HYPEBEAST
LIMITED

INTERIM REPORT 中期報告
2019

# HYPEBEAST

–

Incorporated
in the Cayman Islands
with limited liability

–

STOCK CODE
00150

–

於開曼群島
註冊成立的有限公司

–

股份代號
00150

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## INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Hypebeast Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2019 (the "**Relevant Period**"), together with the unaudited comparative figures for the corresponding period in 2018, as follows:

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

*For the six months ended 30 September 2019*

| | NOTES | **Six months ended 30 September** 2019 HK$'000 (Unaudited) | 2018 HK$'000 (Unaudited) |
|---|---|---|---|
| Revenue | 4 | **401,344** | 256,247 |
| Cost of revenue | | **(214,551)** | (130,611) |
| Gross profit | | **186,793** | 125,636 |
| Other gains and losses | | **328** | (3,037) |
| Selling and marketing expenses | | **(87,072)** | (56,288) |
| Administrative and operating expenses | | **(62,704)** | (39,801) |
| Professional fee relating to transfer of listing | | **–** | (3,214) |
| Impairment loss recognised on trade receivables | | **(323)** | (140) |
| Finance costs | | **(657)** | (206) |
| Share of result of a joint venture | | **(1,331)** | (1,849) |
| **Profit before tax** | | **35,034** | 21,101 |
| Income tax expense | 5 | **(7,516)** | (4,369) |
| **Profit for the period** | | **27,518** | 16,732 |
| Other comprehensive expense | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | **(76)** | – |
| **Total comprehensive income for the period** | | **27,442** | 16,732 |
| Earnings per share | 7 | | |
| – Basic (HK cent) | | **1.37** | 0.84 |
| – Diluted (HK cent) | | **1.35** | 0.84 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2019*

| | NOTES | **As at 30 September 2019 HK$'000 (Unaudited)** | As at 31 March 2019 HK$'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **9,713** | 9,837 |
| Right-of-use assets | | **25,028** | – |
| Rental deposits | | **3,085** | 2,308 |
| Interest in a joint venture | | **–** | 1,333 |
| | | **37,826** | 13,478 |
| **Current assets** | | | |
| Inventories | 8 | **76,821** | 67,802 |
| Trade and other receivables | 9 | **223,091** | 173,894 |
| Contract assets | 10 | **22,517** | 8,936 |
| Amount due from a joint venture | | **9,492** | 6,715 |
| Pledged bank deposits | 11 | **7,802** | 6,723 |
| Bank balances and cash | 11 | **42,589** | 55,727 |
| | | **382,312** | 319,797 |
| **Current liabilities** | | | |
| Trade and other payables | 12 | **111,454** | 89,662 |
| Lease liabilities | | **12,449** | – |
| Contract liabilities | 13 | **9,099** | 3,215 |
| Bank borrowings – due within one year | 14 | **28,261** | 26,990 |
| Tax payable | | **11,348** | 7,088 |
| | | **172,611** | 126,955 |
| **Net current assets** | | **209,701** | 192,842 |
| **Total assets less current liabilities** | | **247,527** | 206,320 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*As at 30 September 2019*

| | **As at 30 September 2019 HK$'000 (Unaudited)** | As at 31 March 2019 HK$'000 (Audited) |
|---|---|---|
| **Non-current liabilities** | | |
| Lease liabilities | **12,205** | – |
| Deferred tax liabilities | **353** | 353 |
| | **12,558** | 353 |
| **Net assets** | **234,969** | 205,967 |
| **Capital and reserves** | | |
| Share capital | **20,231** | 20,000 |
| Share premium | **29,579** | 25,275 |
| Reserves | **185,159** | 160,692 |
| | **234,969** | 205,967 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2019*

| | Share capital HK$'000 | Share premium HK$'000 | Translation reserve HK$'000 | Share option reserve HK$'000 | Accumulated profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **At 1 April 2019 (audited)** | **20,000** | **25,275** | **12** | **4,656** | **156,024** | **205,967** |
| Issue of share capital | **231** | **4,304** | **–** | **(2,545)** | **–** | **1,990** |
| Profit for the period | **–** | **–** | **–** | **–** | **27,518** | **27,518** |
| Exchange difference arising on translation of foreign operations | **–** | **–** | **(76)** | **–** | **–** | **(76)** |
| Recognition of equity-settled share-based payments | **–** | **–** | **–** | **4,466** | **–** | **4,466** |
| Dividend paid | **–** | **–** | **–** | **–** | **(4,896)** | **(4,896)** |
| **At 30 September 2019 (unaudited)** | **20,231** | **29,579** | **(64)** | **6,577** | **178,646** | **234,969** |
| **At 1 April 2018 (audited)** | 20,000 | 25,275 | (1) | 1,749 | 94,226 | 141,249 |
| Profit and total comprehensive income for the period | – | – | – | – | 16,732 | 16,732 |
| Recognition of equity-settled share-based payments | – | – | – | 1,243 | – | 1,243 |
| **At 30 September 2018 (unaudited)** | 20,000 | 25,275 | (1) | 2,992 | 110,958 | 159,224 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 September 2019*

| | Six months ended 30 September | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| **NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES** | **910** | (38,220) |
| **INVESTING ACTIVITIES** | | |
| Placement of pledged bank deposits | **(7,085)** | (6,700) |
| Purchase of property, plant and equipment | **(1,979)** | (5,656) |
| Advance to a joint venture | **(2,777)** | (4,754) |
| Withdrawal of pledged bank deposits | **6,006** | 1,081 |
| Proceeds from disposal of property, plant and equipment | **–** | 826 |
| Bank interest received | **44** | 4 |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(5,791)** | (15,199) |
| **FINANCING ACTIVITIES** | | |
| Dividend paid | **(4,896)** | – |
| Proceeds from bank borrowings | **23,589** | 19,000 |
| Repayment of bank borrowings | **(22,318)** | (6,053) |
| Repayment of finance lease | **–** | (533) |
| Interest paid on bank borrowings | **(466)** | (190) |
| Interest paid on finance lease | **–** | (16) |
| Exercise of share option | **1,989** | – |
| Interest element of lease rentals paid | **(191)** | – |
| Capital element of lease rentals paid | **(5,889)** | – |
| **NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES** | **(8,182)** | 12,208 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(13,063)** | (41,215) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD** | **55,727** | 58,581 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | **(75)** | – |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, representing bank balances and cash** | **42,589** | 17,366 |

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2019*

## 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 P.O. Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands. The headquarter and principal place of business of the Company in Hong Kong is located at 10/F, KC100, 100 Kwai Cheong Road, Kwai Chung, Hong Kong.

The Company's shares were first listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 April 2016 and have been transferred from GEM to the Main Board of the Stock Exchange on 8 March 2019 pursuant to the approval granted by the Stock Exchange on 28 February 2019.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "**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 2019 dated 20 June 2019 ("**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 except for the accounting policy changes that are expected to be reflected in the financial statements of the Company for the year ended 31 March 2020. Details of these changes in accounting policies are set out in note 3.

