HYPEBEAST
LIMITED

ANNUAL REPORT 年報
2019 - 2020

HYPEBEAST

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Incorporated
in the Cayman Islands
with limited liability

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STOCK CODE
00150

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於開曼群島
註冊成立的有限公司

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股份代號
00150

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Cheung Nga Man

AUTHORISED REPRESENTATIVES

Mr. Ma Pak Wing Kevin
Ms. Cheung Nga Man

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kwai Chung
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISER

As to Hong Kong Law
Deacons

PRINCIPAL BANKER

The Hongkong and Shanghai
Banking Corporation Limited

WEBSITE

hypebeast.xyz

STOCK CODE

00150

CHAIRMAN'S STATEMENT

Dear Shareholders,

This Financial Year, as with many other businesses, we have been affected by the COVID-19 outbreak towards the end of the financial year; it was a difficult time that tested our team's nimbleness and resolve. Hypebeast has always been about influencing and showcasing the latest culture and lifestyles of people across the world at its core, and our readership and fan's participation is what separates our platforms from others. We are a people's business, and it deeply disheartens us to see so many lives affected.

Our immediate concern was the safety and wellbeing of our staff across all regions, and we responded by implementing a series of work-from-home policies, each adopted to best suit the needs of each office. For our staff that were required to work in offices or chose to do so, we also provided them with masks and sanitizers and maintained a high level of hygiene at all times. I must thank our team for how well they have reacted and responded to these measures, which allowed us to minimize potential disruptions to daily operations of the business.

Despite difficulties ahead, we recognize this good window of opportunity to refocus and reconstruct our business so that it caters to the post-COVID world, where we anticipate a drastic change in consumer behaviour and habits. Since assessing the impacts of COVID-19, we have kept our focus on coming up with creative solutions to continue engagement with our readers throughout this time where many regions experienced quarantines or lockdowns. At the same time, we also restrategized and pivoted our sales and marketing strategies to mitigate the disruptions we have encountered.

Our priorities moving forward are clear; for our digital media segment, our primary goal is to continue development of new, engaging content and platforms that resonate with our audience, evolving with these ever changing times. We have continued to pursue growth by investing in new, emerging social media platforms that have sprung into popularity in recent years, and also strengthened our content offerings to provide more video content to resonate with the Millennial and Generation Z audiences.

As we continue our expansion of content coverage to beyond streetwear and fashion into non-endemics categories, we also hope to attract a broader range of audiences whilst maintaining our market-leading position in streetwear. We have actively identified new market segments that have great revenue generation and readership potential, yet still to be fully explored by audiences. This strategy has already served not only as a growth driver but also a risk mitigator, as it allowed us to diversify our revenue streams throughout COVID-19 when certain brand sectors might be better adjusted than others.

In our E-Commerce segment, we continue to envision HBX as the global destination in delivering the latest, most desired fashion-forward pieces to our customers. To further our business growth, we have identified six core markets that we would be targeting our efforts to maximize efficiencies. These markets include the United States, People's Republic of China, Hong Kong, South Korea, Japan and Taiwan, which, when combined, consist of over 70% of our E-commerce revenues in FY20. Further, HBX will increase the quantity of unique collaborations offered on our platform through leveraging our international connections between brands, influencers and designers. This serves as a means to distinguish our product offerings from our competitors and as a tool for customer acquisition.

CHAIRMAN'S STATEMENT

We continue to believe in our vision of bringing the online world offline, and our current retail store in Hong Kong has proven to be a powerful experiential outlet that showcases our online model. As such, we doubled the footprint of our physical store in Hong Kong in the current year, of which a portion of store space is dedicated to the launch of HYPEBEANS, our very first food and beverage outlet serving quality coffee. This project, alongside the Landmark HBX store renovation and rebranding, will gather the Hypebeast community and expand Hypebeast culture in a new medium.

In the past, the company has experienced tremendous growth by carefully investing in the right people and the right infrastructures at the right time in line of our ambitious goals. Despite the COVID-19 crisis and a highly uncertain short term outlook in 2020, at this key milestone of our business, I am confident to say we have made the necessary precautions and will be in a flexible operational and financial position to navigate the crisis with resilience. I believe that our track record of prudent treasury management has allowed us to build a powerful basis that will allow us to push ahead as we get ready for our next stages of growth.

I wish to give my sincere thanks and wholehearted support to each and every member of our global teams for their vigilance and commitment to Hypebeast, and for displaying great agility in adapting to this difficult time that has still yet to end. I would also like to take this opportunity to appreciate Hypebeast's Board of Directors and management team for their invaluable endorsement and belief in the Hypebeast mission. Last but not least, I am grateful for the continued support from our readers, subscribers, customers and shareholders, without whom our Hypebeast community and culture would never have sustained during the global crisis. I sincerely wish for the good health and safety of you all, and I look forward to better times ahead achieving greater successes together.

By Order of the Board
MA Pak Wing Kevin
Chairman and Executive Director
Hong Kong, 22 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

The Group is a digital media company primarily engaged in (i) the provision of advertising spaces and services for creative agency projects; and (ii) the sale of goods through online retail platform.

Under its digital media business segment, the Group produces and distributes youth focused digital content reporting the latest trends on fashion, lifestyle, technology, entertainment, culture and music to its visitors and followers. Digital content is delivered via the Group's digital media platforms (including its Hypebeast, Hypebae and Popbee websites and mobile apps) and popular third-party social media platforms (including Facebook, Instagram, Twitter, TikTok, Youtube, Wechat, Weibo, Kakao and Naver). The Group also maintains multi-language versions of its flagship Hypebeast property across both website and social media platforms, with content available in English, Traditional Chinese, Simplified Chinese, Japanese and Korean. 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 intelligence in the development and creation of digital media based content.

The Group engages in online retail of footwear, apparel and accessories under its HBX e-commerce platform and retail shop. The HBX e-commerce platform focuses on delivering the latest, trend-setting apparel and accessories to its customers, curating and creating fashion forward pieces and collaborations to include in its merchandise portfolio. Combining the Group's unique insight into street-wear and youth-focused fashion, and its long-standing reputation in the industry as a fashion and cultural leader, the Group is able to source and deliver products most desired by its target demographic, thereby supporting a growing number of online shoppers.

COVID-19

As similar to most other businesses globally, the Group was generally affected by the COVID-19 outbreak towards the end of the financial year. Government mandated social distancing, closures of public and private facilities and other health related measures began rolling out in the APAC region starting from December 2019, and the United States, EMEA and other regions soon followed suit. Our business operations have had to navigate and adapt to the business and operational environment under COVID-19.

Being a people-oriented business, the Group's immediate priority was the safety and wellbeing of our staff across all regions. Measures were implemented to best suit the needs of each office such as a series of work-from-home policies. The Group's staff were also provided with masks and sanitizers and asked to maintain a high level of hygiene if they worked in offices. With these measures, the Group was able to minimize potential disruptions to daily operations of the business.

Since then, the Group has kept focus on coming up with creative solutions to continue engagement with our platform users throughout this time where many regions experienced quarantines and lockdowns, at the same time also strategizing and pivoting our sales and marketing strategies to mitigate any disruptions we have encountered. The Group also deployed strategies to continue engagement and demand from customers on our e-commerce platform. Details of the Group's COVID-19 related strategies are described below in the respective sections describing the company's business divisions. To further reinforce the Group's treasury position, the Group applied for respective government subsidies in various regions available and applicable to the Group in support of its business operations under the impact of COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Business

The Group aims to continue its position as a leading online destination for fashion and culture followers by continuing to set trends. The Group will also 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 of 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. Further, the Group aims to continue the expansion of its digital media client base from industries such as technology, e-gaming, alcohol and consumables, which have a large and targeted group of customer-audience within the Millennial and Generation Z demographic over which the Group's platform and brand have a strong degree of influence on in terms of consumer behaviours. 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.

Digital Media Segment

Hypebeast platforms continued to demonstrate resonance with our expansive community of readers and subscribers through unique, culture-driving content across the globe on our multilingual channels. As of 31 March 2020, the Group's website platforms recorded an aggregate 16.8 million unique visitors and aggregate 24.7 million followers on our social media platforms, representing approximate increase of 21.2% and 14.7% compared to the same period last year respectively. The Group witnessed a boost in readership during the peak of the COVID-19 pandemic in March 2020, as users consistently reached out to the Group's platforms as a source of cultural updates from a wide range of fields.

The Hypemaker creative agency outperformed management expectations in the first half of the financial year, driven by strong demand from the APAC region, where the agency was able to deliver unique and effective marketing strategies to clients, particularly larger brands that contracted directly with our teams rather than through agencies for larger scale campaigns. Our US region saw robust demand from clients which are non-endemic to our traditional customer profiles, such as from the technology and e-gaming sectors, which is a direct consequence of effective strategies deployed by management to widen our scope of clientele. EMEA also saw expansion in revenue from non-endemic clients as well as increasing demand on production related services. Towards the last quarter of the financial year, the global onset of COVID-19 and consequent government mandated public health policies resulted in disruptions to the Group's campaign execution timelines due to the halt of physical production as travel restrictions and social distancing policies were implemented in various regions. The Group pivoted our business focus towards executing digital campaigns that utilized computer graphics instead of holding physical photoshoots or relying on on-site production work. Further, the continuation of steady demand from non-endemic clients which were less impacted by the epidemic, such as from the technology and e-gaming sectors, helped support the business pipeline for our global digital media business despite challenges from epidemic effected disruptions.

Despite expansion in average contract sizes year on year due to expansion in service offerings to clients, the impact of the COVID-19 outbreak moderated year over year growth for the digital media segment due to interruptions to the delivery of production services towards the last quarter, and the combined effect resulted in an approximate increase of 8.8% in average contract values and a decrease of 8.3% in number of contracts compared to the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking forward, the Group aims to continue executing campaigns with larger online components and to continue the acceleration in client engagement from non-endemic clients, especially those who are less impacted by or even enhanced by the changes to the business landscape due to COVID-19, in order to diversify revenue streams and maximize growth in contract pipelines. Further, over the medium term, the Group will place emphasis on continuing momentum in sales growth in high-growth regions within APAC, which is expected to be the first region to accelerate out of economic effects from COVID-19.

The Group aims to continue to solidify its position as a leading advertising partner for global brands that need to reach a growing Millennials and Generation Z demographic globally.

E-Commerce

The Group's e-commerce segment HBX continued to show growth due to continued efforts to differentiate the platform from other online competitors with the unique ability to drive special collaborations and introduce new, unique and inspirational pieces to our customers, despite challenges stemming from the COVID-19 pandemic. The Group's e-commerce division continued strong momentum in sales growth during the first half of the financial year and made progress against priorities we set out. Along with most other businesses, however, we have been significantly impacted by the onset of the COVID-19 outbreak over the second half of the financial year. The Group's Hong Kong based warehouse operations continued throughout COVID-19 related restrictions to keep global deliveries and customer service for HBX fully functional. The Group also utilised marketing strategies and promotional incentives to encourage stay-at-home shopping and editorial platforms to maximize efficiencies. Moderation in demand due to pandemic related uncertainties as well as an increase in promotions as a response to price reductions by competitors resulted in modulation in revenue growth and margins for the e-commerce division.

Looking forward, the Group continue to see HBX differentiating itself as a unique platform that is able to offer customers a first-class experience amongst other online competitors, through leveraging its strong networks and formidable creative energy in synergizing products, experiences and collaborations which are impactful, authentic and exclusive for its customers. Further, HBX will also focus on expansion in high-growth regions in East Asia such as Japan, Korea and Taiwan as well as its key market in the United States, where the business witnessed significant increase in consumer demand. The Group is also working closely with vendor partners and suppliers in navigating inventory intake and managing our overall investment in inventory growth over the upcoming seasons.

Our physical store in Hong Kong serves as a tangible extension of our online experience to our customers, and despite reduced engagement during COVID-19, we continued our momentum in delivering marketing value for the HBX brand through the space. During the year, we doubled the footprint of the physical store in Landmark, Central, where is the central business district of Hong Kong, as a larger showcase with new experiential projects. A component of this expansion is the launch of HYPEBEANS, our very first food and beverage outlet serving quality coffee. This project, alongside the renovation and rebranding of the Landmark HBX store, aims to gather the Hypebeast community and strengthen the Hypebeast culture in a new offline medium.

The Group is slated to open a new office and retail premise in the Lower East Side neighborhood of Manhattan in 2021, which will house an offline retail store and an exhibition space to host sales projects and events alongside the Group's offices in the East Coast of the United States. The Group's strategy is to engage with its customers on a tangible level through its physical premises in the United States, bringing to life our connection with customers and clients while respecting social distancing and other guidelines using technology and other innovation as the world emerges from COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

	Year ended 31 March 2020			Year ended 31 March 2019		
	Revenue HK$'000	**Gross Profit HK$'000**	**Gross Profit Margin %**	Revenue HK$'000	Gross Profit HK$'000	Gross Profit Margin %
Digital media	**473,519**	**276,125**	**58.3**	430,669	226,473	52.6
E-commerce	**277,848**	**103,153**	**37.1**	241,523	108,881	45.1
Overall	**751,367**	**379,278**	**50.5**	672,192	335,354	49.9

The Group's revenue increased from approximately HK$672.2 million for the year ended 31 March 2019 to approximately HK$751.4 million for the year ended 31 March 2020, representing growth of approximately 11.8%.

With respect to our digital media segment, revenue increased from approximately HK$430.7 million for the year ended 31 March 2019 to approximately HK$473.5 million for the year ended 31 March 2020. The increase in revenue of our digital media segment by approximately HK$42.8 million was mainly due to (i) the increase in the average contract value from approximately HK$375,000 for the year ended 31 March 2019 to approximately HK$408,000 for the year ended 31 March 2020, or by approximately 8.8%; and (ii) the change in sales mix with greater portion of creative agency services provided with a decrease in the number of media contracts entered into with the Group's customers from 1,248 contracts for the year ended 31 March 2019 to 1,145 contracts for the year ended 31 March 2020, or by approximately 8.3% compared with last year. The Group's digital media division began the fiscal year with strong progress towards goals, however disruptions to production timelines and budget allocations due to COVID-19 moderated overall year on year growth. However, increase in business from industries such as technology, e-gaming and alcohol as well as focus on regions in Asia emerging from the COVID-19 pandemic related lockdowns provided momentum to our business pipeline. The Group's revenue from the digital media segment are dependent on timing of recognition according to the relevant accounting standard and campaign delivery and therefore may not necessarily be consistent from quarter to quarter.

With respect to our e-commerce segment, revenue increased from approximately HK$241.5 million for the year ended 31 March 2019 to approximately HK$277.8 million for the year ended 31 March 2020, representing an increase of approximately 15.0%. Such increase was mainly due to (i) the increase in number of customer orders on our e-commerce platform from approximately 160,000 for the year ended 31 March 2019 to approximately 168,000 for the year ended 31 March 2020, or by approximately 5.0%; and (ii) the change in sales mix with greater portion of high-end products sold compared with last year with an increase in average order value from approximately HK$1,500 for the year ended 31 March 2019 to approximately HK$1,700 for the year ended 31 March 2020. In line with the digital media business, our e-commerce business accelerated in the first half of the fiscal year on solid momentum and the segment made progress towards internal targets. However, the impact of COVID-19 in the second half of the fiscal year necessitated additional promotional strategies in response to price adjustments from competitors, which modulated the growth in revenues and margins compared to the prior year. However, the Group's focus on collaboration products as a key growth driver as well as emphasis on key markets provided support and momentum for business growth, and in particular Korea, Japan, Taiwan and the United States showed strong revenue increase compared to the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Revenue

The Group's cost of revenue increased from approximately HK$336.8 million for the year ended 31 March 2019 to approximately HK$372.1 million for the year ended 31 March 2020, representing an increase of approximately 10.5%. Such increase was mainly attributable to the increase in (i) campaign production costs to deliver high quality, bespoke content, for our creative agency; (ii) product and inventory related costs to support growth in our e-commerce business; and (iii) direct staff costs to support increases in the size of our contracts and level of production within our contractual pipeline during the year.

