

**INTERIM REPORT 中期報告  
2016**

# HYPEBEAST

—

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

—

**於開曼群島  
註冊成立的有限公司**

—

**STOCK CODE  
8359**

—

**股份代號  
8359**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of Hypebeast Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

# CONTENTS

INTERIM RESULTS	3
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONSOLIDATED STATEMENT OF CASH FLOWS	7
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS	9
MANAGEMENT DISCUSSION AND ANALYSIS	17

## INTERIM RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2016 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding period in 2015, as follows:

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

For the six months ended 30 September 2016

		Six months ended 30 September	
	NOTES	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Audited)
Revenue	3	93,885	64,091
Cost of revenue		(42,989)	(21,410)
<b>Gross profit</b>		<b>50,896</b>	42,681
Other gain and losses		(160)	(252)
Selling and marketing expenses		(22,080)	(13,850)
Administrative and operating expenses		(20,128)	(14,145)
Listing expenses		–	(4,741)
Finance costs		(199)	(72)
<b>Profit before income tax</b>		<b>8,329</b>	9,621
Income tax expense	4	(1,376)	(2,562)
<b>Profit and total comprehensive income for the period</b>		<b>6,953</b>	7,059
Earnings per share	6		
– Basic and diluted (HK cent)		0.35	0.44

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

		As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
	NOTES		
<b>Non-current assets</b>			
Property, plant and equipment		3,124	2,475
Rental deposits		432	–
Pledged bank deposits	9	–	4,051
<b>Total non-current assets</b>		<b>3,556</b>	<b>6,526</b>
<b>Current assets</b>			
Inventories	7	12,472	12,910
Trade and other receivables	8	39,558	40,333
Amount due from a director		–	3,060
Pledged bank deposits	9	5,000	–
Bank balances and cash	9	56,765	9,179
		<b>113,795</b>	<b>65,482</b>
<b>Current liabilities</b>			
Trade and other payables	10	28,492	32,421
Amounts due to related parties		–	122
Bank borrowings – due within one year	11	7,083	11,292
Tax payable		3,701	2,325
		<b>39,276</b>	<b>46,160</b>
<b>Net current assets</b>		<b>74,519</b>	<b>19,322</b>
<b>Total assets less current liabilities</b>		<b>78,075</b>	<b>25,848</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2016

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
<b>Non-current liabilities</b>		
Deferred tax liabilities	97	97
	97	97
<b>Net assets</b>	<b>77,978</b>	25,751
<b>Capital and reserves</b>		
Share capital	20,000	1
Reserves	57,978	25,750
	<b>77,978</b>	25,751

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Share Capital HK\$'000	Share Premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>At 1 April 2016 (audited)</b>	1	–	25,750	25,751
Capitalisation issue	15,999	(15,999)	–	–
Issue of shares under placing	4,000	48,000	–	52,000
Expenses incurred in connection with the issue of shares upon placing	–	(6,726)	–	(6,726)
Profit and total comprehensive income for the period	–	–	6,953	6,953
<b>At 30 September 2016 (unaudited)</b>	<b>20,000</b>	<b>25,275</b>	<b>32,703</b>	<b>77,978</b>
<b>At 1 April 2015 (audited)</b>	1	–	21,534	21,535
Profit and total comprehensive income for the period	–	–	7,059	7,059
<b>At 30 September 2015 (audited)</b>	<b>1</b>	<b>–</b>	<b>28,593</b>	<b>28,594</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Audited)
<b>OPERATING ACTIVITIES</b>		
Profit before tax	8,329	9,621
Adjustments for:		
Depreciation of property, plant and equipment	554	540
Gain on disposal of property, plant and equipment	–	(369)
Allowance for doubtful debts	10	146
Finance costs	199	72
Operating cash flows before movements in working capital	9,092	10,010
Decrease/(increase) in inventories	438	(3,716)
Decrease/(increase) in trade and other receivables	765	(9,656)
Increase in rental deposit paid	(432)	–
(Decrease)/increase in amount due to related parties	(122)	54
Increase in trade and other payables	2,549	3,408
Cash generated from operations	12,290	100
Income taxes paid	–	(600)
<b>NET CASH FROM/(USED IN) OPERATING     ACTIVITIES</b>	<b>12,290</b>	<b>(500)</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Audited)
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,203)	(753)
Proceeds from disposal of property, plant and equipment	–	359
Advances to a director	–	(1,341)
Repayment from a director	3,060	30
Placement of pledged bank deposits	(949)	(1,410)
<b>NET CASH FROM/USED IN INVESTING ACTIVITIES</b>	<b>908</b>	<b>(3,115)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issued of new shares by way of placing	52,000	–
Proceeds from bank borrowings	–	7,808
Repayment of bank borrowings	(4,209)	(2,218)
Repayment of finance lease	–	(81)
Interest paid on bank borrowings	(199)	(67)
Interest paid on finance lease	–	(5)
Listing expenses paid	(13,204)	(1,264)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>34,388</b>	<b>4,173</b>
<b>NET INCREASE CASH AND CASH EQUIVALENTS</b>	<b>47,586</b>	<b>558</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>9,179</b>	<b>7,203</b>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, representing bank balances and cash	<b>56,765</b>	<b>7,761</b>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2016*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 September 2015. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The headquarter and principal place of business of the Company in Hong Kong is located at 12/F, 10-16 Kwai Ting Road, Kwai Chung, Hong Kong.