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. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARD ("HKFRS")

In the Relevant Period, the Group has applied HKFRS 16 and the related consequential amendments to other HKFRSs. The application of new requirements resulted in changes in measurement, presentation and disclosure as indicated below. The Directors assessed that such changes increased the consolidated assets and consolidated liabilities of the Group but did not result in a significant impact on the financial performance of the Group upon adoption of HKFRS 16.

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 supersedes HKAS 17 Leases ("**HKAS 17**") and the related interpretations.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees under HKFRS 16, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability were allocated into a principal and an interest portion which were presented as financing cash flows by the Group and upfront prepaid lease payments continued to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Other than certain requirements which are also applicable to lessors, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

## 3. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARD ("HKFRS") (CONTINUED)

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$28,703,000 as disclosed in Annual Report. Upon application of HKFRS 16, the Group recognised a right-of-use asset and a corresponding liability in respect of all these leases unless they qualified for low value or short-term leases.

In addition, the Group previously considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied prior to the initial application of HKFRS 16. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The Group elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group did not reassess whether the contracts were, or contained a lease which already existed prior to the date of initial application. Furthermore, the Group elected the modified retrospective approach for the application of HKFRS 16 as lessee and recognised the cumulative effect of initial application to opening accumulated profits without restating comparative information.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition.

## 3. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARD ("HKFRS") (CONTINUED)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by relevant group entities ranged from 2.3% to 3.625%.

| | HK$'000 |
|---|---|
| Operating lease commitments disclosed as at 31 March 2019 | **28,703** |
| Lease liabilities discounted at relevant incremental borrowing rates | **27,584** |
| Recognition exemption – short-term leases | **(4,883)** |
| Lease liabilities as at 1 April 2019 | **22,701** |
| Analysed as | |
| Current | **9,453** |
| Non-current | **13,248** |
| | **22,701** |

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

| | HK$'000 |
|---|---|
| Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 | **22,701** |

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 April 2019:

- right-of-use assets - increased by approximately HK$22,701,000
- lease liabilities - increased by approximately HK$22,701,000

## 4. REVENUE AND SEGMENT INFORMATION

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

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

## 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

(i) Digital media segment – Provision of advertising spaces, provision of services for creative agency projects and publication of magazines

(ii) E-commerce segment – Operation of online retail platform for the sale of third-party branded clothing, shoes and accessories

| | Six months ended 30 September | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Digital media | **262,429** | 156,144 |
| E-commerce | **138,915** | 100,103 |
| | **401,344** | 256,247 |

## 5. INCOME TAX EXPENSE

| | Six months ended 30 September | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Current tax: | | |
| Hong Kong Profits Tax | **3,857** | 4,239 |
| Other jurisdictions | **3,659** | 130 |
| | **7,516** | 4,369 |

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

## 5. INCOME TAX EXPENSE (CONTINUED)

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

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

## 6. DIVIDEND

During the Relevant Period, the Group has paid the special dividend in respect of the year ended 31 March 2019 of HK0.242 cent per ordinary share, in an aggregate amount of HK$4,896,000. Furthermore, the Board does not recommend the payment of an interim dividend for the Relevant Period.

## 7. EARNINGS PER SHARE

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

| | **Six months ended 30 September** | |
|---|---|---|
| | **2019 HK$'000 (Unaudited)** | 2018 HK$'000 (Unaudited) |
| **Earnings** | | |
| Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company) | **27,518** | 16,732 |
| | **2019 '000** | 2018 '000 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | **2,012,343** | 2,000,000 |
| **Effect of dilutive potential ordinary shares:** | | |
| Share options issued by the Company | **21,760** | 750 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **2,034,103** | 2,000,750 |
| **Earnings per share** | | |
| – Basic (HK cent) | **1.37** | 0.84 |
| – Diluted (HK cent) | **1.35** | 0.84 |

## 8. INVENTORIES

| | As at 30 September 2019 HK$'000 (Unaudited) | As at 31 March 2019 HK$'000 (Audited) |
|---|---|---|
| Finished goods | **76,821** | 67,802 |

## 9. TRADE AND OTHER RECEIVABLES

| | As at 30 September 2019 HK$'000 (Unaudited) | As at 31 March 2019 HK$'000 (Audited) |
|---|---|---|
| Trade receivables (i) | **176,929** | 131,006 |
| Less: allowance for credit losses | **(364)** | (261) |
| | **176,565** | 130,745 |
| Advances to staff | **2,831** | 1,951 |
| Rental and utilities deposits | **8,342** | 7,584 |
| Prepayment | **21,678** | 19,785 |
| Other receivables | **13,675** | 13,829 |
| Total | **223,091** | 173,894 |

## 9. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

| | **As at 30 September 2019 HK$'000 (Unaudited)** | As at 31 March 2019 HK$'000 (Audited) |
|---|---|---|
| Within 60 days | **136,606** | 87,648 |
| 61 – 90 days | **14,124** | 18,668 |
| 91 – 180 days | **15,839** | 14,862 |
| 181 – 365 days | **6,942** | 9,143 |
| Over 365 days | **3,054** | 424 |
| | **176,565** | 130,745 |

Included in the Group's trade receivables balance are debtors as at 30 September 2019 with an aggregate carrying amount of approximately HK$56,369,000 (31 March 2019: HK$50,541,000) 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.

## 10. CONTRACT ASSETS

| | As at 30 September 2019 HK$'000 (Unaudited) | As at 31 March 2019 HK$'000 (Audited) |
|---|---|---|
| Provision of advertising spaces | **22,517** | 8,936 |

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

As at 30 September 2019 and 31 March 2019, all contract assets are expected to be settled within 1 year, and accordingly classified as current assets.

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

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group, which carry interest at prevailing market rates of 0.3% per annum as at 30 September 2019 and 31 March 2019. Deposits amounting to HK$7,802,000 as at 30 September 2019 (31 March 2019: HK$6,723,000) 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 2020 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 2019 and 31 March 2019.

## 12. TRADE AND OTHER PAYABLES

| | **As at 30 September 2019 HK$'000 (Unaudited)** | As at 31 March 2019 HK$'000 (Audited) |
|---|---|---|
| Trade payables | **36,301** | 25,148 |
| Commission payable | **16,271** | 13,640 |
| Accrual for campaign cost (i) | **41,844** | 33,860 |
| Accrual for staff bonus | **9,357** | 1,459 |
| Other payables and accrued expenses | **7,681** | 15,555 |
| | **111,454** | 89,662 |

(i): Provision for campaign cost represents accruals 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 unaudited consolidated financial statements.