Gross Profit Margin

Gross profit of the Group increased by approximately 13.1% from approximately HK$335.4 million for the year ended 31 March 2019 to approximately HK$379.3 million for the year ended 31 March 2020. The increase was mainly driven by the increase in revenue for the year ended 31 March 2020 as discussed above. The overall gross profit margin slightly increased from approximately 49.9% for the year ended 31 March 2019 to approximately 50.5% for the year ended 31 March 2020. Gross profit margin for the digital media business increased from approximately 52.6% to 58.3%, primarily due to the increase in average contract value of digital media segment campaigns, as well as cost savings from a shift of physical production to digital only production. Gross profit margin for the e-commerce business decreased from approximately 45.1% to 37.1%, mainly due to the effect of pricing and promotional strategies in e-commerce segment adapting to the changes in the retail industry and consumer's demand during the year.

Other Gains and Losses

Other losses of the Group primarily consisted of exchange losses of approximately HK$5.4 million for the year ended 31 March 2020, compared to exchange losses of approximately HK$2.7 million for the year ended 31 March 2019. The amount was net off by surcharges on customers for overdue settlement of approximately HK$0.9 million during the year ended 31 March 2020 (2019: HK$2.0 million).

During the year, the Group primarily had exposure to foreign exchange differences between the HK dollar and the US dollar and Euro, arising from the Group's foreign currency denominated accounts receivable, accounts payable and cash balances. The HK dollar to US dollar and Euro foreign exchange rate fluctuated during the year, that the HK dollar to US dollar foreign exchange rate as at 31 March 2019 was HKD1:USD0.1274 compared to HKD1:USD0.1290 as at 31 March 2020; while the HK dollar to Euro foreign exchange rate as at 31 March 2019 was HKD1:EUR0.1136 compared to HKD1:EUR0.1177 as at 31 March 2020.

The Group undertakes certain operating transactions in foreign currency which expose the Group to foreign currency risk. The Group's foreign currency denominated monetary assets and liabilities are primarily held in US dollar 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 revenues and 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 arises.

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

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by approximately 4.0% from approximately HK$152.7 million for the year ended 31 March 2019 to approximately HK$158.8 million for the year ended 31 March 2020. Selling and marketing expenses as a percentage of revenue slightly decreased from approximately 22.7% for the year ended 31 March 2019 to 21.1% for the year ended 31 March 2020. 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) new headcounts within the Group's sales and marketing team to drive current and future business development and revenue expansion, (ii) associated distribution charges with the growth in our e-commerce business, netting off by reduced investment in the Group's social media marketing and advertising for digital media and e-commerce platforms as the Group adopted more organic and cost effective methods.

Administrative and Operating Expenses

Administrative and operating expenses of the Group increased by approximately 35.9% from approximately HK$92.7 million for the year ended 31 March 2019 to approximately HK$126.0 million for the year ended 31 March 2020. Administrative and operating expenses as a percentage of revenue increased from approximately 13.8% for the year ended 31 March 2019 to 16.8% for the year ended 31 March 2020. 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 share option granted to employees.

Income Tax Expense

Income tax expense for the Group increased by approximately 38.2% from approximately HK$14.9 million for the year ended 31 March 2019 to approximately HK$20.6 million for the year ended 31 March 2020. The increase was mainly due to the increase in profit for tax, especially in the PRC and other jurisdictions with relatively higher tax rate, during the year.

Share of Result of a Joint Venture

The Group recorded losses of approximately HK$1.3 million in its share of result 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 Year

Profit and total comprehensive income increased by approximately 6.3% from approximately HK$61.8 million for the year ended 31 March 2019 to approximately HK$65.7 million for the year ended 31 March 2020. Such increase was primarily attributable to the increase in revenue and gross profit as well as effective corporate cost management for the year ended 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group had total assets of approximately HK$454.2 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$179.0 million (31 March 2019: approximately HK$127.3 million) and approximately HK$275.2 million (31 March 2019: approximately HK$206.0 million), respectively. Total interest-bearing loans and bank borrowings of the Group as at 31 March 2020 were approximately HK$32.8 million (31 March 2019: approximately HK$27.0 million), and current ratio as at 31 March 2020 remained at approximately 2.5 times as compared to 31 March 2019. These bank borrowings were denominated in HK dollar, and the interest rates applied were primarily subject to floating rate terms. As at 31 March 2020, the Group has HK$69.0 million available credit facilities comprising of revolving loans, term loan, trade loan, tax loan and bank guarantee.

INVENTORIES

The Group's inventories principally comprise third-party apparel and footwear for resale to end customers. The balance of the Group's inventories increased from approximately HK$67.8 million as at 31 March 2019 to approximately HK$71.4 million as at 31 March 2020. The increase in inventories was mainly due to the increase in customers' demand reflective of the significant increase in sales volumes and revenue from the Group's e-commerce business.

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. The Group does not anticipate recording any significant write-offs or valuation adjustments in relation to its inventory balance. As at 22 June 2020, approximately HK$25.8 million or approximately 36.1% of inventories as at 31 March 2020 had been sold.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment represented leasehold improvements, furnitures and fixtures, office equipment and motor vehicle. The increase of approximately HK$2.4 million for the year ended 31 March 2020 was mainly due to the renovation cost for the expansion of Hong Kong retail store and new warehouse.

RENTAL DEPOSITS

As at 31 March 2019 and 2020, the Group's rental deposits amounted to approximately HK$5.8 million and HK$9.8 million, respectively. The increase of approximately HK$4.0 million rental deposits for the year ended 31 March 2020 was mainly due to the new warehouse rental for Hong Kong in February 2020 and the new office rental in the UK in July 2019.

GEARING RATIO

The gearing ratio of the Group as at 31 March 2020 was approximately 11.9% (31 March 2019: approximately 13.1%), which slightly decreased as the equity of the Group increased as a result of issuance of new shares upon the exercise of share options and increased retained earnings for the year ended 31 March 2020, over the increase in bank borrowings as at 31 March 2020. The gearing ratio is calculated based on total loans and borrowings (interest-bearing bank borrowings and bank overdrafts) divided by total equity as at 31 March 2019 and 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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 year ended 31 March 2020. 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.

In light of uncertainties in the global economic climate, management has re-assessed and enhanced the Group's treasury policies to ensure ongoing liquidity and continued ability of the business to meet its obligations. Measures adopted include optimization of credit and collections policies to ensure timely receipt of amounts outstanding from customers, review of funding sources to ensure availability of borrowing capacity should the need arise, engagement with banking partners to obtain assurance of support and understanding of limitations with respect to availability of funds, enhanced forecasting of cash flows to ensure accurate assessment of the Group's liquidity and treasury position, performance of internal assessments on cost efficiency to ensure the Group's cost structures remain efficient and a review of available government and other subsidies which the Group is eligible to apply for in order to offset costs.

With respect to cash generated through the Group's sales, the primary risk relates to credit and collections in relation to amounts outstanding from customers within the digital media segment.

The Group strives to reduce exposure to credit risk by performing credit assessments on new customers, ongoing credit assessments and evaluations of the financial status of its existing customers, as well as applying robust policies to monitor and collect on outstanding balances on a timely basis including, amongst others, late charges, prepayments for production services and regular monitoring of credit terms.

Credit facilities available to the Group are summarized in the Liquidity and Financial Resources section above. While the Group considers its internally generated cash from operations as the first and most cost-efficient source of funding, the Group assesses its capital needs on an ongoing basis and forms strategies on the utilization of available banking facilities based on operating and cash requirements.

Management will continue to assess the economic situation and monitor risks against the Group's treasury policies to ensure there is sufficient cash and access to capital to execute its plans. Amongst other measures, the Group continues to optimize costs through robust budget management and reviewing methods of doing business which are more cost efficient and maximizes use of the company's existing assets, including manpower, technology and other available resources.

In light of economic countermeasures announced by various countries or regions in response to the impact of COVID-19, the Group also reviews government support packages available to its global business and will take advantage of programs which help buttress the financial resiliency of the Group and support its stability and growth.

CHARGES ON GROUP ASSETS

As at 31 March 2020, the Group pledged its bank deposits of approximately HK$15.6 million to a bank as collateral to secure bank facilities granted to the Group. In addition to the pledged bank deposits, as at 31 March 2020, the Group's bank borrowings with carrying amount of approximately HK$32.8 million was guaranteed by a corporate guarantee of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

The Group undertakes certain operating transactions in foreign currency which 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.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 11 April 2016. On 8 March 2019, the transfer of listing of the Company's shares from GEM to the Main Board of the Stock Exchange was completed and dealing in the shares on the Main Board commenced. There has been no change in the capital structure of the Company arisen from the transfer of listing to the Main Board of the Stock Exchange. The share capital of the Company only comprises of ordinary shares.

COMMITMENTS

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$53.3 million as at 31 March 2020 (31 March 2019: approximately HK$28.7 million).

SEGMENT INFORMATION

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report, the Group did not have other approved plans for material investments or capital assets as of 31 March 2020.

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 and disclosed in this annual report), there were no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2020.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group had no significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group employed a total of 401 employees (31 March 2019: 306 employees). Staff costs of our Group (including salaries, allowances, other benefits and contribution to the defined contribution retirement plan) for the year ended 31 March 2020 were approximately HK$170.4 million (31 March 2019: approximately HK$118.5 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 also makes reference to the remuneration packages offered for similar positions in Hong Kong in order to keep our remuneration packages at a competitive level. The Company has adopted the Share Option Scheme which is designed to provide long term incentives and rewards to help retain our outstanding employees.

SIGNIFICANT INVESTMENTS HELD

Except for investments in its subsidiaries and a joint venture company, the Group did not hold any significant investments during the year ended 31 March 2020.

MAJOR RISK AND UNCERTAINTIES

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

- Our business depends on our ability to offer digital media content and online retail products that attract visitors and online shoppers;
- We depend on the Internet traffic to our websites for the operation of our business;
- We rely on our e-commerce suppliers to supply goods to us for sale on our e-commerce platform;
- We generally do not enter into long term business contracts with our customers;
- Our business depends on our ability to maintain our existing relationship with brand owners and advertising agencies and our ability to attract new digital media customers to place advertisements with us;
- Our business depends on a strong brand, which we might not be able to maintain or enhance, and unfavorable customer feedback or negative publicity could adversely affect our brand;
- Any unauthorised use of our brand name or any other intellectual property rights by competitors or third parties, and the expenses incurred in protecting such intellectual property rights, may adversely affect our business and reputation;
- Our international footprint exposes us to a variety of different local legal, regulatory, tax, payment, and cultural standards which we might fail to comply with;
- We are exposed to the risk of infringement of intellectual property rights owned by third Parties; and
- We rely on third-party courier to deliver goods to e-commerce customers and third-party suppliers for technical and payment services.

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

An analysis of the Group’s financial risk management (included market risk, credit risk, and liquidity risk) objectives and policies are provided in note 31 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ma Pak Wing Kevin, aged 37, who founded the Group in 2007, was appointed as an executive director of the Company with effect from 25 September 2015. He also acts as the chief executive officer, the chairman of the Board, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

Mr. Ma is a director of CORE Capital Group Limited, a controlling shareholder of the Company. He is primarily responsible for the overall management, business direction and strategies of the Group. Mr. Ma has over 12 years of industry experience in digital media marketing, web business development and social media marketing.

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

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

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

Ms. Lee Yuen Tung Janice, aged 37, was appointed as an executive director of the Company on 18 March 2016. Ms. Lee joined the Group as an editor-in-chief on 14 February 2008 and established our Popbee website which targets Asian female millennials. She is responsible for the day-to-day operations of our Popbee website including leading its editorial team and marketing functions. Ms. Lee has over twelve years of experience in the digital media industry. She obtained a Bachelor of Science degree with a major in biochemistry in June 2004 from Simon Fraser University, Canada. Ms. Lee is the wife of Mr. Ma Pak Wing Kevin, an executive director of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Ms. Kwan Shin Luen Susanna, aged 53, was appointed as an independent non-executive director of the Company on 18 March 2016. Ms. Kwan is a member of the Audit Committee and Nomination Committee of the Company. Ms. Kwan has served as an independent non–executive director of Emperor Entertainment Hotel Limited (stock code: 0296) since August 2015. Ms. Kwan has a legal practice focusing on corporate/ commercial and corporate finance matters in Hong Kong for more than 20 years, including mergers & acquisitions, regulatory compliance, public offerings, private placement of securities and open offers, joint ventures and securities related legislation. Ms. Kwan obtained a Bachelor of Laws degree in August 1989 from the London School of Economics and Political Science of the University of London, the United Kingdom.

Ms. Poon Lai King, aged 57, was appointed as an independent non-executive director of the Company on 18 March 2016. Ms. Poon is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. She has over 18 years of experience in the publishing and media industry. Since September 2007, Ms. Poon has been the shareholder and director of Joyful Books Company Limited, a company that publishes Chinese books in Hong Kong. Ms. Poon commenced operating a public relations and event management business under the business name, Impact Communications Company, in 2012. Ms. Poon served as an arts consultant for the Hong Kong Arts Development Council from January 2013 until the end of March 2017. Ms. Poon obtained a Bachelor of Arts degree in November 1985 and a Master of Arts degree in November 1991 from the University of Hong Kong.

Mr. Wong Kai Chi, aged 48, was appointed as an independent non-executive director of the Company on 18 March 2016. Mr. Wong is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Since April 2019, Mr. Wong has started his own business and investment in the area of both healthcare and AI Education as the Founder and Managing Partner. Mr. Wong held several key executive roles which include Chief Operating Officer, Chief Human Resources and IT Officer at Tianda Group Limited in the period of June 2017 to March 2019. From August 2014 to March 2017, Mr. Wong worked for the finance department of Bloomberg L.P., an information technology data services company and is responsible for accounting and finance matters. Mr. Wong has over 15 years of experience in finance and professional accounting, in which he has advanced to a Fellow Certified Practising Accountant (Australia) since March 2015. Mr. Wong obtained a Bachelor of Commerce degree in July 1996 from Monash University, Australia. He obtained a Master of Business Administration degree in August 2005 from Deakin University, Australia through distance learning. Mr. Wong is also a director of Eternal Life Music Charity Foundation Limited, a chairman of Hong Kong Girl Guides New Territories Region Association and a director of Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies since 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Cheung Nga Man, aged 39, joined the Group as finance manager on 12 May 2014 and is now our director of finance and company secretary. She is primarily responsible for supervising the Group's finance activities and accounting operations, reviewing legal documents, liaising with external lawyers and providing support to the Group's strategic planning, budgeting and forecasting. Ms. Cheung has over 14 years of experience in audit and finance. Ms. Cheung obtained a Bachelor of Commerce degree in December 2004 from the University of Melbourne, Australia. She is a Certified Public Accountant and member of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant (Australia).

Mr. Huan Khoa Nguyen, aged 42, has been with our Group since 1 June 2014 and is now our vice president, head of brand partnerships, North America. Mr. Nguyen has extensive experience working in new media, from video on demand (VOD) to digital media. Mr. Nguyen manages a team of account executives that are responsible for working with brand partners in the US. Mr. Nguyen obtained a Bachelor of Arts degree on psychology from the University of California, Los Angeles in March 2001.

Mr. Wong Kar Hang Patrick, aged 38, joined the Group as finance director on 18 October 2016 and is now our senior vice president of finance. He is primarily responsible for the financial management of the Group, including accounting, business support, strategic planning and analysis, budgeting and forecasting, M&A and investor relations. Mr. Wong began his professional career with PricewaterhouseCoopers in Vancouver and has more than 12 years of finance and leadership experience working with top-tier, global enterprises in Canada, the United Kingdom and Hong Kong. He obtained a Bachelor of Business Administration degree in October 2005 from Simon Fraser University in Canada, and was admitted as a member of both the Chartered Professional Accountants of British Columbia and The Institute of Chartered Accountants in England and Wales in December 2009 and May 2017, respectively.