The Company's issued ordinary shares of HK\$0.01 each have been listed and traded on GEM since 11 April 2016 (the "**Listing Date**").

Pursuant to the reorganisation of the Group (the "**Reorganisation**") in connection with the listing of the shares of the Company (the "**Shares**") on GEM (the "**Listing**"), the Company became the holding company of the companies comprising the Group on 30 October 2015. Details of the Reorganisation are set out in the prospectus of the Company dated 31 March 2016 (the "**Prospectus**") under the section headed "History, Reorganisation and Corporate Structure".

The principal activity of the Company is investment holding. The Group's principal activities are the provision of advertising services to brand owners and advertising agencies on the Group's digital media platforms, and the sale of third-party branded clothing, shoes and accessories on the Group's e-commerce platform.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the Relevant Period have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules.

HKFRSs include Hong Kong Accounting Standards and interpretations. Intra-group balances and transactions, if any, have been fully and properly eliminated. The unaudited condensed consolidated financial statements of the Group for the Relevant Period should be read in conjunction with the annual report of the Company for the year ended 31 March 2016 dated 24 June 2016 (“**Annual Report**”). The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the Relevant Period are consistent with those used in the Annual Report for the year ended 31 March 2016.

HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the Relevant Period. There have been no significant changes to the accounting policies applied in these financial statements for the Relevant Period presented as a result of these developments.

The unaudited condensed consolidated financial statements of the Group for the Relevant Period have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the Relevant Period have not been audited by the Company’s independent auditor, but have been reviewed by the Company’s audit committee.

The preparation of the unaudited condensed consolidated financial statements of the Group for the Relevant Period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require management to exercise their judgements in the process of applying the Group’s accounting policies.

The unaudited condensed consolidated financial statements of the Group for the Relevant Period are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company.

### 3. REVENUE AND SEGMENT INFORMATION

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

The Group's turnover includes revenues from sales of goods through online stores, provision of advertising services and publication of web magazines.

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

- (i) Digital media segment – Provision of advertising services and publication of magazines
- (ii) E-commerce segment – Operation of online stores for the sale of third-party branded clothing, shoes and accessories

	<b>Six months ended 30 September</b>	
	<b>2016 HK\$'000 (Unaudited)</b>	<b>2015 HK\$'000 (Audited)</b>
Digital media	<b>63,991</b>	38,498
E-commerce segment	<b>29,894</b>	25,593
	<b>93,885</b>	64,091

### 4. INCOME TAX EXPENSE

	<b>Six months ended 30 September</b>	
	<b>2016 HK\$'000 (Unaudited)</b>	<b>2015 HK\$'000 (Audited)</b>
Hong Kong profit tax	<b>1,376</b>	2,562

Hong Kong profits tax has been provided at the rate of 16.5% based on the estimated assessable profits of the Group for the periods as stated above.

## 5. DIVIDEND

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

## 6. EARNINGS PER SHARE

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

	<b>Six months ended 30 September</b>	
	<b>2016 HK\$'000 (Unaudited)</b>	2015 HK\$'000 (Audited)
<b>Earnings</b>		
Earnings for the purpose of calculating basic earnings per share (Profit and total comprehensive income for the period)	<b>6,953</b>	7,059
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>1,978,142</b>	1,600,000

Basic earnings per share for the six months ended 30 September 2016 are 0.35 HK cent (2015: 0.44 HK cent) per share. The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the capitalisation issue of the shares of the Company completed on 11 April 2016 and assuming the Group Reorganisation had been effective on 1 April 2015.

No diluted earnings per share was presented as there was no potential ordinary shares outstanding during both periods.

## 7. INVENTORIES

	<b>As at 30 September 2016 HK\$'000 (Unaudited)</b>	As at 31 March 2016 HK\$'000 (Audited)
Finished goods	<b>12,471</b>	12,910

## 8. TRADE AND OTHER RECEIVABLES

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Trade receivables	36,484	35,001
Less: allowance for doubtful debts	(86)	(725)
	<b>36,398</b>	<b>34,276</b>
Advances to staff	386	141
Rental and utilities deposits	542	588
Prepayment to suppliers	2,232	1,227
Deferred listing expenses	-	4,101
Total	<b>39,558</b>	<b>40,333</b>

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 stores and subscribers of magazines. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Within 60 days	32,894	26,187
61 – 90 days	456	2,044
91 – 180 days	2,265	5,598
181 – 365 days	783	447
	<b>36,398</b>	<b>34,276</b>

Included in the Group's trade receivables balance are debtors as at 30 September 2016 with an aggregate carrying amount of approximately HK\$3,880,000 (31 March 2016: HK\$19,258,000) which are past due at the end of reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances. All of the trade receivables that are neither past due nor impaired have good credit quality assessed by the Group.

