HYPEBEAST
LIMITED

# ANNUAL REPORT 年報
# 2021–2022

# HYPEBEAST

—

Incorporated in the
Cayman Islands with
limited liability

—

Stock Code
00150

—

於開曼群島
註冊成立的有限公司

—

股份代號
00150

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# 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

Registered Public Interest Entity Auditors
Deloitte Touche Tohmatsu

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

Second Floor, Century Yard,
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Cable TV Tower
No. 9 Hoi Shing Road, Tsuen Wan
New Territories, 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

**Computershare Hong Kong Investor Services Limited**
Shops 1712–1716, 17/F, Hopewell Centre
183 Queen's Road East, Wan Chai
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

The 2022 financial year has been a remarkable year for the Group. We ended the financial year with strong revenue growth and reported another all-time high in revenue and profitability.

Before summing up the year, I would like to thank the Hypebeast team for their efforts. Not only do they have an eye for uncovering the next big thing, they have demonstrated agility and made strategic decisions both before and during the unprecedented COVID-19 context, which contributed greatly to the strength and growth of our business. The quality of the 2022 financial year result is the best demonstration of this.

For many years, we have built a powerful connection with our global audience who want to discover the most authentic aspect of culture. We will continue to expand our universe of content, commerce, and experiences in a way that strengthens our business and community. Through Hypemedia, we continue to uncover new emerging trends and develop new editorial properties; with Hypemaker, our creative solutions bring brands closer to its audience; and via HBX, we immerse our customers with the latest and most carefully curated online and offline shopping experience.

Our media and agency segment has remained strong as we continued to be at the forefront of discovering the undiscovered. We have broadened our reach to attract a wider community by expanding into new interest areas, such as the launch of Hypemoon that focuses on all things Web3, Hypeart on arts and artists, as well as Hypegolf, a platform that bridges our community to discover the game of golf through a cultural lens. We will continue to capture such business opportunities as they contribute to generating new revenue streams and readership potential.

With the COVID-19 situation continuing to improve worldwide, the demand for our creative agency service, Hypemaker, and offline partnerships have surpassed pre-COVID-19 and 2019 financial year levels. On top of online campaigns, offline campaigns and activations have also resumed, bringing us in a good position to continue to capture significant growth coming onwards.

Establishing online and offline channels and touchpoints remain an important part of our strategy in building meaningful relationships with our community. Our HBX global e-commerce platform and physical retail store located in Central, Hong Kong complements and strengthens each other. The investment we have made in platform enhancement coupled with over 250 coveted brands curated by our team of experts enable us to provide a seamless and inspiring shopping experience. We will stay focused on optimizing our product offerings, such as lifestyle products, collectibles, homeware and more, and regionally, we will continue to expand our distribution channels to new territories.

# CHAIRMAN'S STATEMENT

## OUTLOOK

For the coming financial year, I remain ambitious and confident despite today's uncertainties. We have plenty of room and opportunities to grow in many regions, and we will remain focused on building and strengthening the interconnected Hypebeast ecosystem. We are proud of our continued strong recovery with much appreciated focus on content, curation and community.

I am also very excited that we have unveiled our Hypebeast multi-faceted building in the U.S. in June 2022. The building spans seven floors and houses all facets of Hypebeast, which includes the HBX New York flagship store, a Hypebeans café, an event space, as well as our U.S. East Coast office. The space will be a strong accelerator for our growth in North America, and serve as a core point of marketing for the E-commerce and Retail Segment.

Our road to success will be, and has always been, the strength and passion of the Hypebeast team. With them and the support of the Board, we will continue to drive culture forward to inspire our global community of artists and creatives.

By Order of the Board
**Ma Pak Wing Kevin**
*Chairman and Executive Director*
Hong Kong, 29 June 2022

# BUSINESS OVERVIEW

## HYPEBEAST — DRIVING CULTURE FORWARD

Founded in 2005, Hypebeast is the leading global platform for contemporary culture and lifestyle, and a premier destination for editorially-driven commerce and news. For more than 15 years, we have been on a mission to share the most authentic aspect of culture around the globe.

We have built a loyal and passionate community who trusts our curation across diverse lifestyle categories spanning fashion, arts, design, luxury, sports, technology, and more. Our global user base includes Gen-Z and millennial consumers with disposable incomes and high purchase intent, as well as a diverse and highly engaged community of artists and creatives.

Our business is comprised of three major divisions, which creates an ecosystem for cultural discovery and connection — Hypemedia, an umbrella of online editorial and social media platforms; Hypemaker, an in-house creative agency; and HBX, an e-commerce platform and omnichannel shopping destination — our global readership spans over 80 markets across North America, Asia and Europe.

Our unparalleled brand engagement and global customer loyalty is our strength, and the growth of our business has been driven by a growing audience of readers and the expansion of media brand partnerships. We have also established strong relationships with over 250 global brands in e-commerce and media, which has enabled us to capture significant growth opportunities in the global apparel and footwear market.

# BUSINESS OVERVIEW

## TIMELINE

**2005** – Our **Hypebeast** website was launched by Mr. Ma as a passion and hobby

**2007** – HBHK (formerly known as 101 Media Lab Limited) was incorporated in Hong Kong

**2008** – **Popbee**, our Chinese language, female-driven fashion and lifestyle platform focused on contemporary Asian women, was launched

**2012** – Our **HBX** E-commerce platform was launched

**2015** – Hypebeast's New York office was established

**2016** – Hypebeast Limited became a listed company on the GEM Board of The Stock Exchange of Hong Kong Limited

**Hypebae**, our English language, female-driven lifestyle, culture and fashion platform focused on a young and empowered global followers and visitors, was launched

Hypebeast's London and Shanghai offices were established

**2017** – **Hypemaker**, our global creative studio dedicated to providing creative solutions for brands worldwide, was launched

HBX flagship retail store opened at The Landmark, Hong Kong

**2018** – **Hypefest**, a 2-day cultural festival with over 10,000 attendees and over 50 brands, was hosted by Hypebeast in Brooklyn, New York

**2019** – Hypebeast Limited successfully transferred from GEM to the Main Board of The Stock Exchange of Hong Kong Limited

**2020** – **Hypebeans**, a communal destination serving quality coffee, was launched

**2022** – Launch of **Hypemoon**, a platform dedicated to all things Web3, and **HBX New York flagship store**

# THE HYPEBEAST ECOSYSTEM

Our interconnected Hypebeast ecosystem enables us to capture growth opportunities for the Group. With three major divisions, Hypemedia, HBX and Hypemaker, we share a mission to bridge the universe of cultural discovery and connection with our global audience.

**Hypemedia** is our umbrella of editorial and social platforms. We curate digital and print content focusing on the latest trends on fashion, lifestyle, technology, arts and entertainment, culture and music for our community across the globe. Encompassing websites, mobile applications and popular third-party social media platforms, Hypemedia includes Hypebeast, Hypebae, Popbee, Hypegolf, Hypeart and the newly launched Hypemoon.

Founded in 2005, **Hypebeast** is now a leading platform for men's contemporary fashion and culture. With a dedicated team focused on the evolution of culture through visual inspirations and the provision of knowledge, Hypebeast's devotion to discovery has made it one of the premier online destinations for editorially-driven commerce and news. Currently operating in 15 markets, readers can stay up to date with the latest culturally-relevant news and developments on fashion, art, music, design, lifestyle and more.

Hypebeast.com

**Hypebae** is a female-focused, editorially-driven platform for women's contemporary fashion and streetwear. Established in 2016, the platform is inspired by the latest news in fashion, lifestyle, music, and beauty, and delivers empowering, curated content. Hypebae is a refined curation of empowering female-centric themes, bolstered by a news section that aims to break today's top cultural stories. Currently operating worldwide in 15 markets, the platform has been successful in creating, covering and promoting collaborations that span across: fashion, footwear, beauty, home, sports, entertainment and more.

Hypebae.com

**Popbee** is a female-driven platform in Asia that offers daily updated news, exclusive features, editorials, and fresh trend developments in womenswear and lifestyle. Established in 2008, the platform consistently delivers visually impactful, thought provoking and curated content that resonates with Gen Z women. In 2021, Popbee launched The Bee Club, a loyalty program to create meaningful relationships with its readers through a series of online and offline activations.

Popbee.com

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

Hypemoon.com

**Hypegolf** is a culturally-driven golf community inspired by fashion, music, art and technology. As golf continues to make a re-emergence amongst new players, Hypegolf offers highly curated experience that fuses the tastes, interests and passions to engage with golf enthusiasts and culture-minded audiences. In 2021, Hypegolf Invitational brought an immersive and inclusive experience to the game at Miami and Japan.

https://hypebeast.com/tags/hypegolf

# THE HYPEBEAST ECOSYSTEM

**Hypeart** is a contemporary art platform that spotlights and connects today's leading artists with collectors and audiences from across the globe. The platform curates in-depth storytelling and fosters accessible experiences for those looking to elevate their personal journey in the ever-evolving world of art through collaborative editions, exhibitions and more.

https://hypebeast.com/art/

Established in 2012, **HBX** is a global e-commerce platform and retail destination carrying over 250 curated brands from both established and up-and-coming menswear, womenswear and lifestyle labels. HBX focuses on delivering the latest, trend-setting fashion, accessories, shoes, home and lifestyle goods to its customers, curating a truly global and exciting assortment at the leading edge of culture. With the HBX e-commerce platform shipping to over 80 markets worldwide, it has retail stores in Hong Kong and New York. HBX also has a very active digital community on Instagram, Facebook, Twitter, LINE, WeChat, RED, Kakao, and more.

HBX.com

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

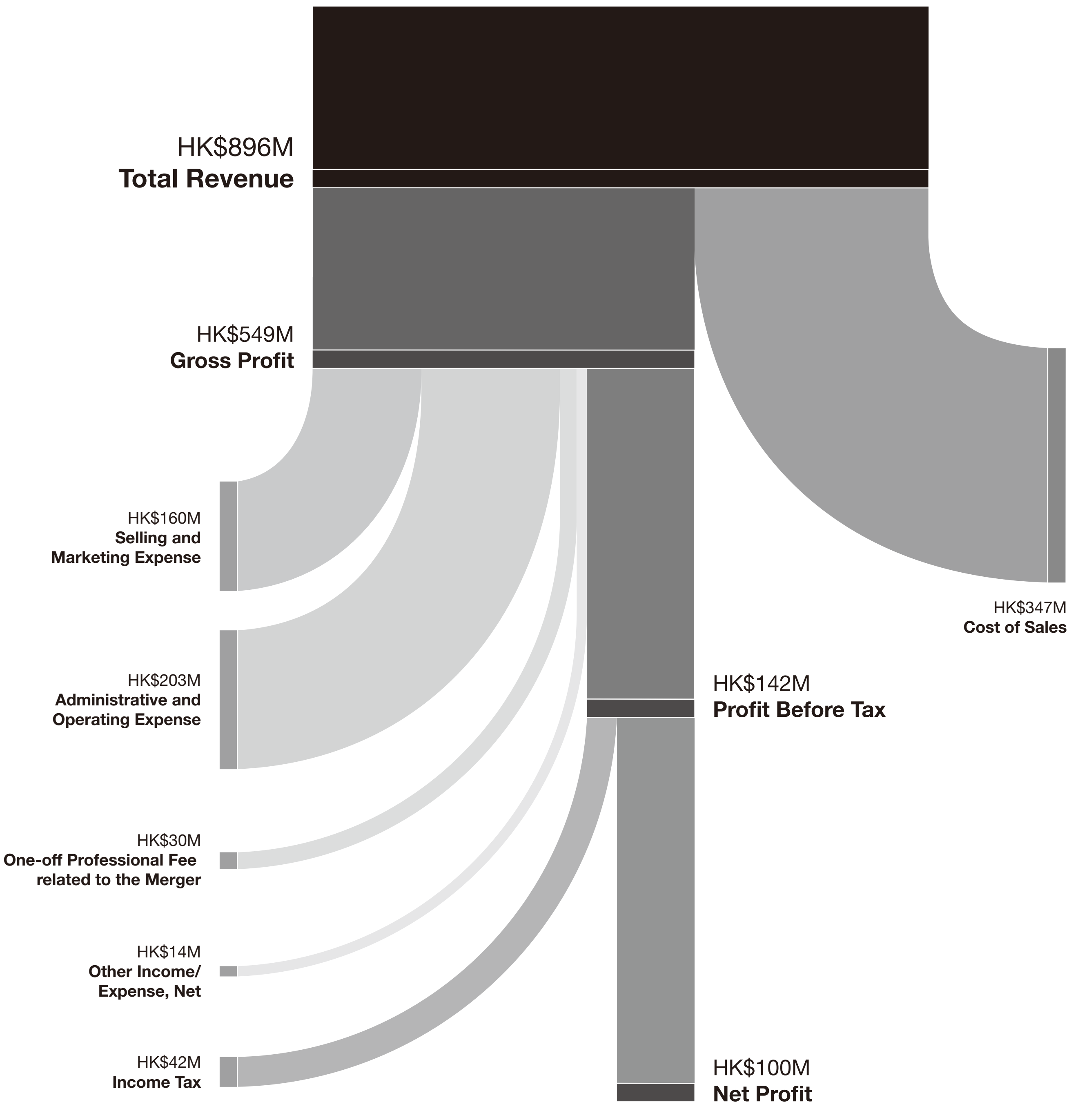
Hypemaker.co

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

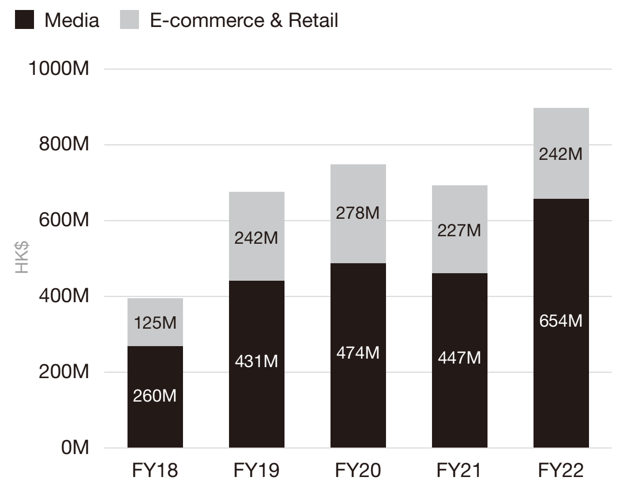
Hypebeans.com

# FINANCIAL HIGHLIGHTS

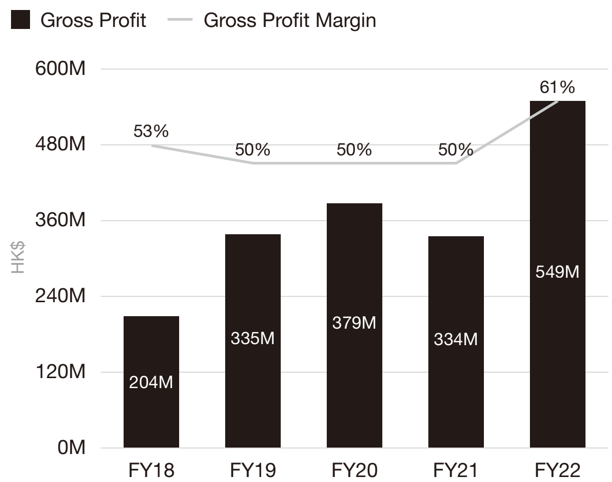
## FY2022 Income Statement



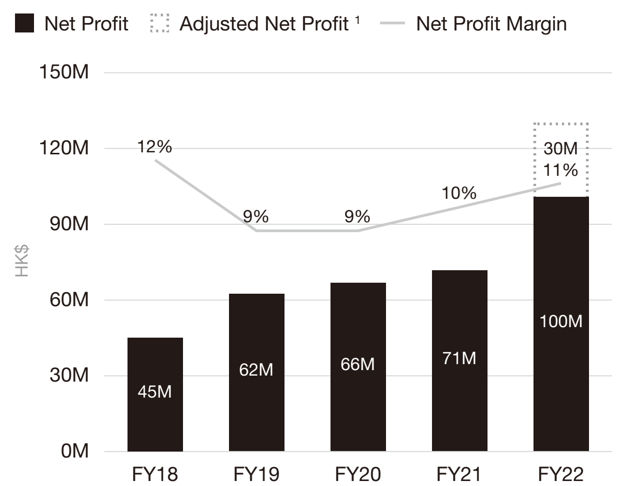
## Revenue



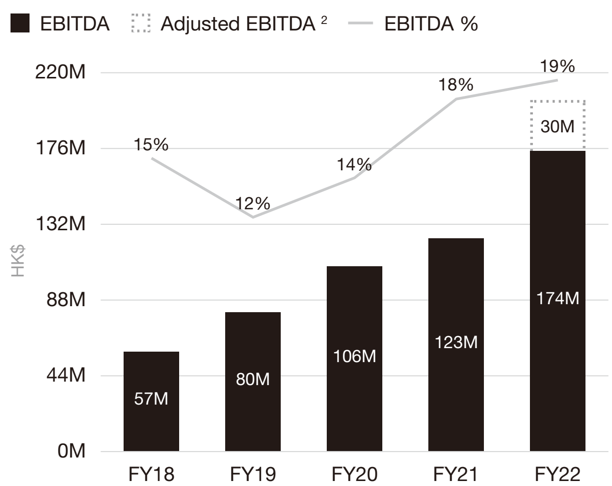

## Gross Profit and Gross Profit Margin



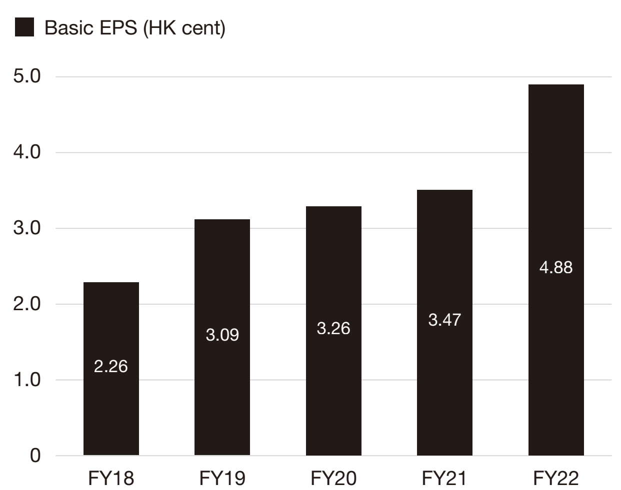

## Net Profit and Net Profit Margin



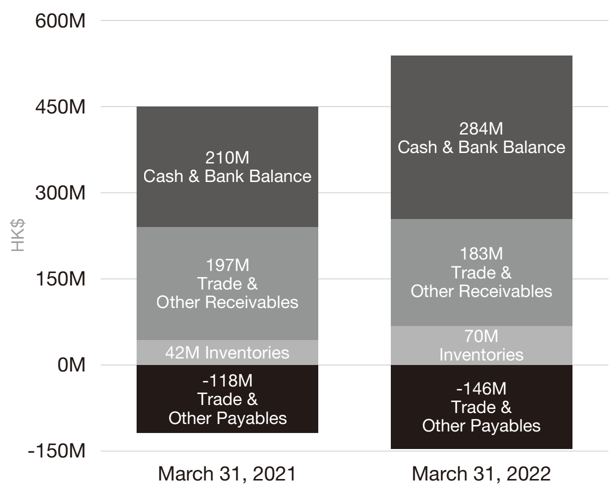

## EBITDA and EBITDA %




## Earnings Per Share




## Net Operating Working Capital [3]




1 Adjusted net profit refers to net profit for the year excluding the one-off professional fee related to the Merger recorded in FY2022.
2 Adjusted EBITDA for the year excluding the one-off professional fee related to the Merger recorded in FY2022, while no such cost was recognized for prior years.
3 Net operating working capital is calculated by as cash + trade and other receivables + inventories - trade and other payables.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OVERVIEW

The Group is a media and e-commerce company primarily engaged in (i) the provision of creative advertising services and advertising spaces for global brands (the "Media Segment"); and (ii) the sale of goods through its online and offline retail platforms (the "E-commerce and Retail Segment").

The Group produces and distributes youth-focused digital content centering on fashion, lifestyle, technology, arts & entertainment, culture and music to its visitors and followers. Digital content is distributed via the Group's media platforms (including its Hypebeast, Hypebae and Popbee websites and mobile apps) and popular third-party social media platforms, including but not limited to Facebook, Instagram, Twitter, TikTok, Youtube, WeChat, Weibo, Kakao and Naver. The Group also maintains multi-language versions of its flagship Hypebeast property across both website and social media platforms, with content available in English, Chinese, Japanese, Korean and Indonesian. The Group delivers bespoke creative solutions through its agency business to its brand clients, with services including but not limited to creative conceptualization, talent curation, technical production, campaign execution, data intelligence and distribution of digital media advertisement via the Group's digital media platforms.

The Group engages in retail of footwear, apparel, accessories, homeware and lifestyle goods under its HBX E-commerce platform and retail shop. The HBX E-commerce platform focuses on delivering the latest, trend-setting apparel, accessories and lifestyle products to its customers, curating and creating fashion-forward pieces and collaborations to include in its merchandise portfolio. Combining the Group's unique insight into youth culture, and its longstanding reputation in the industry as a community and cultural leader, the Group is able to source and curate products most desired by its target demographic, thereby generating growing popularity and usage amongst shoppers.

## BUSINESS PROSPECT AND FUTURE DEVELOPMENTS

- As COVID-19 pandemic's intensity wanes and pandemic-related restrictions continue to ease, the Group's events production and offline partnerships under the Media Segment have surpassed pre-COVID-19 and FY2019 levels. The Group noted increasing demand for offline campaigns and activations as global marketing spend continues to expand;

- COVID-19 pandemic accelerated the digitalization of advertising as global brands shift marketing dollars from traditional marketing channels to digital channels; the Group forecasts a positive effect on the Media Segment going forward with an increase in the number and size of media contracts;

- The Group aims to attract and reach a wider user-customer base through its development of new editorial properties, such as Hypegolf (focusing on golf and lifestyle), Hypeart (focusing on art and artists) and HYPEMOON (focusing on Web 3.0 projects and technologies). The Group continues to explore similar opportunities by establishing various offline channels and touchpoints in order to drive the Group's brand awareness and increase engagement with new and existing users and customers;

- The Group's HYPEBEAST building in New York City in the United States of America (the "US") opened on 17 June 2022 in Chinatown, Manhattan. Our flagship location hosts the Group's US East Coast office, as well as an HBX's retail store, a Hypebeans café and multifunctional spaces to host cultural activations, events and Media Segment sales campaigns;

# MANAGEMENT DISCUSSION AND ANALYSIS

- In FY2022, the Group priority remains to monetizing its wide-reaching and ever-growing follower base by encouraging user conversion through the integration of its E-commerce and Retail Segment services directly with the compelling and engaging content produced from the Group's media platforms. The Group continued to make enhancements and investments on the HBX's platform and various back-end platforms to enhance the user journey with the ultimate aim to allow our loyal community of readers to enjoy a seamless shopping experience on an integrated site and mobile app; and

- The Group is and continues to be geographically and strategically well-positioned to capture significant growth opportunities in both its Media and E-commerce and Retail Segments in its key operating regions, through leveraging the Group's brand popularity and high-profile networks, particularly, in the US, United Kingdom, China, South Korea, Japan and Southeast Asia.