Mr. Yeung Ka Yue, aged 31, joined the Group as a programmer on 1 January 2011 and is now our vice president of engineering. Mr. Yeung is primarily responsible for leading our engineering department and overall web development. Mr. Yeung possesses over seven years of experience in web design. Mr. Yeung obtained an Associate in Applied Science degree with a major in computer programming in May 2009 from Vincennes University, the United States.

COMPANY SECRETARY

Ms. Cheung Nga Man was appointed as our Company Secretary on 9 March 2016. For details of her biography, please refer to the paragraph in the section headed "Senior Management" in this annual report.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

To the best knowledge of the Board, the Company has met the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Main Board Listing Rules for the year ended 31 March 2020, save for the deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Main Board Listing Rules as part of its code of conduct regarding Directors' transactions in the securities of the Company. Specific enquiry has been made of all the Directors and all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance throughout the period from 1 April 2019 to the date of this annual report.

BOARD OF DIRECTORS

Board Composition

The Board comprises the following Directors:

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

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

The biographical details of the Directors and the relationships among the members of the Board are disclosed under the section headed "Biographical Details of Directors and Senior Management" on pages 15 to 17 of this annual report.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the CG Code. During the year ended 31 March 2020, the Board reviewed and discussed the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and the Company's compliance with the code provision in the CG Code and disclosures in this report. The Board is satisfied with the effectiveness of its corporate governance policies.

FUNCTIONS OF THE BOARD AND MANAGEMENT

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with the Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board throughout the year ended 31 March 2020 with at least one of whom having appropriate professional qualifications, or accounting or related financial management expertise.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' AND OFFICERS' LIABILITIES

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

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

Pursuant to the above provisions in the articles of association of the Company, Ms. Lee Yuen Tung Janice and Ms. Poon Lai King, shall retire by rotation at the forthcoming 2020 annual general meeting. The retiring Directors will offer themselves for re-election. The Company's circular, sent together with this annual report, contains detailed information of such retiring Directors as required by the Listing Rules.

CORPORATE GOVERNANCE REPORT

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The Board meets regularly to consider, review and/or approve matters relating to, among others, financial and operating performance, overall strategies and various policies of the Company. Additional meetings are held when significant events or important issues require discussion and approval. Attendance records of each Director at the Board meetings, Board committee meetings and general meeting of the Company held during the year ended 31 March 2020 are set out as follows:

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

BOARD COMMITTEE

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

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

Audit Committee

The Audit Committee consists of three members, being the three independent non-executive Directors, namely Mr. Wong Kai Chi (chairman), Ms. Poon Lai King and Ms. Kwan Shin Luen Susanna. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

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

CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2020, the Audit Committee (i) reviewed the Group's consolidated financial statements, results announcements and reports for the year ended 31 March 2019 and for the six months ended 30 September 2019; (ii) reviewed and discussed the related accounting principles and practices adopted by the Group, the relevant audit findings, the report on the Company's risk management and internal control review; (iii) made recommendation of the re-appointment of the external auditor; and (iv) reviewed the arrangements for employees of the Company to raise concerns about possible improprieties.

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

Remuneration Committee

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

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

During the year ended 31 March 2020, the Remuneration Committee reviewed and determined discretionary bonuses payable to the executive Directors and reviewed the remuneration package of the Directors and senior management of the Company.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of senior management by band for the year ended 31 March 2020 is set out below:

	Number of individuals
Nil to HK$1,000,000	–
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	2
HK$2,000,000 above	1
	5

Details of the remuneration of each Director of the Company for the year ended 31 March 2020 are set out in note 11 to the consolidated financial statements in this annual report.

CORPORATE GOVERNANCE REPORT

Nomination Committee

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

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

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

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

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

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

During the year ended 31 March 2020, the Nomination Committee reviewed the composition and diversity of the Board and considered that balance and diversity of perspective is maintained across the Board. The Nomination Committee also recommended the re-election of retiring directors at the Company's 2019 annual general meeting and assessed the independence of all the independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

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

During the year ended 31 March 2020, all Directors participated in continuous professional development relevant to the duties and responsibility of the Directors under the relevant legal and regulatory requirement. Such continuous professional development was delivered via reading materials in relation to legal or regulatory updates and/or attending training courses provided by the legal advisors.

COMPANY SECRETARY

During the year ended 31 March 2020, Ms. Cheung Nga Man, the company secretary, has taken no less than 15 hours of relevant professional training to update her skills and knowledge in accordance with the Listing Rules. The biographical details of Ms. Cheung are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 15 to 17 of this annual report.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Group about its reporting responsibilities for the Group's financial statements for the year ended 31 March 2020 is set out in the section headed "Independent Auditor's Report" in this annual report.

The remuneration paid/payable to the auditor of the Company for the year ended 31 March 2020 is set out as follows:

Services rendered	**HK$'000**
Audit services	1,350
Non-audit services	
– Hong Kong profit tax filling service	152
– US tax compliance service	512
– Assurance report for continuing connected transactions	80

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2020, which give a true and fair view of the state of affairs of the Group.

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

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

The Board, as assisted by the Audit Committee and management, reviewed the report on internal audit findings, and conducted a review on the effectiveness of its risk management and internal control systems, including the financial, operational and compliance controls of the Group for the year ended 31 March 2020. The annual review covered areas on financial reporting, staff qualification, experiences and relevant resources. The Board considered such systems to be adequate and effective, and ongoing review of the same nature will be conducted in subsequent years.

Furthermore, as disclosed in the Prospectus, the Board has in place a system to evaluate sanction risks prior to determining whether the Company should embark on any business opportunities in sanctioned countries, or with the individuals sanctioned by the US, the EU, the United Nations, Canada or Australia, including but without limitation, any government, individual or entity that is subject of any OFAC administered sanctions ("Sanctioned Countries" or "Sanction Persons"). Under the system, the Company must seek advice from reputable external legal counsel with the necessary expertise and experience in matters relating to International Sanctions laws if the Company encounters any possible sanction risks. During the year ended 31 March 2020, the Board conducted a review of the system's effectiveness in preventing any prohibited or otherwise restricted sales to Sanctioned Countries and Sanctioned Persons and considered such system to be effective.

DIVIDEND POLICY

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

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2020, there had been no change in the Company's constitutional documents.

SHAREHOLDERS' RIGHT

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

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

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

PROCEDURES AND RIGHT FOR SHAREHOLDERS TO CONVENE EGM

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

RIGHT TO PUT ENQUIRIES TO THE BOARD

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Group is pleased to present the Environmental, Social and Governance Report (the "Report") for the year ended 31 March 2020 to provide an overview of the Group's management of significant issues affecting the operation, including environmental, social and governance ("ESG") issues.

Reporting Period

This Report illustrates the Group's policies and performance regarding the environmental and social aspects from 1 April 2019 to 31 March 2020 (the "reporting period" or "2019/2020").

Reporting Scope and Boundary

This Report focuses on the ESG issues of the Group's core and material businesses, including (i) digital media and (ii) e-commerce businesses in Hong Kong, the People's Republic of China (the "PRC"), Japan, the United States of America (the "USA") and the United Kingdom (the "UK"). There is no significant change in the scope and boundaries of this Report from that of the ESG report for the year ended 31 March 2019 ("2018/2019").

Reporting Basis and Principle

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

- "Materiality" Principle:

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

- "Quantitative" Principle:

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

- "Balance" Principle:

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

- "Consistency" Principle:

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

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

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

Review and Approval

This Report was reviewed and approved by the board (the "Board") of directors (the "Directors") of the Company on 22 June 2020.

Feedbacks

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

INTRODUCTION

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

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

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AWARD AND RECOGNITION

The Group's efforts have been recognised by a number of awards during the reporting period. The details are as follows:

- **BOCHK Corporate Environmental Leadership Award 2019 – Eco Partner**

  Hypebeast Hong Kong Limited was awarded as an "Eco Partner – BOCHK Corporate Environmental Leadership Awards 2019" as a recognition of its environmental protection efforts.

  Co-hosted by The Federation of Hong Kong Industries (FHKI) and Bank of China (Hong Kong) (BOCHK), the "BOCHK Corporate Environmental Leadership Awards" was held that aimed to encourage and promote environmental practices among the manufacturing and the services enterprises in Hong Kong and the Pan-Pearl River Delta region to shoulder corporate social responsibility and create a green community.

  In the future, we will continue our commitment to protect the environment, strive to incorporate various sustainable practices into business operations, and implement energy-saving and waste reduction measures in administration and daily retail operations.

- **Good MPF Employer Award**

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

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

ESG GOVERNANCE

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

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

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STAKEHOLDER ENGAGEMENT

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

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

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

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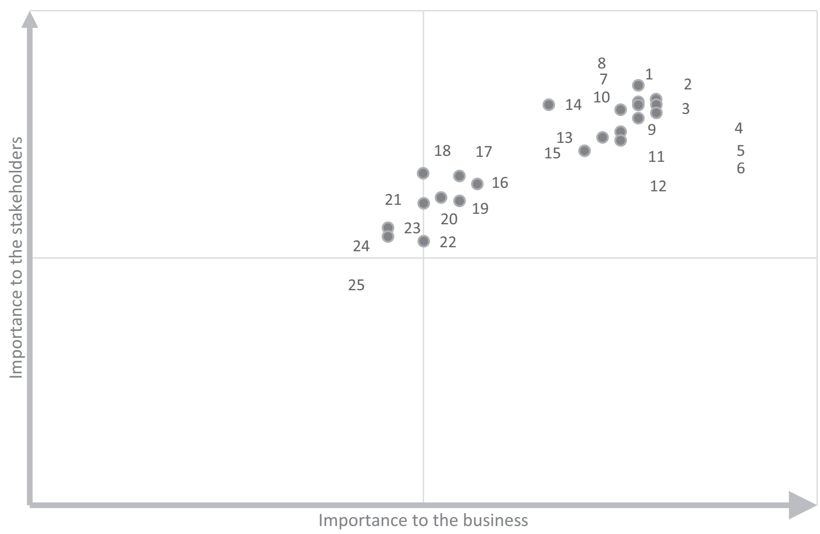
MATERIALITY ASSESSMENT

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

Materiality Assessment



1	Diversity and equal opportunities	10	Material consumption	19	Responsible supply chain management
2	Water efficiency	11	Waste management	20	Customer privacy and corporate information protection
3	Greenhouse gas emissions	12	Environmental impact mitigation	21	Business ethics
4	Intellectual property	13	Employee retention	22	Environmental compliance
5	Employee rights	14	Community investment	23	Staff development and training
6	Prohibition of child and forced labour	15	Marketing and labelling	24	Socio-economic compliance
7	Energy efficiency	16	Occupational health and safety	25	Service quality
8	Air pollutant emissions	17	Anti-discrimination		
9	Climate change	18	Customer health and safety		

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

A1 Emissions

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

Greenhouse Gas (GHG) Emissions

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

The total GHG emissions and its intensity were 417,718.32 kilograms CO_2-equivalent (kg CO_2-e) and 1,041.69 kg CO_2-e per employee respectively in 2019/2020, representing a decrease of approximately 1% and 24%, as compared to last year. The decrease was attributable to the significant decrease in scope 3 emissions.

During the reporting period, the Group's GHG inventory principally comprise of scope 2 and 3 emissions, similar to last year. Scope 3 emissions account for approximately 55% of the total GHG emissions. Scope 3 emissions include GHG emissions arising from (i) business air travel, (ii) electricity used for freshwater processing and sewage processing and (iii) disposal of paper waste. Among these three categories, business air travel was the major contributor, which accounts for approximately 97% of the scope 3 emissions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Greenhouse Gas Emissions[1]	**2019/2020 kg CO_2-e**	2018/2019 kg CO_2-e
Scope 1[2]	**–**	–
Scope 2[3]	**189,798.54**	166,496.13
Scope 3[4]	**227,919.78**	253,620.28
Total GHG emissions	**417,718.32**	420,116.41
Intensity[5] (Total GHG emissions per employee)	**1,041.69**	1,372.93

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

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

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

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

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

Waste

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

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

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

In 2019/2020, the total non-hazardous wastes and hazardous wastes produced were approximately 13.15 tonnes and 0.022 tonnes respectively compared to approximately 12.84 tonnes and 0.023 tonnes last year. There were no significant changes in the wastes production amount as compared to the previous year.

Waste Production	**2019/2020 tonnes**	2018/2019 tonnes
Non-hazardous wastes		
General unsorted waste	**4.15**	3.86
Carton box (Recycled)	**9.00**	8.98
Total	**13.15**	12.84
Hazardous wastes		
Toner (Recycled)	**0.012**	0.011
Battery (Recycled)	**0.010**	0.012
Total	**0.022**	0.023

A2 Use of Resources

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

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

Energy and other materials

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

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

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

The Group's policies do not explicitly mandate the purchase and use of energy-efficient electric appliances and other products, but in practice, energy-efficient products are sourced. We will consider incorporating a policy of purchasing energy-efficient products in the future.

Office Paper

In 2019/2020, the total paper consumption was approximately 1,945 kg, representing a decrease of approximately 47%, as compared with last year. The percentage of paper recycled was approximately 31% in 2019/2020 compared to approximately 9% last year.

Paper	**2019/2020** **kg**	2018/2019[6] kg
Office Paper		
– Consumed	**1,945.00**	3,690.50
– Recycled	**608.00**	327.00

[6] Data in 2018/2019 is restated for meaningful comparisons.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Packaging material

The Group's packaging materials principally comprise of bubble wrap, panfix tape, clear tape, clear zipper bag and fulfilments for cardboard boxes. In 2019/2020, the total packaging material consumption was approximately 85,229 kg and its intensity was approximately 0.28 kg per unit of product sold, both of them representing decrease of approximately 24% compared in 2018/2019. The decrease was attributable to a decrease in the consumption of clear zipper bag and fulfilments for cardboard boxes.

Packaging Material Consumption	**2019/2020 kg**	2018/2019 kg
Bubble wrap	**540.00**	422.10
Panfix tape	**86.00**	57.28
Clear tape	**734.00**	385.56
Clear zipper bag	**41.00**	136.72
Fulfilments for cardboard boxes	**83,828.00**	110,759.00[7]
Total packaging material consumption	**85,229.00**	111,760.66[8]
Intensity[9] (Total packaging material consumption per unit of product sold and/or delivered)	**0.28[10]**	0.37[11]

7 Data is restated in 2019/2020 as the consumption of fulfilments for cardboard boxes was not taken into account in 2018/2019.

8 Data is restated in 2019/2020 to include the consumption of fulfilments for cardboard boxes so as to ensure data comparability.

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

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

11 Total number of products sold or delivered was 303,281 units in 2018/2019. The intensity figure is restated to reflect the updated of total packaging material consumption figure.

Energy

In 2019/2020, the total energy consumption and its intensity were approximately 372,154.00 kilowatt-hours (kWh) and approximately 1,576.92 kWh per employee respectively, representing an increase of approximately 14% and a decrease of approximately 1% compared with last year. The Group's energy consumption was mainly due to electricity consumption in offices located in Hong Kong. Going forward, the Group will continue to monitor and record energy consumption, enhance related data collection system and develop targets and reduction plans as and when appropriate.

Energy Consumption[12]	**2019/2020 kWh**	2018/2019 kWh
Direct energy consumption	**–**	–
Indirect energy consumption		
– Electricity	**372,154.00**	326,463.00
Total energy consumption	**372,154.00**	326,463.00
Intensity[13] (Total energy consumption per employee[14])	**1,576.92**	1,600.31

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

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

14 It refers to the employees in Hong Kong only.

Water

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

In 2019/2020, the total water consumption and its intensity were approximately 80.54 cubic meters (m^3) and approximately 0.34 m^3 per employee respectively, representing decrease of approximately 54% and 60% compared with last year. Water consumption was incurred by offices located in Hong Kong only. Going forward, the Group will continue to monitor and record energy consumption, enhance related data collection system and develop targets and reduction plans as and when appropriate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water Consumption[15]	2019/2020 m^3	2018/2019 m^3
Total water consumption	**80.54**	175.69
Intensity[16] (Total water consumption per employee[17])	**0.34**	0.86

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

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

17 It refers to the employees in Hong Kong only.

A3 The Environment and Natural Resources

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

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

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

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

B. SOCIAL

Employment and Labour Practices

B1 Employment

Employees are the most valuable asset of the Group. During the reporting period, the Group has complied with local employment laws and regulations relating to compensation, recruitment, promotion, termination, working hours, rest periods, equal opportunity, workplace diversity, anti-discrimination and other benefits and welfare, which are mentioned in the section headed “Laws and Regulations”.