## 8. TRADE AND OTHER RECEIVABLES (CONTINUED)

### Aging of trade receivables which are past due but not impaired:

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Within 60 days	376	11,169
61 – 90 days	456	2,044
91 – 180 days	2,265	5,598
181 – 365 days	783	447
	<b>3,880</b>	<b>19,258</b>

### Movement in the allowance for trade receivables:

	As at 30 September 2016 HK\$'000 (Unaudited)	As at 31 March 2016 HK\$'000 (Audited)
Balance at beginning of the year	725	1,662
Impairment losses recognised on receivables	10	1,024
Written off	(649)	(1,961)
Balance at end of the year	<b>86</b>	<b>725</b>

Included in trade receivables as at 30 September 2016 are amounts net of individually impaired receivables amounting to HK\$86,000 (31 March 2016: HK\$725,000). Management has reviewed the repayment history of these long overdue customers. Considering their deteriorating credit quality and that no amount had been settled subsequent to the end of the reporting period, full impairment was recognised.

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

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group, which carry interest at prevailing market rates of 0.01% per annum as at 30 September 2016. Deposits amounting to HK\$5,000,000 as at 30 September 2016 (31 March 2016: HK\$4,051,000) have been pledged to secure a bank borrowing and the banking facilities. The bank borrowing and the facilities are subject to review at any time and in any event by 1 April 2017 and therefore the deposits are classified as current assets.

Bank balances carry interest at prevailing market rates of 0.01% per annum as at 30 September 2016 and 31 March 2016.

## 10. TRADE AND OTHER PAYABLES

	<b>As at 30 September 2016 HK\$'000 (Unaudited)</b>	As at 31 March 2016 HK\$'000 (Audited)
Trade payables	7,407	3,937
Deferred revenue	195	44
Commission payable	4,898	3,363
Listing expenses payable	–	9,923
Accrual for campaign cost (i)	12,470	7,113
Accrual for staff bonus	2,037	2,598
Audit and professional fee payable	–	1,110
Other payables and accrued expenses	1,485	4,333
	<b>28,492</b>	<b>32,421</b>

- (i): Provision for campaign cost represents the accrual for expenses incurred for rendering creative agency campaigns and media projects which include video shooting and photography. The Group recognised these expenses on straight-line basis over the advertising period matching the recognition of the associated revenue, as disclosed in note 4 to the consolidated financial statements of the Annual Report, The Group has also made accruals for expenses which have not been billed by service providers.

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

	<b>As at 30 September 2016 HK\$'000 (Unaudited)</b>	As at 31 March 2016 HK\$'000 (Audited)
Within 30 days	5,717	2,491
31 – 60 days	135	60
61 – 90 days	220	320
Over 90 days	1,335	1,066
	<b>7,407</b>	<b>3,937</b>



## 11. BANK BORROWINGS

	<b>As at 30 September 2016 HK\$'000 (Unaudited)</b>	As at 31 March 2016 HK\$'000 (Audited)
Bank loans, unsecured, guaranteed with variable rate	<b>7,083</b>	11,292
Carrying amount repayable (according to scheduled repayment term):		
– Within one year	<b>3,271</b>	7,478
– More than one year, but not exceeding two years	<b>3,812</b>	3,814
	<b>7,083</b>	11,292
Carrying amount that contain a repayment on demand clause (shown under current liabilities)	<b>7,083</b>	11,292

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

	<b>As at 30 September 2016 HK\$'000 (Unaudited)</b>	As at 31 March 2016 HK\$'000 (Audited)
Effective interest rate (per annum):	<b>2.75% to</b>	2.75% to
Variable-rate borrowings	<b>4.25%</b>	4.25%

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECT

The Group is a digital media company primarily engaging in (i) the provision of advertising services to brand owners and advertising agencies on its digital media platforms; and (ii) the sale of third-party branded clothing, shoes and accessories on its e-commerce platform. The Group produces and distributes millennial-focused digital content that reports the latest trends on fashion, lifestyle, culture and music to users of the Group's digital content who do not subscribe to updates of the Group's digital content ("**visitors**") and users who subscribe to updates of the Group's digital content ("**followers**"). Digital content is delivered via the Group's digital media platforms (including Hypebeast, Hypetrak and Popbee websites and apps) and popular third-party social media platforms (including Facebook, Google+, Instagram, Twitter, Pinterest, Youtube, Weibo and Snapchat). The Group's e-commerce platform typically carries over 400 trend leading third-party branded products. As at 31 March 2016 and 30 September 2016, the number of brands offered on the Group's e-commerce platform was 422 and 413, respectively, representing a decrease of 9 brands for the six months ended 30 September 2016. As at 31 March 2016 and 30 September 2016, the number of products offered on the Group's e-commerce platform was approximately 8,700 and 6,900, respectively, representing a decrease of approximately 1,800 products during the six months ended 30 September 2016. The decrease in the number of brands and products carried on our e-commerce platform reflects our strategy of delivering a more curated shopping experience and trend focused product offerings to our customers.