## BUSINESS AND FINANCIAL REVIEW

The Group ended the financial year on a high note as the Group achieved new records for revenue and gross profit.

| | **FY2022 HK$'000** | FY2021 HK$'000 | % Change |
|---|---|---|---|
| Revenue | **895,632** | 674,212 | 32.8% |
| Gross Profit | **549,313** | 334,127 | 64.4% |
| Adjusted EBITDA (Note) | **204,437** | 122,596 | 66.8% |

Note: Adjusted EBITDA refers to EBITDA for the year excluding the one-off professional fee related to the Merger.

- Revenue experienced an overall strong double-digit percentage growth in FY2022 compared to FY2021, with an increase of HK$221.4 million, or 32.8%, to HK$895.6 million. Media Segment recorded an increase in revenue of 46.1% to HK$653.6 million, while E-commerce and Retail Segment increased by 6.7% to HK$242.0 million as compared to FY2021.

- Gross profit amounted to HK$549.3 million in FY2022, representing an increase of HK$215.2 million, or 64.4%, as compared to FY2021, resulting in a notable improvement in gross profit margin which increased by 11.7 percentage points to 61.3%.

- Adjusted EBITDA amounted to HK$204.4 million in FY2022, representing an increase of HK$81.8 million, or 66.8%, as compared to FY2021, resulting in an increase in adjusted EBITDA margin of 4.6 percentage points from 18.2% to 22.8%.

### Media Segment

The Media Segment emerged strongly in FY2022.

| | **FY2022 HK$'000** | FY2021 HK$'000 |
|---|---|---|
| Revenue | **653,590** | 447,379 |
| Gross Profit | **450,916** | 245,059 |

# MANAGEMENT DISCUSSION AND ANALYSIS

- The Media Segment experienced robust strength in the year with revenue increased by HK$206.2 million to HK$653.6 million in FY2022, representing a significant rise of 46.1% from HK$447.4 million in FY2021. The Group is and continues to be well-positioned to capture significant growth opportunities in the Media Segment as indicated by record high total signed contract value (a key operating measure defined as the total dollar value of media contracts signed within a period) and number of signed contracts (a key operating measure defined as the total number of signed media contracts within a period) which represented an increase of 31.7% and 32.1% respectively as compared to FY2021.

- The Group is and continues to be geographically and strategically well-positioned to capture significant growth opportunities in its key operating regions, through leveraging the Group's brand popularity and high-profile networks, particularly, in the US, United Kingdom, China, South Korea, Japan and Southeast Asia. The Group recorded strong growth in both North America and EMEA regions, with media revenue increased by 94.6% in US, 84.7% in Italy and 102.0% in United Kingdom.

- The Group effectively adjusted its production strategies so as to adapt to the post-COVID-19 pandemic environment. Even so, the impact of the COVID-19 pandemic was lower than expected, the campaign productions were more streamlined and cost-optimized beyond the management's expectations which resulted in a significant improvement in profitability. Gross profit of the Media Segment soared in FY2022 and reached a record high of HK$450.9 million, representing an increase of HK$205.9 million, or 84.0%, versus FY2021. The Group recorded a notable rise in gross profit margin of the Media Segment in FY2022, an increase of 14.2 percentage points to 69.0% in FY2022 from 54.8% in FY2021.

- As the pandemic appears to ease and pandemic-related restrictions begin to be lifted, the Group's physical campaign productions are expected to resume at nearly full capacity. The Group anticipates a boost in the scale and quantity of production-related campaigns and physical activations.

### E-commerce and Retail Segment

- Revenue from the E-commerce and Retail Segment increased from HK$226.8 million in FY2021 to HK$242.0 million in FY2022, or an increase of 6.7%. Gross profit of the E-commerce and Retail Segment amounted to HK$98.4 million in FY2022, representing an increase of HK$9.3 million, or 10.5%, as compared to FY2021. Such increases were mainly driven by the increase in proportion of full price items.

- The Group continues to improve and refine its product offerings on HBX.com. The average retail price of products sold (an operating measure defined as the total retail price of products sold divided by the number of products sold within a period) improved from approximately HK$1,050 in FY2021 to approximately HK$1,080 in FY2022, whilst the average order value (an operating measure defined as revenue from the E-commerce and Retail Segment divided by the number of orders within a period) improved by 3.4% from approximately HK$1,929 in FY2021 to HK$1,995 in FY2022. Such increases are indicative of the customers' focus on value over price and their willingness to spend on a widening range of HBX's curated and high quality products.

- The HBX physical retail shop located in Central, Hong Kong remains a strong marketing window and attraction point for customers to participate in the Hypebeast ecosystem in offline. In addition, the Group's US flagship store opened in June 2022 (subsequent to the reporting financial year), spanning seven floors housing the US East Coast office, the US New York HBX flagship store, a Hypebeans café as well as event spaces. The New York flagship store will support execution and accelerate growth of our strong North American customer base and serve as a focused point of marketing for the E-commerce and Retail Segment.

# MANAGEMENT DISCUSSION AND ANALYSIS

- HBX continues to strive to be one of the most curated online destinations for cultural enthusiasts, and the Group's product offerings expanded into homeware, toys, and other lifestyle products to positive reception from customers.

### Non-IFRS Measures and Their Adjustment

To supplement our consolidated financial statements, which are presented in accordance with the International Financial Reporting Standards (the "IFRS"), we also adopted certain non-IFRS measures such as EBITDA, adjusted EBITDA and adjusted profit for the year as additional financial measures, which is not required by, or presented in accordance with, the IFRS. We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of, for example, one-off professional fee related to the Merger that our management do not consider to be indicative of our operating performance. The Group believes these adjusted measures provide useful information to shareholders and potential investors in understanding and evaluating the Group's consolidated operating results in the same manner as the Group's management.

The following table sets forth the reconciliation from profit before tax to EBITDA for the years indicated:

| | **FY2022 HK$'000** | FY2021 HK$'000 |
|---|---|---|
| Profit Before Tax | **142,050** | 93,091 |
| Add: | | |
| Interest Expense | **4,588** | 1,622 |
| Depreciation Expense | **27,503** | 27,778 |
| Amortization Expense | **111** | 105 |
| EBITDA | **174,252** | 122,596 |

The following table sets forth the reconciliation between profit for the year to adjusted profit for the year and EBITDA to adjusted EBITDA for the years indicated:

| | **FY2022 HK$'000** | FY2021 HK$'000 |
|---|---|---|
| Profit for the Year | **100,167** | 70,584 |
| Add: | | |
| One-off Professional Fee related to the Merger | **30,185** | – |
| Adjusted Profit for the Year | **130,352** | 70,584 |

| | **FY2022 HK$'000** | FY2021 HK$'000 |
|---|---|---|
| EBITDA | **174,252** | 122,596 |
| Add: | | |
| One-off Professional Fee related to the Merger | **30,185** | – |
| Adjusted EBITDA | **204,437** | 122,596 |

# MANAGEMENT DISCUSSION AND ANALYSIS

Adjusted profit for the year increased by 84.7% from HK$70.6 million in FY2021 to HK$130.4 million in FY2022, whilst adjusted EBITDA increased by 66.8% from HK$122.6 million in FY2021 to HK$204.4 million in FY2022. Such increases were mainly attributable to increase in revenue from both Media and E-commerce and Retail Segments and production cost savings for FY2022 as discussed above.

### Cost of Revenue

The Group's cost of revenue increased from approximately HK$340.1 million for FY2021 to approximately HK$346.3 million for FY2022, representing a slight increase of approximately 1.8%. The cost of revenue remained stable despite the significant increase in revenue mainly attributable to the streamlined and cost-optimized productions in Media Segment in FY2022.

### Gross Profit Margin

Gross profit of the Group increased from approximately HK$334.1 million for FY2021 to approximately HK$549.3 million for FY2022, representing an increase of approximately 64.4%. The increase was mainly caused by the increase in revenue and production cost savings for FY2022 as discussed above. The overall gross profit margin increased from approximately 49.6% for FY2021 to approximately 61.3% for FY2022.

### Other Income, Other Gains and Losses

Other income, other gains and losses of the Group primarily consisted of (i) exchange losses of approximately HK$1.6 million for FY2022, compared to exchange gains of approximately HK$1.7 million for FY2021; (ii) surcharges on customers for overdue settlement of approximately HK$1.3 million during FY2022, compared to surcharges on customers of approximately HK$1.1 million for FY2021; and (iii) gain on fair value changes of financial assets at FVTPL of approximately HK$4.2 million.

During FY2022, the Group primarily had exposure to foreign exchange differences between the Hong Kong ("HK") dollar and the US dollar, Euro and Renminbi ("RMB"), 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 FY2022, that the HK dollar to US dollar foreign exchange rate as at 31 March 2021 was HKD1:USD0.1286 compared to HKD1:USD0.1277 as at 31 March 2022; while the HK dollar to Euro foreign exchange rate as at 31 March 2021 was HKD1:EUR0.1095 compared to HKD1:EUR0.1148 as at 31 March 2022; and the HK dollar to RMB foreign exchange rate as at 31 March 2021 was HKD1:RMB0.8421 compared to HKD1:RMB0.8094 as at 31 March 2022.

The Group maintained a late payment fee policy on customers during the period. Surcharges were applied 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 financial liquidity.

### Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 42.2% from HK$112.8 million in FY2021 to HK$160.4 million in FY2022 and, correspondingly as a percentage of revenue, slightly increased from 16.7% in FY2021 to 17.9% in FY2022. The Group's recovery from the COVID-19 pandemic led to increases in revenue followed by increase in (i) the new headcounts within the Group's sales and marketing team to drive current and future revenue and business growth; and (ii) spending in the Group's social media marketing and advertising for digital and e-commerce platforms.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Administrative and Operating Expenses

Administrative and operating expenses of the Group increased by 62.1% from HK$125.0 million in FY2021 to HK$202.7 million in FY2022 and correspondingly as a percentage of revenue, increased from 18.5% in FY2021 to 22.6% in FY2022. The overall increase was mainly led by (i) staff costs in support of headcount additions to meet increasing demand; and (ii) weaker comparatives in FY2021 due to the government subsidies received and other management led cost-savings measures employed.

## Professional Fee related to the Merger

In April 2022, the Company entered into an agreement and plan of merger (the "Merger") (the "Merger Agreement") with Iron Spark I Inc. (the "Iron Spark"). Upon completion of the Merger, the Company will, in addition to remaining as a company listed on the Stock Exchange, become the resulting US-listed company and qualify as a foreign private issuer with its Consolidated Shares listed for trading on Nasdaq. Accordingly, there was approximately HK$30.2 million of one-off legal and professional fees incurred for the Merger recorded for the year while no such cost was recognized for FY2021.

## Impairment Loss Under Expected Credit Loss Model, Net of Reversal

For the purpose of impairment assessment for amount due from a joint venture, exposure to credit risk for this balance is assessed individually with lifetime expected credit loss. The balance is considered as credit-impaired as there is no realistic prospect of recovery after assessing the recent financial information of the joint venture. Impairment losses under expected credit loss model of HK$8.7 million on amount due from a joint venture was provided by the Group in FY2022.

## Share of Result of a Joint Venture

The amount represents the Group's share of results of its joint venture, The Berrics Company LLC, a skateboarding digital media platform business which was formed in February 2018 with the Group as majority partner. The amounts of unrecognised share of loss of the joint venture for FY2022 and FY2021 were disclosed as cumulative unrecognised share of loss using equity method of accounting in note 18 to the consolidated financial statements.

## Income Tax Expense

Income tax expense of the Group increased from approximately HK$22.5 million in FY2021 to approximately HK$41.9 million in FY2022, representing an increase of 86.1%. The increase was mainly due to the increase in profit before tax.

## Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income increased from approximately HK$74.5 million in FY2021 to approximately HK$103.0 million in FY2022, representing an increase of 38.3%. The increase translated to a slight increase of net profit margin by 0.4 percentage points, resulting in the increase from 11.1% in FY2021 to 11.5% in FY2022. The increase was primarily attributable to the increase in revenue and production cost savings for FY2022 as discussed above despite the one-off professional fee related to the Merger and the impairment loss under expected credit loss model, net of reversal as mentioned above.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2022, the Group had total assets of approximately HK$730.0 million (31 March 2021: approximately HK$581.6 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$252.1 million (31 March 2021: approximately HK$220.4 million) and approximately HK$477.9 million (31 March 2021: approximately HK$361.2 million), respectively. Total interest-bearing loans and interest-bearing bank borrowings of the Group as at 31 March 2022 were approximately HK$7.4 million (31 March 2021: approximately HK$6.0 million), and current ratio slightly decreased from approximately 3.0 times as at 31 March 2021 and to approximately 2.9 times as at 31 March 2022. These bank borrowings were denominated in HK dollar, due within one year or contain a repayable on demand clause and the interest rates applied were primarily subject to floating rate terms. As at 31 March 2022, the Group has HK$70.5 million available credit facilities comprising of revolving loans, term loan, trade loan, tax loan and bank guarantee; and bank balances and cash of HK$284.3 million mainly denominated in HK dollar, US dollar and RMB.

The Group maintained its efforts on the collection of trade receivables and the sell-through of inventories throughout FY2022, which led to the overall health of the treasury position and working capital as of year end.

## 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$42.4 million as at 31 March 2021 to approximately HK$69.7 million as at 31 March 2022. The increase in inventories was mainly due to the resume of inventory purchase to the levels of pre-COVID-19 pandemic period.

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 inventories. The Group does not anticipate recording any significant write-offs or valuation adjustments in relation to its inventory balance. As at 29 June 2022, approximately HK$17.2 million or approximately 24.7% of inventories as at 31 March 2022 had been sold.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of leasehold improvements, furniture and fixtures, office equipment, motor vehicle and construction in progress. The increase of approximately HK$30.1 million from HK$22.6 million as at 31 March 2021 to HK$52.7 million as at 31 March 2022 was mainly due to renovation cost for the retail and office premises in the US which opened in June 2022.

## RIGHT OF USE ASSETS AND LEASE LIABILITIES

As at 31 March 2022 and 31 March 2021, the Group's rights of use assets amounted to approximately HK$70.0 million and HK$79.0 million, respectively, and the Group's lease liabilities amounted to approximately HK$73.9 million and HK$81.8 million, respectively.

During FY2022, the Group entered into a new lease agreement for the Hypebeans coffee shop in South Korea. The Group recognised right-of-use assets and lease liabilities of approximately HK$2.4 million on the lease commencement date.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group commenced its lease on 2 November 2020 for the rental of a seven storey building located at 41–43 Division Street, New York, USA, pursuant to a rental agreement which was entered into on 28 June 2018. A construction agreement in relation to the site, at a total contract sum of approximately US$3.4 million (equivalent to approximately HK$26.4 million), was entered into on 14 April 2021. The location marks Hypebeast's first physical presence in North America where much of its cultural roots originated from and serves as a multi-purpose space, spanning across retail, cafe, physical activation space, production studio and office space, amongst others.

## RENTAL DEPOSITS

As at 31 March 2022 and 31 March 2021, the Group's rental deposits amounted to approximately HK$10.0 million and HK$8.2 million, respectively. The increase of approximately HK$1.8 million in rental deposits in FY2022 was mainly due to the deposits paid for the new office in the UK and the new Hypebeans coffee shop and office in South Korea.

## GEARING RATIO

The gearing ratio of the Group as at 31 March 2022 was approximately 1.5% (31 March 2021: approximately 1.7%). The gearing ratio is calculated based on total loans and borrowings (interest-bearing bank borrowings and bank overdrafts) divided by total equity as at the year ended.

## 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 for FY2022. 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 and performance of internal assessments on cost efficiency to ensure the Group's cost structures remain efficient.

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 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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.

## CHARGES ON GROUP ASSETS

As at 31 March 2022, the Group pledged its bank deposits of approximately HK$10.0 million to a bank as collateral to secure the available and unused bank facilities granted to the Group. In addition, as at 31 March 2022, the Group's bank borrowings with carrying amount of approximately HK$7.4 million was guaranteed by a corporate guarantee of the Company.

## FOREIGN EXCHANGE EXPOSURE

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, Euro and RMB. 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 and RMB, the Group's exposure to the US dollar, Euro and RMB 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.

## 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. Save for the Subscription (as defined below) as set out in section headed "Purchase, sale or redemption of listed securities of the Company", 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

As at 31 March 2022, the contractual lease commitments of the Group were primarily related to its office premises, warehouse, retail store and the Director's quarter. The capital commitments were set out in note 38 to the audited consolidated financial statements.

## SEGMENT INFORMATION

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 2022.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There were no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2022.

## CONTINGENT LIABILITIES

As at 31 March 2022, the Group had no significant contingent liabilities.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group employed a total of 470 employees (31 March 2021: 363 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 2022 were approximately HK$240.9 million (for the year ended 31 March 2021: approximately HK$142.5 million). The increase was mainly led by (i) the increase in headcounts in FY2022 compared to FY2021 and (ii) more favourable prior year comparatives from government subsidies and other management led cost-savings measures employed during the COVID-19 pandemic in FY2021. As at 31 March 2022, the Group had no employer's voluntary contributions to the MPF Scheme that no forfeited contributions will be used to reduce the contributions payable by the Group.

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

The Group did not hold any significant investments during the year ended 31 March 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 and Financial Review” 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 33 to the consolidated financial statements.

# BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

## DIRECTORS

### Executive Directors

**Mr. Ma Pak Wing Kevin**, aged 39, 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 14 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 39, 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 14 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, SENIOR MANAGEMENT AND COMPANY SECRETARY

## Independent Non-executive Directors

**Ms. Kwan Shin Luen Susanna**, aged 55, 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 22 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 59, 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 20 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 50, 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 17 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, SENIOR MANAGEMENT AND COMPANY SECRETARY

## SENIOR MANAGEMENT

**Mr. Wong Kar Hang Patrick**, our Chief Financial Officer, is primarily responsible for the financial management of Hypebeast, including accounting, business support, strategic planning and analysis, budgeting and forecasting, mergers and acquisitions and investor relations. Mr. Wong began his professional career with PricewaterhouseCoopers in Vancouver and has more than 15 years of finance and leadership experience working with top-tier, global enterprises in Canada, the United Kingdom and Hong Kong. He obtained a Bachelor of Business Administration degree in October 2005 from Simon Fraser University in Canada, and is a member of both the Chartered Professional Accountants of British Columbia and The Institute of Chartered Accountants in England and Wales.

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

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

## COMPANY SECRETARY

**Ms. Cheung Nga Man**, our senior director of finance and Company Secretary, is primarily responsible for supervising Hypebeast's finance activities and accounting operations, liaising with external accountants, auditors and lawyers to ensure that all of the Group's financial practices are in line with statutory regulations and legislation, and providing support to the Group's strategic planning, budgeting and forecasting. Ms. Cheung has over 16 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).

# 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 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 during the year ended 31 March 2022, save for the deviations from the code provision C.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 2021 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, Senior Management and Company Secretary" on pages 22 to 24 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 A.2.1 of the CG Code. During the year ended 31 March 2022, 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 C.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 2022 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 C.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 Mr. Wong Kai Chi, shall retire by rotation at the forthcoming 2022 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 2022 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 | 5/5 | – | 2/2 | 1/1 | 1/1 |
| Ms. Lee Yuen Tung Janice | 5/5 | – | – | – | 1/1 |
| Ms. Poon Lai King | 5/5 | 4/4 | 2/2 | 1/1 | 1/1 |
| Ms. Kwan Shin Luen Susanna | 5/5 | 4/4 | – | 1/1 | 1/1 |
| Mr. Wong Kai Chi | 5/5 | 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 2022, the Audit Committee (i) reviewed the Group's consolidated financial statements, results announcements and reports for the year ended 31 March 2021 and for the six months ended 30 September 2021; (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 2022, the Remuneration Committee reviewed the remuneration package of the Directors and senior management of the Company.

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of the member of senior management by band for the year ended 31 March 2022 is set out below:

| | Number of individual |
|---|---|
| Nil to HK$1,000,000 | — |
| HK$1,000,001 to HK$1,500,000 | 1 |
| HK$1,500,001 to HK$2,000,000 | — |
| HK$2,000,000 above | 2 |

Details of the remuneration of each Director of the Company for the year ended 31 March 2022 are set out in note 12 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 2022, 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 2021 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 C.1.4 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 2022, 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 2022, 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, Senior Management and Company Secretary" on pages 22 to 24 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 2022 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 2022 is set out as follows:

| **Services rendered** | **HK$'000** |
|---|---|
| Audit services | 1,400 |
| Non-audit services | |
| – Hong Kong profit tax filling service | 154 |
| – US tax compliance service | 471 |
| – Commercial Rent Tax Compliance | 62 |

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2022, which give a true and fair view of the state of affairs of the Group.

# CORPORATE GOVERNANCE REPORT

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.

## 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 2022. 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 Office of Foreign Assets Control ("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 2022, 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.

# CORPORATE GOVERNANCE REPORT

## 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. There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

## CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2022, 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 40/F, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories, 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: 40/F, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories, 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

## BOARD STATEMENT

Dear Stakeholders,

On behalf of the board (the “Board”) of directors (the “Directors”) of Hypebeast Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group” or “we” or “us”), I would like to present the annual results of the Group’s policies, measures and performance on the key Environmental, Social and Governance (“ESG”) issues for the year ended 31 March 2022.

Our Company adheres great importance to ESG concerns as we understand that all of us and our next generation could be affected by ESG issues. Therefore, as an influential listing company, the Board has responsibility for evaluating and identifying the Group’s ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. It makes sense, therefore, that a strong ESG motion can create value for the Group’s development. We put the sustainable development of our business as the top priority of our long-term development goals and incorporate climate-related issues and ESG elements into our long-term business strategic plan. We have set clear short-term and long-term sustainable development targets to achieve ongoing emissions and resources consumption reduction progress according to the Group’s performance after implementing the reduction initiatives and measures.

The Board will also monitor and review the effectiveness of management approach on a regular basis, including reviewing the Group’s ESG performance and adjusting corresponding action plans. Effective implementation of ESG policies relies on the collaboration of different departments. In order to endeavour to achieve the objective of sustainability development, the Group has established an inter-departmental ESG Working Group to coordinate different departments and enhance their mutual co-operation, for ensuring consistent work performance which could be aligned with the stakeholders’ expectations.

Looking ahead, the Board will continue to review and monitor the ESG performance of the Group and provide material, reliable, consistent and comparable ESG information to its stakeholders for making contributions to create a better environment.

Yours faithfully,
For and on behalf of the Board
**Ma Pak Wing Kevin**
*Chairman and Executive Director*
Hong Kong, 29 June 2022

# 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 2022 to provide an overview of the Group's management of significant issues affecting the operation, including ESG issues.