The Group strictly follows regulations and industry best practices with respect to its processes and policies on recruitment, promotion, termination, working hours, equal opportunities, workplace diversity and anti-discrimination. The unlawful employment of minors or forced labour is strictly prohibited by the Group.

Equal Opportunities and Anti-Discrimination

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

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

Remuneration

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

Salaries are benchmarked to the objective market data and external remuneration reports. In addition, policies are in place for regular employee performance reviews, and salary adjustments are made as part of the performance evaluation process every year.

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Working hours and holidays

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

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

Other Benefits of the Group

In addition to health and dental insurance, the Group offers other benefits including fitness membership discount, company-sponsored staff outings, staff discounts with our online store, a pet-friendly office, a common room with video games, TV and ping pong table, weekly fresh fruit deliveries and a coffee machine, amongst other benefits. To retain talents, the Group adopted share option schemes in order to reward the valuable staff, who are nominated by Team Head and further reviewed and approved by our Chief Executive Officer. The following tables show the workforce and turnover rate of the Group.

Workforce As at 31 March	**2019/2020**	2018/2019
By Gender		
– Male	**195**	168
– Female	**206**	138
By Employment Type		
– Full-time	**372**	281
– Part-time	**29**	25
By Age Group		
– Below 30	**230**	181
– 30-39	**142**	99
– 40-49	**17**	14
– 50 or above	**12**	12
By Geographical Region		
– Hong Kong	**236**	204
– Japan	**13**	1
– USA	**93**	76
– UK	**29**	25
– PRC	**30**	–
Total	**401**	306

Turnover Rate[18]	2019/2020	2018/2019
By Gender		
– Male	**33%**	31%
– Female	**32%**	44%
By Age Group		
– Below 30	**34%**	39%
– 30-39	**34%**	27%
– 40-49	**19%**	58%
– 50 or above	**8%**	42%
By Geographical Region		
– Hong Kong	**27%**	40%
– Japan	**86%**	0%
– USA	**35%**	33%
– UK	**55%**	15%
– PRC	**47%**	–
Overall	**33%**	37%

18 Turnover rate = Total number of employees left during the reporting period/ Average number of employees during the reporting period.

B2 Health and Safety

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

The Group is committed to raising employees' awareness in a safe and healthy work culture proactively by disseminating safety education and issuing health guidelines such as stretching exercises to prevent strain, fatigue and injuries from sitting at the desk for extended periods. The Group also provides ergonomic office chairs and desks for employees to optimise their work environment and working posture, where the forearms are at about right angle to arms, the backrest is adjustable in height and tilt, seat height is adjustable for users to sit with thighs approximately horizontal, lower legs vertical and feet resting firmly on the floor, chairs have a stable base and castors. The Group also uses air filters and routinely performs air quality test and air-conditioning system cleaning work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Safety Performance	2019/2020	2018/2019
Injury rate[19]	**0.00%**	0.00%
Occupation disease rate[20]	**0.00%**	0.00%
Lost day rate[21]	**0.00%**	0.00%
Absentee rate[22]	**0.57%**	0.63%
Fatality rate[23]	**0.00%**	0.00%

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

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

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

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

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

Response to COVID-19 outbreak

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

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

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

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

– All employees are required to wear masks in the office area and disposable mask can be provided upon request.

B3 Development and Training

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

Full-time employees who meet certain requirements are encouraged to attend sponsored or partially-sponsored distance learning or part-time training courses appropriate to their role, subject to the needs of the business, and operational and budgetary considerations. The Group foster a culture of constant learning and development by encouraging all managers to provide on-the-job coaching with ample feedback to the employees.

In the coming year, the Group will be continuing the Hypebeast Scholarship through which a company committed subsidy would be available to eligible employees to assist with their professional development.

During the reporting period, the Group launched orientation training and other training activities, such as management, leadership and technical training, to enhance the capability of employees. The following table illustrates the percentage of employees undergone training of the Group.

Percentage of Employees Undergone Training[24]	**2019/2020**	2018/2019
By Gender		
– Male	**61%**	99%
– Female	**70%**	100%
By Employment Category		
– Assistant General Manager or Above	**100%**	94%
– Senior Manager	**94%**	100%
– Manager	**58%**	100%
– Assistant Manager	**25%**	100%
– General Staff	**69%**	100%
– Operation Staff	**29%**	100%
Overall	**66%**	100%

24 Percentage of Employees Undergone Training = (Total number of employee undergone training/Total number of employee). It includes management training, leadership training, orientation etc.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Average Training Hours[25]	2019/2020	2018/2019
By Gender		
– Male	**4.52**	1.66
– Female	**3.52**	1.38
By Employment Category		
– Assistant General Manager or Above	**17.37**	8.00
– Senior Manager	**13.00**	2.46
– Manager	**7.00**	2.12
– Assistant Manager	**2.33**	1.22
– General Staff	**1.70**	1.00
– Operation Staff	**2.20**	1.00
Overall	**3.97**	1.54

25 Average Training Hours: Total training hours/Total member of employee undergone training.

B4 Labour Standards

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

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

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

Operating Practices

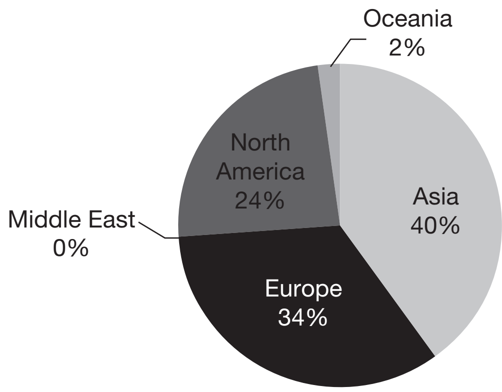
B5 Supply Chain Management

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

In order to maintain long-lasting and sustainable business relationships with our suppliers and vendors, the Group conducts a strict vetting and assessment process prior to working with new business partners, including but not limited to business and due diligence meetings, office and factory visits, product sampling and inspection, quality control checks and labour practices reviews. The Group is dedicated to continually monitoring and working closely with our suppliers to maintain our sustainable and socially responsible practices.

The Group's suppliers provide us with footwear, clothing, accessories, homeware, packaging material and logistic services. They locate in different geographical regions. The pie chart shows the proportion of suppliers from various geographical regions in 2019/2020.

2019/2020 Number of suppliers by geographical region



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Number of suppliers by geographical regions As at 31 March	2019/2020	2018/2019
Asia[26]	**110**	142
Europe[27]	**92**	195
Middle East[28]	**–**	1
North America[29]	**66**	108
Oceania[30]	**4**	4
Total number of suppliers	**272**	450

26 Asia includes the PRC, Hong Kong, Japan, Korea and Taiwan

27 Europe includes Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Italy, Norway, Poland, Portugal, Spain, Sweden and the UK

28 Middle East includes Israel

29 North America includes Canada and the USA

30 Oceania includes Australia

B6 Product Responsibility

Quality Management

E-commerce Business

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

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

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

When a customer order comes in, the logistics team performs a final inspection to ensure there are no damages or defects before packing the order for shipment to the customer.

Digital Media business

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

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

Every senior editor is experienced to ensure that all aspects, ranging from written text and imagery to public reception, comply with our quality standards. The editor-in-chief or senior editors of our websites[31] screen, review and approve all articles before they are posted on the websites and magazines. The editorial teams are headed by Mr. Ma, an executive Director, the chief executive officer and the chairman of the Board and Ms. Lee, an executive Director respectively.

Our sales team and production team maintain regular contact with our customers to ensure that the final products satisfy the requirements of our customers. Senior members in the editorial, sales and production teams also review the materials to ensure the quality and the conformance with ethical and moral standards. Members of our social media team also monitor our social media platforms and will remove any objectionable content.

Customer Inquiries

Delivering the highest level of customer service to our customers is highly important to the Group. The Group has a team of Customer Support Representatives to handle customer enquiries through email, online live chat and social media platforms. The Group has established Written Policy and Procedures for handling Customer Complains. Customers worldwide can submit enquiries about their orders through any of the aforementioned channels and expect an instant response or a response within 24 hours, which vary with the communication channels being utilized. The Customer Service Manager reviews and monitors the handling of customer enquiries, and any complaints are handled personally to ensure that a high quality of service is consistently provided to our customers. The Customer Service Manager also monitors customer feedback at least on a weekly basis through our customer feedback survey results to ensure quality standards are constantly maintained.

Indicators	**2019/2020**	2018/2019[32]
Total number of complaints	**80**	283
Total number of orders placed	**167,424**	159,848
Percentage of complaints received[33]	**0.05%**	0.18%

31 Hypebeast, Hypebae, Hypekids or Popbee

32 Data is restated for meaningful comparisons and to reflect the updated of calculation methods.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Intellectual Property

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

Advertising and Labelling

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

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

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

Data Privacy

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

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

To reinforce our commitment to protecting customers’ data in light of the General Data Protection Regulation (GDPR), the Group’s Privacy Policy, which is available on our website: https://hypebeast.com/gdpr.

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

B7 Anti-corruption

The Group has in place Anti-fraud Policy and has complied with related laws and regulations that have a significant impact on it relating to bribery, extortion, fraud and money laundering during the reporting period. Please refer to the section headed "Laws and Regulations "for the details of laws and regulations.

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

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

Under our purchasing policy, the Group evaluates suppliers on a number of factors, including reputation, social and environmental efficacy, social media impact and future growth prospects.

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

Community

B8 Community Investment

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

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

Feeding Hong Kong Mooncake Drive

We continue to support Feeding Hong Kong, which is a Hong Kong registered charity striving to reduce food waste and feed charities. At Mid-Autumn Festival, 40 employees were committed to donating surplus (around 20 kg) mooncakes and spreading good wishes to the needy in Hong Kong by devoting 312 hours to provide charitable services.

Future Development of the Group

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Laws and Regulations

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

Location	Laws, regulations, guidelines
Employment	
Hong Kong	Disability Discrimination Ordinance Employee's Compensation Ordinance Employment Ordinance Family Status Ordinance Minimum Wage Ordinance Race Discrimination Ordinance Sex Discrimination Ordinance
Japan	Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment Labor Contracts Act Labor Relations Adjustment Act Labor Standards Act Labor Union Act Ordinance for Enforcement of the Labor Standards Act
UK	Employment Rights Act 1996 Equality Act 2010 National Minimum Wage Regulations 2015 Transfer of Undertakings (Protection of Employment) Regulations 2006 Working Time Regulations 1998
USA	Employee Retirement Income Security Act (ERISA) Family Medical and Family Leave Act
Health and Safety	
Hong Kong	Occupational Safety and Health Ordinance
Japan	Industrial Accident Compensation Insurance Act Industrial Safety and Health Act Order for Industrial Safety and Health Act
USA	Occupational Safety and Health Act (OSHA)

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GUIDE INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
A. Environmental			
Aspect A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Emissions	33
KPI A1.1	The types of emissions and respective emissions data	Emissions	33-34
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions	33-34
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions	35
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions	35
KPI A1.5	Description of measures to mitigate emissions and results achieved	Emissions	33
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Emissions	35
Aspect A2 Use of Resources			
General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials	Use of Resources	35
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per meal)	Use of Resources	38
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Use of Resources	38-39
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Use of Resources	36&38
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Use of Resources	38-39
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Use of Resources	37

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
Aspect A3 The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	The Environment and Natural Resources	39-40
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	The Environment and Natural Resources	39-40
B. Social			
Employment and Labour Practice			
Aspect B1 Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment	40-41
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment	41
KPI B2.1	Employee turnover rate by gender, age group and geographical region	Employment	42
Aspect B2 Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety	42
KPI B2.1	Number and rate of work-related fatalities	Health and Safety	43
KPI B2.2	Lost days due to work injury	Health and Safety	43
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and Safety	42-43

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
Aspect B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Development and Training	44
KPI B3.1	The percentage of employees trained by gender and employee category	Development and Training	44
KPI B3.2	The average training hours completed per employee by gender and employee category	Development and Training	45
Aspect B4 Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour	Labour Standards	45
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Labour Standards	45
KPI B4.2	Description of steps taken to eliminate such practices when discovered	Labour Standards	45
Operating Practices			
Aspect B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of supply chain	Supply Chain Management	46
KPI B5.1	Number of suppliers by geographical region	Supply Chain Management	46-47
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply Chain Management	46

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
Aspect B6 Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Product Responsibility	47-49
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	No products sold or shipped subject to recalls for safety and health reasons in 2019/2020.	Not Applicable
KPI B6.2	Number of products and service related complaints received and how they are dealt with	Product Responsibility	48
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Product Responsibility	49
KPI B6.4	Description of quality assurance process and recall procedures	Product Responsibility	47-48
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Product Responsibility	49
Aspect B7 Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Anti-corruption	50
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	No concluded case in 2019/2020.	Not Applicable
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption	50

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
Community			
Aspect B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Community Investment	50
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Community Investment	50
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Community Investment	50

REPORT OF DIRECTORS

The Directors hereby present this annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2020.

CORPORATE REORGANISATION

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

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

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

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 March 2020 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 83 to 163 of this annual report.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2020, which includes a description of the principal risks and uncertainties facing the Group, an analysis of financial key performance indicators of the Group's business, particulars of important events affecting the Group, review of likely future developments in the Group's business, and a discussion on the Company's environmental policies and performance and the relationships with its stakeholders, can be found in the sections headed "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" of this annual report. The review forms part of this Directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 March 2020.

REPORT OF DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

As at 31 March 2020, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Law of Cayman Islands, amounted to approximately HK$29.8 million.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group, as extracted from the consolidated financial statements of the Company for the last five years ended 31 March 2020 is set out on page 164 of the annual report. This summary does not form part of the audited financial statements.

SHARE OPTION SCHEMES

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

REPORT OF DIRECTORS

	Details	Pre-IPO Scheme	Post-IPO Scheme
1.	Purpose	To motivate eligible persons to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group.	To motivate eligible persons to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.
2.	Participants	Any director or proposed director (including an independent non-executive director) of any member of our Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group, any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group, a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of our Group, or a close associate (as defined under the Listing Rules) of any of the foregoing persons.	
3.	Total number of shares available for issue	No further options can be granted under the Pre-IPO Scheme.	133,854,167 shares (being approximately 6.6% of the issued share capital as at the date of this annual report)
4.	Maximum entitlement of each participant	Determined by the Board.	Substantial shareholders/independent non-executive directors: 0.1% of the issued shares/aggregate value not exceeding HK$5 million in the 12-month period up to and including the date of such grant Other participants: in any 12-month period shall not exceed 1% of the issued shares from time to time

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

REPORT OF DIRECTORS

Details of the movements within the two share option schemes of the Company for the year ended 31 March 2020 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 year	As at 31 March 2020
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 year ended 31 March 2020.

(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.

REPORT OF DIRECTORS

(2) Post-IPO Scheme

Category of grantee	Date of grant	Exercise period	Exercise price per share (HK$)	Number of share options As at 1 April 2019	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 March 2020
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	–	–	(1,250,000)	23,200,000
	10 August 2018	From 10 August 2021 to 9 August 2028	0.62	10,000,000	–	–	(266,667)	9,733,333
	28 June 2019	From 28 June 2022 to 27 June 2029	1.04	–	3,700,000	–	(400,000)	3,300,000
	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)	(1,916,667)	50,733,333
Total				40,262,500	27,800,000	(5,812,500)	(1,916,667)	60,333,333

Notes:

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

(2) No share options have been cancelled under the Post-IPO Scheme during the year ended 31 March 2020.

