be retained for a specific period of time after a relationship comes to an end or an incipient relationship is not commenced, and generally it will be prudent for Hypebeast to retain personal data relating to any relationship until the relevant limitation periods for claims have expired.

PD may be provided by current or prospective shareholders directly to Hypebeast's service provider, such as the transfer agent, or may later be transferred to such service providers by Hypebeast in connection with their provision of services to us.

Hypebeast takes all reasonable steps to identify and safeguard the physical and electronic security of PD that Hypebeast holds, or which is held by service providers on our behalf. PD is only received by or transferred to service providers who have provided written confidentiality and security undertakings.

Individuals who believe that their rights under the DPL have been infringed, have a right to complain to the Office of the Cayman Islands Ombudsman (<https://ombudsman.ky>).

REPOSITIONING OF SHARES LISTED ON THE HONG KONG STOCK EXCHANGE AND THE NASDAQ

Hypebeast Ordinary Shares are traded on the Hong Kong Stock Exchange. In connection with the listing of Hypebeast Ordinary Shares on the Nasdaq, Hypebeast is arranging for a segment of its register of shareholders to be maintained in the United States, which will be maintained by Hypebeast's US share transfer agent, Computershare US. The principal segment of Hypebeast's register of shareholders will be maintained by Hypebeast's principal share registrar, Computershare HK. Holders of shares registered on United States segment of the share register will be able to reposition these shares to the principal segment of Hypebeast's register of shareholders in Hong Kong, and vice versa.

Repositioning Shares from the United States to Hong Kong

An investor who holds shares that are registered on the United States segment of the share register (including the shares held through the services of The Depository Trust Company (“DTC”)) and who intends to reposition such shares to the Hong Kong segment of the share register, will be required to submit a register repositioning request to Computershare US together with relevant fees and any supporting documentation (if applicable). Holders within DTC must also, via a delivery order, arrange for the delivery of the shares to the DTC participant account of Computershare US.

A copy of the register repositioning request can be obtained through a written request sent to the address of Computershare US at 150 Royall Street, Canton, MA 02021, United States, or can be requested by email (!USALLGlobalTransactionTeam@computershare.com). The register repositioning request will consist of a templated form requiring the provision of information including the following:

- the number of Hypebeast Ordinary Shares to be repositioned;
- the name and address, or DTC participant details and account information, of the holder of shares on the United States segment of the share register from which repositioning of shares is to be processed;
- the registered account to which the shares need to be moved to on the Hong Kong segment of the share register;
- a confirmation that the repositioning of shares will not result in a change of beneficial ownership; and
- the contact details for the party submitting the request in the United States and the party receiving the shares in Hong Kong in case a query with the instruction arises.

Upon receipt, Computershare US will review the instruction, reposition the shares from the United States segment of the share register and liaise with Computershare HK for recording such shares on the Hong Kong segment of the share register and issuing physical share certificate(s) to the investor or delivering securities into the Central Clearing and Settlement System (“CCASS”), in accordance with the request received. The register repositioning process takes a minimum of two business days to complete, once valid documents are provided to Computershare US. Where physical share certificates are being issued by Computershare HK, the investor can then follow the normal share deposit procedures if he/she wishes deposit the shares into CCASS.

Additional support, including the confirmation of register repositioning fees, will be available from Computershare HK and Computershare US from the date when Hypebeast’s Ordinary Shares are listed on the Nasdaq and will be set out in the register repositioning request form.

Repositioning Shares from Hong Kong to the United States

An investor who holds shares that are registered on the Hong Kong segment of the share register (including those held through the services of the CCASS) and who intends to reposition such shares to the United States segment of the share register, will be required to submit a register repositioning request to Computershare HK together with the share certificate(s), relevant fees and any supporting documentation (such as the transfer form (if the shares are deposited with, and are to be withdrawn from, CCASS), power of attorney or specimen signature, if applicable). If shares are deposited with CCASS, the investor will need to either (a) arrange for the withdrawal of the shares from CCASS or (b) arrange for the delivery of the shares to the CCASS participant account of Computershare HK.

A copy of the register repositioning request can be obtained at the address of Computershare HK at 17M, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, can be requested by phone ((852) 2862 8500) or by Online Feedback, a web-based enquiry form (https://www.computershare.com/hk/en/online_feedback), or be accessed and downloaded from the website of Computershare HK at www.computershare.com/hk. The register repositioning request will consist of a templated form requiring the provision of the information including the following:

- the number of Hypebeast Ordinary Shares to be repositioned;
- the name and address of the holder of shares, or CCASS participant details and account information, on the Hong Kong segment of the share register from which repositioning of shares is to be processed;

- the account to which the shares need to be moved to on the United States segment of the share register (which may be to a book entry recorded directly on the United States share register or to an account within DTC);
- a confirmation that the repositioning of shares will not result in a change of beneficial ownership; and
- the contact details for the party submitting the request in Hong Kong and the party receiving the shares in the United States in case a query with the instruction arises.

Upon receipt, Computershare HK will review the instruction, reposition the shares from the Hong Kong segment of the share register and liaise with Computershare US for the onward distribution of the shares and recording on the United States segment of the share register through The Direct Registration System (“**DRS**”) or the systems of DTC. The register repositioning process takes a minimum of three business days to complete.

Additional support, including confirmation of register repositioning fees, will be available from Computershare HK and Computershare US from the date when Hypebeast’s Ordinary Shares are listed on the Nasdaq and will be set out in the register repositioning request form.

COMPARISON OF RIGHTS OF HYPEBEAST SHAREHOLDERS AND ISAA STOCKHOLDERS

General

ISAA is incorporated under the laws of the State of Delaware and the rights of ISAA stockholders are governed by the laws of the State of Delaware, including the Delaware General Corporation Law (the “**DGCL**”), and the ISAA Organizational Documents. Hypebeast is incorporated as a Cayman Islands exempted company and the rights of Hypebeast shareholders will be governed by the laws of the Cayman Islands, including the Cayman Companies Act, and by the Amended and Restated Memorandum and Articles of Association of Hypebeast (the “**Hypebeast Articles**”). Following the Business Combination, the rights of ISAA stockholders who become Hypebeast shareholders will be governed by Cayman Islands law but will no longer be governed by the ISAA Organizational Documents and instead will be governed by the Hypebeast Articles.

Comparison of Shareholders’ Rights

Set forth below is a summary comparison of material differences between the rights of ISAA stockholders under the ISAA Organizational Documents (left column), and the rights of Hypebeast shareholders under the Hypebeast Articles (right column). The summary set forth below is not intended to be complete or to provide a comprehensive discussion of each company’s governing documents. This summary is qualified in its entirety by reference to the full text of the ISAA, and the Hypebeast Articles, as well as the relevant provisions of DGCL and the Cayman Companies Act.

ISAA

HYPEBEAST

Authorized Share Capital

The total number of shares of all classes of capital stock, each with a par value of US\$0.0001 per share, which ISAA is authorized to issue is 111,000,000 shares, consisting of (i) 110,000,000 shares of common stock including 100,000,000 shares of Class A common stock and 10,000,000 shares of Class B common stock and (ii) 1,000,000 shares of preferred stock.

The authorized share capital of Hypebeast as of the effective time of the Business Combination will be HK\$60,000,000 divided into 6,000,000,000 shares of a nominal or par value of HK\$0.01 each.

Number of Directors

The initial ISAA board of directors shall consist of one or more member. The number of directors of ISAA, other than those who may be elected by the holders of one or more series of the preferred stock voting separately by class or series, shall be fixed from time to time exclusively by the board of directors pursuant to a resolution adopted by a majority of the board of directors.

Unless otherwise determined by shareholders in general meeting, the number of directors shall not be less than two. There shall be no maximum number of directors unless otherwise determined from time to time by the shareholders in general meeting. Shareholders may from time to time in general meeting by ordinary resolution increase or reduce the number of directors but so that the number of directors shall never be less than two.

Election of Directors

Subject to the rights of the holders of one or more series of preferred stock, voting separately by class or series, to elect directors pursuant to the terms of one or more series of preferred stock, the election of directors shall be determined by a plurality of the votes cast by the stockholders present in person or represented by proxy at the meeting and entitled to vote thereon.

Subject to the Hypebeast Articles and the Cayman Companies Act, the shareholders may by ordinary resolution elect any person to be a director either to fill a casual vacancy on the board of directors, or as an addition to the existing board of directors.

The directors shall have the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy on the board of directors or as an addition to the existing board of directors.

Alternate Directors

No alternate directors.

Any director may at any time by writing or at a meeting of the directors appoint another person (including another director) to be such director's alternate director. An alternate director shall, if his appointor so requests, be entitled to receive notices of meetings of the board of directors or of committees of the board of directors to the same extent as, but in lieu of, the director appointing him and shall be entitled to such extent to attend and vote as a director at any such meeting at which the director appointing him is not personally present and generally at such meeting to exercise and discharge all the functions, powers and duties of his appointor as a director. Every person acting as an alternate director shall have one vote for each director for whom he acts as alternate (in addition to his own vote if he is also a director).

Filling Vacancies on the Board of Directors

Vacancies and newly created directorships resulting from any increase in the number of directors may be filled by a majority vote of the directors then in office, though less than a quorum, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify. A vacancy created by the removal of a director by the stockholders may be filled by the stockholders.

The shareholders may by ordinary resolution elect any person to be a director to fill a casual vacancy on the board of directors. The directors shall have the power to appoint any person as a director to fill a casual vacancy on the board of directors.

Any director appointed by the board of directors to fill a casual vacancy shall hold office until the first general meeting of shareholders after his appointment and be subject to re-election at such meeting.

Removal of Directors by Shareholders

Any director may be removed, either for or without cause, at any time by action of the holders of a majority of the outstanding shares of stock entitled to vote thereon, either at a meeting of the holders of such shares or, whenever permitted by law, without a meeting by their written consents thereto.

The shareholders may, at any general meeting convened and held in accordance with the Hypebeast Articles, by ordinary resolution remove a director at any time before the expiration of his period of office notwithstanding anything to the contrary in the Hypebeast Articles or in any agreement between Hypebeast and such director (but without prejudice to any claim for damages under any such agreement).

Shareholder Meeting Quorum

Subject to the rights, if any, of the holders of any outstanding series of preferred stock, a director may be removed at any time but only for cause and only by affirmative vote of holders of a majority of the voting power of all then outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class.

The necessary quorum for a general meeting of the shareholders (other than at an adjourned meeting) shall be two persons (or in the case of a shareholder being a corporation, its duly authorized representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting of such holders, two holders present in person or (in the case of a shareholder being a corporation) by its duly authorized representative or by proxy (whatever the number of shares held by them) shall be a quorum.

Calling a Special Meeting of Shareholders

Subject to the rights, if any, of the holders of any outstanding series of the preferred stock, and to the requirements of applicable law, special meetings of stockholders may be called only by the Chairperson or Chief Executive Officer of ISAA, or the board of directors pursuant to a resolution adopted by a majority of the board of directors.

The board of directors may whenever it thinks fit call extraordinary general meetings. Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of Hypebeast carrying the right of voting at general meetings of Hypebeast shall at all times have the right, by written requisition to the board of directors or the Secretary of the Company, to require an extraordinary general meeting to be called by the board of directors for the transaction of any business specified in such requisition.

Advance Notice of Meetings

Written or printed notice of the stockholders meeting stating the place, day and hour of the meeting and, in case of a special meeting, stating the purpose or purposes for which the meeting is called, and in case of a meeting held by remote communication stating such means, shall be delivered not less than ten nor more than sixty days before the date of the meeting, either personally, or by telegram, facsimile or cable or other electronic means, by or at the direction of the Chief Executive Officer, the Secretary, or the persons calling the meeting, to each stockholder of record entitled to vote at such meeting. Such notice shall be deemed to be given at the time of receipt thereof if given personally or at the time of transmission thereof if given by telegram, telex, facsimile or cable or other electronic means.

An annual general meeting must be called by notice of not less than twenty-one clear days and not less than twenty clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of not less than fourteen clear days and not less than ten clear business days unless otherwise agreed upon.

Restrictions on Outside Compensation of Directors

No restrictions on outside remuneration of directors.

No restrictions on outside remuneration of directors.

Shareholder Action by Written Consent

Subject to the rights, if any, of the holders of any outstanding series of preferred stock, any action required or permitted to be taken by the stockholders of ISAA must be effected by a duly called annual or special meeting of such stockholders and may not be effected by written consent of the stockholders.

Unanimous written consent required to pass a resolution without a meeting.

Voting Requirements for Amendments to Amended and Restated Memorandum and Articles of Association

Delaware law requires that, unless a greater percentage is provided for in the certificate of incorporation, a majority of the outstanding stock entitled to vote is required to approve the amendment of the certificate of incorporation at the stockholders' meeting.

Special resolution required to amend the Hypebeast Articles.

ISAA reserves the right at any time and from time to time to amend, alter, change or repeal any provision contained in the Amended and Restated Certificate of Incorporation of ISAA, and other provisions authorized by the laws of the State of Delaware at the time in force that may be added or inserted, in the manner now or hereafter prescribed by the Amended and Restated Certificate of Incorporation of ISAA and the DGCL.

The Bylaws of ISAA may be altered, amended, supplemented or repealed or new by-laws may be adopted (a) at any regular or special meeting of stockholders at which a quorum is present or represented, by the affirmative vote of the holders of a majority of the shares entitled to vote, provided notice of the proposed alteration, amendment or repeal be contained in the notice of such meeting, or (b) by a resolution adopted by a majority of the whole board of directors at any regular or special meeting of the board of directors. The stockholders shall have authority to change or repeal any by-laws adopted by the directors.

Indemnification of Directors and Officers

ISAA will indemnify any person for any proceeding by reason of being a director or officer of ISAA or, while a director or officer, of ISAA is or was serving at the request of ISAA as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, other enterprise or nonprofit entity. ISAA shall, to the fullest extent not prohibited by applicable law, pay the expenses (including attorneys' fees) incurred in advance of a final disposition.

The Hypebeast Articles provide for indemnification to directors, Secretary and other officers and every auditor for the time being of Hypebeast and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Hypebeast and everyone of them, and everyone of their heirs, executors and administrators, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

Forum Selection Provision

Unless ISAA consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for any stockholder (including a beneficial owner) to bring certain lawsuits.

There is no provision requiring disputes brought on behalf of Hypebeast or against Hypebeast (or directors or employees of the corporation in their capacities as such) to be brought in a particular forum.

Corporate Opportunity

To the extent allowed by law, the doctrine of corporate opportunity, or any other analogous doctrine, shall not apply with respect to ISAA or any of its officers or directors, or any of their respective affiliates, in circumstances where the application of any such doctrine would conflict with any fiduciary duties or contractual obligations they may have as of the date of the Amended and Restated Certificate of Incorporation of ISAA or in the future, and ISAA renounces any expectancy that any of the directors or officers of ISAA will offer any such corporate opportunity of which he or she may become aware to ISAA, except, the doctrine of corporate opportunity shall apply with respect to any of the directors or officers of ISAA with respect to a corporate opportunity that was offered to such person solely in his or her capacity as a director or officer of ISAA and (i) such opportunity is one ISAA is legally and contractually permitted to undertake and would otherwise be reasonable for ISAA to pursue and (ii) the director or officer is permitted to refer that opportunity to ISAA without violating any legal obligation.

No provision for corporate opportunity.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS OF HYPEBEAST LIMITED:

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Hypebeast Limited and its subsidiaries (the “**Company**”) as of 31 March 2021 and 2022, the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years ended 31 March 2021 and 2022, and the related notes (collectively referred to as the “**consolidated financial statements**”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of 31 March 2021 and 2022, and the results of its operations and its cash flows for the years ended 31 March 2021 and 2022, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

The consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, China

5 August 2022

We have served as the Company's auditors since 2016.

HYPEBEAST LIMITED

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 MARCH 2021 AND 2022

	<i>NOTES</i>	Year ended 31 March	
		2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	5	674,212	895,632
Cost of revenue		(340,085)	(346,319)
Gross profit		334,127	549,313
Other income, other gains and losses	8	3,177	4,880
Selling and marketing expenses		(112,791)	(160,391)
Administrative and operating expenses		(125,005)	(202,650)
Professional fee related to the Merger as defined in note 37	37	—	(30,185)
Impairment losses under expected credit losses model, net of reversal	9	(4,795)	(11,681)
Impairment losses recognised on intangible assets		—	(2,648)
Finance costs	7	(1,622)	(4,588)
Profit before tax		93,091	142,050
Income tax expense	10	(22,507)	(41,883)
Profit for the year	11	70,584	100,167
Other comprehensive income <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		3,934	2,878
Total comprehensive income for the year		<u>74,518</u>	<u>103,045</u>
Earnings per share	13		
— Basic (<i>HK cent</i>)		<u>3.47</u>	<u>4.88</u>
— Diluted (<i>HK cent</i>)		<u>3.45</u>	<u>4.87</u>

HYPEBEAST LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 MARCH 2021 AND 2022

	<i>NOTES</i>	As of 31 March	
		2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
ASSETS			
Non-current assets:			
Property, plant and equipment	<i>14</i>	22,590	52,701
Intangible assets	<i>15</i>	962	11,767
Right-of-use assets	<i>16</i>	78,951	70,013
Interest in a joint venture	<i>17</i>	—	—
Financial assets at fair value through profit or loss	<i>18A</i>	1,647	24,258
Amount due from a joint venture	<i>19</i>	9,101	—
Rental and other deposits	<i>21</i>	7,465	7,622
Deferred tax assets	<i>28</i>	479	1,022
		<hr/>	<hr/>
Total non-current assets		121,195	167,383
Current assets:			
Inventories	<i>20</i>	42,389	69,702
Trade and other receivables	<i>21</i>	196,942	183,018
Tax prepayments		—	10,510
Contract assets	<i>22</i>	1,484	5,154
Pledged bank deposits	<i>23</i>	10,000	10,000
Bank balances and cash	<i>23</i>	209,575	284,269
		<hr/>	<hr/>
Total current assets		460,390	562,653
		<hr/>	<hr/>
Total assets		581,585	730,036

		As of 31 March	
	<i>NOTES</i>	2021	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY AND LIABILITIES			
Current liabilities:			
Trade and other payables	24	117,886	145,708
Contract liabilities	25	9,020	11,602
Derivative financial instruments	18B	—	620
Bank borrowings — due within one year	26	5,996	7,363
Lease liabilities	27	15,763	15,919
Tax payables		5,661	12,879
		<u>154,326</u>	<u>194,091</u>
Non-current liabilities:			
Lease liabilities	27	66,016	58,029
		<u>66,016</u>	<u>58,029</u>
Total non-current liabilities		<u>66,016</u>	<u>58,029</u>
Total liabilities		<u><u>220,342</u></u>	<u><u>252,120</u></u>
Capital and reserves:			
Share capital	29	20,459	20,536
Reserves		340,784	457,380
		<u>361,243</u>	<u>477,916</u>
Total equity		<u>361,243</u>	<u>477,916</u>
Total equity and liabilities		<u><u>581,585</u></u>	<u><u>730,036</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

HYPEBEAST LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 MARCH 2021 AND 2022

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i> <i>(Note)</i>	Translation reserve <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 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
Profit for the year	—	—	—	—	—	100,167	100,167
Exchange differences arising on translation of foreign operations	—	—	—	2,878	—	—	2,878
Total comprehensive income for the year	—	—	—	2,878	—	100,167	103,045
Issuance of ordinary shares <i>(Note 29)</i>	65	6,855	—	—	—	—	6,920
Transaction costs attributable to issuance of ordinary shares	—	(300)	—	—	—	—	(300)
Exercise of share options	12	1,202	—	—	(491)	—	723
Recognition of share-based payment expense	—	—	—	—	6,285	—	6,285
Appropriations to statutory reserve <i>(Note)</i>	—	—	5,486	—	—	(5,486)	—
At 31 March 2022	<u>20,536</u>	<u>44,530</u>	<u>5,486</u>	<u>6,770</u>	<u>18,426</u>	<u>382,168</u>	<u>477,916</u>

Note: Under the People's Republic of China (the "PRC") law, the wholly-owned PRC subsidiaries and VIE (as defined in Note 2) is required to set aside at least 10% of their profit after taxation each year, if any, to fund the statutory reserve until such reserve reaches 50% of its registered capital. The transfer made before the distribution of dividends to equity owners. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation.