### Reporting Period

This Report illustrates the Group's policies and performance regarding the environmental and social aspects from 1 April 2021 to 31 March 2022 (the "reporting period" or "2021/2022").

### 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"). The branch in Seoul, South Korea is additionally included into the reporting scope of the reporting period. 99.8% the Group's revenue in the reporting period were covered in the reporting scope.

### Reporting Basis and Principle

This Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "ESG Guide") of Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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.

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 of Directors of the Company on 29 June 2022.

### 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.

## ABOUT THE GROUP

The Group's mission is to enrich people's lives and 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 the Group's business, and the Group has 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 surrounded 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. The Group firmly believes and places a strong commitment and a sense of responsibility in its operating approach with respect to environmental and social issues.

## AWARD AND RECOGNITION

The Group's efforts have been recognised by award(s) during the reporting period. The details are as follows.

- **Good MPF Employer Award**

  The Group has been awarded "Good MPF Employer Award — e-Contribution Award and MPF Support Award" for the fourth consecutive years from Financial Year 2018/19 to 2021/22. The award is given in recognition of the Group'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.

  The Group will keep providing the latest MPF information and assistance to employees encouraging them to manage their MPF accounts in time and providing assistance for them to make better arrangements for retirement.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **BOCHK Corporate Environmental Leadership Award — Eco Partner**

  The Group has also been awarded "Eco Partner — BOCHK Corporate Environmental Leadership Awards" for the second consecutive year 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 aimed to encourage and promote environmental practices among the manufacturing and services enterprises in Hong Kong and the Pan Pearl River Delta region to shoulder corporate social responsibility and create a green community.

  Looking ahead, the Group will continuously commit to protecting the environment, striving to incorporate various sustainable practices into business operations, and implementing energy-saving and waste reduction measures in administration and daily retail operations.

## ESG GOVERNANCE

The Board has the 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 the ESG Report on an annual basis.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 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.

| Stakeholders | Communication Channel |
|---|---|
| Government and regulatory agencies | • Annual reports, interim reports, ESG reports and other public information |
| Shareholders and investors | • Annual general meetings and other general meetings of shareholders<br>• Company website<br>• Press releases or announcements<br>• Annual reports, interim reports, ESG reports and other public information<br>• Investor Conference<br>• Regular meetings |
| Employees | • Regular meetings<br>• Performance evaluation<br>• Leisure activities<br>• Employee satisfaction surveys<br>• Monthly staff newsletter |
| Customers | • Website<br>• Social media platforms<br>• Emails<br>• Online live chat and phone calls |
| Suppliers | • Regular meetings<br>• Site visits<br>• Surveys |
| Community | • Community activities<br>• ESG reports |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## MATERIALITY ASSESSMENT

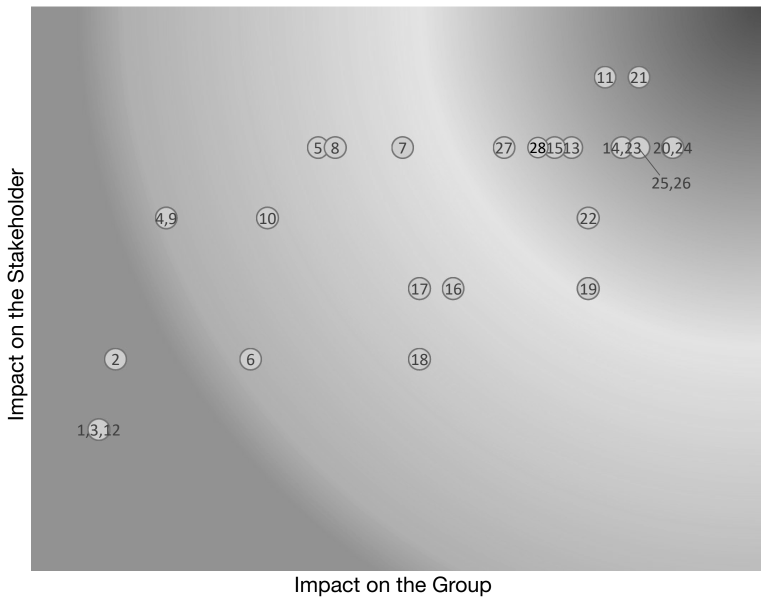
A list of ESG issues, which were potentially material to the Group, was decomposed in the context of its business and daily operations. A materiality assessment matrix was developed from the result of stakeholder engagement exercises conducted with internal and external stakeholders through an online 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 impact to both stakeholders and Group's business.

Based on the materiality matrix, we believe the most pertinent ESG issues include the following:

| | | | | |
|---|---|---|---|---|
| Customer Satisfaction | Diversity and Equal Opportunities | Customers' Privacy and Confidentiality | Employment Practices | Quality of Services and Products |
| Business Ethics | Anti-corruption Training for Management and Employees | Safety of Services and Products | Staff Occupational Health and Safety | Anti-discrimination |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Matrix




| | |
|---|---|
| 1 | Air Emissions |
| 2 | Greenhouse Gas Emissions |
| 3 | Effluents Management |
| 4 | Waste Management |
| 5 | Energy Efficiency |
| 6 | Water Efficiency |
| 7 | Use of Raw Materials and Packaging Materials |
| 8 | Environmental Regulations Compliance |
| 9 | Land Use, Pollution and Restoration |
| 10 | Climate Change |
| 11 | Employment Practices |
| 12 | Diversity and Equal Opportunities |
| 13 | Anti-discrimination |
| 14 | Staff Occupational Health and Safety |
| 15 | Staff Development and Training |
| 16 | Prohibition of Child Labour and Forced Labour |
| 17 | Responsible Supply Chain Management |
| 18 | Environmental Friendliness on Products or Services Purchased |
| 19 | Compliance with Regulations on Marketing, Products and Service Labelling |
| 20 | Customers' Privacy and Confidentiality |
| 21 | Customer Satisfaction |
| 22 | Intellectual Property |
| 23 | Safety of Services and Products |
| 24 | Quality of Services and Products |
| 25 | Business Ethics |
| 26 | Anti-corruption Training for Management and Employees |
| 27 | Contributions to the Society |
| 28 | Communication and Connection with Local Community |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SUBJECT AREA A. ENVIRONMENTAL

### A1 Emissions

As the main workplace of the Group's employees is the general office and the method of the transactions 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 strategies to minimalise the direct environmental impact of the Group's business operations by strengthening external and internal communication and 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.

In addition, the Group advocates energy saving and carbon reduction, and is committed to achieving sustainable operations. To this end, we have set clear emission reduction targets, compared with the 2020/21 baseline, and strive to achieve the following targets:

- In view of the Group's business nature, we do not generate significant amount of air pollutants. Therefore, the Group is unable to collect relevant data for establishment of air emission reduction target;
- Reduce energy consumption intensity (kWh per employee) by 5% by 2028 and 7% by 2032;
- Reduce water consumption intensity ($m^3$ per employee) by 5% by 2028 and 7% by 2032; and
- Reduce waste disposal intensity (tonnes per employee) by 5% by 2028 and 7% by 2032.

During the reporting period, a new premise in New York was under renovation and will be used for the Group's retail business and general office space in the USA in the coming year. Its energy and water consumption, as well as waste disposal records will be disclosed. Looking ahead, the Group will review and revise relevant reduction targets in a timely manner in relation to the new premise.

*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. We will continue 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. The Group does not include emissions generated by its 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".

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The total GHG emissions and its intensity were 152,816.51 kilograms $CO_2$-equivalent (kg $CO_2$-e) and 325.14 kg $CO_2$-e per employee respectively in 2021/2022, representing a decrease of approximately 11% and 32%, as compared to last year. The decrease was attributable to the drop in electricity consumption in scope 2, as flexible working arrangement was implemented, as well as proving the effectiveness of our energy-saving initiatives. Meanwhile, scope 3 emission increased drastically as travel restrictions were loosened in many countries and flights resumed.

During the reporting period, the Group's GHG inventory principally comprise of scope 2 and 3 emissions, similar to last year. Scope 2 emissions account for approximately 77% of the total GHG emissions and it included GHG emissions arising from purchased electricity which was also the major contributor of GHG emission for the reporting period.

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

| **Greenhouse Gas Emissions**[4] | **2021/2022 kg $CO_2$-e** | 2020/2021 kg $CO_2$-e |
|---|---|---|
| Scope 1[5] | **—** | — |
| Scope 2[6] | **117,667.51** | 169,134.21 |
| Scope 3[7] | **35,149.00** | 3,518.54 |
| Total GHG emissions | **152,816.51** | 172,652.75 |
| Intensity[8] (Total GHG emissions per employee[9]) | **325.14** | 475.63 |

4 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.

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

6 Scope 2 refers "Indirect energy" emissions resulting from internal consumption by the Group (purchased or acquired) of electricity, heating, cooling and steam. It includes the use of electricity on the premises in Hong Kong only. The electricity consumption data in the USA, the UK, the PRC, Japan and South Korea are not available as the related fee was included in the rental fee or shared with other tenants.

7 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.

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

9 The total number of employees as of 31 March 2022 was 470.

*Waste*

As a digital company, our inherent business nature does not require significant resource consumption or waste generation, 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.

The Group encourages 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 2021/2022, the total amount of non-hazardous wastes and hazardous wastes generated were 12.66 tonnes and 0.025 tonnes respectively compared to 9.98 tonnes and 0.023 tonnes last year. There was a slight increase in the amount of non-hazardous wastes generation compared to the previous reporting period due to the change in product mix of E-commerce business and the overall increase in the number of employees in Hong Kong.

| **Waste Generation**[3] | **2021/2022 tonnes** | 2020/2021 tonnes |
|---|---|---|
| **Non-hazardous waste** | | |
| — General unsorted waste (disposed to landfill) | **4.26** | 3.98 |
| — Carton box (Recycled) | **8.40** | 6.00 |
| Total | **12.66** | 9.98 |
| **Hazardous waste** | | |
| — Toner (Recycled) | **0.008** | 0.011 |
| — Battery (Recycled) | **0.017** | 0.012 |
| Total | **0.025** | 0.023 |

The Group is currently enhancing the waste management system, the amount of waste disposal for its overseas premises will be recorded and disclosed in the coming years. During the reporting period, the Group was not aware of any non-compliance case in relation to waste handling.

## A2 Use of Resources

Due to the nature of the Group's principal business as a digital media and e-commerce platform, the Group is 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

*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 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 the Group's employees to turn off their electric equipment (including computers, monitors and desk lamps) before leaving the office especially for periods of extended holidays or absences.

The Group has established an Environmental Policy which mandates the purchase and use of energy-efficient electrical appliances and other products.

*Office Paper*

In 2021/2022, the total paper consumption was approximately 580.05 kg, representing a slight increase of approximately 1%, as compared with last year. The percentage of paper recycled was approximately 30% in 2021/2022 compared to approximately 32% last year. Looking ahead, the Group will continue to encourage recycle and reuse of office paper in order to reduce paper consumption.

| **Paper**[10] | **2021/2022**<br>**kg** | 2020/2021<br>kg |
|---|---|---|
| Office Paper | | |
| — Consumed | **580.05** | 574.80 |
| — Recycled | **175.00** | 182.00 |

We will continue to improve our internal data collection mechanism for a complete disclosure in the coming years.

10 It includes consumption in Hong Kong only. The Group will continue to improve its internal data collection mechanism for a complete disclosure in the coming years.

*Packaging Materials*

The Group's packaging materials principally comprise of bubble wrap, panfix tape, clear tape, clear zipper bag and cardboard boxes for fulfilments. In 2021/2022, the total packaging material consumption was approximately 39,225.28 kg and its intensity was approximately 0.15[11] per unit of products sold, the total packaging materials consumption representing a decrease of approximately 36%; whilst the intensity has a decrease of approximately 48% compared in 2020/2021. The decrease of total packaging material consumption was attributable to a significant decrease in the consumption of fulfilments for cardboard boxes, clear tape and clear zipper bags, due to the change in product mix of E-commerce business, which increased the usage of shipment vendors' supplies for fulfilments.

| Packaging Material Consumption[10] | 2021/2022 kg | 2020/2021 kg |
|---|---|---|
| Bubble wrap | **119.70** | 69.00 |
| Panfix tape | **32.20** | 28.59 |
| Clear tape | **468.00** | 763.22 |
| Clear zipper bag | **12.66** | 288.00 |
| Fulfilments for cardboard boxes | **38,592.72** | 60,171.00 |
| Total packaging material consumption | **39,225.28** | 61,319.81 |
| Intensity[12] (Total packaging material consumption per unit of product sold and/or delivered) | **0.15[11]** | 0.29[13] |

The Group is currently improving its internal data collection mechanism, the amount of packaging materials consumed for its overseas premises will be disclosed in the coming years.

*Energy*

In 2021/2022, the total energy consumption and its intensity were approximately 280,771.00 kilowatt-hours (kWh) and approximately 597.39 kWh per employee respectively, representing a decrease of approximately 11% for total energy consumption and approximately 31% for the intensity compared with last year. The Group's energy consumption mainly attributed to electricity consumption in office and warehouses located in Hong Kong. Looking ahead, the Group will continue to monitor and record energy consumption, enhance related data collection system and develop reduction plans when appropriate.

11 Total number of products sold or delivered was 259,769 units in 2021/2022.

12 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.

13 Total number of products sold or delivered was 214,122 units in 2020/2021.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Energy Consumption[1] | **2021/2022 kWh** | 2020/2021 kWh |
|---|---|---|
| Direct energy consumption | **—** | — |
| Indirect energy consumption | | |
| — Electricity | **280,771.00** | 315,365.00 |
| Total energy consumption | **280,771.00** | 315,365.00 |
| Intensity[14] (Total energy consumption per employee[15]) | **1,127.59** | 1,414.19[16] |

*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 running when unused. The Group has installed water-efficient filtration systems for drinking water at our offices and encourages staff to consume filtered rather than bottled water.

In 2021/2022, the total water consumption and its intensity were approximately 507.31 cubic meters ($m^3$) and approximately 2.04 $m^3$ per employee respectively, representing increases of approximately 86% and approximately 172% compared with last year, mainly due to the misuse of faucets by the building contractor of Cable TV Tower. Water consumption was incurred by the offices and warehouse located in Hong Kong only. The warehouse located at Cable TV Tower in Hong Kong was the major water consumer which accounted for approximately 67% of the total water consumption. 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.

| Water Consumption[2] | **2021/2022 $m^3$** | 2020/2021 $m^3$ |
|---|---|---|
| Total water consumption | **507.31** | 272.50 |
| Intensity[17] (Total water consumption per employee[15]) | **2.04** | 1.22[16] |

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

15 It refers to the employees in Hong Kong only.

16 The figure was restated.

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

### A3 The Environment and Natural Resources

Given the nature of the Group's principal business, the Group considers that the impacts of its operations on the environmental and natural resources are 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<br>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 environmental impacts arising from our ability to influence environmental performance within the value chain and our investments, we will continue to make effort on mitigating such impacts and ultimately contributing towards 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.

### A4 Climate Change

Climate change is one of the biggest global challenges faced by the society nowadays, and we must act now for our climate and our communities. In recent years, extreme weather, such as strong winds and heavy rainfall, as well as tides and floods, have become the focus of news. Logistics and supply chains are particularly vulnerable. Heavy rainfall, rising tides, and floods can cause serious damage to assets such as buildings, warehouses, and goods in storage, resulting in financial losses. Although such incidents are beyond everyone's control, the Group believes that all stakeholders should work together to address climate change, which will also be regarded as one of the most significant risks to the world in the next five years.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In response to the Paris Agreement, the Hong Kong Government issued the "Hong Kong's Climate Action Plan", and formulated various plans and actions, setting out the vision of "Zero-carbon Emissions, Liveable City, Sustainable Development". The government has determined to set medium-term goal as halving Hong Kong's total carbon emissions from 2005 levels before 2035, committed to achieve carbon neutrality by 2050, and the PRC will strive to achieve carbon neutrality by 2060. In the context of the global transition to a low-carbon economy, the Group has also identified potential risks associated with regulatory, technological, market and reputational aspects specific to the location in which we operate. We will integrate these identified risks into our business strategy, integrate assessment and its results into the business risk management framework, and continuously and regularly update and identify, assess and manage various risks.

The Group essentially plans to respond to local government initiatives and follow local governments' emission reduction requirements. We aim to reduce GHG emissions by around 3% by 2026 and ensure the Group's greenhouse gas emissions will comply with the local requirements on or before 2030. Our target is to achieve carbon neutrality by 2050 in Hong Kong region and by 2060 in PRC. We are committed to continuously improving our energy efficiency, applying professional knowledge to improve on-site efficiency and maintain efficient management support, in order to safeguard the Group's reputation.

The COVID-19 pandemic has presented many new challenges this year, but it has not changed our commitment to climate action. The pace of change has expedited around the world, underscoring the importance for us to accelerate its transition to a low-carbon economy. Over the years, we have been grasping different opportunities to expand our business, accelerate the transformation and make the Group smarter, more environmentally friendly, and safer for employees and users (such as automation, and utilising digital platforms for online conference to reduce carbon footprint in transportation during the pandemic). These measures have made our facilities becoming more sustainable and fulfil our commitment to resource management and environmental protection.

*Action on climate change*

Action on climate change is embedded in the Group's business strategy and reflected in the governance and management processes of the Company. The index table below outlines where to find the core elements of how the Group responds to the Stock Exchange's recommendations in this Report.

| Core element | The Group response |
|---|---|
| Governance | • Setting up ESG Working Group and regular meeting<br>• Integrating ESG topics (including climate-related issues) in corporate decision making |
| Strategy | • Identifying risks and opportunities in low-carbon transition |
| Risk Management | • ESG Working Group take the lead to discuss and review ESG risks<br>• Preparing for the transition to a low-carbon economy<br>• Implementing measures to eliminate physical climate risks |
| Metrics and Targets | • Establish GHG reduction targets so as to achieve net zero emissions |

When developing these scenarios, the Group has identified a series of climate-related risk and opportunities relevant to our assets and services which are significant to us. These transition and physical risks are discussed in the sections below.

| | Risks | Opportunities |
|---|---|---|
| Short term (0–1 year) | • Physical risks from extreme weather events<br>• Securing the skills and capability required to implement climate strategy | • New services to help communities decarbonise<br>• Technologies to enhance the performance of operations and energy efficiency |
| Medium term (5 years) | • Transition risks — Implementation of low-carbon policies for the operation<br>• Transition risks — Supply and demand for certain commodities, products and services may change as climate related risks and opportunities are increasingly taken into account | • Transitioning to low carbon economy market to meet government decarbonisation targets |
| Medium to long term (5+ years) | • Transition risks — Potential new regulation and policies<br>• Transition risks — Development and use of emerging technologies may increase the operational costs, and reduce the Groups' competitiveness<br>• Transition risks — the Group's reputation may be impacted due to changing customer or community perceptions of said the Group's contribution to or detraction from the transition to a lower-carbon economy | • Transitioning to low carbon economy market to meet government decarbonisation targets<br>• To work as a pioneer in the industry and build up the relevant reputations |

Physical climate risks have the potential to damage the integrity of the Group's assets or interrupt our service delivery and customers directly. The Group already has setup a range of measures in place to enhance the reliance of its operations, including contingency plan for extreme weather or emergency conditions.

Transition risks have the potential to increase the operational cost and legal risk due to change of policy, technology development, digitalisation, relevant risk affected to supply and demand, and reputation due to public perceptions. The Group has already identified the relevant risks and keep monitoring the market and policy updates. The Group has also planned to invest according to the market needs and take this as an opportunity for long term development.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A series of measures have been adopted to put in place along the Group's value chain to help the Company prepare for climate events. These measures are deployed for the different geographies, taking into account the asset type, location and relevance. These are summarised in the table below:

| Relevant part of the value chain | Relevant measures |
|---|---|
| Supply chain | Diversify material supply from multiple suppliers, sources and countries |
| Retail | Through engagement events, inform customers of the initiatives already undertaken to increase system resilience |
| Services | — Establish typhoon response protocol and coordinating system to maintain business continuity<br>— Enhance the communication capacity of customer services, in particular post-incident customer communication |

*Our Path to 2050*

The Group is prepared to address the threats climate change poses both to its business and to the communities that it serves. The Group is determined to deliver and provide safe, reliable, and affordable services for its customers and the Group is fully aware of the importance of the environmental responsibility. The Group will consider raising the targets, wherever possible, to strengthen the environmental protection measures in future.

## SUBJECT AREA 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 unlawful employment of minors or forced labour is strictly prohibited by the Group.

*Recruitment, Promotion, Equal Opportunities, Anti-Discrimination and Diversity*

The Group strictly opposes to any kind of discrimination, clear anti-discrimination policies are published in the Employee's Handbook. The Group selects and promotes staff on a diversified basis, including but not limited to areas such as their qualifications and merit, skills, aptitude, availability, experience and overall suitability for the vacancy without discrimination or concern for race, religion, national origin, colour, gender, sexual orientation, gender identity or expression, age or disability.

In terms of recruitment, applicants will be assessed so far as reasonably practical against a set of objectives which will be directly related to the demands of the vacancy. As for promotion, all decisions will be made in accordance with the objective selection criteria outlined in the job specification.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 in the Group's premises. During the reporting period, one case has been reported and recognised which an ex-employee committed harassing behaviours. The Group then terminated the employment of the perpetrator to mitigate any potential risks and threats to the workplace. Staff can report such violations to Human Resourced Department through the whistleblowing system.

*Remuneration, compensation and dismissal*

The Group offers competitive remuneration, medical benefits (including health & dental), 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. Discretionary bonus awards might be given depending on a number of factors including individual performance, company performance and market condition. To retain talents, the Group adopted a shared-options scheme in order to reward the valuable staff, who are nominated by the Team Heads.

Either the Company or the employee may terminate the employment by giving us sufficient time of notice in writing, as stated in the Letter or Contract of Employment. The Contract of Employment shall be terminated immediately without prior notice or payment in lieu of the cases, including but not limited to, conviction of any criminal offence, guilty of serious misconduct, intentional negligence of his/her duties and breach of any terms of his/her Letter of Employment.