Looking forward, the Group targets to become one of the leading online destinations for fashion followers by continuing to set trends that will drive the future growth of its business. It intends to expand its visitor base and enhance its digital media production capability, which are expected to translate to increasing advertising income and revenue from sales of goods through the Group's integrated digital platforms. With these clear objectives, the Group will foster its development in line with a series of business strategies as set out in the Prospectus, which include the following:

1. For the digital media segment, the Group is enhancing the advertising production capability of its creative agency team through various methods, including recruiting more content production executives so as to attract more brand owners and advertising agencies for using its advertising services.
2. For the e-commerce segment, the Group is carefully considering expansion into the rest of Asia, which shall include China. The Group will also strive to ensure greater accessibility and provide the best online shopping experience for its customers by enhancing its customer service and inventory systems.

As part of its strategy to better manage the Group's existing business and to expand its market share in the US, being the largest geographic market for the Group's digital media segment, the Group incorporated a US entity, Hypebeast Inc., on 14 October 2016. Hypebeast Inc. is an indirect wholly owned subsidiary of the Company held through a BVI entity named COREtwo Limited, which was also incorporated on 14 October 2016.

With the Group's experienced management team and reputation in the market, the Directors consider the Group to be well-positioned to compete against its competitors against future challenges.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **FINANCIAL REVIEW**

#### **Revenue**

The Group's revenue increased from approximately HK\$64.1 million for the six months ended 30 September 2015 to approximately HK\$93.9 million for the six months ended 30 September 2016, representing a growth of approximately 46.5%. Such increase was mainly due to increase in revenue from the provision of advertising services to brand owners and advertising agencies on our digital media platforms.

#### **Cost of Revenue**

The Group's cost of revenue increased from approximately HK\$21.4 million for the six months ended 30 September 2015 to approximately HK\$43.0 million for the six months ended 30 September 2016. Such increase was mainly attributable to (i) the increase in campaign costs of advertising services to provide high quality, tailor-made production to clients and (ii) the increase in direct staff costs for the purpose of current and future expansion and development.

#### **Gross Profit Margin**

Gross profit of the Group increased by approximately 19.2% from approximately HK\$42.7 million for the six months ended 30 September 2015 to approximately HK\$50.9 million for the six months ended 30 September 2016. The increase was mainly driven by the increase in revenue for the six months ended 30 September 2016 as discussed above. The overall gross profit margin decreased from approximately 66.6% for the six months ended 30 September 2015 to approximately 54.2% for the six months ended 30 September 2016 which was mainly due to the decrease in gross profit margin in the digital media segment as more tailor-made advertising services were provided and more production staff were employed during the Relevant Period.

#### **Selling and Marketing Expenses**

Selling and marketing expenses of the Group increased by approximately 59.4% from approximately HK\$13.9 million for the six months ended 30 September 2015 to approximately HK\$22.1 million for the six months ended 30 September 2016. Selling and marketing expenses primarily consist of advertising and promotion expenses and consultancy service to third party consultants. The increase was attributable to the higher usage of both services during the six months ended 30 September 2016 to drive current and future business expansion.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **FINANCIAL REVIEW (CONTINUED)**

#### **Administrative and Operating Expenses**

Administrative and operating expenses of the Group increased by approximately 42.3% from approximately HK\$14.1 million for the six months ended 30 September 2015 to approximately HK\$20.1 million for the six months ended 30 September 2016. Administrative and operating expenses mainly consist of staff costs, professional fees, freelancer costs and etc. The increase was attributable to increase in staff headcount and freelancer costs to drive current and future business expansion during the six months ended 30 September 2016.

#### **Finance Costs**

Finance costs increased by approximately HK\$127,000 or 176.4% from approximately HK\$72,000 for the six months ended 30 September 2015 to approximately HK\$199,000 for the six months ended 30 September 2016. The increase was mainly due to the increased usage of bank borrowing compared to the same period last year.

#### **Income Tax Expense**

Income tax expense for the Group decreased by approximately 46.3% from approximately HK\$2.6 million for the six months ended 30 September 2015 to approximately HK\$1.4 million for the six months ended 30 September 2016. The decrease was mainly due to the decrease in profit before tax, excluding the effect of non-deductible expenses and other non-chargeable income items.

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

Profit and total comprehensive income was largely flat compared to the same period last year, totalling approximately HK\$7.0 million for the six months ended 30 September 2016 compared to HK\$7.1 million for the six months ended 30 September 2015.