HYPEBEAST LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 MARCH 2021 AND 2022

	Year ended 31 March	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit before tax	93,091	142,050
Adjustments for:		
Depreciation of property, plant and equipment	6,525	6,186
Depreciation of right-of-use assets	21,253	21,317
Amortisation of intangible assets	105	111
Share-based payment expense	7,003	6,285
Loss (gain) on disposal of property, plant and equipment	146	(660)
Gain on termination of lease	(67)	—
Gain on fair value changes of financial assets at fair value through profit or loss	—	(4,181)
Loss on fair value changes of derivative financial instruments	—	620
Impairment losses under expected credit loss model, net of reversal	4,795	11,681
Impairment losses recognised on intangible assets	—	2,648
Write-down of inventories	1,038	1,825
Finance costs	1,622	4,588
Bank interest income	(361)	(350)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	135,150	192,120
Decrease (increase) in inventories	27,981	(29,138)
Decrease in trade and other receivables and deposits	23,486	14,570
Decrease (increase) in contract assets	371	(3,670)
Increase in trade and other payables	27,511	27,822
Increase in contract liabilities	4,591	2,582
	<hr/>	<hr/>
Cash generated from operations	219,090	204,286
Income taxes paid	(23,375)	(45,718)
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	195,715	158,568

	Year ended 31 March	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(16,932)	(36,987)
Investment in financial assets at fair value through profit or loss	(1,647)	(18,430)
Purchase of intangible assets	—	(13,528)
Payments for rental deposits	(289)	(2,186)
Payment for deposit of long term investment	—	(1,950)
Proceeds from disposal of property, plant and equipment	—	1,290
Refund of rent deposits	1,890	924
Repayment from a joint venture	—	407
Bank interest received	361	350
Advance to a joint venture	(1,250)	—
Placement of pledged bank deposits	(10,000)	—
Withdrawal of pledged bank deposits	15,603	—
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(12,264)	(70,110)
FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares under a share subscription agreement	—	6,920
Proceeds from bank borrowings	7,278	4,405
Proceeds from exercise of share options	4,527	723
Interest paid on bank borrowings	(493)	(196)
Payment of transaction costs attributable to issuance of ordinary shares	—	(300)
Repayment of bank borrowings	(34,118)	(3,038)
Interest paid on lease liabilities	(1,129)	(4,392)
Repayment of lease liabilities	(19,092)	(19,868)
	<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES	(43,027)	(15,746)
NET INCREASE IN CASH AND CASH EQUIVALENTS	140,424	72,712
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	67,251	209,575
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,900	1,982
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	209,575	284,269
	<hr/> <hr/>	<hr/> <hr/>

HYPEBEAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH 2021 AND 2022

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 was 10/F, KC100, 100 Kwai Cheong Road, Kwai Chung, Hong Kong and was subsequently changed to 40/F, Cable TV Tower, No.9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong with effect from 1 February 2022.

The Company is an investment holding company and its subsidiaries and variable interest entity (the “**VIE**”) (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 and offline 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.

As of 31 March 2021 and 2022, the Group's subsidiaries and VIE are set out below:

Name of subsidiaries and VIE	Place of incorporation/ registration	Issued and fully paid-up share	Attributable equity interest held by the Group				Principal activities
			Directly		Indirectly		
			2021 %	2022 %	2021 %	2022 %	
Subsidiaries							
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 and offline 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 ⁽¹⁾ (“北京賀彼” or “Beijing Hypebeast”)	PRC	RMB1,000,000	—	—	100	100	Provision of services for creative agency projects
Hypebeast Japan 株式會社	Japan	JPY10,000,000	—	—	100	100	Provision of advertising spaces services, services for creative agency projects
Cravee Limited	Hong Kong	HK\$1,000	—	—	85	85	Inactive
Hype Capital Limited	BVI	US\$1	—	—	100	100	Investment holding
Hypebeast Asia Pacific Limited ⁽³⁾	Hong Kong	HK\$1,000	—	—	—	100	Provision of advertising spaces services, services for creative agency projects and operation of online retail platform
Hypebeast Company SG Pte. Ltd. ⁽⁴⁾	Singapore	SGD1	—	—	—	100	Provision of advertising spaces services and services for creative agency projects
Hypebeast WAGMI Inc. ⁽⁵⁾	US	US\$10	—	—	—	100	Investment holding VIE
賀彼文化傳播(北京)有限公司 ⁽²⁾ (“賀彼文化” or “Hypebeast Cultural”)	PRC	RMB383,000	—	—	VIE	VIE	Provision of services for creative agency projects

(1) The entity was registered as a wholly foreign-owned enterprise under PRC law.

- (2) 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, Hypebeast Cultural and Beijing Hypebeast, Beijing Hypebeast has the practical ability to direct the relevant activities of Hypebeast Cultural unilaterally and accordingly, the Group was deemed to be the primary beneficiary of Hypebeast Cultural.
- (3) Hypebeast Asia Pacific Limited was newly incorporated on 14 April 2021.
- (4) Hypebeast Company SG Pte. Ltd. was newly incorporated on 25 June 2021.
- (5) Hypebeast WAGMI Inc. was newly incorporated on 10 January 2022.

None of the subsidiaries had issued any debt securities at the end of both reporting periods.

Consolidation of Variable Interest Entity

In order to comply with the PRC laws and regulations which restrict foreign control of companies involved in provision of value-added telecommunications services, which is classified as one of the restricted business, the Group operates its restricted business in the PRC through Hypebeast Cultural, its PRC domestic company, whose equity interests are held by the Legal Owner.

The Group was deemed to be the primary beneficiary of Hypebeast Cultural for the purpose of accounting by entering into the VIE Agreements on 27 August 2019 among the Legal Owner, Hypebeast Cultural and Beijing Hypebeast. The VIE Agreements include (i) the loan agreement, (ii) the exclusive option and equity trust agreement, (iii) the service agreement, (iv) the equity pledge agreement, and (v) the non-competition agreement. The VIE Agreements can be extended at the Group’s options prior to the expiration date. Management concluded that Hypebeast Cultural is consolidated VIE of the Group, of which the Group is the ultimate primary beneficiary. As such, the Group consolidated the financial results of Hypebeast Cultural in the Group’s consolidated financial statements.

(i) The Loan Agreement

Pursuant to the Loan Agreement, Beijing Hypebeast has granted an interest-free loan to the Legal Owner of the Hypebeast Cultural with the sole purpose of investing into the equity interest in Hypebeast Cultural. Beijing Hypebeast can require the Legal Owner to settle the loan amount with the equity interest of Hypebeast Cultural, subject to any applicable PRC laws, rules and regulations. The Loan Agreement is renewable upon expiration.

(ii) The Exclusive Option and Equity Trust Agreement

Pursuant to the Exclusive Option and Equity Trust Agreement, the Legal Owner has granted the full power and authority to Beijing Hypebeast or its nominee (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. 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 Legal Owner has executed a power of attorney to grant Beijing Hypebeast the power to act on its behalf on all matters pertaining Hypebeast Cultural and to exercise all of its rights as a shareholder, including but not limited to convene, attend and vote at shareholders' meetings, designate and appoint directors and senior management members. The Exclusive Option and Equity Trust Agreement shall remain effective during the exercise period unless terminated by Beijing Hypebeast by written notice.

(iii) The Service Agreement

Pursuant to the Service Agreement, 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 reasonable determined by Beijing Hypebeast, which is based on the management consulting and technical service provided by Beijing Hypebeast to Hypebeast Cultural under the Service Agreement. Beijing Hypebeast has the exclusive proprietary rights to all intellectual property rights created or bought by Hypebeast Cultural. 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.

(iv) Equity Pledge Agreement

Pursuant 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. The pledge shall remain valid until the last contract in the VIE Agreements is terminated (including any renewal).

(v) Non-Competition Agreement

Pursuant to the Non-Competition Agreement, the Legal Owner agreed to avoid any direct or indirect competition in the same business 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; (ii) technical development, consulting, assignment, services business under type II value-added telecommunications 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 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 the (10) years for unlimited times. Notwithstanding the above, all obligations of the Legal Owner under the Non-Competition Agreement shall automatically terminate upon the expirations of two (2) years from the date on which the Legal Owner is no longer a shareholder, director or staff of Hypebeast Cultural.

Risks in relations to the VIE structure

The Company believes that the contractual arrangements among Beijing Hypebeast, Hypebeast Cultural and its shareholder are in compliance with the current PRC laws and legally enforceable. However, uncertainties in the interpretation and enforcement of the PRC laws, regulations and policies could limit the Company's ability to enforce these contractual arrangements. As a result, the Company may be unable to consolidate the Hypebeast Cultural in the consolidated financial statements. The Company's ability to be the primary beneficiary of its VIE also depends on the authorization by the shareholder of the Hypebeast Cultural to exercise voting rights on all matters requiring shareholder's approval in the Hypebeast Cultural. The Company believes that the agreements on authorization to exercise shareholder's voting power are legally enforceable. If the corporate structure and contractual arrangements are found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, including:

- revoking the business licenses of such entities;
- discontinuing or restricting the conduct of any transactions between the Company and Hypebeast Cultural;
- imposing fines, confiscating the income from Hypebeast Cultural, or imposing other requirements with which the Company or Hypebeast Cultural may not be able to comply;
- requiring the Company 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 Company's ability to consolidate, derive economic interests from, or exert effective control over Hypebeast Cultural; or
- restricting or prohibiting Company's use of the proceeds of any of its financing outside PRC to finance Company's business and operations in PRC.

The following table sets forth the assets, liabilities, results of operations and changes in cash, cash equivalents of the Hypebeast Cultural (the “VIE”) structured by the VIE Agreements, which have eliminated the intercompany transactions:

	As of 31 March	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$\$'000</i>
Trade and other receivables	10,756	13,155
Tax prepayments	—	1,920
Bank balances and cash	14,661	19,298
Other assets	972	137
	<hr/>	<hr/>
Total assets	26,389	34,510
	<hr/> <hr/>	<hr/> <hr/>
	As of 31 March	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$\$'000</i>
Trade and other payables	11,027	12,252
	<hr/>	<hr/>
Total liabilities	11,027	12,252
	<hr/> <hr/>	<hr/> <hr/>
	Year ended 31 March	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total revenues	34,975	56,670
Profit for the year	16,820	33,230
	<hr/> <hr/>	<hr/> <hr/>

As of 31 March 2021 and 2022, the total assets of the Group's consolidated VIE after eliminating the intra-company balances and transactions within the Group were HK\$26,389,000 and HK\$34,510,000 respectively, which were mainly consisting of bank balances and cash, trade and other receivables, tax prepayments, and other assets. As of 31 March 2021 and 2022, the total liabilities of the consolidated VIE after eliminating the intra-company transactions within the Group were HK\$11,027,000 and HK\$12,252,000 respectively, which were mainly consisting of trade and other payables.

For the years ended 31 March 2021 and 2022, the total revenues of the Group's consolidated VIE were HK\$34,975,000 and HK\$56,670,000, respectively, which have been reflected in the Group's consolidated financial statements with the intra-company transactions within the Group eliminated.

For the years ended 31 March 2021 and 2022, the net cash inflow from operating activities of the Group's consolidated VIE were HK\$341,000 and HK\$3,012,000, upon payment of inter-company service fee of HK\$20,165,000 and HK\$30,945,000, resulting in a net cash inflow of HK\$20,506,000 and HK\$33,957,000, respectively. For the years ended 31 March 2021 and 2022, the total cash inflow from investing activities of the Group's consolidated VIE were HK\$33,000 and HK\$51,000, respectively.

There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests that require the Company to provide financial support to the VIE. However, if the VIE was ever to need financial support, the Company may, at its option and subject to statutory limits and restrictions, provide financial support to the VIE through loans to the shareholders of the VIE or entrustment loans to the VIE.

The Company believes that there are no assets held in the consolidated VIE that can be used only to settle obligations of the VIE, except for registered capital and the PRC statutory reserves. As the consolidated VIE is incorporated as a limited liability company under the PRC Company Law, creditors of the VIE do not have recourse to the general credit of the Company for any of the liabilities of the consolidated VIE.

Relevant PRC laws and regulations restrict the VIE from transferring a portion of their net assets, equivalent to the balance of its registered capital and the PRC statutory reserves, to the Company in the form of loans and advances or cash dividends.

2. ADOPTION OF AMENDMENTS TO STANDARDS AND NEW AND REVISED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

For the purpose of preparing and presenting the consolidated financial statements for the years ended 31 March 2021 and 2022, the Group has adopted the relevant amendments to International Financial Reporting Standards (“IFRSs”), the related interpretations issued by the International Accounting Standards Board (“IASB”), and the relevant agenda decision of the IFRS Interpretations Committee of the IASB which are effective for the accounting period beginning on 1 April 2021.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments ⁽²⁾
Amendments to IFRS 3	Reference to the Conceptual Framework ⁽¹⁾
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ⁽²⁾
Amendments to IAS 8	Definition of Accounting Estimates ⁽²⁾
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁽²⁾
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ⁽¹⁾
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract ⁽¹⁾
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020 ⁽¹⁾

(1) Effective for annual periods beginning on or after 1 January 2022

(2) Effective for annual periods beginning on or after 1 January 2023

(3) Effective for annual periods beginning on or after a date to be determined

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 April 2023, with early application permitted. As at 31 March 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$70,013,000 and HK\$73,948,000, respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

3. BASIS OF PREPARATION AND PRESENTATION 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 IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The directors of the Company (the “**Directors**”) 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 instruments at fair value through profit or loss that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3.2 Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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 years 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.

(b) Fair value measurement

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 IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases* (“**IFRS 16**”), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets* (“**IAS 36**”).

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

(c) *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.

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 statements 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.

An investment in joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 IAS 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 IAS 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.

(d) 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.

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 IFRS 9 Financial Instruments ("IFRS 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.

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.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (sales of goods and award credits for customers under the Group's customer loyalty scheme), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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.

(e) *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 of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 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.

Right-of-use assets

The cost of right-of-use assets 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 statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 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.

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 statements of financial position.

(f) *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 periods, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that dates. 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 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, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

(g) *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.

(h) *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 IFRS 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.

(i) *Share-based payment*

Equity-settled share-based payment transactions

Share options granted to directors and employees

Equity-settled share-based payment 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.

The fair value of the equity-settled share-based payment 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.

(j) *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 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 statements 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.

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 IAS 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.

(k) *Property, plant and equipment*

Property, plant and equipment held for use in the supply of goods or services, or for administrative purposes, other than leasehold improvements in the course of construction as described below, are stated in the consolidated statements 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. 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 in the course of 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.

(l) *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. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

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.

(m) *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).

Intangible assets with indefinite useful lives are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets 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.

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.

(n) *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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

(o) *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 and unbilled receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers* (“**IFRS 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.

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 income, other gains and losses” line item.

Impairment of financial assets and contract assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables and deposits, amount due from a joint venture, pledged bank deposits and bank balances) and contract assets which are subject to impairment assessment under IFRS 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 and unbilled 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.

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.

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.

(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.

(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 and unbilled 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 and unbilled receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

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 at amortised cost

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.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTIES

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.

Estimated impairment of property, plant and equipment and right-of-use assets of e-commerce business

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts, including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of CGUs, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including discount rates or the budgeted sales in the cash flow projections, could materially affect the recoverable amounts.

The key assumptions used for the discounted cash flow projections include discount rate and budgeted sales of the CGU. The discount rate applied was determined by the weighted average cost of capital with the consideration of specific risk premium. The budgeted sales were determined based on the past performance of the CGU and management's expectations on the market development.

As at 31 March 2022, the carrying amounts of property, plant and equipment and right-of-use assets subject to impairment assessment are HK\$4,302,000 and HK\$19,135,000, respectively. No impairment has been recognised for the year ended 31 March 2022. Details of the impairment of property, plant and equipment and right-of-use assets are disclosed in note 14.

Impairment assessment of trade and unbilled receivables

Trade and unbilled 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 and unbilled 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 and unbilled receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

As of 31 March 2021 and 2022, the carrying amounts of trade and unbilled receivables were HK\$172,741,000 and HK\$151,700,000, respectively, and the Group recognised impairment losses under ECL model, net of reversal, of HK\$776,000 and HK\$2,987,000 respectively during the years ended 31 March 2021 and 2022.

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

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	Media		E-Commerce and Retail		Total	
	2021	2022	2021	2022	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of goods through online and offline retail platform	—	—	224,432	232,435	224,432	232,435
Commission fee from consignment sales	—	—	2,401	4,869	2,401	4,869
Provision of advertising spaces	215,633	382,990	—	—	215,633	382,990
Provision of services for creative agency projects	231,536	270,600	—	—	231,536	270,600
Publication of magazines	210	—	—	—	210	—
Beverage income	—	—	—	4,738	—	4,738
Total revenue from contracts with customers	<u>447,379</u>	<u>653,590</u>	<u>226,833</u>	<u>242,042</u>	<u>674,212</u>	<u>895,632</u>
Geographical markets						
Hong Kong	36,729	38,374	32,017	46,012	68,746	84,386
PRC	141,166	137,125	17,060	26,406	158,226	163,531
United States (“US”)	117,875	229,421	58,680	51,814	176,555	281,235
Other countries	151,609	248,670	119,076	117,810	270,685	366,480
Total	<u>447,379</u>	<u>653,590</u>	<u>226,833</u>	<u>242,042</u>	<u>674,212</u>	<u>895,632</u>
Timing of revenue recognition						
A point in time	130,513	237,433	226,833	242,042	357,346	479,475
Over time	316,866	416,157	—	—	316,866	416,157
Total	<u>447,379</u>	<u>653,590</u>	<u>226,833</u>	<u>242,042</u>	<u>674,212</u>	<u>895,632</u>

(ii) Performance obligations for contracts with customers

a) Sales of goods through online and offline retail platform

The Group sells branded clothing, shoes and accessories to customers through its retail store and online retail platform operated in Hong Kong.

Taking into consideration of the relevant contract terms that entered into with customers on sales of goods through online and offline 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 and offline retail platform is therefore recognised at a point in time when the goods are shipped/delivered to customers or at its own retail store, 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 are shipped/delivered to the customers.

During the year ended 31 March 2022, the Group also grants award credits for customers under the Group's customer loyalty scheme. The transaction price is allocated to the product and the award credits, taking into account for the expected likelihood of redemption, on a relative stand-alone selling price basis. Revenue from the award credits is recognised when the award credits are redeemed being at the point the customer purchases the goods using the award credits through its own online retail platform and the control of the good has transferred. Contract liabilities are recognised until the award credits are redeemed. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by customers. The customer loyalty points have no expiration and can be redeemed anytime at customers' discretion.

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 are 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.

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.

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.

f) Beverage income

The performance obligation is satisfied upon delivery of beverage products to the customers. Payment of the transaction price is due immediately at the point the customer purchases the beverage.

(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 IFRS 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 under IFRS 8 Operating Segments are as follows:

Media segment	—	Provision of advertising spaces, provision of services for creative agency projects and publication of magazines
E-commerce and retail segment	—	Operation of online and offline retail platform for the sale of third-party branded clothing, shoes and accessories, commission fee from consignment sales and beverage income

Segment results represent the profit earned by each segment without allocation of finance costs, share-based payment expense, gain on fair value changes of financial assets at FVTPL, loss on fair value changes of derivative financial instruments, impairment losses recognised on intangible assets and amount due from a joint venture, central administrative costs including directors' emoluments, legal and professional fees and other operating expenses, professional fee related to the Merger as defined in note 37 and unallocated expenses 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.

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

Year ended 31 March 2021

	Media <i>HK\$'000</i>	E-commerce and retail <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Total segment revenue	<u>447,379</u>	<u>226,833</u>	<u>674,212</u>
Segment results	<u>144,798</u>	<u>7,947</u>	<u>152,745</u>
Finance costs			(1,622)
Share-based payment expense			(7,003)
Impairment loss recognised on amount due from a joint venture			(4,019)
Central administration costs			(23,396)
Unallocated expenses			<u>(23,614)</u>
Profit before tax			<u>93,091</u>

Year ended 31 March 2022

	Media HK\$'000	E-commerce and retail HK\$'000	Consolidated HK\$'000
Total segment revenue	<u><u>653,590</u></u>	<u><u>242,042</u></u>	<u><u>895,632</u></u>
Segment results	<u><u>295,222</u></u>	<u><u>(16,014)</u></u>	<u><u>279,208</u></u>
Finance costs			(4,588)
Share-based payment expense			(6,285)
Gain on fair value changes of financial assets at FVTPL			4,181
Loss on fair value changes of derivative financial instruments			(620)
Impairment losses recognised on intangible assets			(2,648)
Impairment losses recognised on amount due from a joint venture			(8,694)
Professional fee related to the Merger as defined in note 37			(30,185)
Central administration costs			(55,331)
Unallocated expenses			<u>(32,988)</u>
Profit before tax			<u><u>142,050</u></u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

Segment assets and liabilities

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

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Reportable segment assets		
Media	209,155	206,110
E-commerce and retail	98,910	141,698
	<hr/>	<hr/>
Total segment assets	308,065	347,808
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of reportable segment total to group total:		
Segment assets	308,065	347,808
Unallocated assets:		
Property, plant and equipment	22,590	15,440
Intangible assets	16	10,896
Right-of-use assets	6,691	8,800
Financial assets at FVTPL	1,647	24,258
Amount due from a joint venture	9,101	—
Deferred tax assets	479	1,022
Deposits and other receivables	13,421	27,543
Pledged bank deposits	10,000	10,000
Bank balances and cash	209,575	284,269
	<hr/>	<hr/>
Consolidated total assets	581,585	730,036
	<hr/> <hr/>	<hr/> <hr/>
Reportable segment liabilities		
Media	138,249	106,548
E-commerce and retail	45,559	49,987
	<hr/>	<hr/>
Total segment liabilities	183,808	156,535
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of reportable segment total to group total:		
Segment liabilities	183,808	156,535
Unallocated liabilities:		
Other payables and accrued expenses	18,285	66,269
Derivative financial instruments	—	620
Bank borrowings	5,996	7,363
Tax payables	5,661	12,879
Lease liabilities	6,592	8,454
	<hr/>	<hr/>
Consolidated total liabilities	220,342	252,120
	<hr/> <hr/>	<hr/> <hr/>

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, deferred tax assets, pledged bank deposits and bank balances and cash that are not attributable to the respective segments.
- all liabilities are allocated to operating segments other than certain other payables and accrued expenses, derivative financial instruments, lease liabilities, bank borrowings, and tax payables that are not attributable to the respective segments.