(3) The closing price of the shares immediately before the date on which the options were granted was HK$1.02.

(4) 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.

Further details of the share option schemes of the Company are set out in note 29 to the consolidated financial statements.

REPORT OF DIRECTORS

EQUITY-LINKED AGREEMENTS

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

DIRECTORS

The Directors of the Company during the year ended 31 March 2020 and up to the date of this report were as follows:

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

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

In accordance with the Company's articles of association, Ms. Lee Yuen Tung Janice and Ms. Poon Lai King will retire from office by rotation and, being eligible, will offer themselves for re-election at the Annual General Meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 15 to 17 of the annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, no transactions, arrangements or contracts of significance to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2020 or at any time during the year ended 31 March 2020.

REPORT OF DIRECTORS

DIRECTORS' SERVICE CONTRACTS

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

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

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

PERMITTED INDEMNITY PROVISION

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

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

EMOLUMENT POLICY

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

REPORT OF DIRECTORS

MANAGEMENT CONTRACTS

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

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

As at 31 March 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Nature of interest	Number of ordinary shares of the Company	Approximate percentage of the Company's total issued shares*
Mr. Ma Pak Wing Kevin	Interest in a controlled corporation (Note 1)	1,485,000,000	73.40%
	Beneficial owner	780,000	0.04%
		1,485,780,000	73.44%
Ms. Lee Yuen Tung Janice	Interest of spouse (Note 2)	1,485,780,000	73.44%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 March 2020.

Notes:

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

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

(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 31 March 2020.

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.

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

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

* The percentage represents the number of ordinary shares divided by the number of CORE Capital's issued shares as at 31 March 2020.

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

Save as disclosed above, as at 31 March 2020, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

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

As at 31 March 2020, 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 31 March 2020.

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 31 March 2020, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2020, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

— The largest customer: 10.6%

— The total of the five largest customers: 18.2%

For the year ended 31 March 2020, the percentage of cost of services attributable to the Group's major suppliers is set out below:

Cost of Revenue

— The largest supplier: 8.2%

— The total of the five largest suppliers: 25.7%

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

REPORT OF DIRECTORS

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 "VIE Agreements") 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 2019, 賀彼文化 recorded revenue of approximately RMB22.9 million (or approximately HK$25.6 million) and a profit of approximately RMB1.4 million (or approximately HK$1.6 million). As at 31 December 2019, the total assets and net assets of 賀彼文化 were approximately RMB8.7 million (or approximately HK$9.7 million) and RMB1.9 million (or approximately HK$2.1 million) respectively.

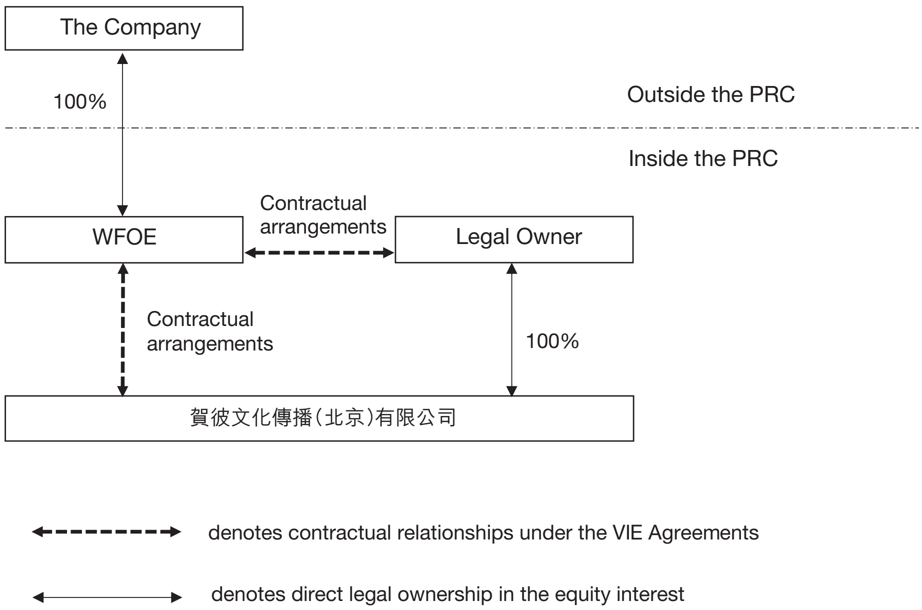
Reasons for entering into the VIE Agreements

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 VIE Agreements 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 RMB23.3 million (or approximately HK$26.1 million) and RMB9.6 million (or approximately HK$10.7 million) respectively for the year ended 31 March 2020, 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.

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 VIE Agreements

The following diagram illustrates the flow of economic benefits from 賀彼文化 to the Group stipulated under the VIE Arrangements as at the effective date of the VIE Agreements and this report:



By fulfilling the VIE Agreements 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 operational 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.

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.

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 VIE Agreements up to the date of this report.

Risks related to the VIE Structure

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

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

   - revoking the business licenses of such entities;

   - discontinuing or restricting the conduct of any transactions between the Group and 賀彼文化;

   - imposing fines, confiscating the income from 賀彼文化, or imposing other requirements with which the Group or 賀彼文化 may not be able to comply;

   - requiring the Group to restructure its ownership structure or operations, including terminating the contractual arrangements with 賀彼文化 and deregistering the equity pledges of 賀彼文化, which in turn would affect the Group's ability to consolidate, derive economic interests from, or exert effective control over 賀彼文化; or

   - restricting or prohibiting the Group's use of the proceeds of any of its financing outside PRC to finance the Group's business and operations in PRC.

REPORT OF DIRECTORS

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

2. Potential changes in the PRC foreign investment legal regime

The Foreign Investment Law (2019) was adopted at the Second Session of the Thirteenth National People's Congress of the PRC on 15 March 2019, which aimed at replacing the existing laws regulating foreign investment in the PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law.

The Foreign Investment Law (2019) took effect on 1 January 2020. Since the Foreign Investment Law (2019) was promulgated for a relatively short period of time, there is uncertainty regarding its ancillary regulations and implementation rules which are yet to be issued.

If any regulations or implementation rules in connection with the Foreign Investment Law (2019) (i) recognise the VIE Structure as a foreign investment; and (ii) requires foreign investors to apply for access permission, which is a government permit that allows foreign investors to invest in industries or businesses restricted from foreign investment, the VIE Agreements may be regarded as invalid if we failed to obtain such access permission. As a result, the Group may be required to dispose of the Restricted Business in the PRC and the Group would not be able to continue to conduct the Restricted Business.

3. 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 (獨家購股權及股權託管協議), 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.

4. **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.

   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.

Internal control measures implemented by the Group

Under the Exclusive Option and Equity Trust Agreement, 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, since the implementation of the VIE Structure, the Company has also put in place the following internal controls to safeguard its assets held through the VIE Structure:

— 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 VIE Agreements

During the year ended 31 March 2020, there has been no material change in the VIE Agreements and/or the circumstances under which they were adopted.

Unwinding the VIE Structure

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

However, for the year ended 31 March 2020, none of the VIE Agreements have been unwound as none of laws regulating the Restricted Business that led to the adoption of the VIE Agreements has been removed.

REPORT OF DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

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

COMPETING AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Company and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 March 2020.

None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, or has any other conflict of interests with the Group during year ended 31 March 2020, and confirm that none of them is engaged in any business which directly or indirectly, competes or is likely to compete with the business of the Company and any of its subsidiaries or has interest in such business.

CORPORATE GOVERNANCE

The Company's corporate governance report is set out on pages 18 to 27 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Save as the impact of COVID-19 as disclosed in this report, there has been no important events subsequent to the reporting period and up to the date of this report, which would affect the Group's business operations in material aspects.

AUDITOR

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

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

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

Hong Kong, 22 June 2020

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Hypebeast Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 83 to 163, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgment and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As at 31 March 2020, the Group's net trade receivables amounting to HK$188,386,000 and out of these trade receivables of approximately HK$48,393,000 were past due. As disclosed in notes 20 and 31 to the consolidated financial statements, trade receivables that with significant balances or credit-impaired are assessed for ECL individually. The management of the Group estimates the amount of lifetime ECL of the remaining trade receivables based on provision matrix through grouping of various debtors by geographical locations, after considering aging, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. The credit loss allowance amount of trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. As disclosed in note 31 to the consolidated financial statements, the Group recognised impairment losses under ECL model, net of reversal of HK$973,000 for the year and the Group's ECL on trade receivables as at 31 March 2020 is amounted to HK$894,000.	Our procedures in relation to impairment assessment of trade receivables included: • Understanding key controls on how the management estimates the credit loss allowance for trade receivables; • Testing the integrity of information used by management to develop the provision matrix, including trade receivables aging analysis as at 31 March 2020, on a sample basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices and other supporting documents; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 31 March 2020, including their identification of significant balances and credit-impaired trade receivables, the reasonableness of management's grouping of the remaining trade receivables into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); • Evaluating the disclosures regarding the impairment assessment of trade receivables in note 31 to the consolidated financial statements; and • Testing subsequent settlements of trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

OTHER INFORMATION

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yuen Wing Hang.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue	5	**751,367**	672,192
Cost of revenue		**(372,089)**	(336,838)
Gross profit		**379,278**	335,354
Other gains and losses	8	**(4,450)**	(653)
Selling and marketing expenses		**(158,831)**	(152,719)
Administrative and operating expenses		**(125,958)**	(92,734)
Professional fee relating to transfer of listing		**–**	(7,402)
Impairment losses under expected credit losses model, net of reversal		**(973)**	(681)
Finance costs	7	**(1,356)**	(615)
Share of result of a joint venture		**(1,333)**	(3,901)
Profit before tax		**86,377**	76,649
Income tax expense	9	**(20,602)**	(14,851)
Profit for the year	10	**65,775**	61,798
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(54)**	13
Total comprehensive income for the year		**65,721**	61,811
Earnings per share	13		
– Basic (HK cent)		**3.26**	3.09
– Diluted (HK cent)		**3.21**	3.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	14	**12,238**	9,837
Intangible assets	15	**988**	–
Right-of-use assets	16	**46,254**	–
Rental deposits	20	**5,298**	2,308
Interest in a joint venture	17	**–**	1,333
Amount due from a joint venture	18	**11,870**	–
		76,648	13,478
Current assets			
Inventories	19	**71,408**	67,802
Trade and other receivables	20	**221,400**	173,894
Contract assets	21	**1,855**	8,936
Amount due from a joint venture	18	**–**	6,715
Pledged bank deposits	22	**15,603**	6,723
Bank balances and cash	22	**67,251**	55,727
		377,517	319,797
Current liabilities			
Trade and other payables	23	**88,894**	89,662
Contract liabilities	24	**4,429**	3,215
Bank borrowings – due within one year	25	**32,836**	26,990
Lease liabilities	26	**15,862**	–
Tax payables		**5,976**	7,088
		147,997	126,955
Net current assets		**229,520**	192,842
Total assets less current liabilities		**306,168**	206,320
Non-current liabilities			
Lease liabilities	26	**30,899**	–
Deferred tax liabilities	27	**74**	353
		30,973	353
Net assets		**275,195**	205,967
Capital and reserves			
Share capital	28	**20,231**	20,000
Reserves		**254,964**	185,967
		275,195	205,967

The consolidated financial statements on pages 83 to 163 were approved and authorised for issue by the Board of Directors on 22 June 2020 and are signed on its behalf by:

Ma Pak Wing Kevin	**Lee Yuen Tung Janice**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2018	20,000	25,275	(1)	1,749	94,226	141,249
Profit for the year	–	–	–	–	61,798	61,798
Exchange differences arising on translation of foreign operations	–	–	13	–	–	13
Total comprehensive income for the year	–	–	13	–	61,798	61,811
Recognition of share-based payment expense	–	–	–	2,907	–	2,907
At 31 March 2019	20,000	25,275	12	4,656	156,024	205,967
Profit for the year	–	–	–	–	65,775	65,775
Exchange differences arising on translation of foreign operations	–	–	(54)	–	–	(54)
Total comprehensive (expense) income for the year	–	–	(54)	–	65,775	65,721
Exercise of share options	231	4,304	–	(2,545)	–	1,990
Recognition of share-based payment expense	–	–	–	6,413	–	6,413
Dividend paid	–	–	–	–	(4,896)	(4,896)
At 31 March 2020	20,231	29,579	(42)	8,524	216,903	275,195

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**86,377**	76,649
Adjustments for:		
Depreciation of property, plant and equipment	**4,606**	2,755
Depreciation of right-of-use assets	**13,347**	–
Amortisation of intangible assets	**25**	–
Share-based payment expense	**6,413**	2,907
Loss on disposal of property, plant and equipment	**84**	56
Impairment losses under expected credit loss model,net of reversal	**973**	681
Write-down of inventories	**1,042**	319
Share of result of a joint venture	**1,333**	3,901
Finance costs	**1,356**	615
Bank interest income	**(78)**	(29)
Operating cash flows before movements in working capital	**115,478**	87,854
Increase in inventories	**(4,648)**	(39,131)
Increase in trade and other receivables	**(48,192)**	(77,238)
Decrease (increase) in contract assets	**7,081**	(8,936)
(Decrease) increase in trade and other payables	**(768)**	42,918
Increase in contract liabilities	**1,214**	2,855
Cash generated from operations	**70,165**	8,322
Income taxes paid	**(21,993)**	(13,803)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**48,172**	(5,481)
INVESTING ACTIVITIES		
Placement of pledged bank deposits	**(25,586)**	(16,228)
Purchase of property, plant and equipment	**(7,135)**	(7,842)
Advance to a joint venture	**(5,155)**	(6,582)
Payments for rental deposits	**(3,277)**	–
Purchase of intangible assets	**(1,013)**	–
Withdrawal of pledged bank deposits	**16,706**	11,386
Proceeds from disposal of property, plant and equipment	**21**	660
Bank interest received	**78**	29
NET CASH USED IN INVESTING ACTIVITIES	**(25,361)**	(18,577)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	2020 HK$'000	2019 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(60,109)**	(9,564)
Proceeds from bank borrowings	**65,955**	31,891
Repayment of lease liabilities	**(12,840)**	–
Proceeds from issuance of shares upon exercise of share options	**1,990**	–
Interest paid for bank borrowings	**(947)**	(599)
Interest paid for lease liabilities	**(409)**	–
Repayment of obligation under finance lease	**–**	(533)
Interest paid on finance lease	**–**	(16)
Dividend paid	**(4,896)**	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(11,256)**	21,179
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**11,555**	(2,879)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR	**55,727**	58,581
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(31)**	25
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	**67,251**	55,727

1. GENERAL

Hypebeast Limited ("the Company") was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 25 September 2015. The Company's shares were first listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 April 2016 and had been transferred from GEM to Main Board of the Stock Exchange pursuant to the approval granted by the Stock Exchange on 28 February 2019.

Its registered office is located at Second Floor, Century yard, Cricket Square P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The address of its principal place of business is 10/F, KC100, 100 Kwai Cheong Road, Kwai Chung, Hong Kong.

The Company is an investment holding company and its subsidiaries (hereinafter together with the Company collectively referred to as the "Group") are principally engaged in the provision of advertising spaces services, provision of services for creative agency projects, publication of magazines and operation of online retail platform. Its parent and ultimate holding company is CORE Capital Group Limited, a private company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Ma Pak Wing Kevin ("Mr. Ma").

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which are the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 Leases (Continued)

As a lessee (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 weighted average incremental borrowing rates applied by relevant group entities ranged from 2.3% to 3.625%.