The decrease in net income compared to the same period last year was attributable to the increase in i) selling and marketing expenses and ii) administrative and operating expenses due to reasons as aforementioned, which is mitigated by the increase in revenue.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2016, the Group had total assets of approximately HK\$117.4 million (31 March 2016: approximately HK\$72.0 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$39.4 million (31 March 2016: approximately HK\$46.3 million) and approximately HK\$78.0 million (31 March 2016: approximately HK\$25.8 million), respectively. The total interest-bearing loans and interest bearing bank borrowings of the Group as at 30 September 2016 were approximately HK\$7.1 million (31 March 2016: approximately HK\$11.3 million), and current ratio as at 30 September 2016 was approximately 2.9 times (31 March 2016: approximately 1.4 times).

### **GEARING RATIO**

The gearing ratio of the Group as at 30 September 2016 was approximately 9.1% (31 March 2016: approximately 43.9%), which decreased significantly as the Group repaid bank borrowings and increased its reserves during the six months ended 30 September 2016. The gearing ratio is calculated based on the total loans and borrowings (interest-bearing bank borrowings and bank overdrafts) divided by total equity as at the respective reporting date.)

### **TREASURY POLICY**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the six months ended 30 September 2016. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the management closely monitors the Group's liquidity position and maintain sufficient cash and cash equivalents and an adequate amount of committed credit facilities to settle payables of the Group.

### **CHARGES ON GROUP ASSETS**

As at 30 September 2016, the Group pledged its bank deposits approximately HK\$5.0 million to a bank as collateral to secure bank facilities granted to the Group. In addition to the pledged bank deposits, as at 30 September 2016, the Group's bank borrowings with carrying amount of approximately HK\$7.1 million was guaranteed by a corporate guarantee of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FOREIGN EXCHANGE EXPOSURE

The Group undertakes certain operating transactions in foreign currency which exposes the Group to foreign currency risk. The Group's foreign currency denominated monetary assets and liabilities are primarily held in US\$ and as HK\$ is pegged with US\$ under the Linked Exchange Rate System, the Group's exposure to US\$ exchange risk is minimal.

The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider and execute the hedging of significant foreign currency exposure should such need arise.

### CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 11 April 2016. There has been no change in the capital structure of the Company since then. The share capital of the Company only comprises of ordinary shares.

As at 1 April 2016, the Company's issued share capital was HK\$1,000 and the number of its issued ordinary share was 100 of HK\$10.0 each. As at 11 April 2016 (the "**Listing Date**"), the Company's issued share capital was increased to HK\$20,000,000 and the number of its issued ordinary shares was 2,000,000,000 of HK\$0.01 each.

Details regarding the maturity profile of debt for the six months ended 30 September 2016, are presented for the Group as disclosed on note 11 of the notes to the unaudited consolidated financial statements.

### COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises and the Director's quarter. The Group's operating lease commitments amounted to approximately HK\$4.3 million as at 30 September 2016 (31 March 2016: HK\$4.2 million).

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Group dated 31 March 2016 (the "**Prospectus**") and in this report, the Group did not have other plans for material investments or capital assets as of 30 September 2016.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

In preparation for the Listing, the Group underwent corporate reorganization, the details of which are set out in the section headed “History, Reorganization and Group Structure” of the Prospectus.

Save as disclosed herein, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the six months ended 30 September 2016.

### **CONTINGENT LIABILITIES**

As at 30 September 2016, there were no significant contingent liabilities for the Group.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2016, the Group employed a total of 124 employees (31 March 2016: 111 employees). The staff costs of our Group (including salaries, allowances, other benefits and contribution to the defined contribution retirement plan) for the six months ended 30 September 2016 were approximately HK\$18.5 million (for the six months ended 30 September 2015: approximately HK\$12.4 million).

The remuneration package for our employees generally includes salary and bonuses. Our employees also receive welfare benefits, including retirement benefits, occupational injury insurance, medical insurance and other miscellaneous items. We conduct annual review of the performance of our employees for determining the level of bonus, salary adjustment and promotion of our employees. Our executive Directors will also conduct research on the remuneration packages offered for similar positions in Hong Kong in order to keep our remuneration packages at a competitive level. We have also adopted the Share Option Scheme which has become effective upon Listing. The Share Option Scheme is designed to provide incentives and rewards to our employees.