*Working hours and rest periods*

Policies on standard working hours and public holidays are followed in accordance with relevant laws and regulations, which detailed in section headed “Laws and regulations”. Employees are entitled to, as applicable, public holidays, annual leave, sick leave, marriage leave, maternity leave, paternity leave, compassionate leave, jury service leave and sabbatical 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 which allow employees to share work experience and work-related skills.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

*Other benefits and welfare of the Group*

In addition to health and dental insurance, the Group offers other benefits including but not limited to fitness membership discount, staff discounts with its online store, pet-friendly office in some regions, a common room with video games, TV and ping pong table, and a coffee machine, amongst other benefits. The following tables show the workforce and turnover rate of the Group during the reporting period.

| **Workforce**<br>As at 31 March | **2021/2022** | 2020/2021 |
|---|---|---|
| **By Gender** | | |
| — Male | **256** | 154 |
| — Female | **214** | 209 |
| **By Employment Type** | | |
| — Full-time | **446** | 337 |
| — Part-time | **24** | 26 |
| **By Age Group** | | |
| — Below 30 | **232** | 203 |
| — 30–39 | **188** | 131 |
| — 40–49 | **36** | 17 |
| — 50 or above | **14** | 12 |
| **By Geographical Region** | | |
| — Hong Kong | **249** | 223 |
| — Japan | **16** | 11 |
| — USA | **114** | 66 |
| — UK | **54** | 32 |
| — PRC | **37** | 31 |
| — South Korea | **N/A**[18] | N/A[19] |
| **Overall** | **470** | 363 |

18 Employment data in South Korea is not available as they are freelance in nature.

19 Branch in South Korea is additionally included into the scope of 2021/2022. No previous data can be provided.

| Turnover Rate[20] | 2021/2022 | 2020/2021[21] |
|---|---|---|
| **By Gender** | | |
| — Male | **20%** | 32% |
| — Female | **34%** | 25% |
| **By Age Group** | | |
| — Below 30 | **31%** | 28% |
| — 30–39 | **25%** | 30% |
| — 40–49 | **10%** | 26% |
| — 50 or above | **26%** | 25% |
| **By Geographical Region** | | |
| — Hong Kong | **29%** | 25% |
| — Japan | **20%** | 31% |
| — USA | **21%** | 38% |
| — UK | **23%** | 22% |
| — PRC | **37%** | 35% |
| — South Korea | **0%** | N/A[17] |
| **Overall** | **27%** | 28% |

### 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's Handbook to ensure that all employees are aware of emergency procedures. The Group has complied 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 of 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. The Group also uses air filters and routinely performs air quality tests and air-conditioning system cleaning work.

20 Turnover rate = Total number of employees left during the reporting period/Total number of employees left during the reporting period + Total number of employees at the end of the reporting period. The Group had a total of 176 employees turnover during the reporting period.

21 The figures were restated.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

| Safety Performance | 2021/2022 | 2020/2021 | 2019/2020 |
|---|---|---|---|
| Injury rate[22] | **0.00%** | 0.00% | 0.00% |
| Occupation disease rate[23] | **0.00%** | 0.00% | 0.00% |
| Lost day rate[24] | **0.00%** | 0.00% | 0.00% |
| Absentee rate[25] | **0.00%** | 0.00% | 0.00% |
| Fatality rate[25] | **0.00%** | 0.00% | 0.00% |

*Response to COVID-19 outbreak*

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

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

— For employees in the PRC and Japan, we have introduced the medical check-up allowance, while psychological support services were provided to employees in the UK and USA.

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

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

— All employees are required to check body temperature before entering the office premises and wear masks in the office area and disposable masks can be provided upon request.

## B3 Development and Training

The Group is committed to the continuous training and development of its employees. Employees 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.

The Group fosters a culture of constant learning and development by encouraging all managers to provide on-the-job coaching with ample feedback to the employees.

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

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

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

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

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

In the coming year, the Group will continue to organise the Training and Development Scholarship Program by committing subsidies to eligible employees in assistance with their professional development.

During the reporting period, the Group launched orientation training and other training activities, such as usage of software and machinery, and policies updates, to enhance the capability of employees.

The following table illustrates the percentage of employees undergone training of the Group.

| **Percentage of Employees Undergone Training**[27] | **2021/2022** | 2020/2021 |
|---|---|---|
| **By Gender** | | |
| — Male | **38%** | 41% |
| — Female | **64%** | 48% |
| **By Employment Category** | | |
| — Assistant General Manager or above | **30%** | 71% |
| — Senior Manager | **38%** | 33% |
| — Manager | **39%** | 58% |
| — Assistant Manager | **30%** | 8% |
| — General Staff | **53%** | 48% |
| — Operation Staff | **66%** | 0% |
| **Overall** | **49%** | 45% |

| **Average Training Hours**[28] | **2021/2022** | 2020/2021[19] |
|---|---|---|
| **By Gender** | | |
| —Male | **4.23** | 3.15 |
| —Female | **7.09** | 3.29 |
| **By Employment Category** | | |
| —Assistant General Manager or above | **3.15** | 5.29 |
| —Senior Manager | **4.02** | 1.67 |
| —Manager | **4.44** | 4.58 |
| —Assistant Manager | **3.24** | 0.62 |
| —General Staff | **5.81** | 3.36 |
| —Operation Staff | **7.99** | 0 |
| **Overall** | **5.53** | 3.23 |

27 Percentage of Employees Undergone Training = Total number of employee undergone training/Total number of employee as of the end of the reporting period. The total number of employees trained during the reporting period was 232.

28 Average Training Hours = Total number of training hours/Total number of employees at the end of the reporting period. The total number of training hours during the reporting period was 2599.5.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 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 relating to child or forced labour in its business activities and operating locations.

As stipulated in our Employee's Handbook, background checks on new employed staff are performed to ensure they meet statutory standards in recruitment and ensure the Group's 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 reviews relevant practices regularly with internal and external lawyers. Once child or forced labour is discovered, we will immediately terminate the employment contract and conduct detailed investigations.

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

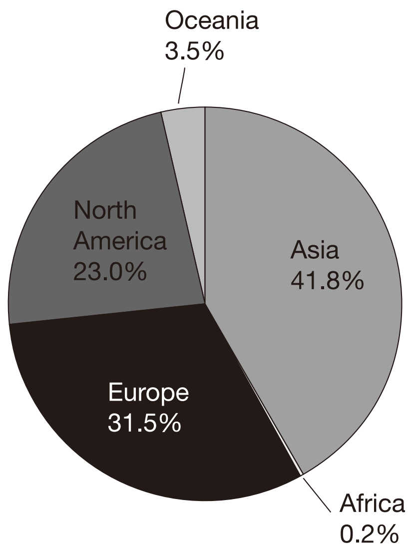
The Group values the importance of ethical business conducted by itself and its business partners. In order to do so, the Group established the Supply Chain Management Policy to encourage suppliers to maintain high standards in various operational aspects, including but not limited to anti-fraud and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

In order to maintain long-lasting and sustainable business relationships with the Group's 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 through conference calls, product sampling and inspection, use of environmentally preferable products and services, quality control checks and labour practices reviews. The Group is dedicated to continually monitoring and working closely with its suppliers to maintain its environmentally sustainable and socially responsible practices.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 2021/2022.

**2021/2022 Number Of Suppliers By Geographical Region**




| **Number of suppliers by geographical regions**[29]<br>As at 31 March | **2021/2022** | 2020/2021 |
|---|---|---|
| Asia[30] | **236** | 173 |
| Africa[31] | **1** | N/A[32] |
| Europe[33] | **178** | 128 |
| North America[34] | **130** | 92 |
| Oceania[35] | **20** | 6 |
| Total number of suppliers | **565** | 399 |

29 Freelancers in South Korea are not considered as suppliers/service providers.

30 Asia includes the Hong Kong, Dubai, India, Indonesia, Japan, PRC, Singapore, South Korea, and Taiwan

31 Africa includes South Africa.

32 Supplier from Africa is a new supplier during the reporting period. No previous data can be provided

33 Europe includes Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Georgia, Germany, Italy, Lithuania, Netherlands, Norway, Poland, Spain, Sweden, Switzerland, Ukraine and the UK.

34 North America includes Canada and the USA.

35 Oceania includes Australia and New Zealand.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B6 Product Responsibility

*Quality Management*

E-commerce and Retail Business

The Group insists on delivering the highest-quality products to its customers. The Group was in compliance with relevant laws and regulations that have a significant impact on the issues 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, no products sold or delivered were recalled for safety and health reasons.

The Groups has in place quality control procedures to ensure all products that arrived at its warehouses and ultimately sent out to its customers are carefully inspected so as to meet the Group's quality standards. When goods arrive at the warehouse, the warehousing team will inspect and crosscheck each item to ensure they are brand new and have no visible defects. Once the inspection is completed, the team will carefully store the items in an assigned shelf.

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 damages.

When a customer order is received, the logistics team will perform a final inspection on the selected products to ensure there are no damages or defects before packing the order for shipment to the customer.

Media business

The Group implements various quality control policies with regard to its digital media business, including policies for monitoring the quality of the editorial posts which the Group uploads to its 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 the Group's social media platforms.

The Group has 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 the Group's quality standards. The editor-in-chief or senior editors of the Group's websites[36] screen, review and approve all articles before they are posted on the websites.

The Group's sales team and production team maintain regular contact with its customers to ensure that the final products satisfy the requirements of our customers. Senior members in the editorial, sales and production teams will review the materials to ensure the quality and conformance with ethical and moral standards. The Group's social media team is responsible for monitoring its social media platforms and will remove any objectionable content.

36 Hypebeast, Hypebae, Hypegolf or Popbee.

Customers' Health and Safety

Regarding the Group's nature of business, we do not pose significant impact on customers' health and safety as well as products sold or shipped subject to recalls for safety and health reasons; therefore, no related policy is set up as well as data collected.

*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 service representatives to handle customer enquiries through email, online live chat and social media platforms. The Group has established written policies and procedures for handling customer complaints. There are different inquiry handling procedures, which depend on the contents of the inquiry, such as defective products, lost shipment or shipping the wrong products. Our customer service representatives will handle the cases and arrange suitable and reasonable compensations, if required. In general, 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 utilised. If the customer does not satisfy with the resolution provided by the representative and requests escalation, the representative will forward the case to the Customer Service Manager, who will review the case and respond to the customer directly. 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 the Group's 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** | **2021/2022** | 2020/2021 |
|---|---|---|
| Total number of complaints | **180** | 100 |
| Total number of orders placed | **120,051** | 119,101 |
| Percentage of complaints received[37] | **0.15%** | 0.08% |

*Intellectual Property*

The Group adheres 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. The Group also actively monitors copyrights attached to its published media content and pictures used in its editorial operations to ensure that the Group has provided credits to all sources and in compliance with any required copyright laws and standards. During the reporting period, there have been three claims made in relation to the image copyright infringement has been initiated against the Group, with some settlement arrangements entered between the Group and claimant in certain cases, nonetheless, to the best of the Director's knowledge, the Group did not have any significant non-compliance issues in this regard.

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

*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 its 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”.

As an e-commerce and retail 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 its business.

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

The Group has updated its Privacy Policy to reinforce its commitment to protecting customers’ data in light of the General Data Protection Regulation (GDPR). The Group’s Privacy Policy is available on its 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 the Anti-fraud Policy mentioned in the Employee’s Handbook and 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, the Group did not have legal cases regarding corrupt practices brought against the Group or its employees. 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. We have proactively promoted our whistleblowing channel, in which employees are encouraged to enquire and report on any matter in relation to potential corruption and other unethical acts. The practice aims to develop a just and transparent working atmosphere, as well as positive and responsible brand reputation. The Group has zero tolerance towards corruption or any form of unethical act. We attach great importance to our anti-corruption policy, so as to enhance the employees’ awareness of anti-corruption on a regular basis.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has strict policies on employees' acceptance of gifts and entertainment and on the solicitation of discounts from brands and retailers. Abuse of the Company's stores discounts and company-branded merchandises are strictly prohibited.

Under the Group's Supplier Chain Management Policy, suppliers are required to uphold a number of ethical principles under social responsibilities, including but not limited to, anti-bribery, anti-corruption, encourage open and fair competition, etc.

The Group has in place the Whistleblower Policy as a communication channel for employees to report concerns relating to 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. The reporting system is confidential, and employees can make anonymous report. Whistleblower will be protected from retaliation as a result of any valid report.

## COMMUNITY

### B8 Community Investment

The Group encourages and supports its 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 its community stakeholders. The Group supports initiatives that serve the need of those who are socio-economically disadvantaged.

The details of the community activity supported during the reporting period is as follow.

*The Landmark — Mid-Autumn Festival In-kind Donation Drive*

Hong Kong Land HOME FUND aims to build a better community by supporting different types of philanthropic efforts. For the last Mid-Autumn Festival, the Group's employees committed to donating surplus mooncake tins, toys, electrical appliances and clothing in order to support the people in need. The Group has 35 employees who participated in the event and have committed a total of 792 hours to the event.

# 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<br>Employee's Compensation Ordinance<br>Employment Ordinance<br>Family Status Ordinance<br>Minimum Wage Ordinance<br>Race Discrimination Ordinance<br>Sex Discrimination Ordinance |
| **Japan** | Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment<br>Child Welfare Act<br>Labour Contracts Act<br>Labour Relations Adjustment Act<br>Labour Standards Act (1947)<br>Labour Union Act<br>Ordinance for Enforcement of the Labour Standards Act |
| **PRC** | Labour Contract Law of the People's Republic of China<br>Labour Law of the People's Republic of China<br>Law of the People's Republic of China on the Protection of Minors<br>Provisions on the Prohibition of Using Child Labour |
| **UK** | Children and Young Persons Act 2008<br>Employment Rights Act 1996<br>Equality Act 2010<br>National Minimum Wage Regulations 2015<br>Transfer of Undertakings (Protection of Employment) Regulations 2006<br>Working Time Regulations 1998 |
| **USA** | Age Discrimination in Employment Act<br>Americans with Disabilities Act<br>Employee Retirement Income Security Act (ERISA)<br>Equal Pay Act<br>Fair Labour Standard Act: The Federal Child Labour Provisions<br>Family Medical Leave Act<br>Immigration Reform and Control Act<br>National Labour Relations Act<br>Title VII of the Civil Rights Act |

| Location | Laws, regulations, guidelines |
| --- | --- |
| **South Korea** | Equal Employment Opportunity and Work-Family Balance Assistance Act<br>Juvenile Protection Act<br>Labour Standards Act (LSA) |
| **Health and Safety** | |
| **Hong Kong** | Occupational Safety and Health Ordinance |
| **Japan** | Industrial Accident Compensation Insurance Act<br>Industrial Safety and Health Act<br>Order for Industrial Safety and Health Act |
| **PRC** | Law of the People's Republic of China on Prevention and Control of Occupational Disease<br>Production Safety Law of the People's Republic of China |
| **UK** | Health and Safety at Work etc Act 1974 |
| **USA** | Occupational Safety and Health Act (OSHA) |
| **South Korea** | Occupational Safety and Health Act |
| **Labour Standards** | |
| **Hong Kong** | Employment Ordinance |
| **Japan** | Child Welfare Act<br>Labour Standards Act (1947) |
| **PRC** | Law of the People's Republic of China on the Protection of Minors<br>Provisions on the Prohibition of Using Child Labour |
| **UK** | Children and Young Persons Act 2008<br>Licensing Act 1964 |
| **USA** | Fair Labour Standards Act: The Federal Child Labour Provisions |
| **South Korea** | Juvenile Protection Act |
| **Product Responsibility** | |
| ***Advertisement and labelling*** | |
| **Australia** | Spam Act 2003 (Cth) |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Location | Laws, regulations, guidelines |
|---|---|
| **UK** | UK Code of Non-broadcast Advertising, Sales Promotion and Direct Marketing (the "CAP Code") |
| **Hong Kong** | Control of Obscene and Indecent Articles Ordinance<br>Supply of Services (Implied Terms) Ordinance<br>Trade Descriptions Ordinance |
| **South Korea** | Fair Labeling and Advertising Act |
| ***Intellectual Property*** | |
| **Australia** | Trade Marks Act 1995 |
| **Canada** | Section 27 of the Copyright Act |
| **Hong Kong** | Copyright Ordinance<br>Trade Descriptions Ordinance |
| **PRC** | Copyright Law of the People's Republic of China<br>Patent Law of the People's Republic of China<br>Trademark Law of the People's Republic of China |
| **USA** | Section 1526(a) of the Tariff Act of 1930<br>US Copyright Law<br>US Trademark Law |
| **South Korea** | Copyright Act of 1957<br>Trademark Act |
| ***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<br>EU General Data Protection Regulation (GDPR)<br>Privacy and Electronic Communications (EC Directive) Regulations 2003 ("PECRegs"). |
| **USA** | US data privacy laws and data security laws |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Location | Laws, regulations, guidelines |
|---|---|
| **South Korea** | Personal Information Protection Act (General Law) |
| ***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")<br>Flammable Fabrics Act (the "FFA")<br>Textile Fiber Products Identification Act (the "TFPIA") |
| **South Korea** | Product Liability Act |
| ***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)<br>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) |
| **South Korea** | Improper Solicitation and Graft Act |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ESG REPORTING GUIDE INDEX

| Subject Areas, Aspects, General Disclosures and KPIs | | Section/ Statement | Page number |
|---|---|---|---|
| **Subject Area A. Environmental** | | | |
| ***Aspect A1 Emissions*** | | | |
| **General Disclosure** | Information on:<br>(a) the policies; and<br>(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 | 42 |
| **KPI A1.1** | The types of emissions and respective emissions data. | Emissions | 42 |
| **KPI A1.2** | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Greenhouse Gas (GHG) Emissions | 42-43 |
| **KPI A1.3** | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Waste | 44 |
| **KPI A1.4** | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Waste | 44 |
| **KPI A1.5** | Description of measures to mitigate emissions and results achieved. | Emissions | 42 |
| **KPI A1.6** | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | Waste | 44 |
| ***Aspect A2 Use of Resources*** | | | |
| **General Disclosure** | Policies on efficient use of resources, including energy, water and other raw materials. | Energy and Other Materials | 44 |
| **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). | Energy | 46-47 |
| **KPI A2.2** | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Water | 47 |
| **KPI A2.3** | Description of energy use efficiency initiatives and results achieved. | Energy and Other Materials | 45-47 |
| **KPI A2.4** | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | Water | 47 |
| **KPI A2.5** | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Packaging Materials | 46 |

# 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 | 48 |
| **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 | 48 |
| ***Aspect A4 Climate Change*** | | | |
| **General Disclosure** | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | Climate Change | 48-49 |
| **KPI A4.1** | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | Climate Change | 49-51 |
| **Subject Area B. Social** | | | |
| **Employment and Labour Practice** | | | |
| ***Aspect B1 Employment*** | | | |
| **General Disclosure** | Information on:<br>(a) the policies; and<br>(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 | 51-53 |
| **KPI B1.1** | Total workforce by gender, employment type, age group and geographical region. | Employment | 53 |
| **KPI B1.2** | Employee turnover rate by gender, age group and geographical region. | Employment | 54 |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Subject Areas, Aspects, General Disclosures and KPIs | | Section/ Statement | Page number |
|---|---|---|---|
| ***Aspect B2 Health and Safety*** | | | |
| **General Disclosure** | Information on:<br>(a) the policies; and<br>(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 | 54 |
| **KPI B2.1** | Number and rate of work-related fatalities. | Health and Safety | 55 |
| **KPI B2.2** | Lost days due to work injury. | Health and Safety | 55 |
| **KPI B2.3** | Description of occupational health and safety measures adopted, how they are implemented and monitored. | Health and Safety | 54-55 |
| ***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 | 55-56 |
| **KPI B3.1** | The percentage of employees trained by gender and employee category. | Development and Training | 56 |
| **KPI B3.2** | The average training hours completed per employee by gender and employee category. | Development and Training | 56 |
| ***Aspect B4 Labour standards*** | | | |
| **General Disclosure** | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour. | Labour Standards | 57 |
| **KPI B4.1** | Description of measures to review employment practices to avoid child and forced labour. | Labour Standards | 57 |
| **KPI B4.2** | Description of steps taken to eliminate such practices when discovered. | Labour Standards | 57 |

| Subject Areas, Aspects, General Disclosures and KPIs | | Section/ Statement | Page number |
|---|---|---|---|
| **Operating Practices** | | | |
| ***Aspect B5 Supply Chain Management*** | | | |
| **General Disclosure** | Policies on managing environmental and social risks of supply chain. | Supply Chain Management | 57 |
| **KPI B5.1** | Number of suppliers by geographical region. | Supply Chain Management | 58 |
| **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 | 57 |
| **KPI B5.3** | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Supply Chain Management | 57 |
| **KPI B5.4** | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Supply Chain Management | 57 |
| ***Aspect B6 Product Responsibility*** | | | |
| **General Disclosure** | Information on:<br>(a) the policies; and<br>(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 | 59-61 |
| **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 2021/2022. | Not applicable |
| **KPI B6.2** | Number of products and service related complaints received and how they are dealt with. | Product Responsibility | 60 |
| **KPI B6.3** | Description of practices relating to observing and protecting intellectual property rights. | Product Responsibility | 60 |
| **KPI B6.4** | Description of quality assurance process and recall procedures. | Product Responsibility | 59-60 |
| **KPI B6.5** | Description of consumer data protection and privacy policies, how they are implemented and monitored. | Product Responsibility | 61 |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Subject Areas, Aspects, General Disclosures and KPIs | | Section/ Statement | Page number |
|---|---|---|---|
| ***Aspect B7 Anti-corruption*** | | | |
| **General Disclosure** | Information on<br>(a) the policies; and<br>(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 | 61-62 |
| **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 2021/2022. | 61 |
| **KPI B7.2** | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Anti-corruption | 61-62 |
| **KPI B7.3** | Description of anti-corruption training provided to directors and staff. | Anti-corruption | 61 |
| **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 | 62 |
| **KPI B8.1** | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Community Investment | 62 |
| **KPI B8.2** | Resources contributed (e.g. money or time) to the focus area. | Community Investment | 62 |

# 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 2022.

## 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 and offline retail platform.

## RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 March 2022 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 106 to 203 of this annual report.

## BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2022, 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 2022.

# 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 15 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 30 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 2022, 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$11.4 million.

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

On 25 March 2021 (after trading hours), the Company entered into an investment agreement with Avex Investment Inc. (the "Investor"), a Japanese entertainment conglomerate that holds over 33 years of expertise across business domains including music, talent management, anime, events, etc., pursuant to which the Company agreed to issue and the Investor agreed to subscribe 6,533,397 Shares at HK$1.05924 per Share (the "Subscription"). The aggregate nominal value of the subscribed Shares was HK$65,333.97. The subscription price of HK$1.05924 per Share represented a premium of approximately 15.13% over the closing price of HK$0.92 as quoted in the Stock Exchange on the date of the Subscription. Completion of the Subscription took place on 9 April 2021 with net issue price of HK$1.013 per Share. As at the date of this report, the proceeds from the Subscription of approximately HK$6.9 million had already been applied as general working capital of the Group. Please refer to the announcement of the Company dated 25 March 2021 for details.

It is expected that the Subscription would bring long-term strategic value to the Group by facilitating the collaboration between the Group and the Investor over envisioned business plans. The intended strategic cooperation with the Investor will enable the Group to rapidly accelerate growth of its business in Japan due to the ability to leverage the Investor's deep domestic connections and local expertise in Japan as well as its strength as a leader in the event production, talent management and music label industries.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2022.