Other segment information

2021

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

	Media	E-commerce and retail	Segment total	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 (<i>Note</i>)	<u>36,678</u>	<u>19,168</u>	<u>55,846</u>	<u>17,325</u>	<u>73,171</u>

Note: Including the addition of property, plant and equipment, right-of-use assets and intangible assets.

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

	<i>HK\$'000</i>
Loss on disposal of property, plant and equipment	(146)
Depreciation of property, plant and equipment	<u>(6,525)</u>

2022

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

	Media <i>HK\$'000</i>	E-commerce and retail <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Impairment losses under ECL model, net of reversal	2,987	—	2,987	8,694	11,681
Share-based payment expense	—	—	—	6,285	6,285
Write-down of inventories	—	1,825	1,825	—	1,825
Depreciation of right-of-use assets	8,740	5,943	14,683	6,634	21,317
Amortisation of intangible assets	1	110	111	—	111
Addition to non-current assets (<i>Note</i>)	<u>23,460</u>	<u>12,729</u>	<u>36,189</u>	<u>26,363</u>	<u>62,552</u>

Note: Including the addition of property, plant and equipment, right-of-use assets and intangible assets.

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

	<i>HK\$'000</i>
Gain on disposal of property, plant and equipment	660
Depreciation of property, plant and equipment	<u>(6,186)</u>

Geographical information

Analysis of the Group's revenue from external customers by geographic location, determined based on the location of customers 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 (<i>Note ii</i>)	
	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
US	59,118	85,218
Hong Kong	39,418	43,499
The PRC	2,862	1,935
Others (<i>Note i</i>)	<u>1,105</u>	<u>3,829</u>
	<u>102,503</u>	<u>134,481</u>

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 and other deposits, financial assets at FVTPL, deferred tax assets 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 the Company's largest customer contributed approximately 17% of the total revenue of the Group for the year ended 31 March 2021. No single customer has been accounted for 10% or more of the total revenue of the Group for the year ended 31 March 2022.

7. FINANCE COSTS

	Year ended 31 March	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	493	196
Interest on lease liabilities	1,129	4,392
	<u>1,622</u>	<u>4,588</u>

8. OTHER INCOME, OTHER GAINS AND LOSSES

	Year ended 31 March	
	2021	2022
	HK\$'000	HK\$'000
Net exchange (gains) losses	(1,722)	1,619
Loss on fair value changes of derivative financial instruments	—	620
Penalty on customers for overdue settlement	(1,065)	(1,330)
Loss (gain) on disposal of property, plant and equipment	146	(660)
Bank interest income	(361)	(350)
Marketing contribution income	(39)	(581)
Gain on fair value changes of financial assets at FVTPL	—	(4,181)
Others	(136)	(17)
	<u>(3,177)</u>	<u>(4,880)</u>

9. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSSES MODEL, NET OF REVERSAL

	2021	2022
	HK\$'000	HK\$'000
Impairment losses recognised on:		
— trade and unbilled receivables	776	2,987
— amount due from a joint venture	4,019	8,694
	<u>4,795</u>	<u>11,681</u>

Details of impairment assessments are set out in note 32.

10. INCOME TAX EXPENSE

	Year ended 31 March	
	2021	2022
	HK\$'000	HK\$'000
Current tax:		
— Hong Kong Profits Tax	9,240	18,146
— The PRC Enterprise Income Tax (“EIT”)	12,274	20,609
— Other jurisdictions	1,678	3,195
Overprovision in prior year		
— Hong Kong Profits Tax	(132)	(132)
PRC withholding tax on distributed profits from PRC subsidiaries	—	608
	<hr/>	<hr/>
Deferred tax (<i>note 28</i>):	23,060	42,426
Credit for the year	(553)	(543)
	<hr/>	<hr/>
	22,507	41,883
	<hr/> <hr/>	<hr/> <hr/>

Income tax expense at concessionary rate

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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 of the qualifying group entity 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.

Basic income tax expense

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.

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

	Year ended 31 March	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	<u>93,091</u>	<u>142,050</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	15,360	23,438
Tax effect of income not taxable for tax purpose	(114)	(702)
Tax effect of expenses not deductible for tax purpose	2,084	9,759
Tax effect of tax losses not recognised	1,439	1,594
Utilisation of tax losses previously not recognised	—	(102)
Income tax at concessionary rate	(165)	(165)
Effect of different tax rates of subsidiaries operating in other jurisdictions	3,834	7,441
Withholding tax on undistributed earnings of PRC subsidiaries	—	608
Overprovision in prior year	(132)	(132)
Others	<u>201</u>	<u>144</u>
Income tax expense for the year	<u><u>22,507</u></u>	<u><u>41,883</u></u>

11. PROFIT FOR THE YEAR

	Year ended 31 March	
	2021	2022
	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration	2,582	6,985
Other staff costs		
— salaries and allowances	130,215	204,057
— discretionary bonus	97	24,853
— retirement benefits scheme contribution	5,609	6,887
— share-based payment expense	6,545	5,107
	<hr/>	<hr/>
Total directors and other staff costs	145,048	247,889
	<hr/>	<hr/>
Auditor's remuneration	1,385	1,400
Cost of inventories recognised as an expense (included in cost of revenue)	128,929	127,768
Depreciation of property, plant and equipment	6,525	6,186
Depreciation of right-of-use assets	21,253	21,317
Amortisation of intangible assets	105	111
Website content update expense (<i>Note</i>)	1,706	2,103
Write-down of inventories	1,038	1,825

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

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 2022 is based on the following data:

	Year ended 31 March	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>70,584</u>	<u>100,167</u>
	Year ended 31 March	
	2021	2022
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>2,035,502</u>	<u>2,052,921</u>
Effect of dilutive potential ordinary shares: Share options issued by the Company	<u>11,790</u>	<u>5,911</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,047,292</u>	<u>2,058,832</u>

For the year ended 31 March 2022, the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share has been adjusted for the issuance of ordinary shares in April 2021 (details are disclosed in note 29).

For the years ended 31 March 2021 and 2022, diluted earnings per share did not assume the exercise of 55,800,000 and 30,791,666 share options, respectively, granted by the Company since the adjusted exercise prices for the computation of diluted earnings per share of those share options were higher than the average market price of shares.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furnitures and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST						
At 1 April 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
Additions	492	506	3,145	—	32,844	36,987
Disposals	—	—	(74)	(624)	—	(698)
Exchange translation	(4)	(17)	(36)	(11)	—	(68)
At 31 March 2022	<u>18,276</u>	<u>4,727</u>	<u>13,883</u>	<u>—</u>	<u>42,084</u>	<u>78,970</u>
ACCUMULATED DEPRECIATION						
At 1 April 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
Provided for the year	3,573	777	1,836	—	—	6,186
Eliminated on disposals	—	—	(68)	—	—	(68)
Exchange translation	(1)	(3)	(4)	—	—	(8)
At 31 March 2022	<u>14,106</u>	<u>3,459</u>	<u>8,704</u>	<u>—</u>	<u>—</u>	<u>26,269</u>
CARRYING VALUES						
At 31 March 2021	<u>7,254</u>	<u>1,553</u>	<u>3,908</u>	<u>635</u>	<u>9,240</u>	<u>22,590</u>
At 31 March 2022	<u>4,170</u>	<u>1,268</u>	<u>5,179</u>	<u>—</u>	<u>42,084</u>	<u>52,701</u>

The above items of property, plant and equipment, except for construction in progress, 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%

Impairment assessment of the property, plant and equipment and right-of-use assets

As a result of the unsatisfactory performance of e-commerce business during the year ended 31 March 2022, the management of the Group concluded there was indication for impairment and performed impairment assessment on certain property, plant and equipment set out in note 14 and right-of-use assets set out in note 16 as at 31 March 2022, with carrying amounts of approximately HK\$4,302,000 and HK\$19,135,000, respectively. The Group engaged an independent qualified professional valuer, to perform the valuation of property, plant and equipment and right-of-use assets at 31 March 2022.

The Group estimates the recoverable amount of the CGU of e-commerce business to which the asset belongs when it is not possible to estimate the recoverable amount individually.

The recoverable amount of this CGU has been determined based on its value in use. The calculation uses discounted cash flow projections based on the financial budgets prepared by the management covering a five-year period, with a pre-tax discount rate of 18.6% while cash flows beyond the five-year period were extrapolated using growth rate of 2.1%. The budgeted sales is estimated based on the past performance of the CGU and management's expectations on the market development.

During the year ended 31 March 2022, the management of the Group determined that there is no impairment on this CGU as the recoverable amount of this CGU exceeds its carrying amount.

15. INTANGIBLE ASSETS

	Digital Assets	Website	Total
	<i>HK\$'000</i>	<i>Domain Name</i>	<i>HK\$'000</i>
	<i>(Note (i))</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note (ii))</i>	
COST			
At 1 April 2020	—	1,013	1,013
Exchange translation	—	83	83
	<hr/>	<hr/>	<hr/>
At 31 March 2021	—	1,096	1,096
Additions	13,528	—	13,528
Exchange translation	—	46	46
	<hr/>	<hr/>	<hr/>
At 31 March 2022	13,528	1,142	14,670
	<hr/>	<hr/>	<hr/>
AMORTISATION AND IMPAIRMENT			
At 1 April 2020	—	25	25
Charged for the year	—	105	105
Exchange translation	—	4	4
	<hr/>	<hr/>	<hr/>
At 31 March 2021	—	134	134
Charged for the year	—	111	111
Impairment loss recognised	2,648	—	2,648
Exchange translation	—	10	10
	<hr/>	<hr/>	<hr/>
At 31 March 2022	2,648	255	2,903
	<hr/>	<hr/>	<hr/>
CARRYING VALUES			
At 31 March 2021	—	962	962
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2022	10,880	887	11,767
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) During the year ended 31 March 2022, the Group purchased an aggregate of HK\$13,528,000 in Bitcoin, Ethereum and certain non-fungible token artwork (the “**Digital Assets**”). Given that the Group’s intention is to hold these Digital assets for long term investment purpose and these Digital Assets have no legal useful lives, all Digital Assets are accounted for as indefinite-lived intangible assets. They are stated at cost less subsequent accumulated impairment losses, if any.

In determining whether these Digital Assets are impaired, the Group has to identify whether events or changes in circumstances, decreases in the quoted prices on active exchanges, indicate that it is more likely than not that these Digital Assets are impaired.

As at 31 March 2022, the carrying amount of Digital Assets held by the Group is HK\$10,880,000, after taking into account the impairment losses of HK\$2,648,000 that have been recognised.

- (ii) The website domain name has 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 vehicles HK\$'000	Total HK\$'000
As at 1 April 2021			
Carrying amount	<u>78,951</u>	<u>—</u>	<u>78,951</u>
As at 31 March 2022			
Carrying amount	<u>70,013</u>	<u>—</u>	<u>70,013</u>
For the year ended 31 March 2021			
Depreciation charge	<u>20,974</u>	<u>279</u>	<u>21,253</u>
For the year ended 31 March 2022			
Depreciation charge	<u><u>21,317</u></u>	<u><u>—</u></u>	<u><u>21,317</u></u>
		Year ended 31 March	
		2021	2022
		HK\$'000	HK\$'000
Expenses relating short-term leases		<u>5,006</u>	<u>3,297</u>
Variable lease payments not included in the measurement of lease liabilities (<i>Note</i>)		<u>1,100</u>	<u>1,842</u>
Total cash outflow for leases		<u>26,327</u>	<u>29,399</u>
Additions to right-of-use assets		<u><u>56,239</u></u>	<u><u>12,037</u></u>

Note: As at 31 March 2021 and 2022, leases of a retail store contain variable lease payment that are based on 12.5% and 12.5% of sales over the lease term. The amount of variable lease payments paid/payable to relevant lessor for the years ended 31 March 2021 and 2022 amounted to HK\$1,100,000 and HK\$1,842,000. 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 their estimated useful lives and the respective lease terms ranging from 1 to 7 years.

During the year ended 31 March 2021, the Group leases offices, warehouses and a motor vehicle for its operations. Lease contracts are entered into for fixed term of 1 to 7 years.

During the year ended 31 March 2022, the Group leases offices and warehouses for its operations.

Lease contracts are entered into for fixed term of 1 to 5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for properties. As at 31 March 2021 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions on assets

As at 31 March 2021 and 2022, lease liabilities of approximately HK\$81,779,000 and HK\$73,948,000 are recognized with related right-of-use assets of approximately HK\$78,951,000 and HK\$70,013,000. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

17. INTEREST IN A JOINT VENTURE

	As of 31 March	
	2021 HK\$'000	2022 HK\$'000
Cost of investment in a joint venture — unlisted investment	5,887	5,887
Share of post-acquisition results and other comprehensive income	(5,887)	(5,887)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

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		Principal activities
			2021 %	2022 %	
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.

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 IFRSs.

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

	As of 31 March	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	<u>4,746</u>	<u>4,756</u>
Non-current assets		
— Property, plant and equipment	11,895	11,904
— Others	<u>520</u>	<u>523</u>
Total non-current assets	<u>12,415</u>	<u>12,427</u>
Current liabilities	<u>21,553</u>	<u>21,437</u>

The above amounts of assets and liabilities include the following:

	As of 31 March	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents	<u>750</u>	<u>482</u>
Current financial liabilities	<u>15,059</u>	<u>21,437</u>

	Year ended 31 March	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<u>11,458</u>	<u>18,089</u>
(Loss) profit and total comprehensive (expense) income	<u>(3,799)</u>	<u>138</u>

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 is as follow:

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Net liabilities of The Berrics	(4,392)	(4,254)
Proportion of the Group's ownership interest in the joint venture	<u>51%</u>	<u>51%</u>
	(2,240)	(2,170)
Unrecognised share of loss of the joint venture	<u>2,240</u>	<u>2,170</u>
Carrying amount of the Group's interest in the joint venture	<u>—</u>	<u>—</u>
	Year ended 31 March	
	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The unrecognised share of loss of the joint venture	<u>2,240</u>	<u>—</u>
	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cumulative unrecognised share of loss of the joint venture	<u>2,240</u>	<u>2,170</u>

18A.FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 March	
	2021	2022
	HK\$'000	HK\$'000
Non-current assets		
— Financial assets measured at FVTPL		
— Investments in unlisted Real Estate Income Trust (“REIT”)	—	6,241
— Investments in preference shares (<i>Note (a)</i>)	—	4,820
— Unlisted equity investments (<i>Note (b)</i>)	1,647	11,239
— Investment in simple agreement for future equity (“SAFE”) (<i>Note (c)</i>)	—	1,958
	1,647	24,258
	1,647	24,258

These investments are not held for trading but for long-term strategic purposes.

Notes:

- (a) The amounts represent investments in preference shares in unlisted entities established in the United States of America (“USA”) and the Cayman Islands, which are mainly engaged in consumer electronics and live-streaming.
- (b) As at 31 March 2021, the amounts represent an unlisted equity investment in an investment capital fund which further invested in an entity that engaged in consumer electronics.

During the year ended 31 March 2022, the Company has further invested in an unlisted equity interest of an entity established in Southern Korea which is mainly engaged in wine industry and an unlisted investment holding company which further invested in an entity that engaged in computer hardware design and distribution.

- (c) The amounts represent an investment in SAFE in an unlisted entity established in the USA, which is mainly engaged in technology.

18B. DERIVATIVE FINANCIAL INSTRUMENTS

	At 31 March	
	2021	2022
	HK\$'000	HK\$'000
Foreign currency forward contracts	—	620

During the year ended 31 March 2022, the Group had entered into several foreign currency forward contracts with net settlement to the bank. These foreign currency forward contracts are not designated for hedge purposes and are measured at fair value through profit and loss. Changes in the fair value of non-hedging currency derivatives amounting to HK\$620,000 were recognised in the consolidated statement of profit or loss during the year ended 31 March 2022.

The amount represents the fair value change on the outstanding foreign currency forward contracts and the major terms of these foreign currency forward contracts are as follow:

2022

Notional approximate amount	Maturity	Exchange rates
Buy USD2,517,304 and sell CAD3,195,613	07 April 2022	USD/CAD0.7877
Buy USD2,519,175 and sell CAD3,205,549	08 April 2022	USD/CAD0.7859

19. AMOUNT DUE FROM A JOINT VENTURE

The amount was non-trade nature, unsecured and non-interest bearing. In view of the continuous loss making and net liability position of the joint venture, an impairment of HK\$4,019,000 and HK\$12,713,000 were recognised by the Group as at 31 March 2021 and 2022, respectively.

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

20. INVENTORIES

	As of 31 March	
	2021 HK\$'000	2022 HK\$'000
Finished goods	42,389	69,702
	<u>42,389</u>	<u>69,702</u>
	As of 31 March	
	2021	2022
	HK\$'000	HK\$'000
Inventories	45,228	74,366
Less: Accumulated write-down of inventories	(2,839)	(4,664)
	<u>42,389</u>	<u>69,702</u>
Inventories (net carrying amounts)	<u>42,389</u>	<u>69,702</u>

21. TRADE AND OTHER RECEIVABLES

	As of 31 March	
	2021 HK\$'000	2022 HK\$'000
Trade receivables	83,793	128,898
Unbilled receivables (<i>Note (b)</i>)	89,876	23,747
	<u>173,669</u>	<u>152,645</u>
Trade and unbilled receivables	173,669	152,645
Less: allowance for credit losses	(928)	(945)
	<u>172,741</u>	<u>151,700</u>
Trade and unbilled receivables (net carrying amount)	172,741	151,700
Advance to staff	410	1,106
Rental and utilities deposits	9,101	11,401
Prepayments	21,284	22,404
Deposit paid for long term investment	—	1,950
Deferred issue costs related to the Merger as defined in note 37	—	1,665
Other receivables	871	414
	<u>204,407</u>	<u>190,640</u>
Total	<u>204,407</u>	<u>190,640</u>

	As of 31 March	
	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Analysed as:		
Current	196,942	183,018
Non-current (<i>Note (a)</i>)	7,465	7,622
	<hr/>	<hr/>
Total	<u>204,407</u>	<u>190,640</u>

Notes:

- a) The amounts included certain rental deposit and deposit paid for long term investment.
- b) Certain tax bureaus in the PRC have set monthly quotas on the aggregate invoice amounts for transactions in the media segment. The unbilled receivables represent the amount of unconditional right to the consideration for completed performance obligations but the related invoices have not yet been issued as at year end as the quota limit has been exceeded.

As at 1 April 2020, trade and unbilled receivables from contracts with customers amounted to HK\$188,386,000.

The Group allows credit periods ranging from 30 to 60 days to its trade customers derived from provision of advertising spaces and creative agency projects, whereas no credit period is granted to customers from online and offline retail platforms, consignor from consignment sales commission income and subscribers of magazines.

As at 31 March 2021 and 2022, included in the Group's trade and unbilled receivables balance are debtors with aggregate gross carrying amounts of HK\$23,786,000 and HK\$51,228,000 which are past due as at the reporting dates respectively. Out of the past due balances, HK\$5,349,000 as at 31 March 2021 and HK\$11,750,000 as at 31 March 2022 have been past due 90 days or more and are 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

	As of 31 March	
	2021	2022
	HK\$'000	HK\$'000
Provision of advertising spaces	<u>1,484</u>	<u>5,154</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 and unbilled receivables upon the satisfaction of the target impression rate or click rate and the end of advertising period.

As at 31 March 2021 and 2022, 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

As of 31 March 2021 and 2022, deposits amounting to HK\$10,000,000 and HK\$10,000,000 have been pledged to secure bank borrowings and the banking facilities which both carry interest at prevailing market rates at 1.85% per annum.

As of 31 March 2021 and 2022, bank balances carry interest at prevailing market rates at 0.01% per annum.

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

24. TRADE AND OTHER PAYABLES

	As of 31 March	
	2021	2022
	HK\$'000	HK\$'000
Trade payables	18,669	14,639
Commission payable to staff	20,312	23,161
Accrual for campaign cost (<i>Note</i>)	61,880	33,025
Accrual for staff bonus	—	23,557
Accrual professional fee related to Merger	—	16,738
Other payables and accrued expenses	17,025	34,588
	<u>117,886</u>	<u>145,708</u>

Note: Accrual for campaign cost represents the best estimate of an 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.

25. CONTRACT LIABILITIES

	As of 31 March	
	2021	2022
	HK\$'000	HK\$'000
Provision of advertising spaces (<i>Note a</i>)	7,694	5,891
Sales of goods through online retail platform (<i>Note b</i>)	1,326	4,872
Customer loyalty scheme (<i>Note c</i>)	—	839
	<u>9,020</u>	<u>11,602</u>

Notes:

- a) The Group receives 50% of the contract value as deposits from new customers when they sign the contracts for provision of advertising spaces and services for creative agency projects. The deposits and advance payment schemes result in contract liabilities being recognised until the advertisement launched in relevant spaces and relevant benefits received by the customers. During the years ended 31 March 2021 and 2022, the Group has recognised revenue of HK\$3,701,000 and HK\$7,694,000 that were included in the contract liabilities balance at the beginning of the respective years. All contract liabilities attributable to the provision of advertising spaces and services for creative agency projects as at 31 March 2021 and 2022 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 years ended 31 March 2021 and 2022, the Group has recognised revenue of HK\$728,000 and HK\$1,326,000 that were included in the contract liabilities balance at the beginning of the respective years. All contract liabilities attributable to the sales of goods through online retail platform as at 31 March 2021 and 2022 are expected to be recognised as revenue within one year.
- c) The Group grants award credits for customers for sales under the Group's customer loyalty scheme. The customers can use the award credits to purchase the goods through the Group's online retail platform in future purchases. The award credits have no expiration.