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

| | **As at 30 September 2019 HK$'000 (Unaudited)** | As at 31 March 2019 HK$'000 (Audited) |
|---|---|---|
| Within 30 days | **26,897** | 16,374 |
| 31 – 60 days | **2,771** | 2,470 |
| 61 – 90 days | **1,719** | 284 |
| Over 90 days | **4,914** | 6,020 |
| | **36,301** | 25,148 |

As at 31 October 2019, approximately HK$11.8 million or 32.5% of trade payables as at 30 September 2019 has been settled.

## 13. CONTRACT LIABILITIES

| | As at 30 September 2019 HK$'000 (Unaudited) | As at 31 March 2019 HK$'000 (Audited) |
|---|---|---|
| Provision of advertising spaces (Note a) | **9,099** | 2,229 |
| Sales of goods through online stores (Note b) | **–** | 986 |
| | **9,099** | 3,215 |

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 six months ended 30 September 2019, the Group has recognised revenue of HK$2,229,000 that was included in the contract liabilities balance at the beginning of the Relevant Period. All contract liabilities attributable to the provision of advertising spaces and services for creative agency projects as at 30 September 2019 are expected to be recognised as revenue within one year.

b) When the Group receives the payment in full before the goods are shipped/delivered, 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 Relevant Period, there was no such balance noted.

## 14. BANK BORROWINGS

| | As at 30 September 2019 HK$'000 (Unaudited) | As at 31 March 2019 HK$'000 (Audited) |
|---|---|---|
| Bank borrowings, unsecured with variable rate | **28,261** | 26,990 |
| Carrying amount repayable (according to scheduled repayment term): | | |
| – Within one year | **21,912** | 19,643 |
| – In more than one year but not more than two years | **1,961** | 1,956 |
| – In more than two years but not more than five years | **4,388** | 5,391 |
| | **28,261** | 26,990 |
| Carrying amount that contain a repayment on demand clause (shown under current liabilities) | **28,261** | 26,990 |

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

| | As at 30 September 2019 (Unaudited) | As at 31 March 2019 (Audited) |
|---|---|---|
| Effective interest rate (per annum): Variable-rate borrowings | **2.3% to 3.625%** | 2.3% to 3.625% |

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND PROSPECT

The Group is a digital media company primarily engaged in (i) the provision of advertising and creative agency services to brands 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. Under its digital media business segment, the Group produces and distributes millennial-focused digital content reporting the latest trends on fashion, lifestyle, culture and music to its visitors and followers. Digital content is delivered via the Group's digital media platforms (including its Hypebeast, Hypebae, Hypekids and Popbee websites and mobile apps) and popular third-party social media platforms (including Facebook, Instagram, Twitter, Youtube, Wechat and Weibo). Central to the Group's digital media strategy is the development of new platforms to reach a wider scope of users and followers both demographically and geographically. In addition to its flagship Hypebeast digital media platform, the Group launched new platforms catering to cultural, fashion and lifestyle trends for diverse user segments such as young women, named "Hypebae", and fashion-conscious parents & children, named "Hypekids". The Group also launched local language versions of its flagship Hypebeast property across both website and social media platforms, with content now available in Traditional Chinese, Simplified Chinese, Japanese, Korean and French. This expansion in the breadth of scope of its target audience as well as the enrichment and enhancement of its digital media content supports substantial growth in the Group's visitor and follower base, thereby increasing the reach and appeal of the Group's digital media services to brands and advertising partners globally.

As part of its digital media segment, the Group also delivers bespoke creative agency services, collectively branded under "Hypemaker", to its clients, including but not limited to creative conceptualization, technical production, campaign execution and data analysis in the development and creation of digital media based content. The unique combination of industry and cultural knowledge, exceptional creative and technical talent and a distinct aesthetic lens helped drive support of our creative agency service offerings amongst brands and advertisers, thereby helping the Group develops its various creative services into a focused suite of deliverables to bring to market.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## BUSINESS REVIEW AND PROSPECT (CONTINUED)

The Group engages in online retail of apparel and accessories under its HBX e-commerce platform. The HBX e-commerce platform focuses on delivering the latest, trend-setting apparel and accessories to its customers, curating fashion forward pieces and collections to include in its merchandise portfolio. With its unique insight into street-wear and youth-focused fashion, the Group is able to deliver products most desired by its target demographic, thereby supporting a growing number of online shoppers. The Group intends on enhancing the online retail experience for its customers, driving improvements from website usability to order processing to shipping and delivery. During the six months ended 30 September 2019, the number of customer orders on its HBX e-commerce platform increased by approximately 21.5% compared with the same period of last year, which is a testament to the increasing appeal of HBX as a leading destination for online street-wear and youth-focused fashion worldwide. As at 30 September 2018 and 30 September 2019, the number of brands offered on our e-commerce platform were 276 and 314, respectively, representing an increase of 38 brands for the six months ended 30 September 2019. As at 30 September 2018 and 30 September 2019, the number of products offered on the Group's e-commerce platform were approximately 7,830 and 11,357, respectively, representing an increase of approximately 3,527 products for the six months ended 30 September 2019. The increase in the number of brands and products carried on our e-commerce platform reflects our strategy of delivering a more diverse and fashion driven shopping experience offerings to our customers.

Looking forward, the Group aims to become the leading online destination for fashion followers by continuing to set trends. The Group will continue to explore opportunities to bring our online presence to the offline world. It intends to enhance its digital media production capability, thereby increasing the quality and quantity of both its in-house editorial and sales campaign driven content, which is expected to translate to increased revenue from sales of services through the Group's integrated digital platforms and creative agency. The Group intends to deliver an industry leading online retail experience to its fashion and culture conscious customers on its e-commerce platform, both through sourcing trend leading products and enhancing website and mobile app user experience. The Group will foster its development in line with a series of business strategies, which include the following:

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## BUSINESS REVIEW AND PROSPECT (CONTINUED)

1. For the digital media segment, the Group will focus on increasing our scope of services and contract value with respect to both its digital media and creative services, and as the size of our contracts and level of production increases within our contractual pipeline it becomes necessary to increase our talent pool to be able to deliver the suite of services demanded by our clients.

   The Group is enhancing its advertising production capabilities through various methods which include attracting and retaining content production executives and creative talent so as to create high quality production campaigns and editorial features to meet the demands and expectations of brand owners, advertising agencies and its visitors and followers.

   The Group will continue to look for opportunities to increase the depth and breadth of engagement with its target audience, through strategies such as content enrichment as well as platform development.

2. For the e-commerce segment, the Group plans to increase marketing efforts and expand the scale and penetration of our e-commerce platform and business in significant markets such as the United States, United Kingdom, Hong Kong, China, Japan, Korea and Southeast Asia.

   The Group will continue delivering the best online shopping experience for its customers by enhancing the quality of its customer service, the capabilities of its inventory systems as well as improving the functionality and usability of its website and app based e-commerce platforms. The Group also intends to work closely with both up-and-coming and established fashion brands to bring trend setting fashion pieces and collections to its customers.