# REPORT OF DIRECTORS

## 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 2022 is set out on page 204 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:

| | 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 | 750,000 shares (2021: 1,250,000 shares) (being approximately 0.04% (2021: 0.06%) of the issued share capital as at the date of this annual report) | 169,287,499 shares (2021: 170,454,166 shares) (being approximately 8.24% (2021: 8.30%) of the issued share capital as at the date of this annual report) |

# REPORT OF DIRECTORS

| | Details | Pre-IPO Scheme | Post-IPO Scheme |
|---|---|---|---|
| 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<br><br>Other participants: in any 12-month period shall not exceed 1% of the issued shares from time to time |
| 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. |

Details of the movements within the two share option schemes of the Company for the year ended 31 March 2022 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 2021 | Exercised during the year | As at 31 March 2022 |
|---|---|---|---|---|---|---|
| Employees in aggregate | 18 March 2016 | From 18 March 2019 to 17 March 2026 | 0.026 | 750,000 | – | 750,000 |
| | 18 March 2016 | From 18 March 2019 to 17 March 2026 | 0.052 | 500,000 | – | 500,000 |
| Total | | | | 1,250,000 | – | 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/exercised/cancelled/lapsed under the Pre-IPO Scheme during the year ended 31 March 2022.

# 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 2021 | Granted during the year | Exercised during the year | Lapsed during the year | As at 31 March 2022 |
|---|---|---|---|---|---|---|---|---|
| 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 |
| | 8 December 2020 | From 8 December 2024 to 7 December 2030 | 0.788 | 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 |
| | 8 December 2020 | From 8 December 2024 to 7 December 2030 | 0.788 | 4,800,000 | – | – | – | 4,800,000 |
| | | | | 19,200,000 | – | – | – | 19,200,000 |
| Employees in aggregate | 6 July 2017 | From 6 July 2020 to 5 July 2027 | 0.198 | 333,333 | – | – | – | 333,333 |
| | 10 August 2018 | From 10 August 2021 to 9 August 2028 | 0.62 | 9,600,000 | – | (1,166,667) | (133,333) | 8,300,000 |
| | 28 June 2019 | From 28 June 2022 to 27 June 2029 | 1.04 | 3,300,000 | – | – | (533,334) | 2,766,666 |
| | 28 June 2019 | From 28 June 2023 to 27 June 2029 | 1.04 | 13,600,000 | – | – | (2,775,000) | 10,825,000 |
| | 8 December 2020 | From 8 December 2023 to 7 December 2030 | 0.788 | 10,600,000 | – | – | (3,066,667) | 7,533,333 |
| | 8 December 2020 | From 8 December 2024 to 7 December 2030 | 0.788 | 8,200,000 | – | – | (600,000) | 7,600,000 |
| | | | | 45,633,333 | – | (1,166,667) | (7,108,334) | 37,358,332 |
| Total | | | | 64,833,333 | – | (1,166,667) | (7,108,334) | 56,558,332 |

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 2022.

(3) The weighted average closing price of the shares immediately before the date of exercise is HK$1.08 regarding the options exercised by the employee.

Further details of the share option schemes of the Company are set out in note 31 to the consolidated financial statements.

# REPORT OF DIRECTORS

## EQUITY-LINKED AGREEMENTS

Other than the Subscription Agreement and 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 2022 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 Mr. Wong Kai Chi will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming 2022 annual general meeting.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 22 to 24 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 2022 or at any time during the year ended 31 March 2022.

## CONTRACT OF SIGNIFICANCE

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders or any of its subsidiaries during the year and there is no contract of significance in relation to provision of services by the controlling shareholder or any of its subsidiaries to the Group.

# 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 12 to the consolidated financial statements in this annual report.

Save as disclosed in note 12 to the consolidated financial statements,

(i) no other payment was made to the former employer or Directors for making available the services of them as the Director during the year ended 31 March 2022 (2021: Nil);

(ii) no other payment was made or benefit provided in respect of termination of the service of Directors, whether in the capacity of Directors or in any other capacity while being Directors (2021: Nil); and

(iii) there are no loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporated by and connected entities with such Directors during the year ended 31 March 2022 (2021: Nil);

Save as disclosed in note 36 to the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during year ended 31 March 2022.

## 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.

## 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 2022, 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 | 72.31% |
| | Beneficial owner | 780,000 | 0.04% |
| | | 1,485,780,000 | 72.35% |
| Ms. Lee Yuen Tung Janice | Interest of spouse (Note 2) | 1,485,780,000 | 72.35% |

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 March 2022.

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 | 9,600,000 | 0.47% |
| | Interest of spouse (Note) | 9,600,000 | 0.47% |
| | | 19,200,000 | 0.93% |
| Ms. Lee Yuen Tung Janice | Beneficial owner | 9,600,000 | 0.47% |
| | Interest of spouse (Note) | 9,600,000 | 0.47% |
| | | 19,200,000 | 0.93% |

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 2022.

Note: Mr. Ma Pak Wing Kevin and Ms. Lee Yuen Tung Janice were deemed to be interested in 9,600,000 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 2022.

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 2022, 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 2022, 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:

# REPORT OF DIRECTORS

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

| Name of substantial shareholders | 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 | 72.31% |

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 March 2022.

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 2022, 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 2022, the percentage of revenue attributable to the Group's major customers is set out below:

### Revenue

— The largest customer: 3.4%

— The total of the five largest customers: 10.5%

For the year ended 31 March 2022, the percentage of cost of services attributable to the Group's major suppliers is set out below:

### Cost of Revenue

— The largest supplier: 7.8%

— The total of the five largest suppliers: 32.6%

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

## CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

The following transactions constitute continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules. The Company confirmed that the related party transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules and complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

On 27 August 2019, due to certain foreign investment restrictions in the PRC, 北京賀彼貿易有限公司 ("Beijing Hypebeast"), a wholly owned subsidiary of the Company, concurrently entered into various agreements with 賀彼文化傳播(北京)有限公司 ("Hypebeast Cultural" or the "VIE Entity") and Ms. Yu Na (the "Legal Owner") which together constituted the VIE Agreements. Through the VIE Agreements, the Group has obtained effective control over the finance and operation of Hypebeast Cultural and the entire economic interests and benefits generated by Hypebeast Cultural (the "VIE Structure"). Upon the entering into of the VIE Agreements, the financial results of Hypebeast Cultural have been consolidated into the consolidated financial statements of the Group and Hypebeast Cultural has become an indirect subsidiary of the Company.

As at the date of the VIE Agreements and this annual report, the Legal Owner is the (i) sole shareholder, (ii) executive director and (iii) chairman of Hypebeast Cultural. Therefore, the Legal Owner, and Hypebeast Cultural (being an associate of the Legal Owner), are connected persons of the Company at the subsidiary level and the transactions conducted and contemplated under the Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For the year ended 31 March 2022, the service fees charged by Beijing Hypebeast to Hypebeast Cultural in respect of the transactions conducted under the Service Agreement amounted to approximately RMB22.9 million (equivalent to approximately HKD27.9 million).

Save for disclose above, the Company has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules for the year ended 31 March 2022.

The Board has approved the transactions contemplated under the Service Agreement and the independent non-executive Directors have also confirmed that the transactions contemplated under the Service Agreement have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal or better commercial terms which are not less favourable to the Group than those for independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. Further, the independent non-executive Directors have confirmed that no dividends or other distributions have been made by Hypebeast Cultural to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended 31 March 2022.

# REPORT OF DIRECTORS

## THE VIE AGREEMENTS (INCLUDING THE SERVICE AGREEMENT)

### Introduction

On 27 August 2019, due to certain foreign investment restrictions in the PRC, Beijing Hypebeast (a wholly owned subsidiary of the Company) concurrently entered into various agreements with Hypebeast Cultural and the Legal Owner (including the Service Agreement for the provision of certain management consulting and technical services by Beijing Hypebeast to Hypebeast Cultural) which together constituted the VIE Agreements. Through the VIE Agreements, the Group has obtained effective control over the finance and operation of Hypebeast Cultural and the entire economic interests and benefits generated by Hypebeast Cultural. Upon the entering into of the VIE Agreements, the financial results of Hypebeast Cultural has been consolidated into the consolidated financial statements of the Group since 1 April 2019 and Hypebeast Cultural has become an indirect subsidiary of the Company. As at the date of the VIE Agreements and this report, Hypebeast Cultural is principally engaged in creative production and provision for digital advertising services.

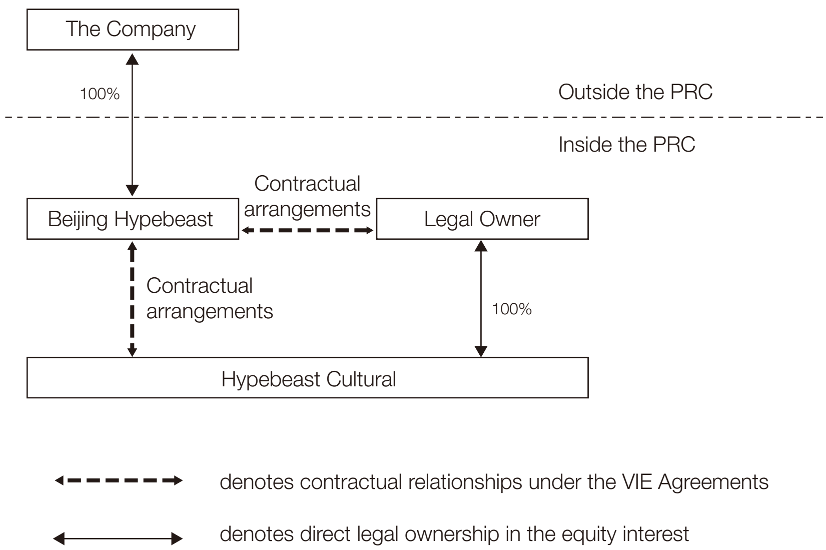
As advised by the PRC Legal Adviser, under the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》) promulgated by the National Development and Reform Commission and the Ministry of Commerce of the PRC on 23 June 2020 (including any amended and updated versions), 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 ("VAT") service (except e-commerce, domestic conferencing, store-and-forward, and call center services) shall not exceed 50%. 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 the PRC, 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 Internet information services shall not exceed 50%. As such, the Group cannot wholly own the Restricted Business by way of equity owing to the aforesaid restriction. Furthermore, according to the PRC Legal Adviser, (i) in order to acquire any equity interests in the business of value-added telecommunications service in the PRC, the foreign investors shall satisfy several strict requirements on performance and operational experience, including having a good track record and experience for operating the business of value-added telecommunications service offshore; (ii) the foreign investors that satisfy the requirements shall obtain the approval from the Ministry of Industry and Information Technology of the PRC (the "MIIT"), while the MIIT could exercise a broad discretionary power when reviewing the approval; (iii) according to the information available in the public domain, the relevant PRC authorities only issued the Value-added Telecommunications Business Permit (增值電信業務經營許可證) (the "Permit") to a few foreign-invested companies in the past; and (iv) in light of the foregoing, the Company decided to obtain effective control over the finance and operation of Hypebeast Cultural and the entire economic interests and benefits generated by Hypebeast Cultural through the VIE Structure. On the other hand, as (i) foreign-invested enterprises, including Beijing Hypebeast, are prohibited from holding equity interest exceeding 50% in any enterprise engaging in the Restricted Business; and (ii) Hypebeast Cultural is not a foreign-invested enterprise and hence is eligible to apply for the relevant licenses required for conducting the Restricted Business in accordance with applicable PRC laws, namely, Regulation on Telecommunications of the People's Republic of China (中華人民共和國電信條例) according to the PRC Legal Adviser, Hypebeast Cultural has obtained the relevant Permit with the business type specified as "information services (only including Internet information services)" for the purpose of conducting the Restricted Business.

The relevant Value-added Telecommunications Business Permit was issued by the Beijing Communications Administration (北京市通信管理局) to Hypebeast Cultural on 19 March 2019 and was renewal in December 2021 and valid till 8 July 2026. To the best of the knowledge, information and belief of the Directors, the Directors are of the view that Hypebeast Cultural is likely to be able to renew the relevant Value-added Telecommunications Business Permit with the Beijing Communications Administration.

Accordingly, Beijing Hypebeast entered into the VIE Agreements with Hypebeast Cultural and the Legal Owner whereby Beijing Hypebeast can exercise control over Hypebeast Cultural and manage and operate its business operation by contractual arrangements (the “Contractual Arrangements”) and consolidate the financial results of Hypebeast Cultural into the accounts of the Company as if it was a subsidiary of the Company, as confirmed with the Company’s auditors under the applicable accounting principles.

### Summary of the Material Terms of the VIE Agreements

The following diagram illustrates the flow of economic benefits from Hypebeast Cultural to the Group stipulated under the VIE Agreements as at the date of the VIE Agreements and this report:



# REPORT OF DIRECTORS

## (1) The Loan Agreement

**Date:** 27 August 2019

**Parties:** (i) Beijing Hypebeast; (ii) the Legal Owner

**Major Terms:**

Beijing Hypebeast (as the lender) shall lend to the Legal Owner (as the borrower), RMB1 million for the sole purpose of investing into the equity interest in Hypebeast Cultural. The Loan Agreement shall take effect on 1 April 2019.

The Loan Agreement stipulates that, among others:

(i) the loan must only be repaid by way of the Legal Owner transferring the Legal Owner's respective equity interests in Hypebeast Cultural to Beijing Hypebeast or its nominee;

(ii) the loan may only be used by the Legal Owner for the purpose of investing in Hypebeast Cultural; and

(iii) the Legal Owner cannot transfer her respective interests in Hypebeast Cultural to any third party.

To the best of the knowledge, information and belief of the Directors, the basis of the RMB1 million loan was determined according to the estimated daily operational expenses of Hypebeast Cultural to be incurred over a one-year period.

## (2) The Exclusive Option and Equity Trust Agreement

**Date:** 27 August 2019

**Parties:** (i) Beijing Hypebeast; (ii) Hypebeast Cultural; (iii) the Legal Owner

**Major Terms:**

With effect from 1 April 2019, the Legal Owner, being the sole shareholder of Hypebeast Cultural, has granted the full power and authority to Beijing Hypebeast and its nominee to:

(i) exercise all of the shareholder's rights of the Legal Owner in Hypebeast Cultural in accordance with applicable laws and the articles of Hypebeast Cultural; and

(ii) nominate the director, chief executive officer and other senior management of Hypebeast Cultural;

Beijing Hypebeast or its nominee shall be entitled to (i) exercise an option to purchase all or part of the Legal Owner's equity interests in Hypebeast Cultural at the consideration being either RMB1 (or any price mutually agreed by the parties) or the minimum price allowed by applicable laws if such transfer of equity interests is allowed by the applicable PRC laws ("Exclusive Option"); and (ii) purchase all or part of the assets of Hypebeast Cultural at the minimum price allowed under the applicable PRC laws during the option period, being the period from the effective date of the Exclusive Option and Equity Trust Agreement to the date on which all the equity interest in Hypebeast Cultural having been transferred to Beijing Hypebeast or its nominee.

Before the entire equity interest of Hypebeast Cultural is transferred to Beijing Hypebeast or its nominee ("Exercise Period"), without the prior written consent of Beijing Hypebeast, Hypebeast Cultural and the Legal Owner shall not engage in any transaction or action which will create any substantive influence to the assets, business, rights or operation management of Hypebeast Cultural and its investment company, controlling or shareholding company.

The Exclusive Option and Equity Trust Agreement shall remain effective during the Exercise Period unless terminated by Beijing Hypebeast by written notice.

### (3) The Service Agreement

**Date:** 27 August 2019

**Parties:** (i) Beijing Hypebeast; (ii) Hypebeast Cultural

**Period:**

10 years with effect from 1 April 2019, which shall be optional to Beijing Hypebeast to extend for another 10 years, without any limitation on number of times exercising the extension option.

**Major Terms:**

With effect from 1 April 2019, Beijing Hypebeast shall provide to Hypebeast Cultural certain management consulting and technical services, including but not limited to business and strategic planning, marketing development, clientele management and development, software development and application, etc. at the agreed service fees.

The service fee shall be an amount reasonably determined by Beijing Hypebeast, which is based on the management consulting and technical services provided by Beijing Hypebeast to Hypebeast Cultural under the Service Agreement. Any fees and expenses incurred when providing such services, such as travel expenses, transportation expenses and postage, shall be borne by Hypebeast Cultural. Beijing Hypebeast shall issue a payment notice within 30 working days of the end of each quarter.

In the absence of prior written consent of Beijing Hypebeast, Hypebeast Cultural may not accept any management consulting and technical services provided by any third party (including its shareholder).

Beijing Hypebeast has the exclusive proprietary rights to all intellectual property rights created or bought by Hypebeast Cultural.

Based on the records of the Group, the service fees payable by Hypebeast Cultural to Beijing Hypebeast for the services provided by Beijing Hypebeast for the years ended 31 December 2019, 2020 and 2021 were approximately RMB7,100,000, RMB18,500,000 and RMB22,900,000, respectively. To the best of the knowledge, information and belief of the Directors, such service fees payable by Hypebeast Cultural to Beijing Hypebeast for the services provided by Beijing Hypebeast for the years ended 31 December 2019, 2020 and 2021 represent the maximum amount of economic benefits that could be obtained by the Group from Hypebeast Cultural, being the net amount of the contract value of projects of Hypebeast Cultural after deducting the production costs incurred by Hypebeast Cultural.

To the best of the knowledge, information and belief of the Directors, (i) Beijing Hypebeast is not required to share the losses of, or provide financial support to Hypebeast Cultural under the VIE Agreements; and (ii) between the effective date of the Service Agreement (i.e. 1 April 2019) to the date of this report, there were no instances where the costs incurred for a project pursued by Hypebeast Cultural exceeded the revenue generated.

### (4) The Equity Pledge Agreement

**Date:** 27 August 2019

**Parties:** (i) Beijing Hypebeast; (ii) Hypebeast Cultural; (iii) the Legal Owner

**Major Terms:**

With effect from 1 April 2019, the Legal Owner has pledged all her equity interests in Hypebeast Cultural as well as all rights and benefits relating to such equity interests to Beijing Hypebeast to secure Hypebeast Cultural and Legal Owner's due performance of their respective obligations under the VIE Agreements. During the term of the pledge, all interests, distributions and dividends arising from the pledged equity shall belong to Beijing Hypebeast.

The pledge shall take effect on 1 April 2019 and shall remain valid until the last contract in the VIE Agreements is terminated (including any renewal). Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreement), Beijing Hypebeast shall be entitled to issue written notice to Hypebeast Cultural to demand for the disposal of the pledged equity interests in accordance with the Equity Pledge Agreement.

### (5) The Non-Competition Agreement

**Date:** 27 August 2019

**Parties:** (i) Beijing Hypebeast; (ii) Hypebeast Cultural; (iii) the Legal Owner

**Major Terms:**

With effect from 1 April 2019, the Legal Owner agreed to avoid any direct or indirect competition in the same businesses with Beijing Hypebeast and Hypebeast Cultural, during the period that the Legal Owner pledged her respective interests in Hypebeast Cultural. Such businesses include, but are not limited to (i) management consulting, marketing and promotion planning and economic and trade consulting services; technical development, consulting, assignment, services and computer graphic design in relation to computer and mobile software; (ii) information services business under type II value-added telecom services; and (iii) sales of clothes, apparel accessories and daily necessities, commission agent (excluding auctioning) and the importation and exportation of goods and technology.

The Non-Competition Agreement shall take effect on 1 April 2019 and has a term of ten (10) years commencing from the effective date. At the request of Beijing Hypebeast, the Non-Competition Agreement may be renewed for a further term of ten (10) years for unlimited times. Notwithstanding the above, all obligations of the Legal Owner under the Non-Competition Agreement shall automatically terminate upon the expiration of two (2) years from the date on which the Legal Owner is no longer a shareholder, director or staff of Hypebeast Cultural.

# REPORT OF DIRECTORS

**(6) Undertaking of the Legal Owner**

**Date:** 27 August 2019

**Party:** the Legal Owner

**Major Terms:**

The Legal Owner has signed an undertaking (the "Undertaking"), pursuant to which she unconditionally and irrevocably acknowledged and undertook that appropriate arrangement shall be made to ensure that when the Legal Owner passes away, is incapacitated, is bankrupt, is divorced or where there are any events which may affect the Legal Owner's performance of the obligations under the Main Contracts, the Legal Owner's successors, guardians, creditors, spouse or any person who obtains the Legal Owner's equity interest or relevant rights shall agree that:

(i) the Legal Owner's equity interest in the Company shall and can be pledged, sold or disposed of in other manner in accordance with the Main Contracts;

(ii) the Main Contracts shall be applicable to the legal rights of the Legal Owner's equity interest that may be owned by the successor of the Legal Owner's equity interest; and

(iii) in any event, the successor of the Legal Owner's equity interest will not propose any requirements which are not in compliance with the Main Contracts, and will not take any actions which are not in compliance with the contents of the Main Contracts.

The Legal Owner has undertaken she would procure her spouse to execute a letter of spouse undertaking in such format and substance to the satisfaction of Beijing Hypebeast if she was to enter into a marriage during the term of the Main Contracts.

The Undertaking shall take effect on 1 April 2019.

The signing date and effective date of the VIE Agreements were 27 August 2019 and 1 April 2019, respectively, since (i) services were performed by Beijing Hypebeast for Hypebeast Cultural between 1 April 2019 and 27 August 2019 and payment obligations of Hypebeast Cultural to Beijing Hypebeast only arose after 27 August 2019. The risk and benefits of the services rendered under the Service Agreement have been passed to the Company since 1 April 2019; and (ii) it would align the effective date of the VIE Agreements with the start of the financial year of the Company from 1 April 2019, thus facilitating the preparation of the financial reporting process of the Company. Based on the VIE Agreements, the Company has obtained effective control of Hypebeast Cultural on 1 April 2019.

# REPORT OF DIRECTORS

### Commercial benefits of entering into the VIE Agreements

Based on the above, the Directors are of the view that the VIE Agreements are narrowly tailored to achieve the Group's business purpose and to minimise the potential conflict with the relevant PRC laws. The Directors are of the view that VIE Agreements enable the Group to exercise control over Hypebeast Cultural and manage and operate its business operation. The Group is able to engage in the Restricted Business in the PRC and is entitled to the economic interests and benefits of Hypebeast Cultural as a result of the entering into of the VIE Agreements by the parties thereto. The Directors believe that the VIE Agreements will provide a mechanism that enables the Group to exercise effective control over Hypebeast Cultural and the financial results of Hypebeast Cultural would be consolidated into the financial statements of the Group. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this report, Hypebeast Cultural has not encountered any interference or encumbrance from any governing bodies in operating its business. According to the Exclusive Option and Equity Trust Agreement, at any time during the option exercise period, Beijing Hypebeast is entitled to request the Legal Owner to transfer all or part of the equity interest held by the Legal Owner in Hypebeast Cultural to Beijing Hypebeast (or a third party designated by Beijing Hypebeast) to the extent allowed by the applicable PRC laws then. Furthermore, according to the Loan Agreement, once the applicable PRC laws allow the foreign investors to directly invest in the business operated by Hypebeast Cultural, the Legal Owner or her successor shall make the repayment to Beijing Hypebeast immediately by way of the following repayment method only: the Legal Owner to transfer the Legal Owner's respective equity interests in Hypebeast Cultural to Beijing Hypebeast or its nominee, and the Legal Owner shall then return all the payments so obtained to Beijing Hypebeast.