26. BANK BORROWINGS

	As of 31 March	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans, secured with variable rate	<u>5,996</u>	<u>7,363</u>
Carrying amount repayable (according to scheduled repayment term):		
— Within one year	2,636	6,103
— In more than one year but not more than two years	2,100	1,260
— In more than two years but not more than five years	<u>1,260</u>	<u>—</u>
	<u>5,996</u>	<u>7,363</u>
Carrying amount that contain a repayment on demand clause (shown under current liabilities)	<u>5,996</u>	<u>7,363</u>

As at 31 March 2021 and 2022, one of the borrowings was secured by the pledge of the Group's bank deposits with carrying amount of HK\$10,000,000 and HK\$10,000,000, respectively. As at 31 March 2021 and 2022, the unutilised bank facilities were HK\$69,000,000 and HK\$70,500,000 respectively.

As at 31 March 2021 and 2022, variable-rate bank borrowings carry interest with reference to Hong Kong Interbank Offered Rate (“**HIBOR**”) and Hong Kong Dollar Best Lending Rate (“**HKBLR**”) plus a specific margin of the relevant banks in both years. The range of effective interest rates (which are also equalled to contractual interest rates) on the Group’s borrowings are as follows:

	Year ended 31 March	
	2021	2022
Effective interest rate (per annum):		
Variable-rate borrowings	2.26% to 3.50%	1.41% to 3.50%

27. LEASE LIABILITIES

	As of 31 March	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Lease liabilities payable:		
Within one year	15,763	15,919
In more than one year but not more than two years	14,408	19,352
In more than two years but not more than five years	37,926	35,122
More than five years	13,682	3,555
	81,779	73,948
Less: Amount due for settlement with 12 months shown under current liabilities	(15,763)	(15,919)
Amount due for settlement after 12 months shown under non-current liabilities	66,016	58,029

During the years ended 31 March 2021 and 2022, weighted average incremental borrowing rates applied to lease liabilities range from 2.85% to 3.50% in both years.

28. DEFERRED TAX ASSETS (LIABILITIES)

The following is the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the years ended 31 March 2021 and 2022:

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April 2020	(74)
Credit to profit or loss	<u>553</u>
At 31 March 2021	479
Credit to profit or loss	<u>543</u>
At 31 March 2022	<u><u>1,022</u></u>

As at 31 March 2021 and 2022, the Group has unused tax losses of HK\$9,766,000 and HK\$18,810,000 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. As at 31 March 2021 and 2022, 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 and HK\$120,074,000 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 2020, 31 March 2021 and 31 March 2022	<u>6,000,000,000</u>	<u>60,000,000</u>
Issued:		
At 1 April 2020	2,023,062,500	20,230,625
Exercise of share options	<u>22,866,667</u>	<u>228,667</u>
At 31 March 2021	<u>2,045,929,167</u>	<u>20,459,292</u>
Exercise of share options	1,166,667	11,667
Issuance of ordinary shares (<i>Note</i>)	<u>6,533,397</u>	<u>65,334</u>
At 31 March 2022	<u>2,053,629,231</u>	<u>20,536,293</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.

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 scheme*

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.

(ii) *Participants of the scheme*

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 scheme*

750,000 shares (2021: 1,250,000 shares) (being approximately 0.04% (2021: 0.06%) of the issued share capital as at the date of this accountants’ report).

(iv) Maximum entitlement of each participant under the scheme

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.

(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 2022 are set out below:

Category of participants	Outstanding at 1.4.2020	Granted during the year	Exercised during the year	Lapsed during the year	Number of share options				Outstanding at 31.3.2022 <i>HK\$</i>	Date of grant of share options	Exercise period	Share price at the date of grant of share options	Exercise price of share options
					Outstanding at 31.3.2021 & 1.4.2021	Granted during the year	Exercised during the year	Lapsed during the year					
Under the Pre-IPO Scheme													
Employees ⁽¹⁾⁽²⁾	750,000	—	—	—	750,000	—	—	—	750,000	18.03.2016	From 18.3.2019 to 17.3.2026	N/A	0.026
Employees ⁽¹⁾⁽²⁾	500,000	—	—	—	500,000	—	—	—	500,000	18.03.2016	From 18.3.2019 to 17.3.2026	N/A	0.052
Total	1,250,000	—	—	—	1,250,000	—	—	—	1,250,000				
Share options exercisable at the end of respective years	1,250,000				1,250,000				1,250,000				
Weighted average exercise price	0.04	—	—	—	0.04	—	—	—	0.04				
Weighted average remaining contractual lives	5.96				4.96				3.96				

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 2 tranches exercisable from 18 March 2019 and 18 March 2019 respectively to 17 March 2026.

(b) Post-IPO Scheme

(i) Purpose of the scheme

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 scheme

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

169,287,499 shares (2021: 170,454,166 shares) (being approximately 8.24% (2021: 8.30%) of the issued share capital as at the date of this accountants' 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.

(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.

(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 2022 are set out below:

Category of participants	Outstanding at 1.4.2020	Granted during the year	Exercised during the year	Lapsed during the year	Number of share options			Outstanding at 31.3.2022 <i>HK\$</i>	Date of grant of share options	Exercise period	Share price at the date of grant of share options	Exercise price of share options
					Outstanding at 31.3.2021 & 1.4.2021	Granted during the year	Exercised during the year					
Directors ⁽¹⁾⁽⁴⁾	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	0.77	0.788
	<u>9,600,000</u>	<u>9,600,000</u>	<u>—</u>	<u>—</u>	<u>19,200,000</u>	<u>—</u>	<u>—</u>	<u>—</u>				
Employees ⁽¹⁾⁽²⁾	23,200,000	—	(2,866,667)	—	333,333	—	—	333,333	06.07.2017	From 6.7.2020 to 5.7.2027	0.198	0.198
Employees ⁽¹⁾⁽³⁾	9,733,333	—	—	(133,333)	9,600,000	—	(1,166,667)	(133,333)	10.08.2018	From 10.8.2021 to 9.8.2028	0.62	0.62
Employees ⁽¹⁾⁽⁴⁾	3,300,000	—	—	—	3,300,000	—	—	(533,334)	28.06.2019	From 28.6.2022 to 27.6.2029	1.04	1.04
Employees ⁽¹⁾⁽⁴⁾	14,500,000	—	—	(900,000)	13,600,000	—	—	(2,775,000)	28.06.2019	From 28.6.2023 to 27.6.2029	1.04	1.04
Employees ⁽¹⁾⁽⁵⁾	—	10,600,000	—	—	10,600,000	—	—	(3,066,667)	08.12.2020	From 08.12.2023 to 07.12.2030	0.77	0.788
Employees ⁽¹⁾⁽⁵⁾	—	8,200,000	—	—	8,200,000	—	—	(600,000)	08.12.2020	From 08.12.2024 to 07.12.2030	0.77	0.788
	<u>50,733,333</u>	<u>18,800,000</u>	<u>(2,866,667)</u>	<u>(1,033,333)</u>	<u>45,633,333</u>	<u>—</u>	<u>(1,166,667)</u>	<u>(7,108,334)</u>				
Total	<u>60,333,333</u>	<u>28,400,000</u>	<u>(2,866,667)</u>	<u>(1,033,333)</u>	<u>64,833,333</u>	<u>—</u>	<u>(1,166,667)</u>	<u>(7,108,334)</u>				
Share options exercisable at the end of respective years	<u>9,600,000</u>				<u>9,933,333</u>			<u>18,233,333</u>				
Weighted average exercise price	<u>0.64</u>	0.788	0.198	0.986	<u>0.86</u>	—	0.620	0.902				<u>0.863</u>
Weighted average remaining contractual lives.	<u>8.16</u>				<u>8.74</u>			<u>7.75</u>				

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 exercisable from 6 July 2020 to 5 July 2027.
- (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.

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 share price of the Company at the date grant 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
Share price at date of grant of share options	HK\$0.77
Exercise price	HK\$0.788
Expected life	5–6 years
Expected volatility	76.89%
Expected dividend yield	0%
Risk-free rate	0.33%

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.

For the years ended 31 March 2021 and 2022, the Group recognised total expenses of HK\$7,003,000 and HK\$6,285,000 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

	As of 31 March	
	2021 HK\$'000	2022 HK\$'000
Financial assets		
Financial assets at amortised cost	411,799	458,890
Financial assets at FVTPL	1,647	24,258
	<u> </u>	<u> </u>
Financial liabilities		
At amortised cost	53,356	60,972
Derivative financial instruments	—	620
	<u> </u>	<u> </u>

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 assets at FVTPL, trade and other payables, bank borrowings, lease liabilities and derivative financial instruments. 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.

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 pledged bank deposits and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances.

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 HKBLR and HIBOR arising from the Group's Hong Kong dollars denominated borrowings and being regularly monitored and evaluated by reference to anticipated changes in market interest rate by the Group.

The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

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 years ended 31 March 2021 and 2022 would decrease/increase by HK\$25,000 and HK\$31,000, respectively.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (“**IBORs**”) with alternative nearly risk-free rates. As at 31 March 2021 and 2022, the Group has variable bank borrowings carry interest with reference to HIBOR, and the Group had confirmed with relevant counterparty that HIBOR will continue to maturity, thus have had/will have no impact on the consolidated financial statements.

(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, which mainly includes trade and other receivables, bank balances and cash, and trade and other payables as at the end of each reporting period are as follows:

	2021		2022	
	Assets <i>HK\$’000</i>	Liabilities <i>HK\$’000</i>	Assets <i>HK\$’000</i>	Liabilities <i>HK\$’000</i>
United States Dollar (“ US\$ ”)	148,539	4,351	133,072	7,740
Euro Dollar (“ EURO ”)	18,243	3,338	26,010	5,273
Renminbi (“ RMB ”)	6,583	1,828	7,224	944
Canadian Dollar (“ CAD ”)	1,801	23	43,294	2

Sensitivity analysis

The Group is mainly exposed to the risk of fluctuation against US\$, EURO, RMB and CAD during the years ended 31 March 2021 and 2022.

The following table details the sensitivity to a 2%, 5%, 5% and 5% increase and decrease in HK\$ against US\$, EURO, RMB and CAD, 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%, 5% and 5% against US\$, EURO, RMB and CAD, respectively. For a 2%, 5%, 5% and 5% weakening of HK\$ against US\$, EURO, RMB and CAD, there would be an equal and opposite impact on the profit or loss for the year.

	Profit for the year	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
US\$	(2,408)	(2,093)
EURO	(622)	(866)
RMB	(199)	(262)
CAD	(74)	(1,807)

Credit risk and impairment provision

As at 31 March 2021 and 2022, 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 statements 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 and unbilled receivables and contract assets arising from contracts with customers

As at 31 March 2021 and 2022, the Group has concentration of credit risk as 60% and 16% and 71% and 30% of the trade and unbilled receivables was due from the Group's largest customer and the five largest customers respectively.

As at 31 March 2021 and 2022, the Group's concentration of credit risk by geographical locations which accounted for 68% and 33%, representing in the PRC and in the US for the trade and unbilled receivables.

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 and unbilled 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 and unbilled 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.

Amount due from a joint venture

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 and HK\$8,694,000 were recognised by the Group during the years ended 31 March 2021 and 2022 respectively.

Other receivables and deposits, pledged bank deposits and bank balances

The Group performs impairment assessment under ECL model on other receivables and deposits, 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 and deposits. No material impairment loss allowance is recognised for pledged bank deposits and bank balances based on external credit rating.

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

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 and unbilled receivables/contract assets	Other financial assets/ other items
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

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	Credit rating	Credit rating	12-month or lifetime ECL	2021		2022	
					Gross carrying amounts		Gross carrying amounts	
					HK'000	HK'000	HK'000	HK'000
Financial assets at amortised cost								
Trade and unbilled receivables	21	N/A	(Note)	Lifetime ECL (collective assessment)	134,776		102,038	
			Low risk	Lifetime ECL (not credit-impaired)	38,893	173,669	50,607	152,645
Other receivables and deposits	21	N/A	Low risk	12m ECL		10,382		12,921
Amount due from a joint venture	19	N/A	High risk	Lifetime ECL (not credit-impaired)		13,120		—
			Loss	Lifetime ECL (credit-impaired)		—		8,694
Pledged bank deposits	23	AA+	N/A	12m ECL		10,000		10,000
Bank balances	23	AA+	N/A	12m ECL		209,575		284,269
Contract assets	22	N/A	Low risk	Lifetime ECL (collective assessment)		1,484		5,154

Note: The following table provides information about the exposure to credit risk for trade and unbilled receivables which are assessed based on collective assessment as at 31 March 2021 and 2022 within lifetime ECL. As at 31 March 2021 and 2022, trade and unbilled receivables with significant outstanding balances with gross carrying amounts of HK\$38,893,000 and HK\$50,607,000 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 1.00% in 2021 and 0.10% to 1.00% in 2022 is applied.

Gross carrying amount of trade and unbilled receivables assessed collectively:

	2021			2022		
	Average loss rate (Note)	Gross trade receivables HK\$'000	ECL HK\$'000	Average loss rate (Note)	Gross trade receivables HK\$'000	ECL HK\$'000
Current (not past due)	0.4%	118,007	443	0.2%	68,144	152
1–30 days past due	0.7%	10,510	74	0.5%	13,636	68
31–60 days past due	1.3%	2,786	36	1.0%	9,426	94
61–90 days past due	2.5%	2,102	53	1.5%	1,501	23
91–180 days past due	5.0%	316	16	2.0%	6,736	135
181–365 days past due	7.5%	670	50	5.0%	2,505	125
More than 365 days past due	12.5%	385	48	10%	90	9
		<u>134,776</u>	<u>720</u>		<u>102,038</u>	<u>606</u>

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 and unbilled 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 years ended 31 March 2021 and 2022, the Group provided impairment losses under ECL model for trade and unbilled receivables of HK\$720,000 and HK\$606,000 based on the collective assessment and HK\$174,000 and HK\$322,000 based on significant balances.

The following table shows the movement in lifetime ECL that has been recognised for trade and unbilled 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 2020	894	—	894
<i>Changes due to financial instruments recognised as at 1 April 2021:</i>			
— transfer to credit-impaired	(776)	776	—
— impairment losses reversed	(118)	—	(118)
— write-offs	—	(776)	(776)
<i>New financial assets originated:</i>			
— impairment losses recognised	894	—	894
— Exchange adjustments	34	—	34
	<hr/>	<hr/>	<hr/>
As at 31 March 2021	928	—	928
<i>Changes due to financial instruments recognised as at 1 April 2021:</i>			
— transfer to credit-impaired	(220)	220	—
— impairment losses reversed	(708)	—	(708)
— write-offs (<i>Note</i>)	—	(220)	(220)
<i>New financial assets originated:</i>			
— impairment losses recognised	928	2,767	3,695
— write-offs (<i>Note</i>)	—	(2,767)	(2,767)
— Exchange adjustments	17	—	17
	<hr/>	<hr/>	<hr/>
As at 31 March 2022	<u>945</u>	<u>—</u>	<u>945</u>

Note: The Group writes off trade and unbilled receivables when there is information indicating that the debtor is in severe financial difficulty or there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over one year past due, whichever occurs earlier.

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 of other non-derivative 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.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative financial instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management manages that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	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
		<u>73,788</u>	<u>16,927</u>	<u>43,268</u>	<u>14,027</u>	<u>148,010</u>	<u>135,135</u>

	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 2022							
Non-derivative financial liabilities							
Trade and other payables	—	53,609	—	—	—	53,609	53,609
Bank borrowings	2.37	7,363	—	—	—	7,363	7,363
Lease liabilities	3.50	22,630	21,937	38,393	3,581	86,541	73,948
		<u>83,602</u>	<u>21,937</u>	<u>38,393</u>	<u>3,581</u>	<u>147,513</u>	<u>134,920</u>
Derivative financial liabilities							
— net settlement							
Foreign currency forward contracts		<u>620</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>620</u>	<u>620</u>

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 and 2022, the aggregate carrying amounts of these bank borrowings amounted to HK\$5,996,000 and HK\$7,363,000. 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 %	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	<u>2,794</u>	<u>2,184</u>	<u>1,456</u>	<u>6,434</u>	<u>5,996</u>
As at 31 March 2022	2.37	<u>6,217</u>	<u>1,456</u>	<u>—</u>	<u>7,673</u>	<u>7,363</u>

Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purpose. In estimating the fair value, the Group uses market observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

(i) ***Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis***

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets and liabilities	Fair value at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	31 March 2021 HK\$'000	31 March 2022 HK\$'000			
Financial assets					
Investments in REIT	N/A	6,241	Level 3	Net asset value approach of the REIT	Net asset value of approximately US\$1,500 per share
Investments in preference shares	N/A	2,483	Level 3	Back-solve method and equity allocation method	Risk-free rate: 2.41% Volatility: 63% Liquidation scenario: 90% IPO scenario: 10%
Investments in preference shares	N/A	2,337	Level 2	The fair value is determined with reference to the recent transaction price of the investments	N/A
Unlisted equity investments	N/A	3,979	Level 3	Back-solve method and equity allocation method	Risk-free rate: 2.41% Volatility: 67% Liquidation scenario: 50% Redemption scenario: 50% IPO scenario: 0%
Unlisted equity investments	1,647	5,285	Level 3	Back-solve method and equity allocation method (2021: Adjusted cost approach based on market capitalization) (Note)	Risk-free rate: 2.41% Volatility: 63% Liquidation scenario: 90% IPO scenario: 10% (2021: Market capitalization: 0%)
Unlisted equity investments	N/A	1,975	Level 2	The fair value is determined with reference to the recent transaction price of the investments	N/A
Investments in SAFE	N/A	1,958	Level 2	The fair value is determined with reference to the recent transaction price of the investments	N/A
Financial liability					
Derivative financial instruments — net settlement	N/A	620	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates	N/A

Note: Adjusted cost approach assumes a reasonable investor will pay no more for an asset than it would cost to replace the same asset, to the extent the existing asset provides less utility than a new asset and adjusted by market capitalisation. It is based on the concept of replacement, less depreciation from physical deterioration and functional obsolescence, as an indication of value.

There were no transfer out of Levels 2 and 3 during both years. No sensitivity analysis is performed for the Level 3 financial assets as the Directors consider that the exposure is insignificant.

(ii) Reconciliation of Level 3 fair value measurements

	Investments in preference shares <i>HK\$'000</i>	Unlisted equity investments <i>HK\$'000</i>	Investments in REIT <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2020	—	—	—	—
Purchased	—	1,647	—	1,647
At 31 March 2021	—	1,647	—	1,647
Purchased	2,333	3,979	5,848	12,160
Change in fair value credited to profit or loss	150	3,638	393	4,181
At 31 March 2022	<u>2,483</u>	<u>9,264</u>	<u>6,241</u>	<u>17,988</u>

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost 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 <i>HK\$'000</i> <i>(note 26)</i>	Lease liabilities <i>HK\$'000</i> <i>(note 27)</i>	Interest payables <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 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)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2021	5,996	81,779	—	87,775
Financing cash flows	1,367	(24,260)	(196)	(23,089)
Interest expenses	—	4,392	196	4,588
New leases entered	—	12,037	—	12,037
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2022	<u>7,363</u>	<u>73,948</u>	<u>—</u>	<u>81,311</u>

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 years ended 31 March 2021 and 2022, 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 and HK\$6,934,000.

35. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the consolidated statements 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	As at/Year ended 31 March	
		2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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	11
	Right-of-use assets for Director's quarter at year end	364	168
	Lease liability for Director's quarter at year end	363	165

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. The remuneration of key management personnel is determined with regard to the performance of individuals and market trends.

36. CAPITAL COMMITMENTS

On 14 April 2021, the Group entered into a construction agreement for the renovation work of a lease premises in USA at a total contract sum of US\$3,391,468 (equivalent to HK\$26,413,000). As at 31 March 2021 and 2022, the remaining unpaid contract sum was nil and US\$134,573 (equivalent to HK\$1,054,000) respectively.

37. EVENTS AFTER THE REPORTING PERIOD

On 3 April 2022, the Company, Iron Spark I Inc. (the “**Iron Spark**”), and Hypebeast WAGMI Inc. (the “**Merger Sub**”), a wholly-owned subsidiary of the Company, entered into an agreement and plan of merger (the “**Merger**”) (the “**Merger Agreement**”), pursuant to which, subject to satisfaction of the conditions precedent stipulated under the Merger Agreement, (a) Merger Sub will merge with and into Iron Spark, with Iron Spark being the surviving entity in the Merger, and after giving effect to the Merger, Iron Spark will become a wholly-owned subsidiary of the Company; and (b) each Iron Spark Share issued and outstanding immediately before completion of the Merger will be cancelled and automatically converted into the right to receive, without interest, one consolidated share at completion of the Merger.