	At 1 April 2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019	28,703
Lease liabilities discounted at relevant incremental borrowing rates	27,315
Less: Recognition exemption – leases with lease term ending within12 months from the date of initial application	(4,883)
Lease liabilities as at 1 April 2019	22,432
Analysed as:	
Current	9,319
Non-current	13,113
	22,432

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

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	22,432

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. As at 1 April 2019, the discounting effect of rental deposits was not material.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK$'000
Non-current assets Right-of-use assets	–	22,432	22,432
Current liabilities Lease liabilities	–	(9,319)	(9,319)
Non-current liabilities Lease liabilities	–	(13,113)	(13,113)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 16	Covid-19 – Related Rent Concessions[5]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to HKFRSs mentioned below, the directors of the Company (the "Directors") anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 and HKAS 8 Definition of Material (Continued)

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial positions and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual periods beginning on or after 1 April 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment that are within the scope of the HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

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

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

Interest in a joint venture

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

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

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

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group account for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassified the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest in a joint venture (Continued)

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

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

Output method

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

Incremental costs of obtaining a contract

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

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

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

Principal versus agent

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

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

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer.

When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

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

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Right-of-use assets (Continued)

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Lease liabilities (Continued)

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (prior to 1 April 2019)

Leases are classified as finance leases whenever the terms of lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

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

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

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

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs which are not capitalised to qualifying assets are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

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

Short-term employee benefits

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

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

Share-based payment

Equity-settled share-based payment transactions

Share options granted to directors and employees

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

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

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

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

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

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

Current and deferred tax is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

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

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

Intangible assets

Intangible assets acquired separately

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Amortised cost and interest income

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

Impairment of financial assets and contract assets

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

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

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances or credit-impaired and/or collectively using a provision matrix with appropriate groupings.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instruments' external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

(i) Significant increase in credit risk (Continued)

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status; and
- Nature, size and geographical locations of debtors.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

(v) Measurement and recognition of ECL (Continued)

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instrument

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

Financial liabilities

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

Derecognition of financial liabilities

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Impairment assessment of trade receivables

Trade receivables that with significant balances or credit-impaired are assessed for ECL individually. The management of the Group estimates the amount of the remaining trade receivables based on provision matrix through grouping of various debtors by geographical locations, after considering aging, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort.

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

The carrying amount of trade receivables was HK$188,386,000 (2019: HK$130,745,000) and the Group recognised impairment losses under ECL model, net of reversal of HK$973,000 (2019: HK$681,000) for the year.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 31 and 20, respectively.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	Digital Media		E-Commerce		Total	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Sales of goods through online retail platform	**–**	–	**275,503**	238,477	**275,503**	238,477
Commission fee from consignment sales	**–**	–	**2,345**	3,046	**2,345**	3,046
Provision of advertising spaces	**267,772**	282,684	**–**	–	**267,772**	282,684
Provision of services for creative agency projects	**203,600**	146,029	**–**	–	**203,600**	146,029
Publication of magazines	**2,147**	1,956	**–**	–	**2,147**	1,956
Total revenue from contracts with customers	**473,519**	430,669	**277,848**	241,523	**751,367**	672,192
Geographical markets						
Hong Kong	**41,020**	44,640	**43,014**	47,035	**84,034**	91,675
The People's Republic of China (the "PRC")	**100,844**	82,852	**17,750**	23,821	**118,594**	106,673
United States ("US")	**187,015**	171,086	**61,124**	50,533	**248,139**	221,619
Other countries	**144,640**	132,091	**155,960**	120,134	**300,600**	252,225
Total	**473,519**	430,669	**277,848**	241,523	**751,367**	672,192
Timing of revenue recognition						
A point in time	**151,416**	110,039	**277,848**	241,523	**429,264**	351,562
Over time	**322,103**	320,630	**–**	–	**322,103**	320,630
Total	**473,519**	430,669	**277,848**	241,523	**751,367**	672,192

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers

(a) Sales of goods through online retail platform

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

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

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

The Group typically receive payment in full before the sales orders processed. When the Group receives the payment in full before the goods is shipped/delivered to customers, this will give rise to contract liabilities at the start of a contract, until the revenue recognised when the goods is shipped/delivered to the customers.

(b) Commission fee from consignment sales

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

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

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

5. REVENUE (CONTINUED)

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

(c) Provision of advertising spaces

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

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

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

(d) Provision of services for creative agency projects

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

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

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

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

5. REVENUE (CONTINUED)

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

(e) Publication of magazines

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

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

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

6. SEGMENT INFORMATION

Information reported to the Chief Executive Officer ("CEO") of the Group, being the chief operating decision maker ("CODM") for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered, or service provided. The CODM has chosen to organise the Group's results according to the category of the business segment and differences in nature of the goods and services that each segment delivers. No operating segments identified by CODM have been aggregated in arriving at the reportable segments of the Group.

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

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

E-commerce segment – Operation of online retail platform for the sale of third-party branded clothing, shoes and accessories and commission fee from consignment sales

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

Year ended 31 March 2020

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

6. SEGMENT INFORMATION (CONTINUED)

Year ended 31 March 2019

	Digital media HK$'000	E-commerce HK$'000	Consolidated HK$'000
Total segment revenue	430,669	241,523	672,192
Segment results	107,390	21,152	128,542
Finance costs			(615)
Share of result of a joint venture			(3,901)
Share-based payment expense			(2,907)
Professional fee relating to transfer of listing			(7,402)
Unallocated expenses			(37,068)
Profit before tax			76,649

Note: Included in revenue from operation of online retail platform for each of the years ended 31 March 2020 and 2019, total amount of commission fee from consignment sales are HK$2,345,000 and HK$3,046,000 respectively. The remaining amount of HK$275,503,000 and HK$238,477,000 respectively represents sales of goods through the online retail platform.

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

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

	2020 HK$'000	2019 HK$'000
Reportable segment assets		
Digital media	**194,937**	153,708
E-commerce	**126,064**	81,207
Total Segment assets	**321,001**	234,915
Reconciliation of reportable segment total to group total:		
Segment assets	**321,001**	234,915
Unallocated assets:		
Property, plant and equipment	**12,238**	9,837
Intangible assets	**17**	–
Right-of-use assets	**13,394**	–
Interest in a joint venture	**–**	1,333
Amount due from a joint venture	**11,870**	6,715
Deposits and other receivables	**12,791**	18,025
Pledged bank deposits	**15,603**	6,723
Bank balances and cash	**67,251**	55,727
Consolidated total assets	**454,165**	333,275
Reportable segment liabilities		
Digital media	**76,714**	61,975
E-commerce	**39,985**	13,888
Total segment liabilities	**116,699**	75,863
Reconciliation of reportable segment total to group total:		
Segment liabilities	**116,699**	75,863
Unallocated liabilities:		
Other payables and accrued expenses	**10,577**	17,014
Bank borrowings	**32,836**	26,990
Tax payables	**5,976**	7,088
Deferred tax liabilities	**74**	353
Lease liabilities	**12,808**	–
Consolidated total liabilities	**178,970**	127,308

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

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

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

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

Other segment information

2020

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

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

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

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

6. SEGMENT INFORMATION (CONTINUED)

Other segment information (Continued)

2019

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

	Digital media HK$'000	E-commerce HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Impairment losses under ECL model, net of reversal	681	–	681	–	681
Share-based payment expense	–	–	–	2,907	2,907
Write-down of inventories	–	319	319	–	319

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

	HK$'000
Interest in a joint venture	1,333
Share of result of a joint venture	(3,901)
Addition to non-current assets	7,842
Loss on disposal of property, plant and equipment	(56)
Depreciation of property, plant and equipment	(2,755)

6. SEGMENT INFORMATION (CONTINUED)

Geographical information

An analysis of the Group's revenue from external customers by geographical location, determined based on the location of the online sales request for e-commerce segment and the location of customers for digital media segment and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers Year ended 31 March		Non-current assets	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000 (Note ii)**	2019 HK$'000
US	**248,139**	221,619	**1,063**	2,048
Hong Kong	**84,034**	91,675	**50,785**	11,219
The PRC	**118,594**	106,673	**1,167**	29
Others (Note i)	**300,600**	252,225	**6,465**	182
	751,367	672,192	**59,480**	13,478

Notes:

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

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

Information about major customer

No single customer has been accounted for 10% or more of the Group's revenue for both reporting periods.

7. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interests on:		
Bank borrowings	947	599
Finance lease	–	16
Lease liabilities	409	–
	1,356	615

8. OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000
Net exchange losses	5,392	2,692
Loss on disposal of property, plant and equipment	84	56
Penalty on customers for overdue settlement	(948)	(2,008)
Bank interest income	(78)	(29)
Others	–	(58)
	4,450	653

9. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current tax:		
Hong Kong Profits Tax		
– Current year	**7,999**	13,609
– Overprovision in prior year	**(273)**	(1,414)
The PRC Enterprise Income Tax	**11,993**	–
Other jurisdictions	**1,162**	2,473
	20,881	14,668
Deferred tax (note 27):		
(Credit) charge for the year	**(279)**	183
	20,602	14,851

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

Accordingly, starting from the year ended 31 March 2019, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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

According to Caishui (2019) No.13, certain PRC subsidiaries are qualified as a small-scale and low-profit enterprise in calendar year 2019 which only 25% of the first RMB1 million of assessable profits would be assessed for Enterprise Income Tax (the "EIT") at 20% while 50% of assessable profits between RMB1 million to RMB3 millions would be assessed for the EIT at 20%.

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

9. INCOME TAX EXPENSE (CONTINUED)

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

	2020 HK$'000	2019 HK$'000
Profit before tax	**86,377**	76,649
Tax at the Hong Kong Profits Tax rate of 16.5%	**14,252**	12,647
Tax effect of share of result of a joint venture	**220**	644
Tax effect of income not taxable for tax purpose	**–**	(1,157)
Tax effect of expenses not deductible for tax purpose	**2,178**	3,059
Tax effect of tax losses not recognised	**650**	–
Income tax at concessionary rate	**(1,259)**	(165)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**4,591**	1,149
Overprovision in prior year	**(273)**	(1,414)
Others	**243**	88
Income tax expense for the year	**20,602**	14,851

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2020 HK$'000	2019 HK$'000
Directors' remuneration (note 11)	**6,865**	2,554
Other staff costs		
– salaries and allowances	**159,638**	100,242
– discretionary bonus	**1,181**	10,434
– retirement benefits scheme contribution	**6,069**	4,912
– Share-based payment expense	**3,545**	2,907
Total directors and other staff costs	**177,298**	121,049
Auditor's remuneration	**1,350**	1,370
Cost of inventories recognised as an expense (included in cost of revenue)	**157,662**	120,979
Depreciation of property, plant and equipment	**4,606**	2,755
Depreciation of right-of-use assets	**13,347**	–
Amortisation of intangible assets	**25**	–
Website content update expense (Note)	**2,682**	2,121
Write-down of inventories	**1,042**	319

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

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

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

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

	Executive directors		Independent non-executive directors			
	Mr. Ma HK$'000 (Note)	Ms. Lee Yuen Tung Janice HK$'000	Ms. Kwan Shin Luen Susanna HK$'000	Mr. Wong Kai Chi HK$'000	Ms. Poon Lai King HK$'000	Total HK$'000
2019						
Fees	600	960	180	180	180	2,100
Other emoluments						
Salaries, allowances and other benefits	409	–	–	–	–	409
Discretionary bonuses	–	–	–	–	–	–
Retirement benefits scheme contribution	27	18	–	–	–	45
	1,036	978	180	180	180	2,554

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

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

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

Employees' remuneration

Of the five individuals with the highest emoluments in the Group, two (2019: none) were the director whose emolument is included in the disclosures above. The emoluments of the remaining three (2019: five) individuals were as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries and allowances	**7,773**	10,115
Discretionary bonus	**2,116**	1,772
Retirement benefits scheme contribution	**175**	291
Share-based payment expense	**421**	1,989
	10,485	14,167

Their emoluments were fell within the following bands:

	No. of employees	
	2020	2019
HK$2,000,001 to HK$2,500,000	**–**	3
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	2
HK$4,500,001 to HK$5,000,000	**1**	–
	3	5

During the year, no emoluments were paid by the Group to the Directors or any of the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments during the years ended 31 March 2020 and 2019.

12. DIVIDENDS

No dividend was proposed for ordinary shareholders of the Company during the year ended 31 March 2020 and since the end of the reporting period (2019: special dividend of HK0.242 cents per ordinary share, in an aggregate amount of HK$4,896,000).

13. EARNINGS PER SHARE

The calculation of the basic earnings per share for the years ended 31 March 2020 and 2019 is based on the following data:

	2020	2019
	HK$'000	HK$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**65,775**	61,798

	2020	2019
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,017,703**	2,000,000
Effect of dilutive potential ordinary shares: Share options issued by the Company	**29,268**	35,734
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,046,971**	2,035,734

Diluted earnings per share for the years ended 31 March 2020 and 2019 did not assume the exercise of certain share options granted by the Company since the exercise would increase the earnings per share for the respective years.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furnitures and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 April 2018	3,375	1,880	5,969	826	12,050
Additions	5,274	729	1,839	–	7,842
Disposals	–	–	(87)	(826)	(913)
Exchange translation	–	(4)	(10)	–	(14)
At 31 March 2019	8,649	2,605	7,711	–	18,965
Additions	3,955	656	2,524	–	7,135
Disposals	–	(43)	(146)	–	(189)
Exchange translation	–	(5)	(24)	–	(29)
At 31 March 2020	12,604	3,213	10,065	–	25,882
ACCUMULATED DEPRECIATION					
At 1 April 2018	2,622	960	2,839	151	6,572
Provided for the year	1,243	379	1,105	28	2,755
Eliminated on disposals	–	–	(18)	(179)	(197)
Exchange translation	–	–	(2)	–	(2)
At 31 March 2019	3,865	1,339	3,924	–	9,128
Provided for the year	2,607	528	1,471	–	4,606
Eliminated on disposals	–	(17)	(67)	–	(84)
Exchange translation	–	(1)	(5)	–	(6)
At 31 March 2020	6,472	1,849	5,323	–	13,644
CARRYING VALUES					
At 31 March 2020	6,132	1,364	4,742	–	12,238
At 31 March 2019	4,784	1,266	3,787	–	9,837

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

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

15. INTANGIBLE ASSETS

	Website Domain Name HK$'000
COST	
At 1 April 2018 and 31 March 2019	–
Additions	1,013
At 31 March 2020	1,013
ACCUMULATED AMORTISATION	
At 1 April 2018 and 31 March 2019	–
Provided for the year	25
At 31 March 2020	25
CARRYING VALUES	
At 31 March 2020	988
At 31 March 2019	–

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

16. RIGHT-OF-USE ASSETS

	Leased properties HK$'000	**Motor vehicle** HK$'000	**Total** HK$'000
As at 1 April 2019			
Carrying amount	22,432	–	22,432
As at 31 March 2020			
Carrying amount	45,431	823	46,254
For the year ended 31 March 2020			
Depreciation charge	13,031	316	13,347
Expenses relating to leases with lease terms end within 12 months of the date of initial application of HKFRS 16			5,055
Expenses relating short-term leases			2,164
Variable lease payments not included in the measurement of lease liabilities (Note)			912
Total cash outflow for leases			21,380
Additions to right-of-use assets			37,213

Note: Leases of a retail store contain variable lease payment that are based on 12% of sales over the lease term. The amount of variable lease payments paid/payable to relevant lessor for the year ended 31 March 2020 amounted to HK$912,000. The overall financial effect of using variable payment term is that higher rental costs are incurred by the store with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

The above right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the respective lease terms ranging from 1 to 5 years.

During the year ended 31 March 2020, the Group leases offices and a motor vehicle for its operations. Lease contracts are entered into for fixed term of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

16. RIGHT-OF-USE ASSETS (CONTINUED)

The Group regularly entered into short-term leases for properties. As at 31 March 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

As at 31 March 2020, the Group entered into a new lease for an office property with non-cancellable period of 6 years that have not yet commenced. The total future undiscounted cash flows over the non-cancellable period amounted to HK$68,216,000.