### Commercial benefits of entering into the transactions conducted and contemplated under the Service Agreement

The Directors are of the view that the provision of management consulting and technical services by Beijing Hypebeast to Hypebeast Cultural through transactions contemplated under the Service Agreement diversifies the revenue stream and customer base of the Group's existing businesses.

The service fees charged by Hypebeast Cultural to Beijing Hypebeast in respect of the transactions conducted under the Service Agreement from the effective date of the Service Agreement (i.e. 1 April 2019) to the date of this report amounted to approximately RMB48.5 million. Furthermore, according to the Equity Pledge Agreement, the Legal Owner has pledged all her equity interests in Hypebeast Cultural as well as all rights and benefits relating to such equity interests to Beijing Hypebeast to secure Hypebeast Cultural and Legal Owner's due performance of their respective obligations under the VIE Agreements. During the term of the pledge, all interests, distributions and dividends arising from the pledged equity shall belong to Beijing Hypebeast. To the best of the knowledge, information and belief of the Directors after making reasonable enquiries, no distributions or dividends have been made by Hypebeast Cultural to the Legal Owner (i.e. its sole shareholder) from the effective date of the VIE Agreements on 1 April 2019 to the date of this report.

The Directors (including the independent non-executive Directors) are of the view that terms of the Service Agreement and the transactions conducted and contemplated thereunder have been and will be entered into in the ordinary and usual course of business, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## RISK FACTORS IN RELATION TO THE VIE STRUCTURE

**1. If the PRC government deems that the Contractual Arrangements that establish the structure for operating the operations in mainland China 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.**

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

The Group believes that the ownership structures of Hypebeast Cultural and Beijing Hypebeast comply with all existing PRC laws and regulations, and the Contractual Arrangements between Beijing Hypebeast, Hypebeast Cultural and its shareholder governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect. However, the legality and enforceability of such Contractual Arrangements as a whole have not been tested in any PRC courts and there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. If the Group or Hypebeast Cultural is found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licenses of such entities;
- discontinuing or restricting the conduct of any transactions between the Group and Hypebeast Cultural;
- imposing fines, confiscating the income from Hypebeast Cultural, or imposing other requirements with which the Group or Hypebeast Cultural may not be able to comply;
- requiring the Group to restructure its ownership structure or operations, including terminating the Contractual Arrangements with Hypebeast Cultural and deregistering the equity pledges of Hypebeast Cultural, which in turn would affect its ability to consolidate, derive economic interests from, or exert control over Hypebeast Cultural; or

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

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 Hypebeast Cultural in its consolidated financial statements, if the PRC government authorities were to find the legal structure and the Contractual Arrangements to be in violation of PRC laws and regulations. If the imposition of any of these government actions causes the Group to lose its right to direct the activities of Hypebeast Cultural or its right to receive substantially all the economic benefits and residual returns from Hypebeast Cultural and 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 Hypebeast Cultural 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 and cause the value of its securities to significantly decline.

Furthermore, it is uncertain whether any new PRC laws, rules or regulations relating to Contractual Arrangements will be adopted or if adopted, what they would provide. For example, the National People's Congress approved the PRC Foreign Investment Law on 15 March 2019 (the "Foreign Investment Law") and the State Council approved the Regulation on Implementing the Foreign Investment Law (the "Implementation Regulations") on 12 December 2019, effective from 1 January 2020. The Supreme People's Court of China issued a judicial interpretation on the Foreign Investment Law on 26 December 2019, effective from 1 January 2020. The Foreign Investment Law and the Implementation Regulations do not touch upon the relevant concepts and regulatory regimes that were historically suggested for the regulation of the variable interest entity structures, and thus this regulatory topic remains unclear under the Foreign Investment Law. Since the Foreign Investment Law and the Implementation Regulations are new, there are substantial uncertainties exist with respect to its implementation and interpretation and it is also possible that variable interest entities will be deemed as foreign invested enterprises and be subject to restrictions in the future. Such restrictions may cause interruptions to the Group's operations, products and services and may incur additional compliance cost, which may in turn materially and adversely affect its business, financial condition and results of operations and cause the value of its securities to significantly decline.

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

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

The Group relies on the Contractual Arrangements to operate its business in mainland China. Such Contractual Arrangement may not be as effective in providing Beijing Hypebeast with control over Hypebeast Cultural as direct ownership. The Group's control over Hypebeast Cultural and its position of being the primary beneficiary of Hypebeast Cultural for the accounting purposes are limited to the conditions that the Group met for consolidation of Hypebeast Cultural under IFRS. Such conditions include that (i) the Group controls Hypebeast Cultural through power to govern the activities which most significantly impact Hypebeast Cultural's economic performance, and (ii) the Group is entitled to receive benefits from Hypebeast Cultural that could potentially be significant to Hypebeast Cultural. Only if the Group meets the aforementioned conditions, the Group will be deemed as the primary beneficiary of Hypebeast Cultural, and Hypebeast Cultural will be treated as its consolidated affiliated entities for the accounting purposes. If Beijing Hypebeast has direct ownership of Hypebeast Cultural, it will be able to exercise its rights as a shareholder to effect changes in the board of directors of Hypebeast Cultural, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the Contractual Arrangements, the Group relies on the performance by the shareholder of Hypebeast Cultural of her obligations under the Contractual Arrangements to exercise control over Hypebeast Cultural. Such risks exist throughout the period in which the Group intends to operate its business through the Contractual Arrangements with Hypebeast Cultural. The Group may replace the shareholder of Hypebeast Cultural at any time pursuant to the Contractual Arrangements with Hypebeast Cultural and its shareholder. However, if any dispute relating to these contracts remains unresolved, the Group will have to enforce its rights under the Contractual Arrangements through the operations of PRC law and courts and therefore will be subject to uncertainties in the PRC legal system. Therefore, the Contractual Arrangements with the shareholder of Hypebeast Cultural may not be as effective in ensuring Beijing Hypebeast's control over Hypebeast Cultural as direct ownership would be.

**3. The shareholder of Hypebeast Cultural may potentially have a conflict of interests with the Group.**

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

# REPORT OF DIRECTORS

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

The Group could face material adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements were not entered into based on arm's length negotiations. If the PRC tax authorities determine that these agreements were not entered into on an arm's length basis, they may adjust income and expenses of Beijing Hypebeast and/or Hypebeast Cultural for PRC tax purposes, which could result in higher tax liabilities on Beijing Hypebeast and/or Hypebeast Cultural. The operating and financial results of the Group may be materially and adversely affected if the tax liabilities of Hypebeast Cultural or those of Beijing Hypebeast increase significantly or if they are required to pay interest on late payments and other penalties.

**5. A substantial amount of costs and time may be involved in transferring the ownership of Hypebeast Cultural to Beijing Hypebeast under the Exclusive Option and Equity Trust Agreement.**

In case Beijing Hypebeast exercises its option to acquire all or part of the equity interests in Hypebeast Cultural under the Exclusive Option and Equity Trust Agreement, such acquisition may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals and relevant procedures under the applicable PRC laws. In addition, the abovementioned acquisitions may be subject to a minimum price limitation (such as an appraised value for the equity interests in Hypebeast Cultural) or other limitations as imposed by the applicable PRC laws. Further, a substantial amount of taxes, other necessary costs (if any), expenses and time may be involved in transferring the ownership of Hypebeast Cultural, which may have a material adverse impact on the business, prospects and results of operation of the Group.

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

If Hypebeast Cultural or its shareholder fail to perform their respective obligations under the Contractual Arrangements, the Group may have to incur substantial costs and expend additional resources to enforce such arrangements. The Group may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, the effectiveness of which cannot be assured. For example, if the shareholder of Hypebeast Cultural was to refuse to transfer her equity interest in Hypebeast Cultural to Beijing Hypebeast or its designee when Beijing Hypebeast exercises the purchase option pursuant to the Contractual Arrangements, or if they were otherwise to act in bad faith towards the Group, the Group may have to take legal actions to compel them to perform its contractual obligations. All the Contractual Arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law, and as a result it may be difficult to predict how an arbitration panel would view such contractual arrangements. As a result, uncertainties in the PRC legal system could limit the Group's ability to enforce these Contractual Arrangements. Additionally, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would contain uncertainty and require additional expenses and delay. Hypebeast Cultural holds the necessary licenses and permits of the Group. In the event the Group is unable to enforce the Contractual Arrangements, the Group may not be able to exert control over Hypebeast Cultural, and its ability to conduct these businesses may be negatively affected.

**7. The Group does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder.**

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

**8. The Group would be adversely affected if Hypebeast Cultural suffers losses.**

Beijing Hypebeast is not required to share the losses of, or provide financial support to Hypebeast Cultural under the Contractual Arrangements. Further, Hypebeast Cultural is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. However, given that (i) the business operations of Hypebeast Cultural is an important part of the PRC business conducted by the Group, (ii) Hypebeast Cultural holds the requisite PRC operational licenses and approvals, and (iii) the financial position and results of operations of Hypebeast Cultural are consolidated into the Group's financial statements under the applicable accounting principles, the Group's business, financial position and results of operations would be adversely affected if Hypebeast Cultural suffers losses.

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

The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since the Foreign Investment Law and the Implementation Regulations are relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in mainland China. Though it does not explicitly classify the Contractual Arrangements as a form of foreign investment, there is no assurance that foreign investment via the Contractual Arrangements would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for the Contractual Arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing Contractual Arrangements, the Group may face substantial uncertainties as to whether it can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect the Group's current corporate structure, corporate governance and business operations.

# REPORT OF DIRECTORS

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

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

    In addition, the Group's PRC subsidiary are required to maintain certain statutory reserves and may also allocate a portion of their after-tax profits to statutory reserves, which in each case are not distributable as cash dividends except in the event of liquidation. Any limitation on the ability of the Group's PRC subsidiary to pay dividends or make other payments to it could materially and adversely limit the Group's ability to grow, make investments or acquisitions that could be beneficial to its business, pay dividends, or otherwise fund and conduct its business. For example, relevant PRC laws and regulations permit the PRC companies to pay dividends only out of their accumulated after-tax profits, if any, as determined in accordance with PRC accounting standards and regulations and the Group's PRC subsidiary shall make up its losses of previous years when conducting outward remittance. Additionally, the Group's PRC subsidiary can only distribute dividends upon approval of the shareholders after they have met the PRC requirements for appropriation to the statutory reserves. As a result of these and other restrictions under the PRC laws and regulations, the Group's PRC subsidiary are restricted to transfer a portion of their net assets to the Group either in the form of dividends, loans or advances.

## INTERNAL CONTROL MEASURES IMPLEMENTED BY THE GROUP

The Directors will consult the PRC Legal Adviser from time to time to check if there are any legal developments in the PRC affecting the VIE Agreements, and should immediately report to the Board so as to allow the Board to determine if any modification or amendment are required to be made.

If there are any changes to the VIE Agreements in the future, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.

In case there would be material and adverse effect on the business of Hypebeast Cultural arising from the 2019 PRC Foreign Investment Law, the Company will disclose, as soon as possible: (i) updates of material development to the 2019 PRC Foreign Investment Law as and when it occurs; (ii) specific measures taken by the Company to fully comply with the development to the 2019 PRC Foreign Investment Law; and (iii) any material impact of the development of the 2019 PRC Foreign Investment Law on the Company's operations and financial position.

# REPORT OF DIRECTORS

## GENERAL INFORMATION OF THE LEGAL OWNER AND HYPEBEAST CULTURAL

The Legal Owner is responsible for the daily business operations and management of Hypebeast Cultural and is also the (i) sole shareholder, (ii) executive director and (iii) manager of Hypebeast Cultural. To the best information and knowledge of the Directors upon making reasonable enquiries, the Legal Owner has no relationship with the Company, its connected persons and their respective associates except for being a connected person at the subsidiary level due to her positions in Hypebeast Cultural.

Hypebeast Cultural is a company established under the laws of the PRC on 4 December 2015, the sole shareholder, executive director and manager of which is the Legal Owner. Hypebeast Cultural is principally engaged in creative production and provision for digital advertising services.

### Financial Information

Set out below is the financial information of Hypebeast Cultural, prepared in accordance with PRC accounting standards, based on (i) the unaudited financial statements of Hypebeast Cultural for the year ended 31 December 2017 and (ii) the audited financial statements of Hypebeast Cultural for the four years ended 31 December 2021:

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2017<br>RMB'000<br>(unaudited) | 2018<br>RMB'000<br>(audited) | 2019<br>RMB'000<br>(audited) | 2020<br>RMB'000<br>(audited) | **2021**<br>**RMB'000**<br>**(audited)** |
| Revenue | – | 6,641 | 22,879 | 25,166 | **50,862** |
| Net profits/(losses) before tax | (206) | 374 | 1,530 | 8,098 | **8,522** |
| Net profits/(losses) after tax | (206) | 374 | 1,421 | 6,073 | **6,391** |

The unaudited total assets of Hypebeast Cultural were approximately RMB240,000 as at 31 December 2017. The audited total assets of Hypebeast Cultural were approximately RMB1,981,000, RMB8,674,000, RMB13,199,000 and RMB28,226,000 as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021, respectively.

The unaudited net assets of Hypebeast Cultural were approximately RMB8,000 as at 31 December 2017. The audited net assets of Hypebeast Cultural were approximately RMB381,000, RMB1,904,000, RMB7,978,000 and RMB14,369,000 as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021, respectively.

# REPORT OF DIRECTORS

### Material changes in relation to the VIE Agreements

During the year ended 31 March 2022, 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 2022, 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.

### Confirmation from Auditor of the Company in relation to the Continuing Connected Transactions

Pursuant to Rule 14A.56 of the Listing Rules, the board of directors engaged, Deloitte Touche Tohmatsu, the auditor of the Company, to carry out assurance procedures in respect of the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the conclusion to the board of directors by confirming the matters as stated in Rule 14A.56, where applicable. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

## 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 2022.

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 2022, 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. Each of the controlling shareholders has also confirmed that he/she/it has complied with the deed of non-competition dated 28 March 2016 during the year ended 31 March 2022.

# REPORT OF DIRECTORS

## CORPORATE GOVERNANCE

The Company's corporate governance report is set out on pages 25 to 34 of this annual report.

## EVENT AFTER THE REPORTING PERIOD

On 3 April 2022, the Company, Iron Spark, and Hypebeast WAGMI Inc. (the "Merger Sub"), a wholly-owned subsidiary of the Company, entered into the Merger Agreement, pursuant to which, subject to satisfaction of the conditions precedent stipulated under the Merger Agreement, (a) Merger Sub will merge with and into Iron Spark, with Iron Spark being the surviving entity in the Merger, and after giving effect to the Merger, Iron Spark will become a wholly-owned subsidiary of the Company; and (b) each Iron Spark Share issued and outstanding immediately before completion of the Merger will be cancelled and automatically converted into the right to receive, without interest, one consolidated share at completion of the Merger.

Concurrently with the signing of the Merger Agreement, several investors (the "PIPE Investors") have entered into the PIPE Share Subscription Agreements with the Company, pursuant to which the PIPE Investors have conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the subscription shares at the subscription price, being an issue price identical to the consideration share issue price, for an aggregate subscription price of US$13,335,000 (equivalent to approximately HK$104,013,000), substantially concurrently with (and subject to) completion of the Merger.

On 5 May 2022, the Company has filed with the U.S. Securities and Exchange Commission a registration statement on Form F-4 for the consideration shares to be issued.

Details of the above are set out in the announcements of the Company dated 3 April 2022 and 6 May 2022.

Save for the above, there has been no important events subsequent to 31 March 2022 and up to the date of this annual 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, 29 June 2022

# 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 106 to 203, which comprise the consolidated statement of financial position as at 31 March 2022, 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") 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 MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

## KEY AUDIT MATTER (CONTINUED)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Impairment assessment of the property, plant and equipment and right-of-use assets in relation to the e-commerce business* | |
| We identified the impairment assessment of the property, plant and equipment and right-of-use assets in relation to the e-commerce business as a key audit matter due to the loss incurred in the e-commerce business during the year end and significant management judgement and estimations involved in the determination of the recoverable amount of the cash generating unit ("CGU") in relation to the e-commerce business.<br><br>As detailed in notes 4 and 15 to the consolidated financial statements, for the purpose of the impairment assessment, the carrying amounts of property, plant and equipment and right-of-use assets amounted to HK$4,302,000 and HK$19,135,000, respectively, as at 31 March 2022 have been allocated to the e-commerce CGU.<br><br>The impairment assessment was based on a value in use calculation that required significant estimation with respect to the underlying discounted cash flow model. The Group has engaged an independent qualified professional valuer to perform such valuation.<br><br>The management of the Group has performed impairment assessment and concluded that no impairment loss was recognised for the e-commerce CGU for the year ended 31 March 2022. | Our procedures in relation to impairment assessment of the e-commerce CGU included:<br><br>• Understanding the Group's impairment assessment process, including the valuation model adopted and key assumptions made by the management;<br><br>• Evaluating the competence and objectivity of the independent qualified professional valuer and obtaining an understanding of the valuer's scope of work and the terms of engagement and engaging our internal valuation specialists to assess the appropriateness of the valuation methodology and certain assumptions including discount rate adopted;<br><br>• Evaluating the reasonableness of the key assumptions including discount rate and budgeted sales of the CGU in the discounted cash flow model prepared by the management by considering the historical results of the CGU and the market development;<br><br>• Evaluating the reasonableness of, and recalculating, the sensitivity analysis prepared by the management and assessing the impact on value in use of the CGU; and<br><br>• Checking the mathematical accuracy of the value in use calculation. |

# INDEPENDENT AUDITOR'S REPORT

## 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 IFRSs 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.

# INDEPENDENT AUDITOR'S REPORT

## 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, actions taken to estimate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter 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 Fung Suet Ngan.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
29 June 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

| | NOTES | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| Revenue | 5 | **895,632** | 674,212 |
| Cost of revenue | | **(346,319)** | (340,085) |
| Gross profit | | **549,313** | 334,127 |
| Other income, other gains and losses | 8 | **4,880** | 3,177 |
| Selling and marketing expenses | | **(160,391)** | (112,791) |
| Administrative and operating expenses | | **(202,650)** | (125,005) |
| Professional fee related to the Merger as defined in note 40 | 40 | **(30,185)** | — |
| Impairment losses under expected credit losses model, net of reversal | 9 | **(11,681)** | (4,795) |
| Impairment losses recognised on intangible assets | | **(2,648)** | — |
| Finance costs | 7 | **(4,588)** | (1,622) |
| Profit before tax | | **142,050** | 93,091 |
| Income tax expense | 10 | **(41,883)** | (22,507) |
| Profit for the year | 11 | **100,167** | 70,584 |
| Other comprehensive income | | | |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | **2,878** | 3,934 |
| Total comprehensive income for the year | | **103,045** | 74,518 |
| Earnings per share | 14 | | |
| — Basic (HK cent) | | **4.88** | 3.47 |
| — Diluted (HK cent) | | **4.87** | 3.45 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2022

| | NOTES | 31/3/2022 HK$'000 | 31/3/2021 HK$'000 | 1/4/2020 HK$'000 |
|---|---|---|---|---|
| Non-current assets | | | | |
| Property, plant and equipment | 15 | **52,701** | 22,590 | 12,238 |
| Intangible assets | 16 | **11,767** | 962 | 988 |
| Right-of-use assets | 17 | **70,013** | 78,951 | 46,254 |
| Interest in a joint venture | 18 | **—** | — | — |
| Financial assets at fair value through profit or loss | 19A | **24,258** | 1,647 | — |
| Amount due from a joint venture | 20 | **—** | 9,101 | 11,870 |
| Rental and other deposits | 22 | **7,622** | 7,465 | 5,298 |
| Deferred tax assets | 29 | **1,022** | 479 | — |
| | | **167,383** | 121,195 | 76,648 |
| Current assets | | | | |
| Inventories | 21 | **69,702** | 42,389 | 71,408 |
| Trade and other receivables | 22 | **183,018** | 196,942 | 221,400 |
| Tax prepayments | | **10,510** | — | — |
| Contract assets | 23 | **5,154** | 1,484 | 1,855 |
| Pledged bank deposits | 24 | **10,000** | 10,000 | 15,603 |
| Bank balances and cash | 24 | **284,269** | 209,575 | 67,251 |
| | | **562,653** | 460,390 | 377,517 |
| Current liabilities | | | | |
| Trade and other payables | 25 | **145,708** | 117,886 | 88,894 |
| Contract liabilities | 26 | **11,602** | 9,020 | 4,429 |
| Derivative financial instruments | 19B | **620** | — | — |
| Bank borrowings — due within one year | 27 | **7,363** | 5,996 | 32,836 |
| Lease liabilities | 28 | **15,919** | 15,763 | 15,862 |
| Tax payables | | **12,879** | 5,661 | 5,976 |
| | | **194,091** | 154,326 | 147,997 |
| Net current assets | | **368,562** | 306,064 | 229,520 |
| Total assets less current liabilities | | **535,945** | 427,259 | 306,168 |
| Non-current liabilities | | | | |
| Lease liabilities | 28 | **58,029** | 66,016 | 30,899 |
| Deferred tax liabilities | 29 | **—** | — | 74 |
| | | **58,029** | 66,016 | 30,973 |
| Net assets | | **477,916** | 361,243 | 275,195 |
| Capital and reserves | | | | |
| Share capital | 30 | **20,536** | 20,459 | 20,231 |
| Reserves | | **457,380** | 340,784 | 254,964 |
| | | **477,916** | 361,243 | 275,195 |

The consolidated financial statements on pages 106 to 203 were approved and authorised for issue by the Board of Directors on 29 June 2022 and are signed on its behalf by:

**Ma Pak Wing Kevin**
*DIRECTOR*

**Lee Yuen Tung Janice**
*DIRECTOR*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

| | Share capital HK$'000 | Share premium HK$'000 | Statutory reserve HK$'000 (Note) | Translation reserve HK$'000 | Share options reserve HK$'000 | Accumulated profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| At 1 April 2020 | 20,231 | 29,579 | – | (42) | 8,524 | 216,903 | 275,195 |
| Profit for the year | – | – | – | – | – | 70,584 | 70,584 |
| Exchange differences arising on translation of foreign operations | – | – | – | 3,934 | – | – | 3,934 |
| Total comprehensive income for the year | – | – | – | 3,934 | – | 70,584 | 74,518 |
| Exercise of share options | 228 | 7,194 | – | – | (2,895) | – | 4,527 |
| Recognition of share-based payment expense | – | – | – | – | 7,003 | – | 7,003 |
| At 31 March 2021 | 20,459 | 36,773 | – | 3,892 | 12,632 | 287,487 | 361,243 |
| Profit for the year | – | – | – | – | – | 100,167 | 100,167 |
| Exchange differences arising on translation of foreign operations | – | – | – | 2,878 | – | – | 2,878 |
| Total comprehensive income for the year | – | – | – | 2,878 | – | 100,167 | 103,045 |
| Issuance of ordinary shares (Note 30) | 65 | 6,855 | – | – | – | – | 6,920 |
| Transaction costs attributable to issuance of ordinary shares | – | (300) | – | – | – | – | (300) |
| Exercise of share options | 12 | 1,202 | – | – | (491) | – | 723 |
| Recognition of share-based payment expense | – | – | – | – | 6,285 | – | 6,285 |
| Appropriations to statutory reserve (Note) | – | – | 5,486 | – | – | (5,486) | – |
| At 31 March 2022 | 20,536 | 44,530 | 5,486 | 6,770 | 18,426 | 382,168 | 477,916 |