   In addition, the Group has had great success from its first offline retail store at the Landmark shopping mall in Hong Kong from where HBX operated a permanent retail shop alongside popup exhibitions. The Group continues to explore similar opportunities to bring our online presence to the offline world. The Group entered into a lease on 21 June 2018 for an office and retail premise in the Lower East Side neighborhood of Manhattan, which will house an offline retail store alongside the Group's offices in the East Coast in the United States. The physical store will be the Group's landmark presence within the United States and will provide a tangible experience for our customers to access our curation of products. The Group anticipates the store to begin operations in 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## FINANCIAL REVIEW

### Revenue

| | Six months ended 30 September 2019 (Unaudited) | | | Six months ended 30 September 2018 (Unaudited) | | |
|---|---|---|---|---|---|---|
| | Revenue HK$'000 | Gross Profit HK$'000 | Gross Profit Margin % | Revenue HK$'000 | Gross Profit HK$'000 | Gross Profit Margin % |
| Digital media | **262,429** | **125,129** | **47.7** | 156,144 | 74,946 | 48.0 |
| E-commerce | **138,915** | **61,664** | **44.4** | 100,103 | 50,690 | 50.6 |
| Overall | **401,344** | **186,793** | **46.5** | 256,247 | 125,636 | 49.0 |

The Group's revenue increased from approximately HK$256.2 million for the six months ended 30 September 2018 to approximately HK$401.3 million for the six months ended 30 September 2019, representing growth of approximately 56.6%. Such increase was mainly due to increase in scope and quantity of our provision of advertising and creative agency services to brand owners and advertising agencies on our digital media platforms, as well as growth in sales volume of third-party branded apparel on our e-commerce platform. With respect to our digital media segment, for the six months ended 30 September 2019, such increase was mainly due to the increase in revenue from provision of advertising services to brand owners and advertising agencies on the Group's digital media platforms. The average contract value increased from approximately HK$373,000 for the six months ended 30 September 2018 to approximately HK$426,000 for the six months ended 30 September 2019, representing growth of approximately 14.2%, and the number of contracts entered into with the Group's customers increased from approximately 580 for the six months ended 30 September 2018 to approximately 630 for the six months ended 30 September 2019, representing growth of approximately 8.6%. The Group's digital media revenues are dependent on timing of bookings and campaign delivery and therefore may not necessarily be consistent from quarter to quarter.

With respect to our e-commerce segment, the average customer order value increased from approximately HK$1,400 for the six months ended 30 September 2018 to approximately HK$1,600 for the six months ended 30 September 2019, representing growth of approximately 14.3%. The number of customer orders on our e-commerce platform increased from approximately 86,000 for the six months ended 30 September 2018 to approximately 104,000 for the six months ended 30 September 2019, representing growth of approximately 20.9%. The Group experiences seasonality in sales with respect to its e-commerce business due to increased demand for our products during the peak of end of season sales and high impact release of new collections clustered around the first half of the fiscal year.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## FINANCIAL REVIEW (CONTINUED)

### Cost of Revenue

The Group's cost of revenue increased from approximately HK$130.6 million for the six months ended 30 September 2018 to approximately HK$214.6 million for the six months ended 30 September 2019, representing an increase of approximately 64.3%. Such increase was mainly attributable to (i) increase in campaign production costs to deliver high quality, bespoke content, for our creative agency, (ii) increase in product and inventory related costs to support growth in our e-commerce business, and (iii) the increase in direct staff costs to support increases in the size of our contracts and level of production within our contractual pipeline for the Relevant Period.

### Gross Profit Margin

Gross profit of the Group increased by approximately 48.7% from approximately HK$125.6 million for the six months ended 30 September 2018 to approximately HK$186.8 million for the six months ended 30 September 2019. The increase was mainly driven by the increase in revenue for the six months ended 30 September 2019 as discussed above. The overall gross profit margin decreased slightly from approximately 49.0% for the six months ended 30 September 2018 to approximately 46.5% for the six months ended 30 September 2019 and was mainly due to the increase in revenue portion of creative agency services compared to advertising services, in which the gross profit margin from creative agency services are comparatively lower, as more tailor-made services and production staff efforts were provided and involved. It was also due to the pricing and promotional strategies set to adapt the changes in the retail industry and consumer's demand during the Relevant Period.

### Other Gains and Losses

Other gains and losses mainly represent foreign currency changes and surcharges for overdue settlements.

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 dollars and Euro. As the HK dollar is pegged with the US dollar under the Linked Exchange Rate System, and the Group's business operations and strategies involves expenditures in Euro, the Group's exposure to the US dollar and Euro exchange risk is not significant. The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider and execute the hedging of significant foreign currency exposure should such need arise.

Surcharges were made for overdue settlements with a determined rate over the overdue balances agreed by customers stated on the payment term. Management believes that such policy enhances the turnover of the Group's trade receivables and hence the financial liquidity.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## FINANCIAL REVIEW (CONTINUED)

### Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by approximately 54.7% from approximately HK$56.3 million for the six months ended 30 September 2018 to approximately HK$87.1 million for the six months ended 30 September 2019. Selling and marketing expenses as a percentage of revenue remained at approximately 22.0% for the six months ended 30 September 2018 and 30 September 2019. Selling and marketing expenses primarily consist of advertising and social media marketing expenses for both digital media and e-commerce platforms and staff costs of our sales and marketing department. The increase in selling and marketing expenses was attributable to the increase in (i) associated distribution charges with the growth in our e-commerce business, (ii) variable commission paid for the increases in the size of our contracts and level of production within our contractual pipeline for the Relevant Period, and (iii) investment in new headcounts within the Group's sales and marketing team to drive current and future business development and revenue expansion.

### Administrative and Operating Expenses

Administrative and operating expenses of the Group increased by approximately 57.5% from approximately HK$39.8 million for the six months ended 30 September 2018 to approximately HK$62.7 million for the six months ended 30 September 2019. Administrative and operating expenses as a percentage of revenue remained at approximately 15.5% for the six months ended 30 September 2018 and 30 September 2019. The increase was mainly attributed to the increase in (i) staff headcount to support the expansion of the Group; (ii) rental and utilities cost for the new headquarters in Hong Kong and other local offices located in the US and UK; and (iii) stock based compensation in relation to option granted to employees.

### Income Tax Expense

Income tax expense for the Group increased by approximately 70.5% from approximately HK$4.4 million for the six months ended 30 September 2018 to approximately HK$7.5 million for the six months ended 30 September 2019. The increase was mainly due to the increase in profit for tax, especially in other jurisdictions with relatively higher tax rate during the Relevant Period.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## FINANCIAL REVIEW (CONTINUED)

### Share of Result of a Joint Venture

The Group recorded losses of approximately HK$1.3 million for the Relevant Period in its share of results of its joint venture, The Berrics Company LLC, a skateboarding digital media platform business which was formed in February 2018 with the Group as majority partner. The loss was attributable to investments in infrastructure and headcount to drive the joint venture's planned sales strategy and marketing initiatives in order to deliver on its sales and expansion plans.