17. INTEREST IN A JOINT VENTURE

	2020 **HK$'000**	2019 HK$'000
Cost of investment in a joint venture – unlisted investment	**5,887**	5,887
Share of post-acquisition results and other comprehensive income, net of dividends received	**(5,887)**	(4,554)
	–	1,333

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

Name of entity	Country of incorporation	Principal place of business	Percentage of interest in ownership held by the Group **2020** **%**	 2019 %	Principal activities
The Berrics Company, LLC ("The Berrics")	US	US	**51**	51	Provision of skateboarding related digital content and advertising and offline event organisation services

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

17. INTEREST IN A JOINT VENTURE (CONTINUED)

Summarised financial information of joint venture

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

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

	2020 **HK$'000**	2019 HK$'000
Current assets	**7,123**	3,887
Non-current assets		
– Property, plant and equipment	**11,856**	11,931
– Others	**518**	525
	12,374	12,456
Current liabilities	**20,090**	13,730

The above amounts of assets and liabilities include the following:

	2020 **HK$'000**	2019 HK$'000
Cash and cash equivalents	**2,425**	846
Current financial liabilities (excluding trade and other payables)	**14,969**	9,586
Revenue	**16,407**	9,865
Loss and total comprehensive expense for year	**(3,206)**	(7,649)

17. INTEREST IN A JOINT VENTURE (CONTINUED)

Summarised financial information of joint venture (Continued)

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

	2020 HK$'000	2019 HK$'000
Net (liabilities) assets of The Berrics	(593)	2,613
Proportion of the Group's ownership interest in the joint venture	51%	51%
	(302)	1,333
Unrecognised share of loss of the joint venture	302	–
Carrying amount of the Group's interest in joint venture	–	1,333

	2020 HK$'000	2019 HK$'000
The unrecognised share of loss of the joint venture for the year and cumulative unrecognised share of loss of the joint venture	302	–

18. AMOUNT DUE FROM A JOINT VENTURE

The amount was non-trade nature, unsecured, non-interest bearing and with repayment terms of 2 years (2019: repayable on demand) and was therefore classified as non-current (2019: current).

Details of impairment assessment of amount due from a joint venture is set out in note 31.

19. INVENTORIES

	2020 HK$'000	2019 HK$'000
Finished goods	**71,408**	67,802

20. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**118,376**	102,868
Unbilled receivables (Note)	**70,904**	28,138
Trade and unbilled receivables	**189,280**	131,006
Less: allowance for credit losses	**(894)**	(261)
Trade and unbilled receivables (net carrying amount)	**188,386**	130,745
Advance to staff	**1,679**	1,951
Rental and utilities deposits	**10,887**	9,892
Prepayments	**24,732**	19,785
Other receivables	**1,014**	13,829
Total	**226,698**	176,202
Analysed as:		
Current	**221,400**	173,894
Non-current	**5,298**	2,308
Total	**226,698**	176,202

Note: The amounts mainly represent the balances of unconditional right to the consideration for completed portion of contracts relating to provision of advertising spaces and provision of services for creative agency projects by the PRC subsidiaries but respective invoices have not been issued due to the limited invoice amounts granted by respective local tax bureau and delay in issuing invoices to customers due to special working arrangement under COVID-19.

As at 1 April 2018, trade receivables from contracts with customers amounted to HK$85,832,000.

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2020	2019
	HK$'000	HK$'000
Within 60 days	**83,916**	59,589
61 – 90 days	**14,034**	18,676
91 – 180 days	**14,697**	14,890
181 – 365 days	**4,817**	9,244
Over 365 days	**912**	469
	118,376	102,868

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate gross carrying amount of HK$48,393,000 (2019: HK$50,541,000) which are past due as at the reporting date. Out of the past due balances, HK$6,256,000 (2019: HK$11,504,000) has been past due 90 days or more and is not considered as in default as there had not been a significant change in credit quality and the amounts were still considered recoverable based on historical experience. The Group does not hold any collateral over these balances and the Group will further charge at 1.5% on overdue balances of certain customers pursuant to the contracts upon negotiation as a penalty of overdue settlement.

Details of impairment assessment of trade and other receivables are set out in note 31.

21. CONTRACT ASSETS

	2020 HK$'000	2019 HK$'000
Provision of advertising spaces (Note)	**1,855**	8,936

There were no contract assets as at 1 April 2018.

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

As at 31 March 2020 and 2019, all contract assets are expected to be settled within 1 year, and accordingly classified as current.

Note: The significant decrease in the balance during the year ended 31 March 2020 is the result of the completion of contracts relating to provision of advertising spaces in which the target impression rate or click rate within the advertising period has been achieved and the Group has unconditional rights for the receivables.

Details of the impairment assessment of contract assets is set out in note 31.

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Deposits amounting to HK$15,603,000 (2019: HK$6,723,000) have been pledged to secure bank borrowings and the banking facilities which carry interest at prevailing market rates at 0.1% to 1.95% per annum (2019: 0.3%).

Bank balances carry interest at prevailing market rates at 0.01% per annum as at 31 March 2020 and 2019.

Details of impairment assessment of pledged bank deposits and bank balances are set out in note 31.

23. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	**30,443**	25,148
Commission payable to staff	**11,087**	13,640
Accrual for campaign cost (Note)	**36,991**	33,860
Accrual for staff bonus	**–**	1,459
Other payables and accrued expenses	**10,373**	15,555
	88,894	89,662

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

23. TRADE AND OTHER PAYABLES (CONTINUED)

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:

	2020 **HK$'000**	2019 HK$'000
Within 30 days	**20,276**	16,374
31 – 60 days	**2,374**	2,470
61 – 90 days	**2,712**	284
Over 90 days	**5,081**	6,020
	30,443	25,148

24. CONTRACT LIABILITIES

	2020 **HK$'000**	2019 HK$'000
Provision of advertising spaces (Note a)	**3,701**	2,229
Sales of goods through online retail platform (Note b)	**728**	986
	4,429	3,215

As at 1 April 2018, contract liabilities amounted to HK$360,000.

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. The deposits and advance payment schemes result in contract liabilities being recognised until the advertisement launched in relevant spaces and relevant benefits received by the customers. During the year ended 31 March 2020, the Group has recognised revenue of HK$2,229,000 (2019: HK$360,000) that was included in the contract liabilities balance at the beginning of the respective year. All contract liabilities attributable to the provision of advertising spaces as at 31 March 2020 are expected to be recognised as revenue within one year.

(b) When the Group receives the payment in full before the goods is shipped/delivered, this will give rise to contract liabilities at the start of a contract, until the revenue recognised when the goods is shipped/delivered to the customers. During the year ended 31 March 2020, the Group has recognised revenue of HK$986,000 (2019: nil) that was included in the contract liabilities balance at the beginning of the respective year. All contract liabilities attributable to the sales of goods through online retail platform as at 31 March 2020 are expected to be recognised as revenue within one year.

25. BANK BORROWINGS

	As at 31 March	
	2020	2019
	HK$'000	HK$'000
Bank loans, secured with variable rate	**32,836**	26,990
Carrying amount repayable (according to scheduled repayment term):		
– Within one year	**27,448**	19,643
– In more than one year but not more than two years	**2,028**	1,956
– In more than two years but not more than five years	**3,360**	5,391
	32,836	26,990
Carrying amount that contain a repayment on demand clause (shown under current liabilities)	**32,836**	26,990

As at 31 March 2020, the borrowings were secured by the pledge of the Group's bank deposits with carrying amount of HK$15,603,000 (2019: HK$6,723,000).

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

	2020	2019
Effective interest rate (per annum):		
Variable-rate borrowings	**3.00% to 3.50%**	2.30% to 3.625%

26. LEASE LIABILITIES

	2020 HK$'000
Lease liabilities payable:	
Within one year	**15,862**
In more than one year but not more than two years	**13,951**
In more than two years but not more than five years	**16,948**
	46,761
Less: Amount due for settlement with 12 months shown under current liabilities	**(15,862)**
Amount due for settlement after 12 months shown under non-current liabilities	**30,899**

27. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised by the Group and movements thereon during the years ended 31 March 2020 and 2019:

	Accelerated tax depreciation HK$'000
At 1 April 2018	(170)
Charge to profit or loss	(183)
At 31 March 2019	(353)
Credit to profit or loss	279
At 31 March 2020	(74)

At the end of the reporting period, the Group has unused tax losses of HK$3,939,000 (2019: nil) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The unrecognised tax losses are carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$46,408,000 (2019: HK$5,322,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. SHARE CAPITAL

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

	Number of shares	Share capital HK$
Authorised:		
As 1 April 2018, 31 March 2019 and 31 March 2020	6,000,000,000	60,000,000
Issued:		
At 1 April 2018 and 31 March 2019	2,000,000,000	20,000,000
Exercise of share options	23,062,500	230,625
At 31 March 2020	2,023,062,500	20,230,625

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

29. SHARE OPTION SCHEMES

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

(a) Pre-IPO Scheme

(i) Purpose of the schemes

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

(ii) Participants of the schemes

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

29. SHARE OPTION SCHEMES (CONTINUED)

(a) Pre-IPO Scheme (Continued)

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

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

(iv) Maximum entitlement of each participant under the schemes

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

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

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

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

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

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

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

(viii) The basis of determining the exercise price

As determined by the Board.

29. SHARE OPTION SCHEMES (CONTINUED)

(a) Pre-IPO Scheme (Continued)

(ix) The remaining life of the schemes

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

Details of the movements within Pre-IPO Scheme of the Company for the years ended 31 March 2020 and 2019 are set out below:

	Number of share options												
Category of participants	Outstanding at 1.4.2018	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2019 & 1.4.2019	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2020 HK$	Date of grant of share options	Exercise period	Share price at date of grant of share options	Exercise price of share options
Under the Pre-IPO Scheme													
Employees[1,2]	750,000	-	-	-	750,000	-	(750,000)	-	-	18.03.2016	From 18.3.2018 to 17.3.2026	N/A	0.026
Employees[1,2]	8,250,000	-	-	-	8,250,000	-	(7,500,000)	-	750,000	18.03.2016	From 18.3.2019 to 17.3.2026	N/A	0.026
Employees[1,2]	3,500,000	-	-	-	3,500,000	-	(3,000,000)	-	500,000	18.03.2016	From 18.3.2019 to 17.3.2026	N/A	0.052
Employees[1,2]	6,000,000	-	-	-	6,000,000	-	(6,000,000)	-	-	18.03.2016	From 18.3.2019 to 17.3.2026	N/A	0.078
Total	18,500,000	-	-	-	18,500,000	-	(17,250,000)	-	1,250,000				
Share options exercisable at the end of respective years	750,000				18,500,000				1,250,000				
Weighted average exercise price	0.05	-	-	-	0.05	-	0.05	-	0.04				
Weighted average remaining contractual lives					6.97				5.96				

Notes:

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

2. The share options granted on 18 March 2016 are divided into 4 tranches exercisable from 18 March 2018, 18 March 2019, 18 March 2019 and 18 March 2019 respectively to 17 March 2026. During the year ended 31 March 2020, none of the share options were lapsed.

29. SHARE OPTION SCHEMES (CONTINUED)

(b) Post-IPO Scheme

(i) Purpose of the schemes

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

(ii) Participants of the schemes

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

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

133,854,167 shares (2019: 159,737,500 shares) (being 6.6% of the issued share capital as at the date of this annual report).

(iv) Maximum entitlement of each participant under the schemes

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

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

29. SHARE OPTION SCHEMES (CONTINUED)

(b) Post-IPO Scheme (Continued)

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

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

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

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

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

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

(viii) The basis of determining the exercise price

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

(ix) The remaining life of the schemes

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

29. SHARE OPTION SCHEMES (CONTINUED)

(b) Post-IPO Scheme (Continued)

(ix) The remaining life of the schemes (Continued)

Details of the movements within the Post-IPO Scheme of the Company for the years ended 31 March 2020 and 2019 are set out below:

	Number of share options												
Category of participants	Outstanding at 1.4.2018	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2019 & 1.4.2019	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2020	Date of grant of share options	Exercise period	Share price at date of grant of share options	Exercise price of share options
									HK$				
Directors[1, 4]	-	-	-	-	-	9,600,000	-	-	9,600,000	28.06.2019	From 28.6.2019 to 27.6.2029	1.04	1.04
	-	-	-	-	-	9,600,000	-	-	9,600,000				
Employees[1, 2]	5,812,500	-	-	-	5,812,500	-	(5,812,500)	-	-	06.07.2017	From 6.7.2019 to 5.7.2027	0.198	0.198
Employees[1,2]	24,450,000	-	-	-	24,450,000	-	-	(1,250,000)	23,200,000	06.07.2017	From 6.7.2020 to 5.7.2027	0.198	0.198
Employees[1,3 3]	-	10,000,000	-	-	10,000,000	-	-	(266,667)	9,733,333	10.08.2018	From 10.8.2021 to 9.8.2028	0.62	0.62
Employees[1,4]	-	-	-	-	-	3,700,000	-	(400,000)	3,300,000	28.06.2019	From 28.6.2022 to 27.6.2029	1.04	1.04
Employees[1, 4]	-	-	-	-	-	14,500,000	-	-	14,500,000	28,06,2019	From 28.6.2023 to 27.6.2029	1.04	1.04
	30,262,500	10,000,000	-	-	40,262,500	18,200,000	(5,812,500)	(1,916,667)	50,733,333				
Total	30,262,500	10,000,000	-	-	40,262,500	27,800,000	(5,812,500)	(1,916,667)	60,333,333				
Share options exercisable at the end of respective years	-				-				9,600,000				
Weighted average exercise price	0.198	0.62	-	-	0.30	1.04	0.198	0.43	0.64				
Weighted average remaining contractual lives					8.54				8.16				

Notes:

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

2. The share options granted on 6 July 2017 are divided into 2 tranches exercisable from 6 July 2019 and 6 July 2020 respectively to 5 July 2027. During the year ended 31 March 2020, none of the share options were lapsed.

3. The share options granted on 10 August 2018 are exercisable from 10 August 2021 to 9 August 2028.

4. The share options granted on 28 June 2019 are divided into 3 tranches exercisable from 28 June 2019, 28 June 2022 and 28 June 2023 respectively to 27 June 2029.

29. SHARE OPTION SCHEMES (CONTINUED)

On 10 August 2018, the Company granted a total of 10,000,000 share options to employees, which entitle employees to subscribe for a total of 10,000,000 Shares at an exercise price of HK$0.62 per Share. The validity period of the options is ten years, from 10 August 2018 to 9 August 2028. The closing price of the Shares of the Company immediately before the date on which the options were granted was HK$0.62.

The estimated fair values of the 10,000,000 share options granted on 10 August 2018 was approximately HK$4,201,000. The fair value per option granted on 10 August 2018 was HK$0.4201.

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

The estimated fair values of the 27,800,000 share options granted on 28 June 2019 was approximately HK$17,192,000. The fair value per option granted on 28 June 2019 was HK$0.6184.

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:

	28 June 2018	10 August 2018
Share price at date of grant of share options	HK$1.04	HK$0.62
Exercise price	HK$1.04	HK$0.62
Expected life	4 years	5 years
Expected volatility	81.11%	87.92%
Expected dividend yield	0%	0.31%
Risk-free rate	1.43%	2.02%

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

The Group recognised total expenses of HK$6,413,000 for the year ended 31 March 2020 (2019: HK$2,907,000) in relation to the share options granted by the Company.

30. CAPITAL RISK MANAGEMENT

The Directors manage its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings and lease liabilities as disclosed in notes 25 and 26 respectively, net of cash and cash equivalents and equity.

The Directors review the capital structure from time to time. As a part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 **HK$'000**	2019 HK$'000
Financial assets		
Financial assets at amortised cost	**296,690**	225,582
Financial liabilities		
At amortised cost	**76,172**	67,148

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables and deposits, amount due from a joint venture, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk

The Group is primarily exposed to the financial risks of changes in interest rates and foreign currency exchange rates. Details of each type of market risks are described as follows:

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances. The Company currently does not enter into any hedging instrument for cash flow interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Best Lending Rate arising from the Group's Hong Kong dollars denominated borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease in the prevailing rates of relevant banks is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for variable rate bank borrowings, with all other variables held constant, the Group's post-tax profit for the years ended 31 March 2020 would decrease/increase by HK$137,000 (2019: HK$113,000).