Concurrently with the signing of the Merger Agreement, several investors (the “**PIPE Investors**”) have entered into the PIPE Share Subscription Agreements with the Company, pursuant to which the PIPE Investors have conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the subscription shares at the subscription price, being an issue price identical to the consideration share issue price, for an aggregate subscription price of US\$13,335,000 (equivalent to approximately HK\$104,013,000), substantially concurrently with (and subject to) completion of the Merger.

On 5 May 2022, the Company has filed with the U.S. Securities and Exchange Commission a registration statement on Form F-4 for the consideration shares to be issued.

On 28 July 2022, an additional investor (the “**Additional PIPE Investor**”) has entered into the Permitted Equity Subscription Agreement with the Company, pursuant to which the Additional PIPE Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the subscription shares at the subscription price, being an issue price identical to the consideration share issue price, for an aggregate subscription price of US\$2,000,000 (equivalent to approximately HK\$15,600,000), substantially concurrently with (and subject to) completion of the Merger.

Details of the above are set out in the announcements of the Company dated 3 April 2022, 6 May 2022 and 28 July 2022.

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on 5 August 2022.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Iron Spark I Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheet of Iron Spark I Inc. (the “**Company**”) as of December 31, 2021, the related statements of operations, changes in stockholders’ deficit and cash flows for the period from January 22, 2021 (inception) through December 31, 2021, and the related notes (collectively referred to as the “**financial statements**”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the period from January 22, 2021 (inception) through December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph — Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1 to the financial statements, the Company’s business plan is dependent on the completion of a business combination and the Company’s cash and working capital as of December 31, 2021 are not sufficient to complete its planned activities. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“**PCAOB**”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/Marcum LLP
Marcum LLP

We have served as the Company's auditor since 2021.

New York, NY
March 31, 2022

IRON SPARK I INC.
BALANCE SHEET
AS OF DECEMBER 31, 2021

ASSETS

Current assets:

Cash	\$ 494,693
Prepaid expenses and other current assets	281,141

Total current assets	775,834
Investments held in Trust Account	171,811,812
Prepaid expenses, non-current	116,609

Total assets **\$ 172,704,255**

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:

Due to related parties	\$ 163,715
Franchise taxes payable	187,945
Accrued expenses	32,210

Total current liabilities	383,870
Deferred underwriting fee payable	5,838,000

Total liabilities **6,221,870**

Commitments (Note 6)

Class A common stock subject to possible redemption, 16,680,000 shares at redemption value	166,800,000
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Stockholders' Deficit

Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; none issued and outstanding	—
Class A common stock, \$0.0001 par value; 100,000,000 shares authorized; 17,870,800 shares issued and 1,190,800 shares outstanding (excluding 16,680,000 shares subject to possible redemption)	119
Class B common stock, \$0.0001 par value; 10,000,000 shares authorized; 4,170,000 shares issued and outstanding	417
Additional paid-in capital	2,361,994
Accumulated deficit	(2,680,145)

Total stockholders' deficit **(317,615)**

Total liabilities and stockholders' deficit **\$ 172,704,255**

IRON SPARK I INC.

STATEMENT OF OPERATIONS FOR THE PERIOD FROM JANUARY 22, 2021 (INCEPTION) THROUGH DECEMBER 31, 2021

Operating and formation costs	\$ 894,112
Loss from operations	<u>(894,112)</u>
Interest income on Trust Account	7,812
Change in fair value of over-allotment option	62,100
Franchise taxes expense	<u>(187,945)</u>
Net loss	<u><u>(1,012,145)</u></u>
Basic and diluted weighted average shares outstanding	<u><u>14,672,580</u></u>
Basic and diluted net loss per share	\$ <u><u>(0.07)</u></u>

IRON SPARK I INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT FOR THE PERIOD FROM JANUARY 22, 2021 (INCEPTION) THROUGH DECEMBER 31, 2021

	Common Stock				Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Class A		Class B				
	<i>Shares</i>	<i>Amount</i>	<i>Shares</i>	<i>Amount</i>			
Balance at January 22, 2021 (inception)	—	\$ —	—	\$ —	\$ —	\$ —	\$ —
Issuance of Class B common stock to Sponsor	—	—	4,312,500	431	24,569	—	25,000
Sale of 1,190,800 shares of Class A common stock in private placement to Sponsor, net of offering costs	1,190,800	119	—	—	11,885,126	—	11,885,245
Remeasurement of Class A common stock to redemption amount	—	—	—	—	(9,598,115)	—	(9,598,115)
Reclassification of over-allotment option upon exercise	—	—	—	—	50,400	—	50,400
Payment of dividend to Class A Public Shareholders	—	—	—	—	—	(1,668,000)	(1,668,000)
Forfeiture of Class B common stock	—	—	(142,500)	(14)	14	—	—
Net loss	—	—	—	—	—	(1,012,145)	(1,012,145)
Balance at December 31, 2021	<u>1,190,800</u>	<u>\$ 119</u>	<u>4,170,000</u>	<u>\$ 417</u>	<u>\$ 2,361,994</u>	<u>\$ (2,680,145)</u>	<u>\$ (317,615)</u>

IRON SPARK I INC.

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM JANUARY 22, 2021 (INCEPTION) THROUGH DECEMBER 31, 2021

Cash Flows from Operating Activities:

Net loss	(1,012,145)
Adjustments to reconcile net loss to net cash used in operating activities:	
Interest income on investments held in Trust Account	(7,812)
Amortization of prepaid expenses and other assets	171,582
Formation and operating costs	7,119
Change in fair value of over-allotment option	(62,100)
Changes in operating assets and liabilities:	
Prepaid expenses and other assets	(569,332)
Due to related parties	163,715
Accrued expenses	32,210
Franchise taxes payable	187,945

Net cash used in operating activities (1,088,818)

Cash Flows from Investing Activities:

Cash deposited into Trust Account	<u>(173,472,000)</u>
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Net cash used in investing activities (173,472,000)

Cash Flows from Financing Activities:

Proceeds from sale of common stock to Sponsor	25,000
Proceeds from initial public offering, net of underwriter's discount paid	163,464,000
Proceeds from sale of Private Placement Shares	11,908,000
Payment of offering costs	<u>(341,489)</u>

Net cash provided by financing activities 175,055,511

Net Change in Cash 494,693

Cash — Beginning of Period —

Cash — End of Period \$ 494,693

Supplemental disclosures of investing and financing activities:

Payment of dividend to Class A Public Shareholders from trust account	<u><u>\$ 1,668,000</u></u>
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Supplemental disclosures of noncash investing and financing activities:

Remeasurement of Class A common stock subject to redemption to redemption value

\$ 9,598,115

Reclassification of over-allotment option upon exercise

\$50,400

Forfeiture of Class B common stock

\$ 14

Deferred underwriting fee payable

\$ 5,838,000

IRON SPARK I INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

**NOTE 1. DESCRIPTION OF ORGANIZATION, BUSINESS OPERATIONS
AND GOING CONCERN**

Iron Spark I Inc. (the “**Company**”) is a blank check company incorporated in Delaware on January 22, 2021. The Company was formed for the purpose of entering into a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses or entities (a “**Business Combination**”). The Company is not limited to a particular industry or geographic region for purposes of consummating a Business Combination. The Company is an early stage and emerging growth company and, as such, the Company is subject to all of the risks associated with early stage and emerging growth companies.

As of December 31, 2021, the Company had not commenced any operations. All activity for the period from January 22, 2021 (inception) through December 31, 2021 relates to the Company’s formation and the initial public offering (“**Initial Public Offering**”), which is described below, and since the closing of the Initial Public Offering, the search for a prospective initial Business Combination. The Company will not generate any operating revenues until after the completion of a Business Combination, at the earliest. The Company will generate non-operating income in the form of interest income from the proceeds derived from the Initial Public Offering.

The registration statement for the Company’s Initial Public Offering was declared effective on June 8, 2021. On June 11, 2021, the Company consummated its Initial Public Offering of 15,000,000 shares of Class A common stock (the “**Public Shares**”). The Shares were sold at a price of \$10.00 per Public Share, generating gross proceeds to the Company of \$150,000,000, which is discussed in Note 3.

Simultaneously with the closing of the Initial Public Offering, the Company consummated the sale of 1,090,000 shares (the “**Private Placement Shares**”) at a price of \$10.00 per Private Placement Share in a private placement to Iron Spark I LLC (the “**Sponsor**”), generating gross proceeds of \$10,900,000, which is described in Note 4.

The Company granted the underwriters in the Initial Public Offering (the “**Underwriters**”) a 45-day option to purchase up to 2,250,000 additional Shares to cover over-allotments, if any. On June 16, 2021, the Underwriters partially exercised the over-allotment option and purchased an additional 1,680,000 shares (the “**Over-Allotment Shares**”), generating gross proceeds of \$16,800,000. The remaining 570,000 shares were not exercised by the underwriter and expired on July 26, 2021.

Simultaneously with the closing of the exercise of the over-allotment option, the Company consummated the sale of 100,800 shares (the “**Over-Allotment Private Placement Shares**”) at a purchase price of \$10.00 per share in a private placement to the Sponsor, generating gross proceeds of \$1,008,000.

Following the closing of the Initial Public Offering on June 11, 2021, an amount of \$173,472,000 (\$10.40 per Public Share) from the net proceeds of the sale of the Public Shares in the Initial Public Offering, the sale of the Private Placement Shares, the sale of the Over-Allotment Shares, and the exercise of the over-allotment option was placed in a U.S.-based trust account (the “**Trust Account**”), and were invested in U.S. government securities, within the meaning set forth in Section 2(a)(16) of the Investment Company Act, with maturities of 185 days or less or in money market funds meeting certain conditions under Rule 2a-7 under the Investment Company Act, which invest only in direct U.S. government treasury obligations, as determined by the Company, until the earlier of: (i) the completion of a Business Combination and (ii) the distribution of the funds held in the Trust Account, as described below.

Transaction costs related to the issuances described above amounted to \$9,515,489, consisting of \$3,336,000 of cash underwriting fees, \$5,838,000 of deferred underwriting fees and \$341,489 of other costs. In addition, at December 31, 2021, \$494,693 of cash was held outside of the Trust Account and is available for working capital purposes.

The Company’s management has broad discretion with respect to the specific application of the net proceeds of the Initial Public Offering and the sale of the Private Placement Shares, although substantially all of the net proceeds are intended to be applied generally toward consummating a Business Combination. There is no assurance that the Company will be able to complete a Business Combination successfully.

The Company must complete a Business Combination with one or more target businesses that together have an aggregate fair market value of at least 80% of the value of the Trust Account (excluding the deferred underwriting commissions and taxes payable on income earned on the Trust Account) at the time of the agreement to enter into an initial Business Combination. The Company will only complete a Business Combination if the post-transaction company owns or acquires 50% or more of the outstanding voting securities of the target or otherwise acquires a controlling interest in the target sufficient for it not to be required to register as an investment company under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”).

The Company will provide its holders of the outstanding Public Shares (the “**public stockholders**”) with the opportunity to redeem all or a portion of their Public Shares upon the completion of a Business Combination either (i) in connection with a stockholder meeting called to approve the Business Combination or (ii) by means of a tender offer. The decision as to whether the Company will seek stockholder approval of a Business Combination or conduct a tender offer will be made by the Company, solely in its discretion. The public stockholders will be entitled to redeem their Public Shares for \$10.00. In addition, concurrently with the release of funds from the Trust Account, non-redeeming stockholders will receive \$0.05 per share (assuming that the Company did not previously distribute \$0.40 per share in dividends) and the Sponsor will receive amounts remaining in the Trust Account that are in excess of \$10.00 per Public Share.

The Company will proceed with a Business Combination if the Company has net tangible assets of at least \$5,000,001 immediately prior to or upon such consummation of a Business Combination and, if the Company seeks stockholder approval, a majority of the shares voted are voted in favor of the Business Combination. If a stockholder vote is not required by law and the Company does not decide to hold a stockholder vote for business or other legal reasons, the Company will, pursuant to its Amended and Restated Certificate of Incorporation (the “**Amended and Restated Certificate of Incorporation**”), conduct the redemptions pursuant to the tender offer rules of the U.S. Securities and Exchange Commission (“**SEC**”) and file tender offer documents with the SEC containing substantially the same information as would be included in a proxy statement prior to completing a Business Combination. If, however, stockholder approval of the transaction is required by law, or the Company decides to obtain stockholder approval for business or legal reasons, the Company will offer to redeem shares in conjunction with a proxy solicitation pursuant to the proxy rules and not pursuant to the tender offer rules. If the Company seeks stockholder approval in connection with a Business Combination, the Sponsor has agreed to vote its Founder Shares (as defined in Note 5) and any Public Shares purchased during or after the Initial Public Offering in favor of approving a Business Combination. Additionally, each public stockholder may elect to redeem their Public Shares irrespective of whether they vote for or against the initial transaction or do not vote at all.

Notwithstanding the above, if the Company seeks stockholder approval of a Business Combination and it does not conduct redemptions pursuant to the tender offer rules, the Amended and Restated Certificate of Incorporation provides that a public stockholder, together with any affiliate of such stockholder or any other person with whom such stockholder is acting in concert or as a “group” (as defined under Section 13 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”)), will be restricted from redeeming its shares with respect to more than an aggregate of 15% or more of the Public Shares, without the prior consent of the Company.

The Sponsor has agreed (a) to waive redemption rights with respect to the Founder Shares and Public Shares held by them in connection with the completion of a Business Combination and (b) not to propose an amendment to the Amended and Restated Certificate of Incorporation (i) to modify the substance or timing of the Company's obligation to allow redemption in connection with the Company's initial Business Combination and certain amendments to the Amended and Restated Certificate of Incorporation or to redeem 100% of its Public Shares if the Company does not complete a Business Combination or (ii) with respect to any other provision relating to stockholders' rights or pre-initial Business Combination activity, unless the Company provides the public stockholders with the opportunity to redeem their Public Shares in conjunction with any such amendment.

The Company will have until June 11, 2023 to complete a Business Combination (the "**Combination Period**"). If the Company is unable to complete a Business Combination within the Combination Period and stockholders do not approve an amendment to the Amended and Restated Certificate of Incorporation to extend this date, the Company will (i) cease all operations except for the purpose of winding up, (ii) as promptly as reasonably possible but not more than ten business days thereafter, redeem the Public Shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account including interest (which interest shall be net of taxes payable, and less up to \$100,000 of interest to pay dissolution expenses), divided by the number of then outstanding Public Shares, which redemption will completely extinguish public stockholders' rights as stockholders (including the right to receive further liquidating distributions, if any), subject to applicable law, and (iii) as promptly as reasonably possible following such redemption, subject to the approval of the Company's remaining stockholders and the Company's board of directors, dissolve and liquidate, subject in the case of clauses (ii) and (iii) to the Company's obligations under Delaware law to provide for claims of creditors and the requirements of other applicable law.

The Sponsor has agreed to waive liquidation rights with respect to the Founder Shares if the Company fails to complete a Business Combination within the Combination Period. However, if the Sponsor acquires Public Shares in or after the Initial Public Offering, such Public Shares will be entitled to liquidating distributions from the Trust Account if the Company fails to complete a Business Combination within the Combination Period. The underwriters have agreed to waive their rights to their deferred underwriting commission (see Note 6) held in the Trust Account in the event the Company does not complete a Business Combination within the Combination Period and, in such event, such amounts will be included with the other funds held in the Trust Account that will be available to fund the redemption of the Public Shares. In the event of such distribution, it is possible that the per share value of the assets remaining available for distribution will be less than the Initial Public Offering price per Public Share (\$10.00).

In order to protect the amounts held in the Trust Account, the Sponsor has agreed to be liable to the Company if and to the extent any claims by a vendor for services rendered or products sold to the Company, or a prospective target business with which the Company has discussed entering into a transaction agreement, reduce the amount of funds in the Trust Account to below (i) \$10.40 per Public Share or (ii) such lesser amount per Public Share held in the Trust Account as of the date of the liquidation of the Trust Account due to reductions in the value of trust assets, in each case net of the interest which may be withdrawn to pay the Company's tax obligation and up to \$100,000 for liquidation excepts, except as to any claims by a third party who executed a waiver of any and all rights to seek access to the Trust Account (even if such waiver is deemed to be unenforceable) and except as to any claims under the Company's indemnity of the underwriters of Initial Public Offering against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "**Securities Act**"). Moreover, in the event that an executed waiver is deemed to be unenforceable against a third party, the Sponsor will not be responsible to the extent of any liability for such third-party claims. The Company will seek to reduce the possibility that the Sponsor will have to indemnify the Trust Account due to claims of creditors by endeavoring to have all vendors, service providers (except the Company's independent registered public accounting firm), prospective target businesses or other entities with which the Company does business, execute agreements with the Company waiving any right, title, interest or claim of any kind in or to monies held in the Trust Account.

Going Concern Consideration

As of December 31, 2021, the Company had \$494,693 in cash held outside of the Trust Account and working capital of \$391,964. The Company has incurred and expects to continue to incur significant costs in pursuit of its acquisition plans. These conditions raise substantial doubt about the Company's ability to continue as a going concern for a period of time within one year after the date that the financial statements are issued. Management plans to address this uncertainty through the Business Combination as discussed above. There is no assurance that the Company's plans to consummate the Business Combination will be successful or successful within the Combination Period. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Risks and Uncertainties

Management continues to evaluate the impact of the COVID-19 pandemic on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Company's financial position, results of its operations, and/or search for a target company, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statement is presented in conformity with accounting principles generally accepted in the United States of America (“**GAAP**”) and pursuant to the rules and regulations of the SEC.

Emerging Growth Company

The Company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the “**JOBS Act**”), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents. The Company did not have any cash equivalents as of December 31, 2021.

Investments Held in Trust Account

As of December 31, 2021, the Company had \$171,811,812 in investments held in the Trust Account. The assets held in the Trust Account were held in money market funds, which are invested in U.S. Treasury securities.

Class A Common Stock Subject to Possible Redemption

All of the 16,680,000 shares of Class A common stock sold as part of the Units in the Initial Public Offering contain a redemption feature which allows for the redemption of such Public Shares in connection with the Company's liquidation, if there is a shareholder vote or tender offer in connection with the Business Combination and in connection with certain amendments to the Company's Amended and Restated Certificate of Incorporation. In accordance with SEC and its staff's guidance on redeemable equity instruments, which has been codified in Accounting Standards Codification ("ASC") 480-10-S99, redemption provisions not solely within the control of the Company require common stock subject to redemption to be classified outside of permanent equity. Therefore, all Class A common stock has been classified outside of permanent equity.

The Company recognizes changes in redemption value immediately as they occur and adjusts the carrying value of redeemable common stock to equal the redemption value at the end of each reporting period. Increases or decreases in the carrying amount of redeemable common stock are affected by charges against additional paid in capital and accumulated deficit.

As of December 31, 2021, the Class A common stock reflected in the balance sheet are reconciled in the following table:

Gross proceeds	\$ 166,800,000
Less:	
Issuance costs allocated to Class A common stock	(9,485,615)
Proceeds allocated to over-allotment option	(112,500)
Plus:	
Remeasurement of carrying value to redemption value	<u>9,598,115</u>
Class A common stock subject to possible redemption	<u><u>\$ 166,800,000</u></u>

Offering Costs Associated with the Initial Public Offering

The Company complies with the requirements of ASC 340-10-S99-1 and SEC Staff Accounting Bulletin Topic 5A — *Expenses of Offering*. Offering costs consist principally of professional and registration fees incurred through the balance sheet date that are related to the Initial Public Offering. Offering costs directly attributable to the issuance of an equity contract to be classified in equity are recorded as a reduction in equity. Offering costs for equity contracts that are classified as assets and liabilities are expensed immediately. The Company incurred offering costs amounting to \$9,515,489 as a result of the Initial Public Offering (consisting of a \$3,336,000 underwriting fee, \$5,838,000 of deferred underwriting fees and \$341,489 of other offering costs). The Company recorded \$9,515,489 of offering costs as a reduction of equity in connection with the shares of Class A common Stock included in the Public Shares.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes under ASC 740, *Income Taxes*. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. There were no unrecognized tax benefits and no amounts accrued for interest and penalties as of December 31, 2021. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. The Company is subject to income tax examinations by major taxing authorities since inception.

Net Loss Per Common Share

Net loss per common share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. As the Public Shares are considered to be redeemable at fair value, and a redemption at fair value does not amount to a distribution different than other stockholders, Class A and Class B common stock are presented as one class of stock in calculating net loss per share. As a result, the calculated net loss per share is the same for Class A and Class B shares of common stock. At December 31, 2021, the Company did not have any dilutive securities and other contracts that could, potentially, be exercised or converted into shares of common stock and then share in the earnings of the Company. As a result, diluted loss per share is the same as basic loss per share for the periods presented.

The following table reflects the calculation of basic and diluted net loss per common share (in dollars, except per share amounts):

	For the period from January 22, 2021 (inception) through December 31, 2021	
	Class A	Class B
Basic and diluted net loss per share:		
Numerator:		
Net loss	<u>\$ (729,596)</u>	<u>\$ (282,549)</u>
Denominator:		
Basic and diluted weighted average shares outstanding	<u>10,576,596</u>	<u>4,095,984</u>
Basic and diluted net loss per share	<u>\$ (0.07)</u>	<u>\$ (0.07)</u>

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of a cash account in a financial institution, which, at times, may exceed the Federal Depository Insurance Coverage of \$250,000. The Company has not experienced losses on this account and management believes the Company is not exposed to significant risks on such account.

Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities, which qualify as financial instruments under FASB ASC Topic 820, Fair Value Measurement ("ASC 820"), approximates the carrying amounts represented in the accompanying balance sheet, primarily due to their short-term nature.

The Company applies ASC 820, which establishes a framework for measuring fair value and clarifies the definition of fair value within that framework. ASC 820 defines fair value as an exit price, which is the price that would be received for an asset or paid to transfer a liability in the Company's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

The fair value hierarchy established in ASC 820 generally requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect the assumptions that market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the entity's own assumptions based on market data and the entity's judgments about the assumptions that market participants would use in pricing the asset or liability and are to be developed based on the best information available in the circumstances.

The carrying amounts reflected in the balance sheet for cash, prepaid expenses and other current assets, due to a related party, and accrued expenses approximate fair value due to their short-term nature.

Level 1 — Assets and liabilities with unadjusted, quoted prices listed on active market exchanges. Inputs to the fair value measurement are observable inputs, such as quoted prices in active markets for identical assets or liabilities.

Level 2 — Inputs to the fair value measurement are determined using prices for recently traded assets and liabilities with similar underlying terms, as well as direct or indirect observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 — Inputs to the fair value measurement are unobservable inputs, such as estimates, assumptions, and valuation techniques when little or no market data exists for the assets or liabilities.

The following table presents information about the Company's financial assets that are measured at fair value on a recurring basis as of December 31, 2021, and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

Description	Amount at Fair Value	Level 1	Level 2	Level 3
December 31, 2021				
Assets				
Investments held in Trust				
Account:				
Money Market investments	\$ 171,811,812	\$ 171,811,812	\$ —	\$ —

The Company utilized a Modified Black-Scholes simulation model to value the over-allotment option at initial measurement, upon partial exercise of the over-allotment option, and each reporting period, with changes in fair value recognized in the statement of operations. The estimated fair value of the over-allotment options are determined using Level 3 inputs. Inherent in a binomial options pricing model are assumptions related to expected share-price volatility, expected life, risk-free interest rate and dividend yield. The Company estimates the volatility of its ordinary shares based on historical volatility that matches the expected remaining life of the over-allotment option. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity similar to the expected remaining life of the over-allotment option. The expected life of the over-allotment option is assumed to be equivalent to their remaining contractual term. The dividend rate is based on the historical rate, which the Company anticipates to remain at zero.

The following table provides the significant inputs to the Black-Scholes simulation for the fair value of the over-allotment option:

	At June 11, 2021 (Initial Measurement)	At June 16, 2021 (Partial Exercise)	At June 30, 2021
Stock price	\$ 10.00	\$ 9.95	\$ 9.98
Exercise price	\$ 10.00	\$ 10.00	\$ 10
Dividend yield	—%	—%	—%
Expected term (in years)	0.12	0.11	0.07
Volatility	3.80%	3.89%	3.50%
Risk-free rate	0.01%	0.04%	0.05%
Fair value of over-allotment options	\$ 0.05	\$ 0.03	\$ 0.03

Recent Accounting Standards

In August 2020, the Financial Accounting Standards Board (“**FASB**”) issued Accounting Standards Update (“**ASU**”) 2020-06, Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40) (“**ASU 2020-06**”) to simplify accounting for certain financial instruments. ASU 2020-06 eliminates the current models that require separation of beneficial conversion and cash conversion features from convertible instruments and simplifies the derivative scope exception guidance pertaining to equity classification of contracts in an entity’s own equity. The new standard also introduces additional disclosures for convertible debt and freestanding instruments that are indexed to and settled in an entity’s own equity. ASU 2020-06 amends the diluted earnings per share guidance, including the requirement to use the if-converted method for all convertible instruments. ASU 2020-06 is effective January 1, 2023 and should be applied on a full or modified retrospective basis, with early adoption permitted beginning on January 1, 2021. The Company is currently assessing the impact, if any, that ASU 2020-06 would have on its financial position, results of operations or cash flows.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the Company’s financial statements.

NOTE 3. INITIAL PUBLIC OFFERING

Pursuant to the Initial Public Offering, the Company sold 16,680,000 Public Shares, which includes the partial exercise by the underwriters of their over-allotment option in the amount of 1,680,000, at \$10.00 per Public Share, generating gross proceeds of \$166,800,000.

NOTE 4. PRIVATE PLACEMENT

Simultaneously with the closing of the Initial Public Offering, the Sponsor purchased an aggregate of 1,090,000 Private Placement Shares at a price of \$10.00 per Private Placement Share, generating gross proceeds of \$10,900,000. On June 16, 2021, the underwriters notified the Company of their intention to exercise the over-allotment option in part, resulting in the Sponsor paying an aggregate of \$1,008,000 in exchange for 100,800 Over-Allotment Private Placement Shares.

The proceeds from the sale of the Private Placement Shares and Over-Allotment Private Placement Shares were added to the net proceeds from the Initial Public Offering held in the Trust Account. If the Company does not complete a Business Combination within the Combination Period, the proceeds from the sale of the Private Placement Shares and Over-Allotment Private Placement Shares will be used to fund the redemption of the Public Shares (subject to the requirements of applicable law) and the Private Placement Shares and Over-Allotment Private Placement Shares will expire worthless.

NOTE 5. RELATED PARTY TRANSACTIONS

Founder Shares

On February 3, 2021, the Sponsor paid \$25,000 to cover certain offering costs of the Company in consideration for 5,031,250 shares of Class B common stock (the “**Founder Shares**”). The Founder Shares include an aggregate of up to 562,500 shares subject to forfeiture to the extent that the underwriter’s over-allotment is not exercised in full or in part, so that the Sponsor will own 20% of the Company’s issued and outstanding shares upon the completion of the Initial Public Offering. On June 8, 2021, the Sponsor surrendered 718,750 Founder Shares for no consideration. On June 16, 2021, the underwriters partially exercised the over-allotment option to purchase an additional 1,680,000 shares (see Note 6). On July 26, 2021, 142,500 Founder Shares were forfeited upon the expiration of the underwriters’ over-allotment option, resulting in an aggregate of 4,170,000 Founder Shares outstanding.

The Sponsor has agreed that, subject to certain limited exceptions, the Founder Shares will not be transferred, assigned, sold or released from escrow until the earlier of (a) one year after the completion of a Business Combination or (b) the date on which the Company completes a liquidation, merger, capital stock exchange or other similar transaction after a Business Combination that results in all of the Company’s stockholders having the right to exchange their Class A common stock for cash, securities or other property.

Notwithstanding the foregoing, if (i) the closing price of the Company’s Class A common stock equals or exceeds \$12.00 per share (as adjusted for stock splits, stock capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after the Business Combination or (ii) if the Company consummates a transaction after the Business Combination which results in the Company’s stockholders having the right to exchange their shares for cash, securities or other property, the founder shares will be released from the lock-up.

Due to Related Parties

An affiliate of the Sponsor and the Sponsor have paid \$71,382 to cover certain operating costs and offering costs on behalf of the Company. A portion of the outstanding balance was paid on January 20, 2022 in the amount of \$11,382. As of December 31, 2021, the Company owed \$60,000 to the Sponsor and \$11,382 to an affiliate of the sponsor.

Related Party Loans

In order to finance transaction costs in connection with a Business Combination, the Sponsor or an affiliate of the Sponsor, or certain of the Company's officers and directors may, but are not obligated to, loan the Company funds as may be required ("**Working Capital Loans**"). If the Sponsor makes any Working Capital Loans, such loans may be converted into shares of Class A common stock, at the price of \$10.00 per share at the option of the lender. If the Company completes a Business Combination, the Company would repay the Working Capital Loans out of the proceeds held in the Trust Account released to the Company.

Otherwise, the Working Capital Loans would be repaid only out of funds held outside the Trust Account. In the event that a Business Combination is not completed, the Company may use a portion of the proceeds held outside the Trust Account to repay the Working Capital Loans but no proceeds held in the Trust Account would be used to repay the Working Capital Loans. Except for the foregoing, the terms of such Working Capital Loans, if any, have not been determined and no written agreements exist with respect to such loans. The Working Capital Loans would either be repaid upon consummation of a Business Combination, without interest, or, at the lender's discretion, up to \$1,000,000 of such Working Capital Loans may be convertible into shares of Class A common stock at a price of \$10.00 per share. As of December 31, 2021, the Company does not have any outstanding related party loans.

Consulting Agreement

The Company entered into an agreement with a related party on January 26, 2021, to pay the related party a total of \$25,000 per month for research, financial analysis, due diligence, bookkeeping and other administrative services from formation through the completed business combination. For the period from January 22, 2021 (inception) through December 31, 2021, the Company incurred \$280,000 in fees for these services. As of December 31, 2021, \$25,000 related to this agreement is recorded in due to related parties on the balance sheet.

Administrative Support Agreement

The Company entered into an agreement, commencing on the effective date of the Initial Public Offering, to pay the Sponsor a total of \$10,000 per month for office space, administrative and support services. Upon the completion of the Business Combination or the Company's liquidation, the Company will cease paying these monthly fees. For the period from January 22, 2021 (inception) through December 31, 2021, the Company incurred \$67,333 in fees for these services. As of December 31, 2021, \$67,333 related to this agreement is recorded in due to related parties on the balance sheet.

NOTE 6. COMMITMENTS

Registration Rights Agreement

The holders of the Founder Shares and Private Placement Shares are entitled to registration rights, requiring the Company to register such securities for resale (in the case of the Founder Shares, only after conversion to shares of Class A common stock). The holders of the majority of these securities are entitled to make up to three demands, excluding short form demands, that the Company register such securities.

In addition, the holders have certain "piggy-back" registration rights with respect to registration statements filed subsequent to the completion of a Business Combination and rights to require the Company to register for resale such securities pursuant to Rule 415 under the Securities Act. The registration rights agreement does not contain liquidating damages or other cash settlement provisions resulting from delays in registering the Company's securities. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

Underwriting Agreement

The Company granted the underwriter a 45-day option to purchase up to 2,250,000 additional shares of Class A common stock to cover over-allotments at the Initial Public Offering price, less the underwriting discounts and commissions. On June 16, 2021, the Underwriters partially exercised the over-allotment option and purchased an additional 1,680,000 Over-Allotment Shares for an aggregate purchase price of \$16,800,000. The remaining 570,000 shares were not exercised by the underwriter and expired on July 26, 2021.

The underwriter was paid a cash underwriting fee of \$0.20 per share, or \$3,336,000 in the aggregate. In addition, \$0.35 per share, or \$5,838,000 in the aggregate will be payable to the underwriter for deferred underwriting commissions. The deferred fee will become payable to the underwriter from the amounts held in the Trust Account solely in the event that the Company completes a Business Combination, subject to the terms of the underwriting agreement.

NOTE 7. STOCKHOLDER'S EQUITY

Preferred stock — The Company is authorized to issue up to 1,000,000 shares of preferred stock with a par value of \$0.0001 per share with such designations, voting and other rights and preferences as may be determined from time to time by the Company's board of directors. At December 31, 2021, there were no shares of preferred stock issued or outstanding.

Class A common stock — The Company is authorized to issue up to 100,000,000 shares of Class A common stock with a par value of \$0.0001 per share. Holders of the Class A common stock are entitled to one vote for each share. As of December 31, 2021, there were 17,870,800 shares of Class A common stock issued and 1,190,800 shares of Class A common stock outstanding, excluding 16,680,000 shares of Class A common stock subject to possible redemption.

Class B common stock — The Company is authorized to issue up to 10,000,000 shares of Class B common stock with a par value of \$0.0001 per share. Holders of Class B common stock are entitled to one vote for each share. On February 3, 2021, the Company issued an aggregate of 5,031,250 shares of Class B common stock to the Sponsor. On June 8, 2021, the Sponsor surrendered 718,750 shares of Class B common stock for no consideration. On July 26, 2021, the Sponsor forfeited an additional 142,500 of Class B common stock for no consideration, resulting in an aggregate of 4,170,000 shares of Class B common stock outstanding. Shares and associated amounts have been retroactively restated to reflect the share surrender.

Holders of Class A common stock and Class B common stock will vote together as a single class on all other matters submitted to a vote of shareholders except as required by law. Prior to a Business Combination, holders of Class B common stock will have the right to elect all of the Company's directors and may remove members of the board of directors for any reason, and holders of the Class A common stock will not be entitled to vote on the appointment of directors during such time.

The Founder Shares are identical to the shares of Class A common stock sold in the Initial Public Offering, and holders of Founder Shares have the same stockholder rights as public stockholders, except that (i) the Founder Shares are subject to certain transfer restrictions, (ii) the Sponsor, officers and directors have entered into a letter agreement with the Company, pursuant to which they have agreed (A) to waive their redemption rights with respect to any Founder Shares and any Public Shares held by them in connection with the completion of an initial Business Combination, (B) to waive their redemption rights with respect to their Founder Shares and Public Shares in connection with a stockholder vote to approve an amendment to the Amended and Restated Certificate of Incorporation (x) to modify the substance or timing of the ability of holders of the Public Shares to seek redemption in connection with an initial Business Combination or the obligation to redeem 100% of the Public Shares if the Company does not complete an initial Business Combination within 24 months from the closing of the Initial Public Offering or (y) with respect to any other provision relating to stockholders' rights or pre-initial Business Combination activity and (C) to waive their rights to liquidating distributions from the Trust Account with respect to any Founder Shares held by them if the Company fails to complete an initial Business Combination within 24 months from the closing of the Initial Public Offering, although they will be entitled to liquidating distributions from the Trust Account with respect to any Public Shares they hold if the Company fails to complete an initial Business Combination within such time period, (iii) they are entitled to registration rights, and (iv) the anchor investors have agreed to waive their right to liquidating distributions from the Trust Account with respect to any Founder Shares held by them if the Company fails to complete an initial Business Combination within the prescribed time frame, although they will be entitled to liquidating distributions from the Trust Account with respect to any Public Shares they hold if the Company fails to complete an initial Business Combination within the prescribed time frame. If the Company submits an initial Business Combination to the public stockholders for a vote, the Sponsor, officers and directors have agreed pursuant to the letter agreement to vote any Founder Shares held by them and any Public Shares purchased during or after the Initial Public Offering (including in open market and privately negotiated transactions) in favor of an initial Business Combination. Permitted transferees of the Founder Shares held by the Sponsor, officers and directors would be subject to the same restrictions applicable to the Sponsor, officers or directors, respectively.

The Founder Shares will automatically convert into shares of common stock concurrently with or immediately following the consummation of an initial Business Combination on a one-for-one basis, subject to adjustment for stock splits, stock dividends, reorganizations, recapitalizations and the like, and subject to further adjustment as provided herein. In the case that additional shares of common stock or equity-linked securities are issued or deemed issued in connection with an initial Business Combination, the number of shares of common stock issuable upon conversion of all Founder Shares will equal, in the aggregate, on an as-converted basis, 20% of the total number of shares of common stock outstanding after such conversion (after giving effect to any redemptions of shares of common stock by public stockholders), including the total number of shares of common stock issued, or deemed issued or issuable upon conversion or exercise of any equity-linked securities or rights issued or deemed issued, by the Company in connection with or in relation to the consummation of an initial Business Combination, excluding any shares of common stock or equity-linked securities or rights exercisable for or convertible into shares of common stock issued, or to be issued, to any seller in an initial Business Combination.

With certain limited exceptions, the Founder Shares are not transferable, assignable or salable (except to the officers and directors and other persons or entities affiliated with or related to the Sponsor, each of whom will be subject to the same transfer restrictions) until the earlier of (A) one year after the completion of an initial Business Combination or (B) subsequent to an initial Business Combination, (x) if the last reported sale price of the Company's common stock equals or exceeds \$12.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after an initial Business Combination, or (y) the date on which the Company completes a liquidation, merger, capital stock exchange, reorganization or other similar transaction that results in all of the stockholders having the right to exchange their shares of common stock for cash, securities or other property.

Until the earlier of (i) the consummation of a Business Combination or (ii) the liquidation of the Company, the Company shall distribute quarterly on a pro-rata basis to the holders of record of the Public Shares within fifteen (15) days from the end of the prior quarter, a dividend in the amount of \$0.05 per Public Share out of amount contained in the Trust Account. In addition, at the closing of a Business Combination, holders of Public Shares that have elected to not exercise their Redemption Rights in connection with such Business Combination shall receive a dividend in the amount of \$0.05 per Public Share.

NOTE 8. INCOME TAX

For the period from January 22, 2021 (inception) through December 31, 2021 the income tax provision consists of the following:

Federal	
Current	\$ —
Deferred	(225,569)
State	
Current	\$ —
Deferred	—
Change in valuation allowance	225,569
Income tax provision	<u>\$ —</u>

For the period from January 22, 2021 (inception) through December 31, 2021 a reconciliation of the statutory federal income tax rate to the Company's effective tax rate is as follows:

Statutory federal income tax rate	21.0%
State taxes, net of federal tax benefit	0.0%
Other	0.0%
Change in fair value of over-allotment option	<u>1.3%</u>
Change in valuation allowance	<u>(22.3)%</u>
Income tax provision	<u>0.0%</u>

The Company's effective tax rates for the period presented differ from the expected (statutory) rates due to the recording of full valuation allowances on deferred tax assets and permanent differences.

The Company files income tax returns in the U.S. federal jurisdiction which remain open and subject to examination.

The Company's net deferred tax assets (liabilities) as of December 31, 2021 is as follows:
Deferred tax assets:

Deferred tax assets:	
Start-up costs	\$ 187,741
Net operating loss carry forwards	37,828
	<hr/>
Total deferred tax assets	225,569
Valuation allowance	(225,569)
	<hr/>
Deferred tax assets, net of allowance	\$ <u><u>—</u></u>

As of December 31, 2021, the Company has available U.S. federal operating loss carry forwards of \$180,133 that may be carried forward indefinitely.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences representing future deductible amounts become deductible. Management considers the scheduled reversal of deferred tax assets, projected future taxable income and tax planning strategies in making this assessment. After consideration of all the information available, management believes that significant uncertainty exists with respect to future realization of the deferred tax assets and has therefore established a full valuation allowance. For the period ended December 31, 2021, the change in the valuation allowance was \$225,569.

NOTE 9. SUBSEQUENT EVENTS

On January 3, 2022, the Company entered into an arrangement with Morgan Stanley & Co. LLC (“**Morgan Stanley**”) in which the Company retained Morgan Stanley to provide financial advisory services in connection with the potential business combination. As compensation for such services, the Company is to pay Morgan Stanley a financial advisory fee of \$4,250,000, which shall be payable contingent upon the consummation of the business combination.

On January 4, 2022, the Company entered into a letter agreement with BTIG, LLC (“**BTIG**”) in which the company retains BTIG to provide strategic and capital markets advisory services. As compensation for such services, the Company is to pay BTIG an advisory fee of \$2,000,000 which becomes payable upon the consummation of the business combination. However, the fee will not be paid if BTIG receives a fee in connection with its role as a lead placement agent to Hypebeast in a private placement in connection with the business combination. In addition, the Company will reimburse all of BTIG's reasonable out-of-pocket costs and expenses incurred in connection with its activities up to \$25,000.

On January 14, 2022, the Company paid a cash dividend to the holders of record of the Public Shares as of January 7, 2022 in the amount of \$0.05 per Public Share out of its Trust Account. The Company is obligated to make such dividend payments to holders of Public Shares on a quarterly basis until the earlier of (i) the consummation of a Business Combination or (ii) the liquidation of the Company. The next dividend shall be paid to holders of Public Shares in April 2022.

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the financial statements were issued. Based upon this review, the Company did not identify any other subsequent events that would have required adjustment or disclosure in the financial statements.

IRON SPARK I INC.
CONDENSED BALANCE SHEETS (UNAUDITED)

	March 31, 2022	December 31, 2021
	(Unaudited)	(Audited)
ASSETS		
Current assets:		
Cash	\$ 286,895	\$ 494,693
Prepaid expenses and other current assets	<u>319,052</u>	<u>281,141</u>
Total current assets	605,947	775,834
Investments held in Trust Account	170,982,036	171,811,812
Prepaid expenses, non-current	<u>48,901</u>	<u>116,609</u>
Total assets	<u>\$ 171,636,884</u>	<u>\$ 172,704,255</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Due to related parties	\$ 159,170	\$ 163,715
Franchise taxes payable	236,712	187,945
Accrued advisory fees	7,000,000	—
Accrued expenses	<u>855,517</u>	<u>32,210</u>
Total current liabilities	8,251,399	383,870
Deferred underwriting fee payable	<u>5,838,000</u>	<u>5,838,000</u>
Total liabilities	<u>14,089,399</u>	<u>6,221,870</u>
Commitments (Note 6)		
Class A common stock subject to possible redemption, 16,680,000 shares at redemption value as of March 31, 2022 and December 31, 2021, respectively	166,800,000	166,800,000

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Stockholders' Deficit		
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; none issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	—	—
Class A common stock, \$0.0001 par value; 100,000,000 shares authorized; 17,870,800 shares issued and 1,190,800 shares outstanding (excluding 16,680,000 shares subject to possible redemption) as of March 31, 2022 and December 31, 2021, respectively	119	119
Class B common stock, \$0.0001 par value; 10,000,000 shares authorized; 4,170,000 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	417	417
Additional paid-in capital	2,361,994	2,361,994
Accumulated deficit	(11,615,045)	(2,680,145)
	<hr/>	<hr/>
Total stockholders' deficit	(9,252,515)	(317,615)
	<hr/>	<hr/>
Total liabilities and stockholders' deficit	\$ 171,636,884	\$ 172,704,255
	<hr/> <hr/>	<hr/> <hr/>

IRON SPARK I INC.