### Profit and Total Comprehensive Income for the Period

Profit and total comprehensive income increased by approximately 64.1% from approximately HK$16.7 million for the six months ended 30 September 2018 to approximately HK$27.4 million for the six months ended 30 September 2019. Such increases were primarily attributable to the increase in revenue and gross profit as well as effective corporate cost management for the six months ended 30 September 2019.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, the Group had total assets of approximately HK$420.1 million (31 March 2019: approximately HK$333.3 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$185.1 million (31 March 2019: approximately HK$127.3 million) and approximately HK$235.0 million (31 March 2019: approximately HK$206.0 million), respectively. Total interest-bearing loans and interest-bearing bank borrowings of the Group as at 30 September 2019 were approximately HK$28.3 million (31 March 2019: approximately HK$27.0 million), and current ratio as at 30 September 2019 was approximately 2.2 times (31 March 2019: approximately 2.5 times). These borrowings were denominated in HK dollar, and the interest rates applied were primarily subject to floating rate terms.

### Cash from/used in operating activities

The amount mainly comprised of cash generated from revenue and cash used in operating activities such as payment of operating expenses as well as investments in working capital. For the six months ended 30 September 2019, cash generated from operating activities was HK$0.9 million compared to cash used in operating activities of HK$38.2 million in the comparable period last year, mainly attributed to significant increase in operating cash flows derived from profit before tax netting off the increased investments in working capital compared to same period of last year.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

# LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

## Investment in working capital

### Trade and other receivable and rental deposits

Cash outflow from movements in trade and other receivable and rental deposits was HK$50.2 million for the six months ended 30 September 2019, compared to HK$52.8 million in the same period last year. The decrease was attributable to a slower increase in trade receivables over the period from approximately HK$131.0 million as at 31 March 2019 to approximately HK$176.9 million as at 30 September 2019.

As at 31 October 2019, approximately HK$34.3 million, or 19.4% of trade receivables as at 30 September 2019 have been settled. Further, trade receivables aged within 60 days based on the invoice date at the end of the reporting period was 77.4% as at 30 September 2019 compared to 67.0% as at 31 March 2019, reflecting an improvement in our collection cycles. The Group estimated the expected credit loss allowance according to historical credit loss and internal credit rating assessment on the significant parties on the trade receivables balance at the period end.

### Inventory

Cash outflow from movements in inventory was approximately HK$9.3 million for the six months ended 30 September 2019, compared to approximately HK$23.5 million in the same period of last year. The decrease was due to the improvement in procurement and inventory control over the Relevant Period along with the steadily increasing sales volumes and revenues from the Group's e-commerce business.

As at 31 October 2019, approximately HK$14.7 million, or 19.2% of inventories as at 30 September 2019 have been sold. In addition to pricing and promotional strategies, the Group monitors various metrics in relation to its inventories such as sell-through, gross margin by product, product performance, stock turns and inventory aging to ensure inventory balances are properly and actively managed relative to sales performance, and to ensure there are no significant unsold inventory.

## Cash used in investing activities

The amount mainly comprised of additions in property, plant and equipment, advances to the Berrics joint venture in support of operational growth and integration plans as well as a placement of pledged bank deposits relating to a loan drawdown. For the six months ended 30 September 2019, cash used in investing activities was approximately HK$5.8 million compared to approximately HK$15.2 million in the same period of last year, mainly due to the decrease in purchase of property, plant and equipment over the same period, and the withdrawal of pledged bank deposits upon expiry during the Relevant Period.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

### Cash used in/generated from financing activities

The amount mainly comprised proceeds from and repayment of bank borrowings, interest payment, lease rentals paid, dividend paid and proceeds from exercise of share option. For the six months ended 30 September 2019, cash used in financing activities was approximately HK$8.2 million compared to cash generated from financing activities of approximately HK$12.2 million in the same period of last year, mainly due to the timing difference in proceeds from and repayment of bank borrowings over the same period, and the dividend and interest and capital elements of lease rentals paid during the Relevant Period.

The Group continues to review and assess potential investment opportunities, both internally and externally, which may be beneficial in achieving the Group's strategic, financial and other goals. All potential investment opportunities are reviewed in depth by management of the Company to ensure delivery of positive shareholder value.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment represented leasehold improvements, furnitures and fixtures, office equipment and motor vehicle. The carrying amount of property, plant and equipment remained relatively stable for the six months ended 30 September 2019.

## RENTAL DEPOSITS

The increase of HK$1.5 million rental deposits for the six months ended 30 September 2019 was mainly due to the extended area rented of retail shop in Hong Kong, and the new offices in US and UK during the Relevant Period.

## GEARING RATIO

The gearing ratio of the Group as at 30 September 2019 was approximately 12.0% (31 March 2019: approximately 13.1%). The gearing ratio is calculated based on total loans and borrowings (interest-bearing bank borrowings and bank overdrafts) divided by total equity as at the period end. The decrease was mainly due to the increments in equity attributable to the profits generated and exercise of share options during the Relevant Period, compared to the relatively stable borrowings as at the period end.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## TREASURY POLICY

The Group finances its operations through internally generated cash, equity and bank borrowings. The objective of the Group's treasury policy is to ensure there is sufficient cash and access to capital to finance the Group's ongoing operations and execute its current and future plans. The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the six months ended 30 September 2019.

With respect to cash generated through the Group's sales, the primary risk relates to credit and collections in relation to amounts outstanding from customers within the digital media segment. The Group strives to reduce exposure to credit risk by performing credit assessments on new customers, ongoing credit assessments and evaluations of the financial status of its existing customers, as well as applying robust policies to monitor and collect on outstanding balances on a timely basis. To manage liquidity risk, management closely monitors the Group's liquidity position and ensures there is sufficient cash and cash equivalents and available credit facilities to settle payables of the Group.

## CHARGES ON GROUP ASSETS

As at 30 September 2019, the Group pledged its bank deposits of approximately HK$7.8 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 2019, the Group's bank borrowings with carrying amount of approximately HK$28.3 million was guaranteed by a corporate guarantee of the Company.

## 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 dollar and Euro. As noted in the above discussion of other gains and losses, the Group's exposure to US dollar and Euro exchange risk over its course of operations is minimal due to the Linked Exchange Rate System between HK dollar and US dollar and the Group's operations involving revenues and expenditure in Euro.

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.

## COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises, retail store and the Director's quarter. The Group's operating lease commitments amounted to approximately HK$26.1 million as at 30 September 2019 (31 March 2019: HK$28.7 million).

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report, the Group did not have other approved plans for material investments or capital assets as of 30 September 2019.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as 賀彼文化傳播(北京)有限公司 which would be accounted for a subsidiary of the Company under the VIE Structure (as defined below), there were no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the six months ended 30 September 2019.