(ii) Foreign currency risk

The Group undertakes certain operating transactions in foreign currency, which exposes the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the Directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should such need arise.

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Foreign currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at the end of each reporting period are as follows:

	2020		2019	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
United States Dollar ("US$")	**66,421**	**5,654**	113,651	16,799
Euro Dollar ("EURO")	**14,832**	**4,669**	13,733	4,272
Renminbi ("RMB")	**5,213**	**1,206**	40,432	8,800

Sensitivity analysis

The Group is mainly exposed to the risk of fluctuation against US$, EURO and RMB during the years ended 31 March 2020 and 2019.

The following table details the sensitivity to a 2%, 5% and 5% increase and decrease in HK$ against US$, EURO and RMB, respectively. These rates are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a change in foreign currency rates. The negative number below indicates a decrease in the post-tax profit where HK$ strengthens 2%, 5% and 5% against US$, EURO and RMB, respectively. For a 2%, 5% and 5% weakening of HK$ against US$, EURO and RMB, there would be an equal and opposite impact on the profit or loss for the year.

	US$		**EURO**		**RMB**	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit for the year	**(1,015)**	(1,617)	**(424)**	(395)	**(167)**	(1,321)

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

As at 31 March 2020 and 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. There is no significant changes in the quality of that collateral as a result of deterioration or changes in the collateral policies of the entity during both reporting periods. In addition, the Group would charge penalty on certain customers for overdue settlement according to the sales agreement.

Trade receivables and contract assets arising from contracts with customers

The Group has concentration of credit risk as 37% (2019: 17%) and 53% (2019: 36%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is in Hong Kong which accounted for 49% (2019: 46%) of the trade and unbilled receivables as at 31 March 2020.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. Trade receivables and contract assets that with significant balances or credit-impaired are assessed for ECL individually. The management of the Group estimates the amount of lifetime ECL of the remaining trade receivables and contract assets based on provision matrix through grouping of various debtors by geographical locations, after considering aging, repayment history, and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. Details of the quantitative disclosures are set out below in this note.

In relation to contract assets arisen from provision of advertising spaces, the management performs impairment assessment on a periodic basis. Based on the assessment, the management is of the opinion that the probability of defaults of the relevant counterparties are insignificant since the counterparties are either listed or multinational companies with continuing business relationship. In addition, the management is confident that the target impression rate or click rate stipulated in the contracts will be satisfied in due course and the accrued revenue on the advertising spaces are fully recoverable but only subject to timing of satisfying the target impression rate or click rate pursuant to the contracts. Accordingly, the credit risk regarding contract assets is limited.

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other receivables and deposits, amount due from a joint venture, pledged bank deposits and bank balances

The Group performs impairment assessment under ECL model on other receivables, amount due from a joint venture, pledged bank deposits and bank balances based on 12m ECL.

The credit risk on other receivables and deposits and amount due from a joint venture is limited because the counterparties have no historical default record and the Directors expect that the general economic conditions will not significantly changed for the 12 months after the reporting date.

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Based on the Group's internal credit rating, no material impairment loss allowance is recognised for other receivables and deposits, amount due from a joint venture, pledged bank deposits and bank balances.

The Group is exposed to concentration of credit risk on:

- Liquid funds which are deposited with several banks with high credit ratings; and
- Amount due from a joint venture with no history of default.

Other than above, the Group does not have any other significant concentration of credit risk.

The tables below is the internal credit policy of the Group:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset iscredit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

31 March 2020	Notes	Internal credit rating	12m or lifetime ECL	2020 External credit rating	2020 Gross carrying amounts HK$'000	2020 Gross carrying amounts HK$'000	2019 External credit rating	2019 Gross carrying amounts HK$'000	2019 Gross carrying amounts HK$'000
Financial assets at amortised cost									
Trade receivables	20	(Note)	Lifetime ECL (provision matrix)	**N/A**	**123,401**		N/A	47,595	
		Low risk	Lifetime ECL		**65,879**	**189,280**		83,411	131,006
Other receivables and deposits	20	Low risk	12m ECL	**N/A**		**13,580**	N/A		25,672
Amount due from a joint venture	18	Low risk	12m ECL	**N/A**		**11,870**	N/A		6,715
Pledged bank deposits	22	N/A	12m ECL	**AA+**		**15,603**	AA+		6,723
Bank balances	22	N/A	12m ECL	**AA+**		**67,177**	AA+		55,702
Contract assets	21	(Note)	Lifetime ECL (provision matrix)	**N/A**		**1,855**	N/A		8,936

Note: As part of the Group's credit risk management, trade receivables and contract assets that with significant balances or credit-impaired are assessed for ECL individually. The Group estimates the amount of lifetime ECL of the trade receivables and contract assets based on provision matrix through grouping of various debtors by geographical locations, after considering aging, repayment history, and/or past due status of respective trade receivables. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 March 2020 within lifetime ECL (not credit-impaired). Trade receivables with significant outstanding balances and credit-impaired balances with gross carrying amounts of HK$65,879,000 (2019: HK$83,411,000) as at 31 March 2020 were assessed individually. As all these debtors with significant balances are either listed or multinational companies with good financial position and without recent default history, they are all classified as low risk and loss rate of 0.16% (2019: 0.1%) is applied.

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Gross carrying amount of trade receivables assessed using provision matrix:

	2020 Average loss rate	2020 Gross trade receivables HK$'000	2020 ECL HK$'000	2019 Average loss rate	2019 Gross trade receivables HK$'000	2019 Total HK$'000
Current (not past due)	0.4%	99,051	427	0.05%	22,611	11
1-30 days past due	0.5%	14,025	63	0.1%	16,028	16
31-60 days past due	1%	2,788	28	0.2%	2,447	4
61-90 days past due	1.5%	3,826	57	0.5%	1,556	8
91-180 days past due	2%	833	20	1.1%	2,530	28
181-365 days past due	5%	1,966	105	4%	2,018	81
More than 365 days past due	10%	912	91	11.1%	405	45
		123,401	791		47,595	193

The estimated loss rates are estimated based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information that is available without undue cost or effort. The Group determines the average loss rate by considering the geographic locations of trade receivables, after considering aging, repayment history, and/or past due status of respective trade receivables. The grouping is regularly reviewed by management to ensure relevant information about specific trade receivable is updated.

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

As at 31 March 2020, the Group provided impairment losses under ECL model for trade receivables of HK$791,000 (2019: HK$193,000) based on the provision matrix and HK$103,000 (2019: HK$68,000) based on significant balances.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 April 2018	–	–	–
New financial assets originated:			
– impairment losses recognised	261	420	681
– write-offs	–	(420)	(420)
As at 31 March 2019	261	–	261
Changes due to financial instruments recognised as at 1 April 2019:			
– impairment losses reversed	(261)	–	(261)
New financial assets originated:			
– impairment losses recognised	894	340	1,234
– write-offs	–	(340)	(340)
As at 31 March 2020	894	–	894

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the Directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Directors monitor the utilisation of bank borrowings.

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2020						
Non-derivative financial liabilities						
Trade and other payables	–	44,078	–	–	44,078	43,336
Bank borrowings	3.14	32,836	–	–	32,836	32,836
Lease liabilities	3.20	17,333	15,476	20,238	53,047	46,761
		94,247	15,476	20,238	129,961	122,933

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2019					
Non-derivative financial liabilities					
Trade and other payables	–	40,158	–	40,158	40,158
Bank borrowings	3.18	27,987	–	27,987	26,990
		68,145	–	68,145	67,148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the "repayable on demand or less than 1 year" time band in the above maturity analysis. As at 31 March 2020, the aggregate carrying amounts of these bank borrowings amounted to HK$32,836,000 (2019: HK$26,990,000). Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The following table details the Group's aggregate principal and interest cash outflows for bank borrowings with a repayment on demand clause. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of the reporting period.

	Weighted average effective interest rate	Repayable on demand or less than 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings with repayment on demand clause						
As at 31 March 2020	**3.14**	**29,386**	**2,184**	**3,640**	**35,210**	**32,836**
As at 31 March 2019	3.18	20,141	2,190	5,656	27,987	26,990

Fair value measurements of financial instruments

The fair values of the financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank Borrowings HK$'000 (note 25)	Obligation under finance lease HK$'000	Lease liabilities HK$'000 (note 26)	Interest payables HK$'000	Dividend payable HK$'000	Total HK$'000
At 1 April 2018	4,663	533	–	–	–	5,196
Financing cash flows	22,327	(549)	–	(599)	–	21,179
Interest expenses	–	16	–	599	–	615
At 31 March 2019	26,990	–	–	–	–	26,990
Adjustment upon application of HKFRS 16	–	–	22,432	–	–	22,432
At 1 April 2019	26,990	–	22,432	–	–	49,422
Financing cash flows	5,846	–	(13,249)	(947)	(4,896)	(13,246)
Interest expenses	–	–	409	947	–	1,356
New leases entered	–	–	37,213	–	–	37,213
Dividend declared	–	–	–	–	4,896	4,896
Termination of leases	–	–	(44)	–	–	(44)
At 31 March 2020	**32,836**	**–**	**46,761**	**–**	**–**	**79,597**

33. RETIREMENT BENEFITS SCHEMES

The Group participates in MPF Scheme for all its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee.

The employees of the Group's subsidiaries in US, United Kingdom ("UK"), the PRC and Japan are members of respective state-managed retirement benefit scheme operated by the government of US, UK, the PRC and Japan. The subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits respectively. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year ended 31 March 2020, the total retirement benefits scheme contribution arising from the MPF Scheme and state-managed retirement benefit scheme charged to profit or loss were HK$6,116,000 (2019: HK$4,957,000).

34. COMMITMENTS

Operating lease

The Group as lessee

	2019 HK$'000
Minimum lease payments under operating leases during the year in respect of premises	13,714

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	2019 HK$
Within one year	14,530
In the second to fifth year inclusive	14,173
	28,703

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated and rentals are fixed for one to two years.

As at 31 March 2019, operating lease commitments included commitments of HK$185,000 to Mr. Lee Chung Ming and Ms. Chan Lai Kuen who are the parents-in-law of Mr. Ma (see note 35).

35. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and other details disclosed elsewhere in these consolidated financial statements, the Group also entered into the following significant transactions with related parties during the year:

Name of related party	Nature of transactions	2020 HK$'000	2019 HK$'000
Mr. Lee Chung Ming and Ms. Chan Lai Kuen (Note)	Repayment of lease liabilities for Director's quarter	**210**	–
	Interest expense on lease liability for Director's quarter	**6**	–
	Right-of-use assets for Director's quarter at year end	**172**	–
	Lease liability for Director's quarter at year end	**164**	–
	Rental expense paid for Director's quarter	**–**	185

Note: Mr. Lee Chung Ming and Ms. Chan Lai Kuen are the parents-in-law of Mr. Ma. As at 1 April 2019, the Group recognised right-of-use assets and lease liabilities of HK$374,000 for the Director's quarter upon the application of HKFRS 16.

Compensation of key management personnel

The Directors are identified as key management member of the Group, and their compensation during the years then ended was set out in note 11.

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Group's subsidiaries at the end of the reporting period are set out below:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid-up share	Attributable equity interest held by the Group				Principal activities
			Directly		Indirectly		
			2020 %	2019 %	**2020 %**	2019 %	
COREone Limited	The British Virgin Island ("BVI")	US$1	**100%**	100%	**–**	–	Investment holding
COREtwo Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
COREthree Limited	BVI	US$1	**100%**	100%	**–**	–	Inactive
Hypebeast Hong Kong Limited (formerly know as 101 Media Lab Limited)	Hong Kong	HK$1,000	**–**	–	**100%**	100%	Provision of advertising spaces services, services for creative agency projects, operation of online retail platform and publication of magazines
102 Media Lab Limited	Hong Kong	HK$1,000	**–**	–	**100%**	100%	Provision of advertising spaces services
Hypebeast UK Limited	UK	GBP1	**–**	–	**100%**	100%	Provision of advertising spaces services
Hypebeast Inc.	US	US$5,000	**–**	–	**100%**	100%	Investment holding
HBX New York Inc.	US	US$100	**–**	–	**100%**	100%	Provision of services for creative agency projects
HBX 41 Division LLC	US	US$100	**–**	–	**100%**	100%	Inactive
北京賀彼貿易有限公司 ("北京賀彼")[2]	PRC	RMB1,000,000	**–**	–	**100%**	100%	Provision of services for creative agency projects
賀彼文化傳播(北京)有限公司("賀彼文化")[3]	PRC	RMB383,000	**–**	–	**100%**	–	Provision of services for creative agency projects
Hypebeast Japan株式會社	Japan	JPY50,000	**–**	–	**100%**	100%	Provision of services for creative agency projects
Cravee Limited	Hong Kong[1]	HK$1,000	**–**	–	**85%**	–	Inactive

1 Cravee Limited was newly incorporated on 28 November 2019.

2 The entity was registered as a wholly foreign-owned enterprise under PRC law.

3 The entity is a limited liability company established under the PRC law and legally owned by an individual (the "Legal Owner"). Under certain agreements (the "VIE Agreements") entered into among the Legal Owner, 賀彼文化 and 北京賀彼, 北京賀彼 has the practical ability to direct the relevant activities of 賀彼文化 unilaterally and accordingly, the Group has control over 賀彼文化.

None of the subsidiaries had issued any debt securities at the end of both reporting periods.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020	2019
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Amount due from subsidiaries (Note)	**58,850**	22,154
Unlisted investments in subsidiaries	**–**	–
	58,850	22,154
CURRENT ASSETS		
Amount due from a subsidiary (Note)	**–**	32,000
Other receivables (Note)	**660**	212
Bank balances and cash (Note)	**185**	75
	845	32,287
CURRENT LIABILITIES		
Other payables	**460**	2,585
Amount due to subsidiaries	**650**	887
	1,110	3,472
NET CURRENT (LIABILITIES)/ASSETS	**(265)**	28,815
NET ASSETS	**58,585**	50,969
CAPITAL AND RESERVES		
Share capital (see note 28)	**20,231**	20,000
Reserves	**38,354**	30,969
	58,585	50,969

Note: ECL for amounts due from subsidiaries, other receivables and bank balances are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition. No material impairment allowance is made based on the Company's internal and/or external credit rating.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movements in the Company's reserves

	Share premium HK$'000	Share options reserve HK$'000	Accumulated (losses) profits HK$'000	Total HK$'000
At 1 April 2018	25,275	1,749	(18,393)	8,631
Profit and other comprehensive income for the year	–	–	19,431	19,431
Recognition of share-based payment expense	–	2,907	–	2,907
At 31 March 2019	25,275	4,656	1,038	30,969
Profit and other comprehensive income for the year	–	–	4,109	4,109
Exercise of share options	4,304	(2,545)	–	1,759
Recognition of share-based payment expense	–	6,413	–	6,413
Dividend paid	–	–	(4,896)	(4,896)
At 31 March 2020	29,579	8,524	251	38,354

FINANCIAL SUMMARY

For the five years ended 31 March 2016, 2017, 2018, 2019 and 2020

RESULTS

	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**751,367**	672,192	385,079	217,620	151,863
Profit before tax	**86,377**	76,649	55,194	28,061	8,787
Income tax expense	**(20,602)**	(14,851)	(10,023)	(4,756)	(4,571)
Profit for the year	**65,775**	61,798	45,171	23,305	4,216

As at 31 March 2016, 2017, 2018, 2019 and 2020

ASSETS AND LIABILITIES

	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total Assets	**454,165**	333,275	199,942	146,858	72,008
Total Liabilities	**(178,970)**	(127,308)	(58,693)	(52,528)	(46,257)
Net Assets	**275,195**	205,967	141,249	94,330	25,751