### **SIGNIFICANT INVESTMENTS HELD**

Except for investment in its subsidiaries, the Group did not hold any significant investments during the six months ended 30 September 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 September 2016 is set out below:

Objectives	Implementation Plan	Actual business progress up to 30 September 2016
Enhance content of our digital media platforms	<ul style="list-style-type: none"> <li>- enrichment of our original digital media content by recruitment of 13 additional editors to join our editorial team by 30 September 2016 for expanding the variety of the content and providing continuous update to the latest trends in fashion, lifestyle, culture and music on our digital media platforms as well as customising our digital media platforms for different language preferences;</li> <li>- enhancement of our production capabilities of quality advertising services by recruitment of 7 additional digital content and video production personnel by 30 September 2016 for video editing and production management; and</li> <li>- enhancement of in our data analytics capabilities to research on and analyse the preferences and needs of our followers and visitors by recruitment of one additional data analyst by 30 September 2016.</li> </ul>	<p>To support continued development of original digital media content across our website and social media properties, we complemented our existing editorial team with 6 additional staff editors in Hong Kong. We also engaged the services of 8 additional freelance editors in the US, the United Kingdom and Korea.</p> <p>Further, to enhance our production capabilities, we have recruited 1 additional digital content and video production personnel since April 2016, with a view of augmenting the team further in the coming months.</p> <p>The collective skillset, editorial and production experience, and awareness of cultural trends brought on with the addition of these staff and freelance editors and production personnel allow us to enhance the quality of our editorial and custom content and to continue driving trends in fashion, lifestyle, culture and music catered to preferences and interests of our visitors and followers.</p> <p>During the six months ended 30 September 2016, we successfully grew the number of unique visitors across our website platforms from approximately 6.6 million unique visitors to approximately 8.9 million unique visitors, an increase of approximately 34%. Over the past 6 months, the number of unique visitors to our language specific platforms, which currently delivers localised content in Chinese and Japanese, increased from approximately 1 million unique visitors to approximately 1.3 million unique visitors, representing a growth of approximately 33%.</p> <p>We expect to strengthen the skillset and experience of our editorial and production teams and drive growth across different language specific platforms by procuring additional talent over the next 12 months.</p>



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS (CONTINUED)

Objectives	Implementation Plan	Actual business progress up to 30 September 2016
Increase sales and marketing efforts	<ul style="list-style-type: none"> <li data-bbox="269 794 524 948">– marketing campaigns including social media marketing, placing of advertisements, and utilising search engine marketing to raise the profile of our integrated digital platforms; and</li> <li data-bbox="269 983 524 1402">– recruitment of 10 additional personnel by 30 September 2016, for providing sales support to our media customers (including brand owners and advertising agencies) in the provision of our advertising services and support to our digital marketing activities on social media platforms such as analysing the preference of our followers, visitors and online shoppers of our integrated media platforms so as to provide feedback to our editorial team and procurement team.</li> </ul>	<p data-bbox="544 392 994 759">Within our Data team, we committed a dedicated Data Analyst to the review of the preferences and needs of our followers and visitors, greatly enhancing our capability and throughput in the tracking and analysis of key statistics such as number of unique visitors, time spent on site, pages per visit and average views across all of our website properties and social media platforms. These enhancements provide real-time insight into the usage and behaviour of our followers and visitors as well as feedback on our editorial and creative content, allowing us to deliver a more curated experience to our followers and visitors. Our Data team works closely with our Editorial and Procurement teams in providing timely analysis and interpretation of data in support of editorial and creative decisions.</p> <p data-bbox="544 794 994 922">We continue to invest in driving engagement across our social media properties through a combined approach of delivering engaging platform specific custom content as well as raising the profile of our digital platforms through strategic and focussed advertising spend.</p> <p data-bbox="544 957 994 1082">During the six months ended 30 September 2016, we successfully grew the number of followers across our Facebook, Instagram, Twitter and other social media platforms from approximately 5.6 million to approximately 6.8 million, an increase of approximately 22%.</p> <p data-bbox="544 1117 994 1323">To drive continued revenue growth and expand our market share in the global digital media and advertising space, we recruited an addition 1 sales executive in Hong Kong, and augmented our marketing team with an additional 6 consultants in the US and the United Kingdom. The enhanced sales and marketing team allows us to monetize the growth of our social media platforms and website properties in pursuit of profitable growth.</p>

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS (CONTINUED)

Objectives	Implementation Plan	Actual business progress up to 30 September 2016
Improve our working environment	<ul style="list-style-type: none"> <li>- including rental and leasehold improvement and purchase new computers, photographic and video production equipment to accommodate the increase of our headcount.</li> </ul>	<p>To facilitate the ongoing growth of our business, our lease has been extended to cover further space at our Hong Kong headquarters. As at 30 September 2016, our useable warehouse space increased from approximately 7,500 sqft to 10,000 sqft compared to April 2016, greatly enhancing our storage and warehousing capacity in support of our expanding e-commerce business. Renovation of our office space is scheduled to be completed in November 2016, increasing the office footprint at our headquarters to 10,000 sqft as compared to 5,000 sqft as at 30 April 2016.</p> <p>We remain committed to providing our staff with up to date technology and equipment to increase our team's productivity and capability and enhance the quality of our output. For the six months ended 30 September 2016, we invested approximately HK\$0.8 million in computer software, computer hardware and video and photographic production equipment.</p>
Enhance our e-commerce platform	<ul style="list-style-type: none"> <li>- improvement in our data analytics capabilities through recruitment of a data analyst marketing manager to analyse the preferences and therefore the demand of our customers so as to plan for the purchase in the following season and enhancement of our customer service to serve our overseas customers in different time zones through recruitment of a customer service officer; and</li> <li>- enhancement of our inventory system by the addition of automated features.</li> </ul>	<p>We remain dedicated to the continued enhancement of our customers' shopping experience on our HBX e-commerce platform through investment in our data analytic and customer service capabilities as well as in our inventory system.</p> <p>Our new Data Analyst Manager is responsible for leading the analysis of key customer, reader and traffic related data in support of improvements in user and customer engagement across our platforms. Within our Data team, we hired 1 additional Data Analyst for our HBX e-commerce platform during the six months ended 30 September 2016, greatly enhancing our capability and throughput in the analysis of customer usage, behaviour, spending pattern and other key e-commerce related data. Working closely with our management, the Data team provides timely analysis and interpretation of data in support of strategic business decisions.</p>