## CONTINGENT LIABILITIES

As at 30 September 2019, the Group had no significant contingent liabilities.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed a total of 376 employees (30 September 2018: 272 employees). 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 2019 were approximately HK$83.0 million (for the six months ended 30 September 2018: approximately HK$56.0 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 incentives and compensation. We conduct annual reviews of the performance of our employees for determining the level of bonus and salary adjustments and promotion decisions of our employees. Our human resources department will also make reference to the remuneration packages offered for similar positions in Hong Kong in order to keep our remuneration packages at a competitive level. The Company has adopted the Share Option Scheme which has become effective upon Listing. The Share Option Scheme is designed to provide long term incentives and rewards to help retain our outstanding employees.

## SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries and a joint venture company, the Group did not hold any significant investments during the six months ended 30 September 2019.

# INFORMATION ON VARIABLE INTEREST ENTITY ("VIE") STRUCTURE

## Background

北京賀彼貿易有限公司 ("**WFOE**"), a wholly-owned subsidiary of the Company, on 27 August 2019 entered into the structure contracts (the "**Structure Contracts**") with 賀彼文化傳播(北京)有限公司 ("**賀彼文化**") and Ms. Yu Na (the "**Legal Owner**") thereby adopting the VIE Structure. Under the VIE Structure, the Group is able to exercise 100% control over 賀彼文化 in substance notwithstanding the absence of legal ownership.

賀彼文化 is a company established under the laws of the PRC on 4 December 2015, and is solely owned by the Legal Owner, who has been an executive director and the chairman of the company since its incorporation. 賀彼文化 is principally engaged in creative production and provision for digital advertising services.

During the year ended 31 December 2018, 賀彼文化 recorded revenue of approximately RMB6.6 million and a profit of approximately RMB0.4 million. As at 31 December 2018, the total assets and net assets of 賀彼文化 were approximately RMB2.0 million and RMB0.4 million respectively.

## Reasons for adopting the VIE Structure

As advised by the Company's PRC legal adviser, under the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2019) (《外商投資准入特別管理措施(負面清單)(2019年版)》) promulgated by the National Development and Reform Commission and the Ministry of Commerce of the PRC on 30 June 2019, special administrative measures for the access of foreign investment are imposed on the investment in the business of value-added telecommunications service by foreign investors. The foreign stake in an entity engaging in the business of value-added telecommunications service (except e-commerce, domestic conferencing, store-and-forward, and call center services) shall not exceed certain percentages. Under the 2015 Catalogue of Telecommunications Services (《電信業務分類目錄(2015年版)》) promulgated by the Ministry of Industry and Information Technology of PRC, information services (the "**Restricted Business**") is classified as one of the categories of the business of value-added telecommunications services, and hence the foreign stake in an entity engaging in information services shall not exceed certain percentages. As such, the Group cannot wholly own the Restricted Business owing to the aforesaid restriction. On the other hand, as 賀彼文化 is not a foreign-invested enterprise, 賀彼文化 has obtained the relevant licenses required for conducting the Restricted Business in accordance with applicable PRC laws, namely, Value-added Telecommunications Business Permit (增值電信業務經營許可證) with the business type specified as "information services (only including Internet information services)". Accordingly, WFOE entered into the Structure Contracts with 賀彼文化 and the Legal Owner whereby WFOE can exercise full control over 賀彼文化 and its business operation and consolidate the financial results of 賀彼文化 into the accounts of the Company, with revenue and net profit of approximately RMB17.1 million and RMB1.4 million respectively for the six months ended 30 September 2019, as if it was a subsidiary of the Company, and at the same time addressing the aforementioned foreign ownership restriction. The adoption of the VIE Structure is essential for the Company to engage in the Restricted Business in the PRC.

# INFORMATION ON VARIABLE INTEREST ENTITY ("VIE") STRUCTURE (CONTINUED)

## Reasons for adopting the VIE Structure (Continued)

Save as disclosed herein, the Directors are not aware of other requirements for conducting the Restricted Business in relation to the VIE Structure.

## Summary of major terms of the Structure Contracts

By fulfilling the Structure Contracts as summarised below, the Group is able to ultimately exercise control over 賀彼文化 directly or indirectly through equity interests, contract, trust and agreements, as disclosed below, to materially influence over its operation decision, director and senior management member nomination, financing or technology, through the contractual arrangement.

1. **The Loan Agreement**

**Date:** 27 August 2019

**Parties:** (i) WFOE; (ii) the Legal Owner

**Major Terms:**
WFOE as the lender shall lend to the Legal Owner, as the borrower, RMB1 million for her onward investment in 賀彼文化.

The Loan Agreement stipulates that:

(i) the loan must only be repaid by way of the Legal Owner transferring her respective equity interests in 賀彼文化 to WFOE or its nominee;
(ii) the loan is interest-free and may only be used by the Legal Owner for the purpose of investing in 賀彼文化; and
(iii) the Legal Owner cannot transfer her respective interests in 賀彼文化 to any third party.

# INFORMATION ON VARIABLE INTEREST ENTITY ("VIE") STRUCTURE (CONTINUED)

## Summary of major terms of the Structure Contracts (continued)

### 2. The Exclusive Option And Equity Trust Agreement

**Date:** 27 August 2019

**Parties:** (i) WFOE; (ii) 賀彼文化; (iii) the Legal Owner

**Major Terms:**
With effect from 1 April 2019, the Legal Owner, being the sole shareholder of 賀彼文化, has granted the full power and authority to WFOE and its nominee to:

(i) exercise the shareholder's voting rights in 賀彼文化 in accordance with applicable laws and the articles of 賀彼文化; and
(ii) nominate the director, chief executive officer and other senior management of 賀彼文化;

WFOE or its nominee shall be entitled to exercise an option to purchase the Legal Owner's equity interests in 賀彼文化 at the consideration being either RMB1 (or any price mutually agreed by both parties) or the minimum price allowed by applicable laws if such transfer of equity interests is allowed by the applicable PRC laws.

### 3. The Exclusive Management Consulting And Technical Service Agreement

**Date:** 27 August 2019

**Parties:** (i) WFOE; (ii) 賀彼文化; (iii) the Legal Owner

**Period:**
10 years with effect from 1 April 2019, which shall be optional to WFOE to extend for another 10 years, without any limitation on number of time exercising the extension option.

**Major Terms:**
With effect from 1 April 2019, WFOE shall provide to 賀彼文化 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 will be payable to WFOE by 賀彼文化 each quarter, and such service fee is determined by WFOE with reasonable assurance.