**UNAUDITED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)**

	For the Three Months Ended March 31, 2022	For the Period from January 22, 2021 (inception) Through March 31, 2021
Operating and formation costs	\$ 8,056,357	\$ 1,300
Loss from operations	<u>(8,056,357)</u>	<u>(1,300)</u>
Interest income on Trust Account	4,224	—
Franchise taxes expense	<u>(48,767)</u>	<u>—</u>
Net loss	<u><u>(8,100,900)</u></u>	<u><u>(1,300)</u></u>
Basic and diluted weighted average shares outstanding	<u><u>22,040,800</u></u>	<u><u>3,750,000⁽¹⁾</u></u>
Basic and diluted net loss per share	<u><u>\$ (0.37)</u></u>	<u><u>\$ (0.00)</u></u>

- (1) This number excludes up to 562,500 shares of Class B common stock subject to forfeiture if the over-allotment option was not exercised in full or in part by the underwriters (see Note 5).

IRON SPARK I INC.

CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) (UNAUDITED)

From January 22, 2021 (inception) through March 31, 2021

	Common Stock				Additional Paid- in Capital	Accumulated Deficit	Total Stockholders' Equity
	Class A		Class B				
	<i>Shares</i>	<i>Amount</i>	<i>Shares</i>	<i>Amount</i>			
Balance at January 22, 2021 (inception)	—	\$ —	—	\$ —	\$ —	\$ —	\$ —
Issuance of Class B common stock to Sponsor	—	—	4,312,500	431	24,569	—	25,000
Net loss	—	—	—	—	—	(1,300)	(1,300)
Balance at March 31, 2021	—	\$ —	4,312,500	\$ 431	\$ 24,569	\$ (1,300)	\$ 23,700

Three Months Ended March 31, 2022

	Common Stock				Additional Paid- in Capital	Accumulated Deficit	Total Stockholders' Equity
	Class A		Class B				
	<i>Shares</i>	<i>Amount</i>	<i>Shares</i>	<i>Amount</i>			
Balance at January 1, 2022	1,190,800	\$ 119	4,170,000	\$ 417	\$ 2,361,994	\$ (2,680,145)	\$ (317,615)
Payment of dividend to Class A Public Shareholders	—	—	—	—	—	(834,000)	(834,000)
Net loss	—	—	—	—	—	(8,100,900)	(8,100,900)
Balance at March 31, 2022	1,190,800	\$ 119	4,170,000	\$ 417	\$ 2,361,994	\$ (11,615,045)	\$ (9,252,515)

IRON SPARK I INC.
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Three Months Ended March 31, 2022	For the Period from January 22, 2021 (inception) Through March 31, 2021
Cash Flows from Operating Activities:		
Net loss	(8,100,900)	(1,300)
Adjustments to reconcile net loss to net cash used in operating activities:		
Interest income on investments held in Trust Account	(4,224)	—
Amortization of prepaid expenses and other assets	87,485	—
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(57,688)	(1,812)
Due to related parties	(4,545)	—
Accrued advisory fees	7,000,000	—
Accrued expenses	823,307	1,000
Franchise taxes payable	48,767	—
	<hr/>	<hr/>
Net cash used in operating activities	(207,798)	(2,112)
	<hr/>	<hr/>
Cash Flows from Financing Activities:		
Proceeds from sale of common stock to Sponsor	—	25,000
Proceeds from advance from Sponsor	—	5,000
Payment of offering costs	—	(26,956)
	<hr/>	<hr/>
Net cash provided by financing activities	—	3,044
	<hr/>	<hr/>
Net Change in Cash	(207,798)	932
Cash — Beginning of Period	494,693	—
	<hr/>	<hr/>
Cash — End of Period	\$ 286,895	\$ 932
	<hr/> <hr/>	<hr/> <hr/>

	For the Three Months Ended March 31, 2022	For the Period from January 22, 2021 (inception) Through March 31, 2021
Supplemental disclosures of investing and financing activities:		
Payment of dividend to Class A Public Shareholders from trust account	\$ <u>834,000</u>	\$ <u>—</u>
Supplemental disclosures of noncash investing and financing activities:		
Deferred offering costs included in due to Sponsor	\$ <u>—</u>	\$ <u>74,250</u>
Deferred offering costs included in accrued offering costs	\$ <u>—</u>	\$ <u>25,000</u>

IRON SPARK I INC.
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF ORGANIZATION, BUSINESS OPERATIONS AND GOING CONCERN

Iron Spark I Inc. (the “**Company**”) is a blank check company incorporated in Delaware on January 22, 2021. The Company was formed for the purpose of entering into a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses or entities (a “**Business Combination**”). The Company is not limited to a particular industry or geographic region for purposes of consummating a Business Combination. The Company is an early stage and emerging growth company and, as such, the Company is subject to all of the risks associated with early stage and emerging growth companies.

As of March 31, 2022, the Company had not commenced any operations. All activity for the three months ended March 31, 2022 and for the period from January 22, 2021 (inception) through December 31, 2021 relates to the Company’s formation and the initial public offering (“**Initial Public Offering**”), which is described below, and since the closing of the Initial Public Offering, the search for a prospective initial Business Combination. The Company will not generate any operating revenues until after the completion of a Business Combination, at the earliest. The Company will generate non-operating income in the form of interest income from the proceeds derived from the Initial Public Offering.

The registration statement for the Company’s Initial Public Offering was declared effective on June 8, 2021. On June 11, 2021, the Company consummated its Initial Public Offering of 15,000,000 shares of Class A common stock (the “**Public Shares**”). The Shares were sold at a price of \$10.00 per Public Share, generating gross proceeds to the Company of \$150,000,000, which is discussed in Note 3.

Simultaneously with the closing of the Initial Public Offering, the Company consummated the sale of 1,090,000 shares (the “**Private Placement Shares**”) at a price of \$10.00 per Private Placement Share in a private placement to Iron Spark I LLC (the “**Sponsor**”), generating gross proceeds of \$10,900,000, which is described in Note 4.

The Company granted the underwriters in the Initial Public Offering (the “**Underwriters**”) a 45-day option to purchase up to 2,250,000 additional Shares to cover over-allotments, if any. On June 16, 2021, the Underwriters partially exercised the over-allotment option and purchased an additional 1,680,000 shares (the “**Over-Allotment Shares**”), generating gross proceeds of \$16,800,000. The remaining 570,000 shares were not exercised by the underwriter and expired on July 26, 2021.

Simultaneously with the closing of the exercise of the over-allotment option, the Company consummated the sale of 100,800 shares (the “**Over-Allotment Private Placement Shares**”) at a purchase price of \$10.00 per share in a private placement to the Sponsor, generating gross proceeds of \$1,008,000.

Following the closing of the Initial Public Offering on June 11, 2021, an amount of \$173,472,000 (\$10.40 per Public Share) from the net proceeds of the sale of the Public Shares in the Initial Public Offering, the sale of the Private Placement Shares, the sale of the Over-Allotment Shares, and the exercise of the over-allotment option was placed in a U.S.-based trust account (the “**Trust Account**”), and were invested in U.S. government securities, within the meaning set forth in Section 2(a)(16) of the Investment Company Act, with maturities of 185 days or less or in money market funds meeting certain conditions under Rule 2a-7 under the Investment Company Act, which invest only in direct U.S. government treasury obligations, as determined by the Company, until the earlier of: (i) the completion of a Business Combination and (ii) the distribution of the funds held in the Trust Account, as described below.

Transaction costs related to the issuances described above amounted to \$9,515,489, consisting of \$3,336,000 of cash underwriting fees, \$5,838,000 of deferred underwriting fees and \$341,489 of other costs.

In addition, at March 31, 2022, \$286,895 of cash was held outside of the Trust Account and is available for working capital purposes.

The Company’s management has broad discretion with respect to the specific application of the net proceeds of the Initial Public Offering and the sale of the Private Placement Shares, although substantially all of the net proceeds are intended to be applied generally toward consummating a Business Combination.

There is no assurance that the Company will be able to complete a Business Combination successfully. The Company must complete a Business Combination with one or more target businesses that together have an aggregate fair market value of at least 80% of the value of the Trust Account (excluding the deferred underwriting commissions and taxes payable on income earned on the Trust Account) at the time of the agreement to enter into an initial Business Combination. The Company will only complete a Business Combination if the post-transaction company owns or acquires 50% or more of the outstanding voting securities of the target or otherwise acquires a controlling interest in the target sufficient for it not to be required to register as an investment company under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”).

The Company will provide its holders of the outstanding Public Shares (the “**public stockholders**”) with the opportunity to redeem all or a portion of their Public Shares upon the completion of a Business Combination either (i) in connection with a stockholder meeting called to approve the Business Combination or (ii) by means of a tender offer. The decision as to whether the Company will seek stockholder approval of a Business Combination or conduct a tender offer will be made by the Company, solely in its discretion. The public stockholders will be entitled to redeem their Public Shares for \$10.00. In addition, concurrently with the release of funds from the Trust Account, non-redeeming stockholders will receive \$0.05 per share (assuming that the Company did not previously distribute \$0.40 per share in dividends) and the Sponsor will receive amounts remaining in the Trust Account that are in excess of \$10.00 per Public Share.

The Company will proceed with a Business Combination if the Company has net tangible assets of at least \$5,000,001 immediately prior to or upon such consummation of a Business Combination and, if the Company seeks stockholder approval, a majority of the shares voted are voted in favor of the Business Combination. If a stockholder vote is not required by law and the Company does not decide to hold a stockholder vote for business or other legal reasons, the Company will, pursuant to its Amended and Restated Certificate of Incorporation (the “**Amended and Restated Certificate of Incorporation**”), conduct the redemptions pursuant to the tender offer rules of the U.S. Securities and Exchange Commission (“**SEC**”) and file tender offer documents with the SEC containing substantially the same information as would be included in a proxy statement prior to completing a Business Combination. If, however, stockholder approval of the transaction is required by law, or the Company decides to obtain stockholder approval for business or legal reasons, the Company will offer to redeem shares in conjunction with a proxy solicitation pursuant to the proxy rules and not pursuant to the tender offer rules. If the Company seeks stockholder approval in connection with a Business Combination, the Sponsor has agreed to vote its Founder Shares (as defined in Note 5) and any Public Shares purchased during or after the Initial Public Offering in favor of approving a Business Combination. Additionally, each public stockholder may elect to redeem their Public Shares irrespective of whether they vote for or against the initial transaction or do not vote at all.

Notwithstanding the above, if the Company seeks stockholder approval of a Business Combination and it does not conduct redemptions pursuant to the tender offer rules, the Amended and Restated Certificate of Incorporation provides that a public stockholder, together with any affiliate of such stockholder or any other person with whom such stockholder is acting in concert or as a “group” (as defined under Section 13 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”)), will be restricted from redeeming its shares with respect to more than an aggregate of 15% or more of the Public Shares, without the prior consent of the Company.

The Sponsor has agreed (a) to waive redemption rights with respect to the Founder Shares and Public Shares held by them in connection with the completion of a Business Combination and (b) not to propose an amendment to the Amended and Restated Certificate of Incorporation (i) to modify the substance or timing of the Company's obligation to allow redemption in connection with the Company's initial Business Combination and certain amendments to the Amended and Restated Certificate of Incorporation or to redeem 100% of its Public Shares if the Company does not complete a Business Combination or (ii) with respect to any other provision relating to stockholders' rights or pre-initial Business Combination activity, unless the Company provides the public stockholders with the opportunity to redeem their Public Shares in conjunction with any such amendment.

The Company will have until June 11, 2023 to complete a Business Combination (the "**Combination Period**"). If the Company is unable to complete a Business Combination within the Combination Period and stockholders do not approve an amendment to the Amended and Restated Certificate of Incorporation to extend this date, the Company will (i) cease all operations except for the purpose of winding up, (ii) as promptly as reasonably possible but not more than ten business days thereafter, redeem the Public Shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account including interest (which interest shall be net of taxes payable, and less up to \$100,000 of interest to pay dissolution expenses), divided by the number of then outstanding Public Shares, which redemption will completely extinguish public stockholders' rights as stockholders (including the right to receive further liquidating distributions, if any), subject to applicable law, and (iii) as promptly as reasonably possible following such redemption, subject to the approval of the Company's remaining stockholders and the Company's board of directors, dissolve and liquidate, subject in the case of clauses (ii) and (iii) to the Company's obligations under Delaware law to provide for claims of creditors and the requirements of other applicable law.

The Sponsor has agreed to waive liquidation rights with respect to the Founder Shares if the Company fails to complete a Business Combination within the Combination Period. However, if the Sponsor acquires Public Shares in or after the Initial Public Offering, such Public Shares will be entitled to liquidating distributions from the Trust Account if the Company fails to complete a Business Combination within the Combination Period. The underwriters have agreed to waive their rights to their deferred underwriting commission (see Note 6) held in the Trust Account in the event the Company does not complete a Business Combination within the Combination Period and, in such event, such amounts will be included with the other funds held in the Trust Account that will be available to fund the redemption of the Public Shares. In the event of such distribution, it is possible that the per share value of the assets remaining available for distribution will be less than the Initial Public Offering price per Public Share (\$10.00).

In order to protect the amounts held in the Trust Account, the Sponsor has agreed to be liable to the Company if and to the extent any claims by a vendor for services rendered or products sold to the Company, or a prospective target business with which the Company has discussed entering into a transaction agreement, reduce the amount of funds in the Trust Account to below (i) \$10.40 per Public Share or (ii) such lesser amount per Public Share held in the Trust Account as of the date of the liquidation of the Trust Account due to reductions in the value of trust assets, in each case net of the interest which may be withdrawn to pay the Company's tax obligation and up to \$100,000 for liquidation excepts, except as to any claims by a third party who executed a waiver of any and all rights to seek access to the Trust Account (even if such waiver is deemed to be unenforceable) and except as to any claims under the Company's indemnity of the underwriters of Initial Public Offering against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "**Securities Act**"). Moreover, in the event that an executed waiver is deemed to be unenforceable against a third party, the Sponsor will not be responsible to the extent of any liability for such third-party claims. The Company will seek to reduce the possibility that the Sponsor will have to indemnify the Trust Account due to claims of creditors by endeavoring to have all vendors, service providers (except the Company's independent registered public accounting firm), prospective target businesses or other entities with which the Company does business, execute agreements with the Company waiving any right, title, interest or claim of any kind in or to monies held in the Trust Account.

Business Combination Agreement

On April 3, 2022, the Company entered in an Agreement and Plan of Merger (the "**Business Combination Agreement**") with Hypebeast Limited, a Cayman Islands exempted company with its shares publicly traded with stock code "00150" on the Main Board of the Stock Exchange of the Hong Kong Limited (the "**HKSE**") and Hypebeast WAGMI Inc., a Delaware corporation and wholly owned subsidiary of Hypebeast Limited (the "**Merger Sub**"). In accordance with the terms and subject to the conditions of the Business Combination Agreement the Company will conduct a consolidation of its outstanding ordinary shares such that 30,000,000 ordinary shares of the Company (each a "**Consolidated Share**") remain issued and outstanding immediately after such share consolidation with a price of \$10.00 per share immediately following such share consolidation (the "**Recapitalization**").

Following the Recapitalization in accordance with the Companies Act (as amended) of the Cayman Islands, the Merger Sub will merge with and into the Special-purpose acquisition company (“**SPAC**”) in accordance with the applicable provisions of the Delaware General Corporation Law (the “**Merger**”), with the SPAC being the surviving entity and becoming a wholly-owned subsidiary of the Company (the “**Surviving Corporation**”). The Merger will become effective at the time when the Certificate of Merger becomes effective under the Delaware General Corporation Law (the “**Effective Time**”). Upon closing of the Business Combination, the Consolidated Shares will be dual listed for trading on both the HKSE and the Nasdaq Capital Market LLC (“**Nasdaq**”).

At the Effective Time, each share of Class A common stock of the SPAC, par value \$0.0001 per share (each a “**SPAC Class A Share**”) and each share of Class B common stock of the SPAC, par value \$0.0001 per share (each a “**SPAC Class B Share**,” and each SPAC Class A Share and SPAC Class B Share is referred to as a “**SPAC Share**”) (other than the SPAC Shares owned by the SPAC as treasury shares, the SPAC Shares owned by any of SPAC’s direct or indirect wholly-owned subsidiaries, and any SPAC Redeeming Shares (as defined below)) will cease to be outstanding and will automatically be converted into the right to receive, without interest, one Consolidated Share. The holders of the SPAC Shares outstanding immediately prior to the Effective Time will cease to have any rights with respect to such the SPAC Shares, except as provided by the Business Combination Agreement or by law. The “**SPAC Redeeming Shares**” means any SPAC Class A Shares in respect of which the eligible holder (as determined in accordance with the Amended and Restated Certificate of Incorporation and the By-Laws of the SPAC (the “**SPAC Charter**”), which shall not include Iron Spark I LLC (the “**Sponsor**”) or any other holder of SPAC Class B Shares) thereof has validly exercised (and not validly revoked, withdrawn or lost) his, her or its redemption right. Holders of SPAC Redeeming Shares will receive \$10.00 per SPAC Share at the closing of the Merger (the “**Closing**”).

At Closing, each eligible stockholder of SPAC (which shall not include Sponsor or any other holder of SPAC Class B Shares) who has not exercised his, her or its redemption right shall receive a cash dividend in the amount of \$0.05, without interest, with respect to each SPAC Non-Redeeming Share (as defined below) (collectively, the “**SPAC Closing Dividends**”); and following the payment of SPAC Closing Dividends, the Sponsor shall receive an amount in cash equal to all amounts in the trust account established for the purpose of holding the net proceeds of SPAC’s initial public offering (the “**Trust Account**”) in excess of \$10.00 per SPAC Non-Redeeming Share prior to the payment of any transaction expenses and, for avoidance of doubt, without taking into account any proceeds from the PIPE Transaction and/or the Permitted Equity Financing.

All shares of capital stock of the Merger Sub that are issued and outstanding immediately prior to the Effective Time will, by virtue of the Merger and without further action on the part of the Company, be automatically converted into and become one validly issued, fully paid and non-assessable share of common stock of the Surviving Corporation issued in the name of the Company, which share of common stock will be the only shares of the Surviving Corporation's capital stock that are issued and outstanding immediately after the Effective Time. Each certificate evidencing ownership of shares of Merger Sub common stock will, as of the Effective Time, evidence ownership of such share of common stock of the Surviving Corporation.

Going Concern Consideration

As of March 31, 2022, the Company had \$286,895 in cash held outside of the Trust Account and working capital deficit of \$7,645,452. The Company has incurred and expects to continue to incur significant costs in pursuit of its acquisition plans. These conditions raise substantial doubt about the Company's ability to continue as a going concern for a period of time within one year after the date that the condensed financial statements are issued. Management plans to address this uncertainty through the Business Combination as discussed above. There is no assurance that the Company's plans to consummate the Business Combination will be successful or successful within the Combination Period. The condensed financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Risks and Uncertainties

Management continues to evaluate the impact of the COVID-19 pandemic on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Company's financial position, results of its operations, and/or search for a target company, the specific impact is not readily determinable as of the date of these condensed financial statements. The condensed financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed financial statements are presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and pursuant to the rules and regulations of the SEC. Certain information or footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted, pursuant to the rules and regulations of the SEC for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position, results of operations, or cash flows. In the opinion of management, the accompanying unaudited condensed financial statements include all adjustments, consisting of a normal recurring nature, which are necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented. The accompanying unaudited condensed financial statements should be read in conjunction with the Company’s Form 10-K as filed with the SEC on March 31, 2022. The interim results for the three months ended March 31, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022 or for any future periods.

Emerging Growth Company

The Company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards.

The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's condensed financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Use of Estimates

The preparation of condensed financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed financial statements and the reported amounts of expenses during the reporting period.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the condensed financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents. The Company did not have any cash equivalents as of March 31, 2022 and December 31, 2021.

Investments Held in Trust Account

As of March 31, 2022 and December 31, 2021, the Company had \$170,982,036 and \$171,811,812 in investments held in the Trust Account, respectively. The assets held in the Trust Account were held in money market funds, which are invested in U.S. Treasury securities.

Class A Common Stock Subject to Possible Redemption

All of the 16,680,000 shares of Class A common stock sold as part of the Units in the Initial Public Offering contain a redemption feature which allows for the redemption of such Public Shares in connection with the Company's liquidation, if there is a shareholder vote or tender offer in connection with the Business Combination and in connection with certain amendments to the Company's Amended and Restated Certificate of Incorporation. In accordance with SEC and its staff's guidance on redeemable equity instruments, which has been codified in Accounting Standards Codification ("ASC") 480-10-S99, redemption provisions not solely within the control of the Company require common stock subject to redemption to be classified outside of permanent equity. Therefore, all Class A common stock has been classified outside of permanent equity.

The Company recognizes changes in redemption value immediately as they occur and adjusts the carrying value of redeemable common stock to equal the redemption value at the end of each reporting period. Increases or decreases in the carrying amount of redeemable common stock are affected by charges against additional paid in capital and accumulated deficit.