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS (CONTINUED)

Objectives	Implementation Plan	Actual business progress up to 30 September 2016
		<p>We also invested in our customer service (CS) capabilities by placing an Assistant Customer Service Manager to facilitate engagement with our e-commerce customers. Our CS team offers full support in English, Mandarin and Cantonese, and customers are able to interact with us via email, live chat and voice call.</p>
		<p>Our IT team continues to deliver dedicated support and upgrades to our in-house, custom-built inventory system. We added several key features to our e-commerce system, including Apple Pay Support, which allows us to maintain a first-class customer experience as we endeavour to grow our e-commerce business and expand our offerings.</p>
Staff development	<ul style="list-style-type: none"> <li>- including external and internal training programs so as to promote staff retention and support our business growth.</li> </ul>	<p>Our Human Resources (HR) team is currently performing a needs assessment for our employees across different functional groups in order to develop and source training programs catered to their development goals and skill requirements. To welcome new employees to the Company and provide training on business policies and procedures, the HR team is developing a standardized onboarding program for new joiners which is expected to be implemented in early 2017.</p>
Working capital and general corporate purposes	<ul style="list-style-type: none"> <li>- used as working capital and funding for other general corporate purposes according to our current business plans.</li> </ul>	<p>We remain focussed on maintaining and investing in our working capital in order to fund our expanding business and enhance our operating liquidity as we deliver business and revenue growth.</p>

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### USE OF PROCEEDS

The net proceeds from the placing of new shares as referred to in the Prospectus was approximately HK\$29.7 million.

These proceeds are designated for the purposes in accordance with the “Statement of Business Objectives and Use of Proceeds” as set out in the Prospectus, which is (i) approximately 29% of the net proceeds, representing approximately HK\$8.7 million to enhance the content of our digital media platforms to retain and expand our base of followers and visitors, (ii) approximately 35% of the net proceeds, representing approximately HK\$10.3 million to increase the sales and marketing efforts, (iii) approximately 18% of the net proceeds, representing approximately HK\$5.5 million to improve working environment and purchase new equipment, (iv) approximately 7% of the net proceeds, HK\$2.1 million to enhance our e-commerce platform by improving our services and inventory system, (v) approximately 1% of the net proceeds, representing HK\$0.4 million for staff development and (vi) approximately 10% of the net proceeds, representing HK\$2.7 million for general working capital purposes.

An analysis of the utilisation of the net proceeds from the Listing up to 30 September 2016 is set out below:

	Use of proceeds as stated in the Prospectus HK\$ million	Planned use of net proceeds as stated in the Prospectus from listing to 30 September 2016 HK\$ million	Actual use of net proceeds from listing to 30 September 2016 HK\$ million
Enhance content of our digital media platforms	8.7	4.9	1.9
Increase sales and marketing efforts	10.3	3.4	1.7
Improve our working environment	5.5	3.8	1.4
Enhance our e-commerce platform	2.1	0.5	0.8
Staff development	0.4	0.2	-
Working capital and general corporate purposes	2.7	2.7	1.2
	29.7	15.5	7.0

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group’s business and the industry.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### USE OF PROCEEDS (CONTINUED)

The enhancement of our digital media platform and our sales and marketing efforts has been extended beyond 30 September 2016 as we continue recruiting the best available talent to augment and complement the skills and experience of our team. In addition, the timing of completion of our Hong Kong office renovations was deferred from September 2016 to November 2016. Therefore, the actual use of net proceeds of the Group was approximately \$7.0 million for the period ended 30 September 2016 compared to the estimated amount of approximately \$15.5 million as stated in the Prospectus, primarily due to adjustment in the timing of the spending to better suit our growth and business needs.