# INFORMATION ON VARIABLE INTEREST ENTITY ("VIE") STRUCTURE (CONTINUED)

## Summary of major terms of the Structure Contracts (continued)

### 4. The Equity Pledge Agreement

**Date:** 27 August 2019

**Parties:** (i) WFOE; (ii) 賀彼文化; (iii) the Legal Owner

**Major Terms:**
With effect from 1 April 2019, the Legal Owner has pledged her respective interests in 賀彼文化 as well as any income generated from such interests to WFOE to secure 賀彼文化's due performance of its obligations under The Exclusive Management Consulting And Technical Service Agreement.

### 5. The Non-Competition Agreement

**Date:** 27 August 2019

**Parties:** (i) WFOE; (ii) 賀彼文化; (iii) the Legal Owner

**Major Terms:**
With effect from 1 April 2019, the Legal Owner agreed to avoid any competition issues in the same industry with WFOE and 賀彼文化, during the period that the Legal Owner pledged her respective interests in 賀彼文化.

There was no material change of the VIE Structure since the date of the Structure Contracts up to the date of this report.

## Risks related to the VIE Structure

### 1. Potential changes in the PRC foreign investment legal regime

Notwithstanding the PRC legal adviser is of the view that the Structure Contracts do not contravene with any applicable laws and regulations, there is uncertainty regarding the interpretation and applicable of the PRC laws and regulations such that the PRC government may determine that the Structure Contracts do not comply with the applicable laws and regulations of the PRC.

Moreover, on 19 January 2015, the Ministry of Commerce of the PRC circulated Foreign Investment Law of the People's Republic of China (Draft for Comment) (中華人民共和國外國投資法（草案徵求意見稿）, "**Draft Law**"), which contains proposed changes to the PRC foreign investment legal regime and the treatment of the VIE Structure.

# INFORMATION ON VARIABLE INTEREST ENTITY ("VIE") STRUCTURE (CONTINUED)

## Risks related to the VIE Structure (continued)

**1. Potential changes in the PRC foreign investment legal regime (Continued)**

The Draft Law (i) expressly specifies that foreign investments include situations where foreign investors obtain direct or indirect control or interests in the PRC enterprises through structured contracts, trust or other ways and (ii) implement a standardized foreign investment system and management system on restrictions on foreign investments under the restricted lists. The Draft Law, if adopted, may have material impact on the PRC foreign investment legal regime.

As advised by the PRC legal adviser, since the Draft Law is not a bill or draft law under the relevant legislative law in the PRC, it does not have the legal effect and therefore poses no material impact on the Structure Contracts.

**2. There may be limitations in exercising the purchase rights to acquire equity interests in 賀彼文化**

The Company adopted the VIE Structure in order to indirectly participate in the Restricted Business in the PRC and will unwind the VIE Structure as soon as the law allows such business to be operated by foreign investors in the PRC without the VIE Structure. However, WFOE's acquisition of the shares and equity interests in 賀彼文化 may only be conducted to the extent as permitted by applicable PRC laws and may also be subject to substantial costs. Under The Exclusive Option And Equity Trust Agreement (獨家購股權及股權托管協議), WFOE or its nominee shall be entitled to exercise an option to purchase the Legal Owner's equity interests in 賀彼文化 at the consideration being either RMB1 (or any price mutually agreed by both parties) or the minimum price allowed by applicable laws if such transfer of equity interests is allowed by the applicable PRC laws. Therefore, the Directors considered that there is no material restriction related to the termination of the VIE Structure, if the PRC laws allows the Restricted Business to be operated by foreign investors in the PRC.

**3. The Group depends upon the VIE Structure to control and obtain economic benefits from 賀彼文化, which may not be as effective as direct ownership**

The Group conducts the Restricted Business in the PRC indirectly through 賀彼文化 by the VIE Structure, pursuant to which the Group has control over the operations and assets of 賀彼文化 and is entitled to the economic benefits with respect to the Restricted Business. However, the VIE Structure may not be as effective in providing the Group with control over 賀彼文化 as direct ownership.

# INFORMATION ON VARIABLE INTEREST ENTITY ("VIE") STRUCTURE (CONTINUED)

## Risks related to the VIE Structure (continued)

### 3. The Group depends upon the VIE Structure to control and obtain economic benefits from 賀彼文化, which may not be as effective as direct ownership (continued)

If the Group had direct ownership of 賀彼文化, the Group would be able to exercise its rights directly as a registered shareholder to effect changes in the board of directors of 賀彼文化, which in turn could effect changes at the management level, subject to any applicable fiduciary obligations. However, under the VIE Structure, the Group will rely on 賀彼文化 and its shareholder's (i.e. the Legal Owner) performance of their contractual obligations to exercise effective control.

However, as described in the paragraph headed "The Exclusive Option And Equity Trust Agreement (獨家購股權及股權托管協議)", WFOE is granted with various shareholder's rights which enable WFOE to fully exercise the voting rights as if a shareholder and nominate the director and senior management member of 賀彼文化. Further, the Company has also put in place the following internal controls to safeguard its assets held through the Structure Contracts:

— the seals, chops, incorporation documents of 賀彼文化 are kept at the office of WFOE to the extent permitted by PRC laws;

— WFOE is involved in making corporate strategy, business plan and budgets of 賀彼文化;

— terms of appointment of director and senior management of 賀彼文化 are subject to review and approval by WFOE; and

— WFOE is involved in assessing material financial matters of 賀彼文化.

## Material changes in relation to the Structure Contracts

During the period ended 30 September 2019, there has been no material change in the Structure Contracts and/or the circumstances under which they were adopted.

## Unwinding the VIE Structure

The Directors confirm that the Company will unwind the VIE Structure as soon as PRC laws and regulations allow the business of Culture Development to be operated without the VIE Structure.

However, for the period ended 30 September 2019, none of the Structure Contracts have been unwound as none of laws regulating the business of Culture Development that led to the adoption of the Structure Contracts has been removed.

# DISCLOSURE OF INTERESTS

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

As at 30 September 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange, were as follows:

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

| Name of Director | Nature of interest | Number of ordinary shares of the Company | Approximate percentage of the Company's total issued shares* |
|---|---|---|---|
| Mr. Ma Pak Wing Kevin | Interest in a controlled corporation (Note 1) | 1,485,000,000 | 73.40% |
| Ms. Lee Yuen Tung Janice | Interest of spouse (Note 2) | 1,485,000,000 | 73.40% |

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 September 2019.

Notes:

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

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

# DISCLOSURE OF INTERESTS (CONTINUED)

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

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

*Share options – physically settled unlisted equity derivatives*

| Name of Director | Nature of Interest | Number of underlying shares in respect of the share options granted | Approximate percentage of the Company's total issued shares* |
|---|---|---|---|
| Mr. Ma Pak Wing Kevin | Beneficial owner | 4,800,000 | 0.24% |
| | Interest of spouse (Note) | 4,800,000 | 0.24% |
| | | 9,600,000 | 0.48% |
| Ms. Lee Yuen Tung Janice | Beneficial owner | 4,800,000 | 0.24% |
| | Interest of spouse (Note) | 4,800,000 | 0.24% |
| | | 9,600,000 | 0.48% |

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

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 September 2019.