Note: Under the People's Republic of China (the "PRC") law, the wholly-owned PRC subsidiaries and VIE is required to set aside at least 10% of their profit after taxation each year, if any, to fund the statutory reserve until such reserve reaches 50% of its registered capital. The transfer had been made before the distribution of dividends to equity owners. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit before tax | **142,050** | 93,091 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **6,186** | 6,525 |
| Depreciation of right-of-use assets | **21,317** | 21,253 |
| Amortisation of intangible assets | **111** | 105 |
| Share-based payment expense | **6,285** | 7,003 |
| (Gain) loss on disposal of property, plant and equipment | **(660)** | 146 |
| Gain on termination of lease | **—** | (67) |
| Gain on fair value changes of financial assets at fair value through profit or loss | **(4,181)** | — |
| Loss on fair value changes of derivative financial instruments | **620** | — |
| Impairment losses under expected credit loss model, net of reversal | **11,681** | 4,795 |
| Impairment losses recognised on intangible assets | **2,648** | — |
| Write-down of inventories | **1,825** | 1,038 |
| Finance costs | **4,588** | 1,622 |
| Bank interest income | **(350)** | (361) |
| Operating cash flows before movements in working capital | **192,120** | 135,150 |
| (Increase) decrease in inventories | **(29,138)** | 27,981 |
| Decrease in trade and other receivables and deposits | **14,570** | 23,486 |
| (Increase) decrease in contract assets | **(3,670)** | 371 |
| Increase in trade and other payables | **27,822** | 27,511 |
| Increase in contract liabilities | **2,582** | 4,591 |
| Cash generated from operations | **204,286** | 219,090 |
| Income taxes paid | **(45,718)** | (23,375) |
| NET CASH FROM OPERATING ACTIVITIES | **158,568** | 195,715 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | **(36,987)** | (16,932) |
| Investment in financial assets at fair value through profit or loss | **(18,430)** | (1,647) |
| Purchase of intangible assets | **(13,528)** | — |
| Payments for rental deposits | **(2,186)** | (289) |
| Payment for deposit of long term investment | **(1,950)** | — |
| Proceeds from disposal of property, plant and equipment | **1,290** | — |
| Refund of rent deposits | **924** | 1,890 |
| Repayment from a joint venture | **407** | — |
| Bank interest received | **350** | 361 |
| Advance to a joint venture | **—** | (1,250) |
| Placement of pledged bank deposits | **—** | (10,000) |
| Withdrawal of pledged bank deposits | **—** | 15,603 |
| NET CASH USED IN INVESTING ACTIVITIES | **(70,110)** | (12,264) |

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| FINANCING ACTIVITIES | | |
| Proceeds from issuance of ordinary shares under a share subscription agreement | 6,920 | — |
| Proceeds from bank borrowings | 4,405 | 7,278 |
| Proceeds from exercise of share options | 723 | 4,527 |
| Interest paid on bank borrowings | (196) | (493) |
| Payment of transaction costs attributable to issuance of ordinary shares | (300) | — |
| Repayment of bank borrowings | (3,038) | (34,118) |
| Interest paid on lease liabilities | (4,392) | (1,129) |
| Repayment of lease liabilities | (19,868) | (19,092) |
| NET CASH USED IN FINANCING ACTIVITIES | (15,746) | (43,027) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 72,712 | 140,424 |
| CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR | 209,575 | 67,251 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | 1,982 | 1,900 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash | 284,269 | 209,575 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 1. GENERAL INFORMATION

Hypebeast Limited ("the Company") was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 25 September 2015. The Company's shares were listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Its registered office is located at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The address of its principal place of business was 10/F, KC100, 100 Kwai Cheong Road, Kwai Chung, Hong Kong and was subsequently changed to 40/F, Cable TV Tower, No.9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong with effect from 1 February 2022.

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

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

## 2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

### Adoption of International Financial Reporting Standard ("IFRSs")

Since the listing of the shares of the Company on the Stock Exchange, the Company has been preparing its consolidated financial statements in accordance with the Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. Taking into account the potential dual-listing status of the Company upon completion of the Merger (see Note 40) and with a view to ensure transparency of financial information provided to the shareholders and potential investors of the Company, the Board of directors of the Company, at the board meeting held on 27 June 2022, has resolved to change the accounting standards applied for financial reporting from HKFRSs to IFRSs with immediate effect. Accordingly, the consolidated financial statements of the Company for the year ended 31 March 2022 have been and for the financial periods thereafter will be prepared in accordance with IFRSs. The Company has applied, for the first time, the IFRSs, in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards* with a date of transition to IFRSs on 1 April 2019 for the financial statements for the years ended 31 March 2020 and 2021 with no adjustments to the previously reported HKFRS consolidated financial statements.

## 2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (Continued)

### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendment to IFRS 16 | Covid-19-Related Rent Concessions |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform — Phase 2 |

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the amendments to IFRSs 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.

### 2.1 Impacts on application of the agenda decision of the Committee — Cost necessary to sell inventories (IAS2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively. The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

### 2.2 Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform — Phase 2*

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7").

## 2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (Continued)

### Amendments to IFRSs that are mandatorily effective for the current year

As at 1 April 2021, the Group has one bank borrowing, the interests of which is indexed to benchmark rate that will or may be subject to interest rate benchmark reform. The carrying amount of the bank borrowing is as follow:

| | **HKD Hong Kong Interbank Offered Rate ("HIBOR")** HK$'000 |
|---|---|
| Bank borrowing | 610 |

The amendments have had no impact on the consolidated financial statements as the Group had confirmed with the relevant counterparty that HIBOR will continue to maturity.

### New and amendments to IFRSs in issue but not yet effective

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

| | |
|---|---|
| IFRS 17 | Insurance Contracts and the related Amendments[2] |
| Amendments to IFRS 3 | Reference to the Conceptual Framework[1] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies[2] |
| Amendments to IAS 8 | Definition of Accounting Estimates[2] |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2] |
| Amendments to IAS 16 | Property, Plant and Equipment: Proceeds before Intended Use[1] |
| Amendments to IAS 37 | Onerous Contracts — Cost of Fulfilling a Contract[1] |
| Amendments to IFRS Standards | Annual Improvements to IFRS Standards 2018–2020[1] |

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 Effective for annual periods beginning on or after a date to be determined

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

## 2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (Continued)

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

**Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 April 2023, with early application permitted. As at 31 March 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK$70,013,000 and HK$73,948,000, respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The directors of the Company (the “Directors”) have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies

**Basis of consolidation**

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the 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 intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**Fair value measurement (Continued)**

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment that are within the scope of the IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases* ("IFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets* ("IAS 36").

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

**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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**Interest in a joint venture (Continued)**

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.

An investment in joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**Revenue from contracts with customers**

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

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 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.

***Principal versus agent***

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

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

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

***Contracts with multiple performance obligations (including allocation of transaction price)***

For contracts that contain more than one performance obligations (sales of goods and award credits for customers under the Group's customer loyalty scheme), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**Revenue from contracts with customers (Continued)**

***Contract costs***

Incremental costs of obtaining a contract

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

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

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

**Leases**

***Definition of a lease***

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

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

***The Group as a lessee***

Allocation of consideration to components of a contract

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**Leases (Continued)**

***The Group as a lessee (Continued)***

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

Refundable rental deposits

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**Leases (Continued)**

***The Group as a lessee (Continued)***

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessor so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting 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 operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

**Borrowing costs**

Borrowing costs which are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

**Employee benefit**

***Retirement benefit costs***

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

***Short-term employee benefits***

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**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.

**Taxation**

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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 (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**Taxation (Continued)**

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit or loss.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**Property, plant and equipment**

Property, plant and equipment held for use in the supply of goods or services, or for administrative purposes, other than leasehold improvements in the course of construction as described below, are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Leasehold improvements in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

**Intangible assets**

***Intangible assets acquired separately***

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 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).

Intangible assets with indefinite useful lives are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**Impairment on property, plant and equipment, right-of-use assets and intangible assets (Continued)**

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.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

**Financial instruments**

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**Financial instruments (Continued)**

***Financial assets***

Classification and subsequent measurement of financial assets

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

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

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

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other income, other gains and losses” line item.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**Financial instruments (Continued)**

***Financial assets (Continued)***

Impairment of financial assets and contract assets subject to impairment assessment under IFRS 9

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

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

The Group always recognises lifetime ECL for trade and unbilled receivables and contract assets.

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

(i) Significant increase in credit risk

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**Financial instruments (Continued)**

***Financial assets (Continued)***

Impairment of financial assets and contract assets subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

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

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**Financial instruments (Continued)**

***Financial assets (Continued)***

Impairment of financial assets and contract assets subject to impairment assessment under IFRS 9 (Continued)

(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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**Financial instruments (Continued)**

***Financial assets (Continued)***

Impairment of financial assets and contract assets subject to impairment assessment under IFRS 9 (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 and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Lifetime ECL for certain trade and unbilled receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**Financial instruments (Continued)**

***Financial assets (Continued)***

Impairment of financial assets and contract assets subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (Continued)

**Financial instruments (Continued)**

***Financial liabilities and equity***

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTIES

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

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

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

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

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts, including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of CGUs, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including discount rates or the budgeted sales in the cash flow projections, could materially affect the recoverable amounts.

The key assumptions used for the discounted cash flow projections include discount rate and budgeted sales of the CGU. The discount rate applied was determined by the weighted average cost of capital with the consideration of specific risk premium. The budgeted sales were determined based on the past performance of the CGU and management's expectations on the market development.

As at 31 March 2022, the carrying amounts of property, plant and equipment and right-of-use assets subject to impairment assessment are HK$4,302,000 and HK$19,135,000, respectively. No impairment has been recognised for the year ended 31 March 2022. Details of the impairment of property, plant and equipment and right-of-use assets are disclosed in note 15.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONTINUED)

### Impairment assessment of trade and unbilled receivables

Trade and unbilled receivables that with significant balances or credit-impaired are assessed for ECL individually. The management of the Group estimates the amount of the remaining trade and unbilled receivables based on collective assessment through grouping of various debtors by geographical locations and then further grouped by past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information that is reasonable and supportable available without undue costs or effort.

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

As at 31 March 2022, the carrying amounts of trade and unbilled receivables were HK$151,700,000 (2021: HK$172,741,000) and the Group recognised impairment losses under ECL model, net of reversal, of HK$2,987,000 (2021: HK$776,000) during the year ended 31 March 2022.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and unbilled receivables are disclosed in notes 33 and 22, respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 5. REVENUE

### (i) Disaggregation of revenue from contracts with customers

| Segments | Media | | E-commerce and retail | | Total | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Sales of goods through online and offline retail platform | **–** | – | **232,435** | 224,432 | **232,435** | 224,432 |
| Commission fee from consignment sales | **–** | – | **4,869** | 2,401 | **4,869** | 2,401 |
| Provision of advertising spaces | **382,990** | 215,633 | **–** | – | **382,990** | 215,633 |
| Provision of services for creative agency projects | **270,600** | 231,536 | **–** | – | **270,600** | 231,536 |
| Publication of magazines | **–** | 210 | **–** | – | **–** | 210 |
| Beverage income | **–** | – | **4,738** | – | **4,738** | – |
| **Total revenue from contracts with customers** | **653,590** | 447,379 | **242,042** | 226,833 | **895,632** | 674,212 |
| **Geographical markets** | | | | | | |
| Hong Kong | **38,374** | 36,729 | **46,012** | 32,017 | **84,386** | 68,746 |
| PRC | **137,125** | 141,166 | **26,406** | 17,060 | **163,531** | 158,226 |
| United States ("US") | **229,421** | 117,875 | **51,814** | 58,680 | **281,235** | 176,555 |
| Other countries | **248,670** | 151,609 | **117,810** | 119,076 | **366,480** | 270,685 |
| **Total** | **653,590** | 447,379 | **242,042** | 226,833 | **895,632** | 674,212 |
| **Timing of revenue recognition** | | | | | | |
| A point in time | **237,433** | 130,513 | **242,042** | 226,833 | **479,475** | 357,346 |
| Over time | **416,157** | 316,866 | **–** | – | **416,157** | 316,866 |
| **Total** | **653,590** | 447,379 | **242,042** | 226,833 | **895,632** | 674,212 |

## 5. REVENUE (CONTINUED)

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

#### a) Sales of goods through online and offline retail platform

The Group sells branded clothing, shoes and accessories to customers through its retail store and online retail platform operated in Hong Kong.

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

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

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

During the year ended 31 March 2022, the Group also grants award credits for customers under the Group's customer loyalty scheme. The transaction price is allocated to the product and the award credits, taking into account for the expected likelihood of redemption, on a relative stand-alone selling price basis. Revenue from the award credits is recognised when the award credits are redeemed being at the point the customer purchases the goods using the award credits through its own online retail platform and the control of the good has transferred. Contract liabilities are recognised until the award credits are redeemed. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by customers. The customer loyalty points have no expiration and can be redeemed anytime at customers' discretion.

#### b) Commission fee from consignment sales

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

## 5. REVENUE (CONTINUED)

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

#### b) Commission fee from consignment sales (Continued)

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

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

#### c) Provision of advertising spaces

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

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

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

## 5. REVENUE (CONTINUED)

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

#### d) Provision of services for creative agency projects

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

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

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

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

#### e) Publication of magazines

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

## 5. REVENUE (CONTINUED)

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

#### f) Beverage income

The performance obligation is satisfied upon delivery of beverage products to the customers. Payment of the transaction price is due immediately at the point the customer purchases the beverage.

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

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

## 6. SEGMENT INFORMATION

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

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

| | | |
|---|---|---|
| Media segment | — | Provision of advertising spaces, provision of services for creative agency projects and publication of magazines |
| E-commerce and retail segment | — | Operation of online and offline retail platform for the sale of third-party branded clothing, shoes and accessories, commission fee from consignment sales and beverage income |

Segment results represent the profit earned by each segment without allocation of finance costs, share-based payment expense, gain on fair value changes of financial assets at FVTPL, loss on fair value changes of derivative financial instruments, impairment loss recognised on intangible assets and amount due from a joint venture, central administrative costs including directors' emoluments, legal and professional fees and other operating expenses, professional fee related to the Merger as defined in note 40 and unallocated expenses that are not directly attributable to respective segments as disclosed in the above table. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 6. SEGMENT INFORMATION (CONTINUED)

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

**Year ended 31 March 2022**

| | Media HK$'000 | E-commerce and retail HK$'000 | Consolidated HK$'000 |
|---|---|---|---|
| Total segment revenue | **653,590** | **242,042** | **895,632** |
| Segment results | **295,222** | **(16,014)** | **279,208** |
| Finance costs | | | **(4,588)** |
| Share-based payment expense | | | **(6,285)** |
| Gain on fair value changes of financial assets at FVTPL | | | **4,181** |
| Loss on fair value changes of derivative financial instruments | | | **(620)** |
| Impairment losses recognised on intangible assets | | | **(2,648)** |
| Impairment losses recognised on amount due from a joint venture | | | **(8,694)** |
| Professional fee related to the Merger as defined in note 40 | | | **(30,185)** |
| Central administration costs | | | **(55,331)** |
| Unallocated expenses | | | **(32,988)** |
| Profit before tax | | | **142,050** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## 6. SEGMENT INFORMATION (CONTINUED)

Year ended 31 March 2021

| | Media HK$'000 | E-commerce and retail HK$'000 | Consolidated HK$'000 |
|---|---|---|---|
| Total segment revenue | 447,379 | 226,833 | 674,212 |
| Segment results | 144,798 | 7,947 | 152,745 |
| Finance costs | | | (1,622) |
| Share-based payment expense | | | (7,003) |
| Impairment loss recognised on amount due from a joint venture | | | (4,019) |
| Central administration costs | | | (23,396) |
| Unallocated expenses | | | (23,614) |
| Profit before tax | | | 93,091 |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 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:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Reportable segment assets | | |
| Media | **206,110** | 209,155 |
| E-commerce and retail | **141,698** | 98,910 |
| Total segment assets | **347,808** | 308,065 |
| Reconciliation of reportable segment total to group total: | | |
| Segment assets | **347,808** | 308,065 |
| Unallocated assets: | | |
| Property, plant and equipment | **15,440** | 22,590 |
| Intangible assets | **10,896** | 16 |
| Right-of-use assets | **8,800** | 6,691 |
| Financial assets at FVTPL | **24,258** | 1,647 |
| Amount due from a joint venture | **—** | 9,101 |
| Deferred tax assets | **1,022** | 479 |
| Deposits and other receivables | **27,543** | 13,421 |
| Pledged bank deposits | **10,000** | 10,000 |
| Bank balances and cash | **284,269** | 209,575 |
| Consolidated total assets | **730,036** | 581,585 |
| Reportable segment liabilities | | |
| Media | **106,548** | 138,249 |
| E-commerce and retail | **49,987** | 45,559 |
| Total segment liabilities | **156,535** | 183,808 |
| Reconciliation of reportable segment total to group total: | | |
| Segment liabilities | **156,535** | 183,808 |
| Unallocated liabilities: | | |
| Other payables and accrued expenses | **66,269** | 18,285 |
| Derivative financial instruments | **620** | — |
| Bank borrowings | **7,363** | 5,996 |
| Tax payables | **12,879** | 5,661 |
| Lease liabilities | **8,454** | 6,592 |
| Consolidated total liabilities | **252,120** | 220,342 |

## 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 certain property, plant and equipment, certain right-of-use assets, certain intangible assets, interest in a joint venture, certain deposits and other receivables, financial assets at FVTPL, amount due from a joint venture, deferred tax assets, pledged bank deposits and bank balances and cash that are not attributable to the respective segments.
- all liabilities are allocated to operating segments other than certain other payables and accrued expenses, derivative financial instruments, lease liabilities, bank borrowings, and tax payables that are not attributable to the respective segments.

### Other segment information

**2022**

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

| | Media HK$'000 | E-commerce and retail HK$'000 | Segment total HK$'000 | Unallocated HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|
| Impairment losses under ECL model, net of reversal | 2,987 | – | 2,987 | 8,694 | 11,681 |
| Share-based payment expense | – | – | – | 6,285 | 6,285 |
| Write-down of inventories | – | 1,825 | 1,825 | – | 1,825 |
| Depreciation of right-of-use assets | 8,740 | 5,943 | 14,683 | 6,634 | 21,317 |
| Amortisation of intangible assets | 1 | 110 | 111 | – | 111 |
| Addition to non-current assets (Note) | 23,460 | 12,729 | 36,189 | 26,363 | 62,552 |

Note: Including the addition of property, plant and equipment, right-of-use assets and intangible assets.

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

| | HK$'000 |
|---|---|
| Gain on disposal of property, plant and equipment | 660 |
| Depreciation of property, plant and equipment | (6,186) |

## 6. SEGMENT INFORMATION (CONTINUED)

### Other segment information (Continued)

**2021**

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

| | Media HK$'000 | E-commerce and retail HK$'000 | Segment total HK$'000 | Unallocated HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|
| Impairment losses under ECL model, net of reversal | 776 | — | 776 | 4,019 | 4,795 |
| Share-based payment expense | — | — | — | 7,003 | 7,003 |
| Write-down of inventories | — | 1,038 | 1,038 | — | 1,038 |
| Depreciation of right-of-use assets | 8,974 | 6,105 | 15,079 | 6,174 | 21,253 |
| Amortisation of intangible assets | 1 | 104 | 105 | — | 105 |
| Addition to non-current assets (Note) | 36,678 | 19,168 | 55,846 | 17,325 | 73,171 |

Note: Including the addition of property, plant and equipment, right-of-use assets and intangible assets.

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

| | HK$'000 |
|---|---|
| Loss on disposal of property, plant and equipment | (146) |
| Depreciation of property, plant and equipment | (6,525) |

## 6. SEGMENT INFORMATION (CONTINUED)

### Geographical information

Analysis of the Group's revenue from external customers by geographic location, determine based on the location of customers as set out in note 5. An analysis of the Group's non-current assets by geographical location of the assets are detailed below:

| | Non-current assets (Note ii) | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| US | **85,218** | 59,118 |
| Hong Kong | **43,499** | 39,418 |
| The PRC | **1,935** | 2,862 |
| Others (Note i) | **3,829** | 1,105 |
| | **134,481** | 102,503 |

Notes:

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

(ii) Rental and other deposits, financial assets at FVTPL, deferred tax assets and amount due from a joint venture were excluded from the presentation of information of non-current assets by geographical locations.

### Information about major customer

No single customer has been accounted for 10% or more of the total revenue of the Group during the current year (2021: Revenue from the Company's largest customer contributed approximately 17% of the total revenue of the Group).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 7. FINANCE COSTS

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Interest on bank borrowings | **196** | 493 |
| Interest on lease liabilities | **4,392** | 1,129 |
| | **4,588** | 1,622 |

## 8. OTHER INCOME, OTHER GAINS AND LOSSES

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Net exchange losses (gains) | **1,619** | (1,722) |
| Loss on fair value changes of derivative financial instruments | **620** | — |
| Penalty on customers for overdue settlement | **(1,330)** | (1,065) |
| (Gain) loss on disposal of property, plant and equipment | **(660)** | 146 |
| Bank interest income | **(350)** | (361) |
| Marketing contribution income | **(581)** | (39) |
| Gain on fair value changes of financial assets at FVTPL | **(4,181)** | — |
| Others | **(17)** | (136) |
| | **(4,880)** | (3,177) |

## 9. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSSES MODEL, NET OF REVERSAL

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Impairment losses recognised on: | | |
| — trade and unbilled receivables | **2,987** | 776 |
| — amount due from a joint venture | **8,694** | 4,019 |
| | **11,681** | 4,795 |

Details of impairment assessments are set out in note 33.