### DISCLOSURE OF INTERESTS

#### Directors' and Chief Executives' Interests and Short Positions in the Shares, the Underlying Shares or Debentures of the Company or Any Associated Corporations

As at 30 September 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### Long positions in shares of the Company:

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares held</u>	<u>Approximate percentage of shareholding</u>
Mr. Ma Pak Wing Kevin (Note 1)	Interest in a controlled corporation	1,500,000,000	75%
Ms. Lee Yuen Tung Janice (Note 2)	Interest of spouse	1,500,000,000	75%

## DISCLOSURE OF INTERESTS (CONTINUED)

### Directors' and Chief Executives' Interests and Short Positions in the Shares, the Underlying Shares or Debentures of the Company or Any Associated Corporations (Continued)

Notes:

1. CORE Capital Group Limited is the beneficial owner of 1,500,000,000 Shares, representing 75% of our issued share capital of the Company. CORE Capital Group Limited is directly wholly-owned by Mr. Ma Pak Wing Kevin.
2. Ms. Lee Yuen Tung Janice is the spouse of Mr. Ma Pak Wing Kevin. Under the SFO, Ms. Lee Yuen Tung Janice is deemed to be interested in the same number of Shares in which Mr. Ma Pak Wing Kevin is interested.

Save as disclosed above, as at 30 September 2016, there was no other interest or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO).

### Substantial Shareholders' Interests and Short Positions in the Shares, the Underlying Shares or Debentures of the Company

So far as the Directors are aware, as at 30 September 2016, other than the Directors and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

#### Long positions in share of the Company:

<u>Name of Shareholder</u>	<u>Capacity/Nature of interest</u>	<u>Number of shares held</u>	<u>Approximate percentage of shareholding</u>
CORE Capital Group Limited (Note)	Beneficial owner	1,500,000,000	75%

Note: CORE Capital Group Limited is the beneficial owner of 1,500,000,000 Shares, representing 75% of our issued share capital.

Save as disclosed above, as at 30 September 2016, there is no other interest or short positions of any other persons/entities in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## **COMPETING AND CONFLICT OF INTERESTS**

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that competes or may compete with the business of the Company and any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 September 2016.

None of the Directors, the controlling shareholders or the substantial shareholders of the Company or any of their respective close associates has engaged in or has interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the six months ended 30 September 2016.

## **INTERESTS OF THE COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Lego Corporate Finance Limited to be the compliance adviser. As notified by Lego Corporate Finance Limited, as at 30 September 2016, save for the compliance adviser agreement dated 15 March 2016 entered into between the Company and Lego Corporate Finance Limited, neither Lego Corporate Finance Limited, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

## **PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Since the Listing Date and up to 30 September 2016, save as the Listing, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE CODE**

Pursuant to the code provision A.2.1 of the Corporate Governance Code (the "**CG Code**"), the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Ma Pak Wing currently assumes the role of both chairman of the Company and chief executive of the Company. We consider that both roles being held by Mr. Ma will provide a strong and consistent leadership to the Company which will facilitate effective planning and efficient management of the Company. Furthermore, having considered Mr. Ma's extensive experience in the digital media industry, the relationships Mr. Ma has built with the customers and the historical development of our Group, we consider it is beneficial for our Group that Mr. Ma continues to act as both chairman and chief executive officer of our Company.

## **CORPORATE GOVERNANCE CODE (CONTINUED)**

Since the Listing Date and up to 30 September 2016, the Company has complied with the applicable code provisions of the CG Code as set out in Appendix 15 of the GEM Listing Rules with the exception for code provision A.2.1 as disclosed above for the six months ended 30 September 2016.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors (the “**Code of Conduct**”) on terms no less exacting than the required standards of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct since the Listing Date and up to 30 September 2016.

## **DIVIDEND**

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

## **SHARE OPTION SCHEME**

The Company adopted a share option scheme on 18 March 2016 (the “**Scheme**”). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

On 18 March 2016, the Group has conditionally approved and adopted the pre-IPO share option scheme (the “**Pre-IPO Scheme**”) and the post-IPO share option scheme (the “**Post-IPO Scheme**”) where eligible participants may be granted options entitling them to subscribe for the Company’s shares. The purpose of the share option scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to it. The Pre-IPO Scheme was subsequently expired on the Listing Date. The Post-IPO Scheme which will remain in force for a period of 10 years from the effective date of the Post-IPO Scheme. The principal terms of the share option schemes are summarized in the sections headed “Pre-IPO Share Option Scheme” and “Post-IPO Share Option Scheme” in Appendix IV to the Prospectus.

For the six months ended 30 September 2016, 22,500,000 shares has been granted under the Pre-IPO Scheme representing approximately 1.13% of the issued share capital. No share options has been granted under the Post-IPO Scheme. No share options was exercised, expired or lapsed under the Pre-IPO Scheme and Post IPO scheme for the Relevant Period.



## AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with its written terms of reference in compliance with paragraphs C3.3 and C3.7 of the CG Code, and Rule 5.28 of GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, namely Mr. Wong Kai Chi, Ms. Poon Lai King and Ms. Kwan Shin Luen Susanna, all being independent non-executive Directors. Mr. Wong Kai Chi currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Relevant Period.

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

Hong Kong, 7 November 2016

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