Note: Mr. Ma Pak Wing Kevin and Ms. Lee Yuen Tung Janice were deemed to be interested in 4,800,000 share options granted to each other, through the interest of spouse.

## DISCLOSURE OF INTERESTS (CONTINUED)

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

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

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

* The percentage represents the number of ordinary shares divided by the number of CORE Capital's issued shares as at 30 September 2019.

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

Save as disclosed above, as at 30 September 2019, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO.

# DISCLOSURE OF INTERESTS (CONTINUED)

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

As at 30 September 2019, the following parties (other than the Directors or the chief executives of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

**Long positions in ordinary shares of the Company:**

| Name of substantial shareholder | Nature of interest | Number of ordinary shares of the Company | Percentage of the Company's total issued shares* |
|---|---|---|---|
| CORE Capital | Beneficial owner (Note) | 1,485,000,000 | 73.40% |

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 September 2019.

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

Save as disclosed above, as at 30 September 2019, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

## COMPETING AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Company and any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 September 2019.

None of the Directors, the controlling shareholders or 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 Listing Rules, or has any other conflict of interests with the Group during the six months ended 30 September 2019.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

## CORPORATE GOVERNANCE PRACTICE

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

During the six months ended 30 September 2019, the Company has complied with the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules, save as the below deviation.

## CORPORATE GOVERNANCE PRACTICE (CONTINUED)

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

Mr. Ma Pak Wing Kevin currently assumes the role of both chairman and chief executive officer of the Company. The Board considers that consolidation of these roles by Mr. Ma will provide 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 the Group, the Board considers that it is beneficial for the Group for Mr. Ma to continue to act as both chairman and chief executive officer of the Company.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company adopted the Model Code as part of its code of conduct regarding dealings in the securities of the Company by the Directors and relevant employees who are likely to possess inside information relating to the Company and/or its securities. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings. No event of non-compliance by the Directors and relevant employees was noted by the Company for the six months ended 30 September 2019 and up to the date of this report.

## SHARE OPTION SCHEME

The Company adopted a share option scheme on 18 March 2016.

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

## SHARE OPTION SCHEME (CONTINUED)

Details of the movements of the two share option schemes of the Company for the six months ended 30 September 2019 are set out below:

### (1) Pre-IPO Scheme

| Category of grantee | Date of grant | Exercise period | Exercise price per share (HK$) | Number of share options: As at 1 April 2019 | Exercised during the period | As at 30 September 2019 |
|---|---|---|---|---|---|---|
| Employees in aggregate | 18 March 2016 | From 18 March 2018 to 17 March 2026 | 0.026 | 750,000 | (750,000) | – |
| | 18 March 2016 | From 18 March 2019 to 17 March 2026 | 0.026 | 8,250,000 | (7,500,000) | 750,000 |
| | 18 March 2016 | From 18 March 2019 to 17 March 2026 | 0.052 | 3,500,000 | (3,000,000) | 500,000 |
| | 18 March 2016 | From 18 March 2019 to 17 March 2026 | 0.078 | 6,000,000 | (6,000,000) | – |
| Total | | | | 18,500,000 | (17,250,000) | 1,250,000 |

Notes:

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

(2) No share options have been granted/cancelled/lapsed under the Pre-IPO Scheme during the six months ended 30 September 2019.

(3) The weighted average closing price of the shares immediately before the dates of exercise is HK$1.12 regarding the options exercised by the employees.

# SHARE OPTION SCHEME (CONTINUED)

## (2) Post-IPO Scheme

| Category of grantee | Date of grant | Exercise period | Exercise price per share (HK$) | Number of share options: As at 1 April 2019 | Granted during the period | Exercised during the period | As at 30 September 2019 |
|---|---|---|---|---|---|---|---|
| Director | | | | | | | |
| Mr. Ma Pak Wing Kevin | 28 June 2019 | From 28 June 2019 to 27 June 2029 | 1.04 | – | 4,800,000 | – | 4,800,000 |
| Ms. Lee Yuen Tung Janice | 28 June 2019 | From 28 June 2019 to 27 June 2029 | 1.04 | – | 4,800,000 | – | 4,800,000 |
| | | | | – | 9,600,000 | – | 9,600,000 |
| Employees in aggregate | 6 July 2017 | From 6 July 2019 to 5 July 2027 | 0.198 | 5,812,500 | – | (5,812,500) | – |
| | 6 July 2017 | From 6 July 2020 to 5 July 2027 | 0.198 | 24,450,000 | – | – | 24,450,000 |
| | 10 August 2018 | From 10 August 2021 to 9 August 2028 | 0.62 | 10,000,000 | – | – | 10,000,000 |
| | 28 June 2019 | From 28 June 2022 to 27 June 2029 | 1.04 | – | 3,700,000 | – | 3,700,000 |
| | 28 June 2019 | From 28 June 2023 to 27 June 2029 | 1.04 | – | 14,500,000 | – | 14,500,000 |
| | | | | 40,262,500 | 18,200,000 | (5,812,500) | 52,650,000 |
| Total | | | | 40,262,500 | 27,800,000 | (5,812,500) | 62,250,000 |

## SHARE OPTION SCHEME (CONTINUED)

### (2) Post-IPO Scheme (continued)

Notes:

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

(2) No share options have been cancelled/lapsed under the Post-IPO Scheme during the six months ended 30 September 2019.

(3) The weighted average closing price of the shares immediately before the date of exercise is HK$1.26 regarding the options exercised by the employee.

On 28 June 2019, the Company granted a total of 27,800,000 share options to employees, which entitle employees to subscribe for a total of 27,800,000 Shares at an exercise price of HK$1.04 per share. The validity period of the options is ten years, from 28 June 2019 to 27 June 2029. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$1.02.

The estimated fair values of the 27,800,000 share options granted on 28 June 2019 was approximately HK$8,307,000. The fair value per option granted on 28 June 2019 was HK$0.2988.

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:

| **Option grant date** | **28 June 2019** |
|---|---|
| Share price at date of grant of share options | HK$1.04 |
| Exercise price | HK$1.04 |
| Expected life | 10 years |
| Expected volatility | 31.00% |
| Expected dividend yield | 0.31% |
| Risk-free interest rate | 1.43% |

## SHARE OPTION SCHEME (CONTINUED)

### (2) Post-IPO Scheme (continued)

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted as appropriate, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recognised total expenses of approximately HK$4,466,000 for the six months ended 30 September 2019 (for the six months ended 30 September 2018: HK$1,243,000) in relation to the share options granted by the Company.

## EVENTS AFTER THE REPORTING PERIOD

There were no significant events subsequent to the end of the reporting period which would materially affect the Group's operating and financial performance as of the date of this report.

## AUDIT COMMITTEE

The audit committee of the Company (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 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 has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019.

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

Hong Kong, 22 November 2019

*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.*