As of March 31, 2022 and December 31, 2021, the Class A common stock subject to possible redemption reflected in the condensed balance sheets are reconciled in the following table:

Gross proceeds	\$ 166,800,000
Less:	
Issuance costs allocated to Class A common stock	(9,485,615)
Proceeds allocated to over-allotment option	(112,500)
Plus:	
Remeasurement of carrying value to redemption value	<u>9,598,115</u>
Class A common stock subject to possible redemption	<u><u>\$ 166,800,000</u></u>

Offering Costs Associated with the Initial Public Offering

The Company complies with the requirements of ASC 340-10-S99-1 and SEC Staff Accounting Bulletin Topic 5A — Expenses of Offering. Offering costs consist principally of professional and registration fees incurred through the balance sheet date that are related to the Initial Public Offering. Offering costs directly attributable to the issuance of an equity contract to be classified in equity are recorded as a reduction in equity. Offering costs for equity contracts that are classified as assets and liabilities are expensed immediately. The Company incurred offering costs amounting to \$9,515,489 as a result of the Initial Public Offering (consisting of a \$3,336,000 underwriting fee, \$5,838,000 of deferred underwriting fees and \$341,489 of other offering costs). The Company recorded \$9,515,489 of offering costs as a reduction of equity in connection with the shares of Class A common Stock included in the Public Shares.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes under ASC 740, Income Taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the condensed financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

ASC 740 prescribes a recognition threshold and a measurement attribute for the condensed financial statements recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. There were no unrecognized tax benefits and no amounts accrued for interest and penalties as of March 31, 2022 and December 31, 2021. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. The Company is subject to income tax examinations by major taxing authorities since inception.

Net Loss Per Common Share

Net loss per common share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. As the Public Shares are considered to be redeemable at fair value, and a redemption at fair value does not amount to a distribution different than other stockholders, Class A and Class B common stock are presented as one class of stock in calculating net loss per share. As a result, the calculated net loss per share is the same for Class A and Class B shares of common stock. At March 31, 2022 and December 31, 2021, the Company did not have any dilutive securities and other contracts that could, potentially, be exercised or converted into shares of common stock and then share in the earnings of the Company. As a result, diluted loss per share is the same as basic loss per share for the periods presented.

The following table reflects the calculation of basic and diluted net loss per common share (in dollars, except per share amounts):

	For the three months ended March 31, 2022		For the period from January 22, 2021 (inception) through March 31, 2021	
	Class A	Class B	Class A	Class B
Basic and diluted net loss per share:				
Numerator:				
Net loss	<u>\$ (6,568,254)</u>	<u>\$ (1,532,646)</u>	<u>\$ —</u>	<u>\$ (1,300)</u>
Denominator:				
Basic and diluted weighted average shares outstanding	<u>17,870,800</u>	<u>4,170,000</u>	<u>—</u>	<u>3,750,000⁽¹⁾</u>
Basic and diluted net loss per share	<u>\$ (0.37)</u>	<u>\$ (0.37)</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>

(1) This number excludes up to 562,500 shares of Class B common stock subject to forfeiture if the over-allotment option was not exercised in full or in part by the underwriters (see Note 5).

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of a cash account in a financial institution, which, at times, may exceed the Federal Depository Insurance Coverage of \$250,000. The Company has not experienced losses on this account and management believes the Company is not exposed to significant risks on such account.

Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities, which qualify as financial instruments under FASB ASC Topic 820, Fair Value Measurement ("ASC 820"), approximates the carrying amounts represented in the accompanying balance sheet, primarily due to their short-term nature.

The Company applies ASC 820, which establishes a framework for measuring fair value and clarifies the definition of fair value within that framework. ASC 820 defines fair value as an exit price, which is the price that would be received for an asset or paid to transfer a liability in the Company's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

The fair value hierarchy established in ASC 820 generally requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect the assumptions that market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the entity's own assumptions based on market data and the entity's judgments about the assumptions that market participants would use in pricing the asset or liability and are to be developed based on the best information available in the circumstances.

The carrying amounts reflected in the balance sheet for cash, prepaid expenses and other current assets, due to a related party, and accrued expenses approximate fair value due to their short-term nature.

Level 1 — Assets and liabilities with unadjusted, quoted prices listed on active market exchanges. Inputs to the fair value measurement are observable inputs, such as quoted prices in active markets for identical assets or liabilities.

Level 2 — Inputs to the fair value measurement are determined using prices for recently traded assets and liabilities with similar underlying terms, as well as direct or indirect observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 — Inputs to the fair value measurement are unobservable inputs, such as estimates, assumptions, and valuation techniques when little or no market data exists for the assets or liabilities.

The following table presents information about the Company’s financial assets that are measured at fair value on a recurring basis as of March 31, 2022 and December 31, 2021, and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

Description	Amount at Fair Value	Level 1	Level 2	Level 3
March 31, 2022				
Assets				
Investments held in Trust				
Account:				
Money Market investments	\$ 170,982,036	\$ 170,982,036	\$ —	\$ —

Description	Amount at Fair Value	Level 1	Level 2	Level 3
December 31, 2021				
Assets				
Investments held in Trust				
Account:				
Money Market investments	\$ 171,811,812	\$ 171,811,812	\$ —	\$ —

Recent Accounting Standards

In August 2020, the Financial Accounting Standards Board (“**FASB**”) issued Accounting Standards Update (“**ASU**”) 2020-06, Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40) (“**ASU 2020-06**”) to simplify accounting for certain financial instruments. ASU 2020-06 eliminates the current models that require separation of beneficial conversion and cash conversion features from convertible instruments and simplifies the derivative scope exception guidance pertaining to equity classification of contracts in an entity’s own equity. The new standard also introduces additional disclosures for convertible debt and freestanding instruments that are indexed to and settled in an entity’s own equity. ASU 2020-06 amends the diluted earnings per share guidance, including the requirement to use the if-converted method for all convertible instruments. ASU 2020-06 is effective January 1, 2023 and should be applied on a full or modified retrospective basis, with early adoption permitted beginning on January 1, 2021. The Company is currently assessing the impact, if any, that ASU 2020-06 would have on its financial position, results of operations or cash flows.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the Company's condensed financial statements.

NOTE 3. INITIAL PUBLIC OFFERING

Pursuant to the Initial Public Offering, the Company sold 16,680,000 Public Shares, which includes the partial exercise by the underwriters of their over-allotment option in the amount of 1,680,000, at \$10.00 per Public Share, generating gross proceeds of \$166,800,000.

NOTE 4. PRIVATE PLACEMENT

Simultaneously with the closing of the Initial Public Offering, the Sponsor purchased an aggregate of 1,090,000 Private Placement Shares at a price of \$10.00 per Private Placement Share, generating gross proceeds of \$10,900,000. On June 16, 2021, the underwriters notified the Company of their intention to exercise the over-allotment option in part, resulting in the Sponsor paying an aggregate of \$1,008,000 in exchange for 100,800 Over-Allotment Private Placement Shares.

The proceeds from the sale of the Private Placement Shares and Over-Allotment Private Placement Shares were added to the net proceeds from the Initial Public Offering held in the Trust Account. If the Company does not complete a Business Combination within the Combination Period, the proceeds from the sale of the Private Placement Shares and Over-Allotment Private Placement Shares will be used to fund the redemption of the Public Shares (subject to the requirements of applicable law) and the Private Placement Shares and Over-Allotment Private Placement Shares will expire worthless.

NOTE 5. RELATED PARTY TRANSACTIONS

Founder Shares

On February 3, 2021, the Sponsor paid \$25,000 to cover certain offering costs of the Company in consideration for 5,031,250 shares of Class B common stock (the “**Founder Shares**”). The Founder Shares include an aggregate of up to 562,500 shares subject to forfeiture to the extent that the underwriter’s over-allotment is not exercised in full or in part, so that the Sponsor will own 20% of the Company’s issued and outstanding shares upon the completion of the Initial Public Offering. On June 8, 2021, the Sponsor surrendered 718,750 Founder Shares for no consideration. On June 16, 2021, the underwriters partially exercised the over-allotment option to purchase an additional 1,680,000 shares (see Note 6). On July 26, 2021, 142,500 Founder Shares were forfeited upon the expiration of the underwriters’ over-allotment option, resulting in an aggregate of 4,170,000 Founder Shares outstanding.

The Sponsor has agreed that, subject to certain limited exceptions, the Founder Shares will not be transferred, assigned, sold or released from escrow until the earlier of (a) one year after the completion of a Business Combination or (b) the date on which the Company completes a liquidation, merger, capital stock exchange or other similar transaction after a Business Combination that results in all of the Company’s stockholders having the right to exchange their Class A common stock for cash, securities or other property. Notwithstanding the foregoing, if (i) the closing price of the Company’s Class A common stock equals or exceeds \$12.00 per share (as adjusted for stock splits, stock capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after the Business Combination or (ii) if the Company consummates a transaction after the Business Combination which results in the Company’s stockholders having the right to exchange their shares for cash, securities or other property, the founder shares will be released from the lock-up.

Due to Related Parties

An affiliate of the Sponsor and the Sponsor have paid \$61,837 and \$71,382 to cover certain operating costs and offering costs on behalf of the Company as of March 31, 2022 and December 31, 2021, respectively.

As of March 31, 2022 and December 31, 2021, the Company owed \$60,000 to the Sponsor. As of March 31, 2022 and December 31, 2021, the Company owed \$1,837 and \$11,382 to an affiliate of the Sponsor, respectively.

Related Party Loans

In order to finance transaction costs in connection with a Business Combination, the Sponsor or an affiliate of the Sponsor, or certain of the Company's officers and directors may, but are not obligated to, loan the Company funds as may be required ("**Working Capital Loans**").

If the Sponsor makes any Working Capital Loans, such loans may be converted into shares of Class A common stock, at the price of \$10.00 per share at the option of the lender. If the Company completes a Business Combination, the Company would repay the Working Capital Loans out of the proceeds held in the Trust Account released to the Company. Otherwise, the Working Capital Loans would be repaid only out of funds held outside the Trust Account. In the event that a Business Combination is not completed, the Company may use a portion of the proceeds held outside the Trust Account to repay the Working Capital Loans but no proceeds held in the Trust Account would be used to repay the Working Capital Loans. Except for the foregoing, the terms of such Working Capital Loans, if any, have not been determined and no written agreements exist with respect to such loans. The Working Capital Loans would either be repaid upon consummation of a Business Combination, without interest, or, at the lender's discretion, up to \$1,000,000 of such Working Capital Loans may be convertible into shares of Class A common stock at a price of \$10.00 per share. As of March 31, 2022 and December 31, 2021, the Company did not have any outstanding related party loans.

Consulting Agreement

The Company entered into an agreement with a related party on January 26, 2021, to pay the related party a total of \$25,000 per month for research, financial analysis, due diligence, bookkeeping and other administrative services from formation through the completed business combination. For the three months ended March 31, 2022 and for the period from January 22, 2021 (inception) through March 31, 2021, the Company incurred \$75,000 and \$55,000 in fees for these services, respectively. As of December 31, 2021, \$25,000 related to this agreement is recorded in due to related parties on the condensed balance sheets. As of March 31, 2022, these amounts were fully paid by the Company.

Administrative Support Agreement

The Company entered into an agreement, commencing on the effective date of the Initial Public Offering, to pay the Sponsor a total of \$10,000 per month for office space, administrative and support services. Upon the completion of the Business Combination or the Company's liquidation, the Company will cease paying these monthly fees. For the three months ended March 31, 2022 and for the period from January 22, 2021 (inception) through March 31, 2021, the Company incurred \$30,000 and \$0 in fees for these services, respectively. As of March 31, 2022 and December 31, 2021, \$97,333 and \$67,333 related to this agreement is recorded in due to related parties on the condensed balance sheets, respectively.

NOTE 6. COMMITMENTS

Registration Rights Agreement

The holders of the Founder Shares and Private Placement Shares are entitled to registration rights, requiring the Company to register such securities for resale (in the case of the Founder Shares, only after conversion to shares of Class A common stock). The holders of the majority of these securities are entitled to make up to three demands, excluding short form demands, that the Company register such securities.

In addition, the holders have certain "piggy-back" registration rights with respect to registration statements filed subsequent to the completion of a Business Combination and rights to require the Company to register for resale such securities pursuant to Rule 415 under the Securities Act. The registration rights agreement does not contain liquidating damages or other cash settlement provisions resulting from delays in registering the Company's securities. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

Underwriting Agreement

The Company granted the underwriter a 45-day option to purchase up to 2,250,000 additional shares of Class A common stock to cover over-allotments at the Initial Public Offering price, less the underwriting discounts and commissions. On June 16, 2021, the Underwriters partially exercised the over-allotment option and purchased an additional 1,680,000 Over-Allotment Shares for an aggregate purchase price of \$16,800,000. The remaining 570,000 shares were not exercised by the underwriter and expired on July 26, 2021.

The underwriter was paid a cash underwriting fee of \$0.20 per share, or \$3,336,000 in the aggregate. In addition, \$0.35 per share, or \$5,838,000 in the aggregate will be payable to the underwriter for deferred underwriting commissions. The deferred fee will become payable to the underwriter from the amounts held in the Trust Account solely in the event that the Company completes a Business Combination, subject to the terms of the underwriting agreement.

Advisory Fees

On January 3, 2022, the Company entered into an arrangement with Morgan Stanley & Co. LLC (“**Morgan Stanley**”) in which the Company retained Morgan Stanley to provide financial advisory services in connection with the potential business combination. As compensation for such services, the Company is to pay Morgan Stanley a financial advisory fee of \$4,250,000, which shall be payable contingent upon the consummation of the business combination.

On January 4, 2022, the Company entered into a letter agreement with BTIG, LLC (“**BTIG**”) in which the Company retains BTIG to provide strategic and capital markets advisory services. As compensation for such services, the Company is to pay BTIG an advisory fee of \$2,000,000 which becomes payable upon the consummation of the business combination. However, the fee will not be paid if BTIG receives a fee in connection with its role as a lead placement agent to Hypebeast in a private placement in connection with the business combination. In addition, the Company will reimburse all of BTIG’s reasonable out-of-pocket costs and expenses incurred in connection with its activities up to \$25,000.

The advisory fees are recorded in accrued advisory fees on the condensed balance sheets. As of March 31, 2022, these fees were \$7,000,000.

NOTE 7. STOCKHOLDERS' EQUITY

Preferred stock — The Company is authorized to issue up to 1,000,000 shares of preferred stock with a par value of \$0.0001 per share with such designations, voting and other rights and preferences as may be determined from time to time by the Company's board of directors. March 31, 2022 and December 31, 2021, there were no shares of preferred stock issued or outstanding.

Class A common stock — The Company is authorized to issue up to 100,000,000 shares of Class A common stock with a par value of \$0.0001 per share. Holders of the Class A common stock are entitled to one vote for each share. As of March 31, 2022 and December 31, 2021, there were 17,870,800 shares of Class A common stock issued and 1,190,800 shares of Class A common stock outstanding, excluding 16,680,000 shares of Class A common stock subject to possible redemption.

Class B common stock — The Company is authorized to issue up to 10,000,000 shares of Class B common stock with a par value of \$0.0001 per share. Holders of Class B common stock are entitled to one vote for each share. On February 3, 2021, the Company issued an aggregate of 5,031,250 shares of Class B common stock to the Sponsor. On June 8, 2021, the Sponsor surrendered 718,750 shares of Class B common stock for no consideration. On July 26, 2021, the Sponsor forfeited an additional 142,500 of Class B common stock for no consideration, resulting in an aggregate of 4,170,000 shares of Class B common stock outstanding as of March 31, 2022 and December 31, 2021. Shares and associated amounts have been retroactively restated to reflect the share surrender.

Holders of Class A common stock and Class B common stock will vote together as a single class on all other matters submitted to a vote of shareholders except as required by law. Prior to a Business Combination, holders of Class B common stock will have the right to elect all of the Company's directors and may remove members of the board of directors for any reason, and holders of the Class A common stock will not be entitled to vote on the appointment of directors during such time.

The Founder Shares are identical to the shares of Class A common stock sold in the Initial Public Offering, and holders of Founder Shares have the same stockholder rights as public stockholders, except that (i) the Founder Shares are subject to certain transfer restrictions, (ii) the Sponsor, officers and directors have entered into a letter agreement with the Company, pursuant to which they have agreed (A) to waive their redemption rights with respect to any Founder Shares and any Public Shares held by them in connection with the completion of an initial Business Combination, (B) to waive their redemption rights with respect to their Founder Shares and Public Shares in connection with a stockholder vote to approve an amendment to the Amended and Restated Certificate of Incorporation (x) to modify the substance or timing of the ability of holders of the Public Shares to seek redemption in connection with an initial Business Combination or the obligation to redeem 100% of the Public Shares if the Company does not complete an initial Business Combination within 24 months from the closing of the Initial Public Offering or (y) with respect to any other provision relating to stockholders' rights or pre-initial Business Combination activity and (C) to waive their rights to liquidating distributions from the Trust Account with respect to any Founder Shares held by them if the Company fails to complete an initial Business Combination within 24 months from the closing of the Initial Public Offering, although they will be entitled to liquidating distributions from the Trust Account with respect to any Public Shares they hold if the Company fails to complete an initial Business Combination within such time period, (iii) they are entitled to registration rights, and (iv) the anchor investors have agreed to waive their right to liquidating distributions from the Trust Account with respect to any Founder Shares held by them if the Company fails to complete an initial Business Combination within the prescribed time frame, although they will be entitled to liquidating distributions from the Trust Account with respect to any Public Shares they hold if the Company fails to complete an initial Business Combination within the prescribed time frame. If the Company submits an initial Business Combination to the public stockholders for a vote, the Sponsor, officers and directors have agreed pursuant to the letter agreement to vote any Founder Shares held by them and any Public Shares purchased during or after the Initial Public Offering (including in open market and privately negotiated transactions) in favor of an initial Business Combination. Permitted transferees of the Founder Shares held by the Sponsor, officers and directors would be subject to the same restrictions applicable to the Sponsor, officers or directors, respectively.

The Founder Shares will automatically convert into shares of common stock concurrently with or immediately following the consummation of an initial Business Combination on a one-for-one basis, subject to adjustment for stock splits, stock dividends, reorganizations, recapitalizations and the like, and subject to further adjustment as provided herein. In the case that additional shares of common stock or equity-linked securities are issued or deemed issued in connection with an initial Business Combination, the number of shares of common stock issuable upon conversion of all Founder Shares will equal, in the aggregate, on an as-converted basis, 20% of the total number of shares of common stock outstanding after such conversion (after giving effect to any redemptions of shares of common stock by public stockholders), including the total number of shares of common stock issued, or deemed issued or issuable upon conversion or exercise of any equity-linked securities or rights issued or deemed issued, by the Company in connection with or in relation to the consummation of an initial Business Combination, excluding any shares of common stock or equity-linked securities or rights exercisable for or convertible into shares of common stock issued, or to be issued, to any seller in an initial Business Combination.

With certain limited exceptions, the Founder Shares are not transferable, assignable or salable (except to the officers and directors and other persons or entities affiliated with or related to the Sponsor, each of whom will be subject to the same transfer restrictions) until the earlier of (A) one year after the completion of an initial Business Combination or (B) subsequent to an initial Business Combination, (x) if the last reported sale price of the Company's common stock equals or exceeds \$12.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after an initial Business Combination, or (y) the date on which the Company completes a liquidation, merger, capital stock exchange, reorganization or other similar transaction that results in all of the stockholders having the right to exchange their shares of common stock for cash, securities or other property.

Until the earlier of (i) the consummation of a Business Combination or (ii) the liquidation of the Company, the Company shall distribute quarterly on a pro-rata basis to the holders of record of the Public Shares within fifteen (15) days from the end of the prior quarter, a dividend in the amount of \$0.05 per Public Share out of amount contained in the Trust Account. In addition, at the closing of a Business Combination, holders of Public Shares that have elected to not exercise their Redemption Rights in connection with such Business Combination shall receive a dividend in the amount of \$0.05 per Public Share.

NOTE 8. SUBSEQUENT EVENTS

On April 3, 2022, the Company entered in a Business Combination Agreement with Hypebeast Limited, a Cayman Islands exempted company with its shares publicly traded with stock code “00150” on the Main Board of the HKSE and Hypebeast WAGMI Inc., a Delaware corporation and wholly owned subsidiary of Hypebeast Limited.

On April 15, 2022, the Company paid a cash dividend to the holders of record of the Public Shares as of April 8, 2022 in the amount of \$0.05 per Public Share out of its Trust Account. The Company is obligated to make such dividend payments to holders of Public Shares on a quarterly basis until the earlier of (i) the consummation of a Business Combination or (ii) the liquidation of the Company. The next dividend shall be paid to holders of Public Shares in July 2022.

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the condensed financial statements were issued. Based upon this review, the Company did not identify any other subsequent events that would have required adjustment or disclosure in the condensed financial statements.

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 20. Indemnification of Directors and Officers.

The laws of the Cayman Islands do not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against willful default, willful neglect, civil fraud or the consequences of committing a crime.

The memorandum and articles of association of Hypebeast that will become effective immediately prior to the completion of Business Combination provide that we shall indemnify our directors and officers (each, an "**indemnified person**") to the maximum extent permitted by law against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such indemnified person, other than by reason of such person's willful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his/her duties, powers, authorities or discretions, including, without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such indemnified person in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is theretofore unenforceable.