## 10. INCOME TAX EXPENSE

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Current tax: | | |
| — Hong Kong Profits Tax | **18,146** | 9,240 |
| — The PRC Enterprise Income Tax ("EIT") | **20,609** | 12,274 |
| — Other jurisdictions | **3,195** | 1,678 |
| Overprovision in prior year | | |
| — Hong Kong Profits Tax | **(132)** | (132) |
| PRC withholding tax on distributed profits from PRC subsidiaries | **608** | — |
| | **42,426** | 23,060 |
| Deferred tax (note 29): | | |
| Credit for the year | **(543)** | (553) |
| | **41,883** | 22,507 |

### Income tax expense at concessionary rate

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

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

### Basic income tax expense

The basic tax rate of the Company's PRC subsidiaries is 25% for both years under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 10. INCOME TAX EXPENSE (CONTINUED)

### Basis 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:

| | **2022** **HK$'000** | 2021 HK$'000 |
|---|---|---|
| Profit before tax | **142,050** | 93,091 |
| Tax at the Hong Kong Profits Tax rate of 16.5% | **23,438** | 15,360 |
| Tax effect of income not taxable for tax purpose | **(702)** | (114) |
| Tax effect of expenses not deductible for tax purpose | **9,759** | 2,084 |
| Tax effect of tax losses not recognised | **1,594** | 1,439 |
| Utilisation of tax losses previously not recognised | **(102)** | — |
| Income tax at concessionary rate | **(165)** | (165) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **7,441** | 3,834 |
| Withholding tax on undistributed earnings of PRC subsidiaries | **608** | — |
| Overprovision in prior year | **(132)** | (132) |
| Others | **144** | 201 |
| Income tax expense for the year | **41,883** | 22,507 |

## 11. PROFIT FOR THE YEAR

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Profit for the year has been arrived at after charging: | | |
| Directors' remuneration (note 12) | **6,985** | 2,582 |
| Other staff costs | | |
| — salaries and allowances | **204,057** | 130,215 |
| — discretionary bonus | **24,853** | 97 |
| — retirement benefits scheme contribution | **6,887** | 5,609 |
| — Share-based payment expense | **5,107** | 6,545 |
| Total directors and other staff costs | **247,889** | 145,048 |
| Auditor's remuneration | **1,400** | 1,385 |
| Cost of inventories recognised as an expense (included in cost of revenue) | **127,768** | 128,929 |
| Depreciation of property, plant and equipment | **6,186** | 6,525 |
| Depreciation of right-of-use assets | **21,317** | 21,253 |
| Amortisation of intangible assets | **111** | 105 |
| Website content update expense (Note) | **2,103** | 1,706 |
| Write-down of inventories | **1,825** | 1,038 |

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".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 12. 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** |
| **2022** | | | | | | |
| Fees | **3,014** | **1,704** | **202** | **202** | **202** | **5,324** |
| Other emoluments | | | | | | |
| Salaries, allowances and other benefits | **226** | **210** | **—** | **—** | **—** | **436** |
| Retirement benefits scheme contribution | **29** | **18** | **—** | **—** | **—** | **47** |
| Share-based payment expense | **589** | **589** | **—** | **—** | **—** | **1,178** |
| | **3,858** | **2,521** | **202** | **202** | **202** | **6,985** |

| | 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 |
| 2021 | | | | | | |
| Fees | 151 | 1,050 | 151 | 151 | 151 | 1,654 |
| Other emoluments | | | | | | |
| Salaries, allowances and other benefits | 226 | 210 | — | — | — | 436 |
| Retirement benefits scheme contribution | 16 | 18 | — | — | — | 34 |
| Share-based payment expense | 229 | 229 | — | — | — | 458 |
| | 622 | 1,507 | 151 | 151 | 151 | 2,582 |

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.

## 12. 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, one (2021: none) were the director whose emolument is included in the disclosures above. The emoluments of the remaining four (2021: five) individuals were as follows:

| | **2022** | 2021 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries and allowances | **12,950** | 13,316 |
| Discretionary bonus | **423** | — |
| Retirement benefits scheme contribution | **221** | 214 |
| Share-based payment expense | **838** | 1,018 |
| | **14,432** | 14,548 |

Their emoluments were fell within the following bands:

| | **No. of employees** | |
|---|---|---|
| | **2022** | 2021 |
| HK$2,000,001 to HK$2,500,000 | **—** | 2 |
| HK$2,500,001 to HK$3,000,000 | **—** | 1 |
| HK$3,000,001 to HK$3,500,000 | **1** | 1 |
| HK$3,500,001 to HK$4,000,000 | **3** | 1 |
| HK$4,500,001 to HK$5,000,000 | **—** | — |
| | **4** | 5 |

During the year, no emoluments were paid by the Group to the directors of the Company ("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 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during both years, nor has any dividend been proposed since the end of the reporting period.

## 14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 March 2022 and 2021 is based on the following data:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Earnings** | | |
| Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company) | **100,167** | 70,584 |

| | 2022<br>'000 | 2021<br>'000 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **2,052,921** | 2,035,502 |
| Effect of dilutive potential ordinary shares: Share options issued by the Company | **5,911** | 11,790 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **2,058,832** | 2,047,292 |

For the year ended 31 March 2022, the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share has been adjusted for the issuance of ordinary shares in April 2021 (details are disclosed in note 30).

For the year ended 31 March 2022, diluted earnings per share did not assume the exercise of 30,791,666 (2021: 55,800,000) share options, respectively, granted by the Company since the adjusted exercise prices for the computation of diluted earnings per share of those share options were higher than the average market price of shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements HK$'000 | Furnitures and fixtures HK$'000 | Office equipment HK$'000 | Motor vehicles HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| COST | | | | | | |
| At 1 April 2020 | 12,604 | 3,213 | 10,065 | – | – | 25,882 |
| Additions | 5,184 | 999 | 848 | 661 | 9,240 | 16,932 |
| Disposals | – | (41) | (140) | – | – | (181) |
| Exchange translation | – | 67 | 75 | (26) | – | 116 |
| At 31 March 2021 | 17,788 | 4,238 | 10,848 | 635 | 9,240 | 42,749 |
| Additions | 492 | 506 | 3,145 | – | 32,844 | 36,987 |
| Disposals | – | – | (74) | (624) | – | (698) |
| Exchange translation | (4) | (17) | (36) | (11) | – | (68) |
| At 31 March 2022 | 18,276 | 4,727 | 13,883 | – | 42,084 | 78,970 |
| ACCUMULATED DEPRECIATION | | | | | | |
| At 1 April 2020 | 6,472 | 1,849 | 5,323 | – | – | 13,644 |
| Provided for the year | 4,062 | 846 | 1,617 | – | – | 6,525 |
| Eliminated on disposals | – | (15) | (20) | – | – | (35) |
| Exchange translation | – | 5 | 20 | – | – | 25 |
| At 31 March 2021 | 10,534 | 2,685 | 6,940 | – | – | 20,159 |
| Provided for the year | 3,573 | 777 | 1,836 | – | – | 6,186 |
| Eliminated on disposals | – | – | (68) | – | – | (68) |
| Exchange translation | (1) | (3) | (4) | – | – | (8) |
| At 31 March 2022 | 14,106 | 3,459 | 8,704 | – | – | 26,269 |
| CARRYING VALUES | | | | | | |
| At 31 March 2022 | 4,170 | 1,268 | 5,179 | – | 42,084 | 52,701 |
| At 31 March 2021 | 7,254 | 1,553 | 3,908 | 635 | 9,240 | 22,590 |

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Impairment assessment of the property, plant and equipment and right-of-use assets

As a result of the unsatisfactory performance of e-commerce business during the year ended 31 March 2022, the management of the Group concluded there was indication for impairment and performed impairment assessment on certain property, plant and equipment set out in note 15 and right-of-use assets set out in note 17 as at 31 March 2022, with carrying amounts of approximately HK$4,302,000 and HK$19,135,000, respectively. The Group engaged WeValue Advisory Limited, an independent qualified professional valuer, to perform the valuation of property, plant and equipment and right-of-use assets at 31 March 2022.

The Group estimates the recoverable amount of the CGU of e-commerce business to which the asset belongs when it is not possible to estimate the recoverable amount individually.

The recoverable amount of this CGU has been determined based on its value in use. The calculation uses discounted cash flow projections based on the financial budgets prepared by the management covering a five-year period, with a pre-tax discount rate of 18.6% while cash flows beyond the five-year period were extrapolated using growth rate of 2.1%. The budgeted sales is estimated based on the past performance of the CGU and management's expectations on the market development.

During the year ended 31 March 2022, the management of the Group determined that there is no impairment on this CGU as the recoverable amount of this CGU exceeds its carrying amount.

## 16. INTANGIBLE ASSETS

| | Digital Assets HK$'000 (Note (i)) | Website Domain Names HK$'000 (Note (ii)) | Total HK$'000 |
|---|---|---|---|
| COST | | | |
| At 1 April 2020 | — | 1,013 | 1,013 |
| Additions | — | — | — |
| Exchange translation | — | 83 | 83 |
| At 31 March 2021 | — | 1,096 | 1,096 |
| Additions | 13,528 | — | 13,528 |
| Exchange translation | — | 46 | 46 |
| At 31 March 2022 | 13,528 | 1,142 | 14,670 |
| AMORTISATION AND IMPAIRMENT | | | |
| At 1 April 2020 | — | 25 | 25 |
| Charged for the year | — | 105 | 105 |
| Exchange translation | — | 4 | 4 |
| At 31 March 2021 | — | 134 | 134 |
| Charged for the year | — | 111 | 111 |
| Impairment loss recognised | 2,648 | — | 2,648 |
| Exchange translation | — | 10 | 10 |
| At 31 March 2022 | 2,648 | 255 | 2,903 |
| CARRYING VALUES | | | |
| At 31 March 2022 | 10,880 | 887 | 11,767 |
| At 31 March 2021 | — | 962 | 962 |

Notes:

(i) During the year ended 31 March 2022, the Group purchased an aggregate of HK$13,528,000 in Bitcoin, Ethereum and certain non-fungible token artwork (the "Digital Assets"). Given that the Group's intention is to hold these Digital assets for long term investment purpose and these Digital Assets have no legal useful lives, all Digital Assets are accounted for as indefinite-lived intangible assets. They are stated at cost less subsequent accumulated impairment losses, if any.

In determining whether these Digital Assets are impaired, the Group has to identify whether events or changes in circumstances, decreases in the quoted prices on active exchanges, indicate that it is more likely than not that these Digital Assets are impaired.

As at 31 March 2022, the carrying amount of Digital Assets held by the Group is HK$10,880,000, after taking into account the impairment losses of HK$2,648,000 that have been recognised.

(ii) The website domain names have finite useful lives. Such intangible assets are amortised on a straight-line basis over 10 years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 17. RIGHT-OF-USE ASSETS

| | **Leased properties** HK$'000 | **Motor vehicle** HK$'000 | **Total** HK$'000 |
|---|---|---|---|
| **As at 1 April 2021** | | | |
| Carrying amount | 78,951 | — | 78,951 |
| **As at 31 March 2022** | | | |
| Carrying amount | 70,013 | — | 70,013 |
| **For the year ended 31 March 2021** | | | |
| Depreciation charge | 20,974 | 279 | 21,253 |
| **For the year ended 31 March 2022** | | | |
| Depreciation charge | 21,317 | — | 21,317 |

| | **2022** **HK$'000** | 2021 HK$'000 |
|---|---|---|
| Expenses relating short-term leases | **3,297** | 5,006 |
| Variable lease payments not included in the measurement of lease liabilities (Note) | **1,842** | 1,100 |
| Total cash outflow for leases | **29,399** | 26,327 |
| Additions to right-of-use assets | **12,037** | 56,239 |

Note: Leases of a retail store contain variable lease payment that are based on 12.5% (2021: 12.5%) of sales over the lease term. The amount of variable lease payments paid/payable to relevant lessor for the year ended 31 March 2022 amounted to HK$1,842,000 (2021: HK$1,100,000). The overall financial effect of using variable payment term is that higher rental costs are incurred by the store with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

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

During the year ended 31 March 2022, the Group leases offices and warehouses for its operations. Lease contracts are entered into for fixed term of 1 to 5 years.

During the year ended 31 March 2021, the Group leases offices, warehouses and a motor vehicle for its operations. Lease contracts are entered into for fixed term of 1 to 7 years.

## 17. RIGHT-OF-USE ASSETS (CONTINUED)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for properties. As at 31 March 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

### Restrictions on assets

As at 31 March 2022, lease liabilities of approximately HK$73,948,000 (2021: HK$81,779,000) is recognized with related right-of-use assets of approximately HK$70,013,000 (2021: HK$78,951,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

## 18. INTEREST IN A JOINT VENTURE

| | **2022**<br>**HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| Cost of investment in a joint venture — unlisted investment | **5,887** | 5,887 |
| Share of post-acquisition results and other comprehensive income | **(5,887)** | (5,887) |
| | **—** | — |

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

| Name of entity | Country of incorporation | Principal place of business | Percentage of interest in ownership held by the Group | | Principal activities |
|---|---|---|---|---|---|
| | | | **2022**<br>**%** | 2021<br>% | |
| 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 18. 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 IFRSs.

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

| | **2022**<br>**HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| Current assets | **4,756** | 4,746 |
| Non-current assets | | |
| —Property, plant and equipment | **11,904** | 11,895 |
| —Others | **523** | 520 |
| Total non-current assets | **12,427** | 12,415 |
| Current liabilities | **21,437** | 21,553 |

The above amounts of assets and liabilities include the following:

| | **2022**<br>**HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| Cash and cash equivalents | **482** | 750 |
| Current financial liabilities | **21,437** | 15,059 |
| Revenue | **18,089** | 11,458 |
| Profit (loss) and total comprehensive income (expense) for the year | **138** | (3,799) |

## 18. 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 is as follow:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Net liabilities of The Berrics | **(4,254)** | (4,392) |
| Proportion of the Group's ownership interest in the joint venture | **51%** | 51% |
| | **(2,170)** | (2,240) |
| Unrecognised share of loss of the joint venture | **2,170** | 2,240 |
| Carrying amount of the Group's interest in the joint venture | **—** | — |

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| The unrecognised share of loss of the joint venture for the year | **—** | 2,240 |
| Cumulative unrecognised share of loss of the joint venture | **2,170** | 2,240 |

## 19A. FINANCIAL ASSETS AT FVTPL

| | At 31 March<br>2022<br>HK$'000 | <br>2021<br>HK$'000 |
|---|---|---|
| **Non-current assets** | | |
| Financial assets at FVTPL | | |
| —Investments in unlisted Real Estate Income Trust ("REIT") | **6,241** | — |
| —Investments in preference shares (Note (a)) | **4,820** | — |
| —Unlisted equity investments (Note (b)) | **11,239** | 1,647 |
| —Investment in simple agreement for future equity ("SAFE") (Note (c)) | **1,958** | — |
| | **24,258** | 1,647 |

These investments are not held for trading but for long-term strategic purposes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## 19A. FINANCIAL ASSETS MEASURED AT FVTPL (CONTINUED)

Notes:

(a) The amounts represent investments in preference shares in unlisted entities established in the United States of America ("USA") and the Cayman Islands, which are mainly engaged in consumer electronics and live-streaming.

(b) As at 31 March 2021, the amounts represent an unlisted equity investment in an investment capital fund which further invested in an entity that engaged in consumer electronics.

During the year ended 31 March 2022, the Company has further invested in an unlisted equity interest of an entity established in Southern Korea which is mainly engaged in wine industry and an unlisted investment holding company which further invested in an entity that engaged in computer hardware design and distribution.

(c) The amounts represent an investment in SAFE in an unlisted entity established in the USA, which is mainly engaged in technology.

## 19B. DERIVATIVE FINANCIAL INSTRUMENTS

| | **2022**<br>**HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| Foreign currency forward contracts | **620** | — |

During the year ended 31 March 2022, the Group had entered into several foreign currency forward contracts with net settlement to the bank. These foreign currency forward contracts are not designated for hedge purposes and are measured at fair value through profit and loss. Changes in the fair value of non-hedging currency derivatives amounting to HK$620,000 were recognised in the consolidated statement of profit or loss during the year ended 31 March 2022.

The amount represents the fair value change on the outstanding foreign currency forward contracts and the major terms of these foreign currency forward contracts are as follow:

**2022**

| **Notional amount** | **Maturity** | **Exchange rates** |
|---|---|---|
| Buy USD2,517,304 and sell CAD3,195,613 | 07 April 2022 | USD/CAD 0.7877 |
| Buy USD2,519,175 and sell CAD3,205,549 | 08 April 2022 | USD/CAD 0.7859 |

## 20. AMOUNT DUE FROM A JOINT VENTURE

The amount was non-trade nature, unsecured and non-interest bearing. In view of the continuous loss making and net liability position of the joint venture, the amount has been fully impaired for the year ended 31 March 2022.

Details of impairment assessment of amount due from a joint venture are set out in note 33.

## 21. INVENTORIES

| | **2022** | 2021 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Finished goods | **69,702** | 42,389 |

| | **2022** | 2021 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Inventories | **74,366** | 45,228 |
| Less: Accumulated write-down of inventories | **(4,664)** | (2,839) |
| Inventories (net carrying amounts) | **69,702** | 42,389 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 22. TRADE AND OTHER RECEIVABLES

| | **2022** | 2021 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables | **128,898** | 83,793 |
| Unbilled receivables (Note (b)) | **23,747** | 89,876 |
| Trade and unbilled receivables | **152,645** | 173,669 |
| Less: allowance for credit losses | **(945)** | (928) |
| Trade and unbilled receivables (net carrying amount) | **151,700** | 172,741 |
| Advance to staff | **1,106** | 410 |
| Rental and utilities deposits | **11,401** | 9,101 |
| Prepayments | **22,404** | 21,284 |
| Deposit paid for long term investment | **1,950** | — |
| Deferred issue costs related to Merger as defined in note 40 | **1,665** | — |
| Other receivables | **414** | 871 |
| Total | **190,640** | 204,407 |
| Analysed as: | | |
| Current | **183,018** | 196,942 |
| Non-current (Note (a)) | **7,622** | 7,465 |
| Total | **190,640** | 204,407 |

Notes:

a) The amounts included certain rental deposit and deposit paid for long term investment.

b) Certain tax bureaus in the PRC have set monthly quotas on the aggregate invoice amounts for transactions in the media segment. The unbilled receivables represent the amount of unconditional right to the consideration for completed performance obligations but the related invoices have not yet been issued as at year end as the quota limit has been exceeded.

As at 1 April 2020, trade and unbilled receivables from contracts with customers amounted to HK$188,386,000.

## 22. 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 and offline 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:

| | **2022**<br>**HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| Within 60 days | **72,316** | 75,238 |
| 61–90 days | **35,363** | 2,785 |
| 91–180 days | **16,347** | 4,608 |
| 181–365 days | **4,589** | 762 |
| Over 365 days | **283** | 400 |
| | **128,898** | 83,793 |

As at 31 March 2022, included in the Group's trade and unbilled receivables balance are debtors with aggregate gross carrying amounts of HK$51,228,000 (2021: HK$23,786,000) which are past due as at the reporting date. Out of the past due balances, HK$11,750,000 (2021: HK$5,349,000) has been past due 90 days or more and are not considered as in default as there had not been a significant change in credit quality and the amounts were still considered recoverable based on historical experience. The Group does not hold any collateral over these balances and the Group will further charge at 1.5% (2021: 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 33.

## 23. CONTRACT ASSETS

| | **2022**<br>**HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| Provision of advertising spaces | **5,154** | 1,484 |

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

As at 31 March 2022 and 2021, all contract assets are expected to be settled within 1 year, and accordingly classified as current.

Details of the impairment assessment of contract assets are set out in note 33.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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

Deposits amounting to HK$10,000,000 (2021: HK$10,000,000) have been pledged to secure bank borrowings and the banking facilities which carry interest at prevailing market rates at 1.85% per annum (2021: 1.85%).

Bank balances carry interest at prevailing market rates at 0.01% per annum as at 31 March 2022 and 2021.

Details of impairment assessment of pledged bank deposits and bank balances are set out in note 33.

## 25. TRADE AND OTHER PAYABLES

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Trade payables | **14,639** | 18,669 |
| Commission payable to staff | **23,161** | 20,312 |
| Accrual for campaign cost (Note) | **33,025** | 61,880 |
| Accrual for staff bonus | **23,557** | — |
| Accrual professional fee related to Merger | **16,738** | — |
| Other payables and accrued expenses | **34,588** | 17,025 |
| | **145,708** | 117,886 |

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

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

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Within 30 days | **10,240** | 12,502 |
| 31–60 days | **1,401** | 1,462 |
| 61–90 days | **404** | 53 |
| Over 90 days | **2,594** | 4,652 |
| | **14,639** | 18,669 |

## 26. CONTRACT LIABILITIES

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Provision of advertising spaces (Note a) | **5,891** | 7,694 |
| Sales of goods through online retail platform (Note b) | **4,872** | 1,326 |
| Customer loyalty scheme (Note c) | **839** | — |
| | **11,602** | 9,020 |

Notes:

a) The Group receives 50% of the contract value as deposits from new customers when they sign the contracts for provision of advertising spaces and services for creative agency projects. The deposits and advance payment schemes result in contract liabilities being recognised until the advertisement launched in relevant spaces and relevant benefits received by the customers. During the year ended 31 March 2022, the Group has recognised revenue of HK$7,694,000 (2021: HK$3,701,000) 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 and services for creative agency projects as at 31 March 2022 are expected to be recognised as revenue within one year.

b) When the Group receives the payment in full before the goods is shipped/delivered, this will give rise to contract liabilities at the start of a contract, until the revenue recognised when the goods is shipped/delivered to the customers. During the year ended 31 March 2022, the Group has recognised revenue of HK$1,326,000 (2021: HK$728,000) 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 2022 are expected to be recognised as revenue within one year.

c) The Group grants award credits for customers for sales under the Group's customer loyalty scheme. The customers can use the award credits to purchase the goods through the Group's online retail platform in future purchases. The award credits have no expiration.

## 27. BANK BORROWINGS

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Bank borrowings, secured with variable rate | **7,363** | 5,996 |
| Carrying amount repayable (according to scheduled repayment term): | | |
| —Within one year | **6,103** | 2,636 |
| —In more than one year but not more than two years | **1,260** | 2,100 |
| —In more than two years but not more than five years | **—** | 1,260 |
| | **7,363** | 5,996 |
| Carrying amount that contain a repayment on demand clause (shown under current liabilities) | **7,363** | 5,996 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 27. BANK BORROWINGS (CONTINUED)

As at 31 March 2022, one of the borrowings was secured by the pledge of the Group's bank deposits with carrying amount of HK$10,000,000 (2021: HK$10,000,000). As at 31 March 2022, the unutilised bank facilities were HK$70,500,000 (2021: HK$69,000,000).

As at 31 March 2022, variable-rate bank borrowings carry interest with reference to HIBOR and Hong Kong Dollar Best Lending Rate ("HKBLR") plus a specific margin of the relevant banks. The range of effective interest rates (which are also equalled to contractual interest rates) on the Group's borrowings are as follows:

| | **2022** | 2021 |
|---|---|---|
| Effective interest rate (per annum): | | |
| Variable-rate borrowings | **1.41% to 3.50%** | 2.26% to 3.50% |

## 28. LEASE LIABILITIES

| | **2022 HK\$'000** | 2021 HK\$'000 |
|---|---|---|
| **Lease liabilities payable:** | | |
| Within one year | **15,919** | 15,763 |
| In more than one year but not more than two years | **19,352** | 14,408 |
| In more than two years but not more than five years | **35,122** | 37,926 |
| More than five years | **3,555** | 13,682 |
| | **73,948** | 81,779 |
| Less: Amount due for settlement with 12 months shown under current liabilities | **(15,919)** | (15,763) |
| Amount due for settlement after 12 months shown under non-current liabilities | **58,029** | 66,016 |

Weighted average incremental borrowing rates applied to lease liabilities range from 2.85% to 3.50% (2021: 2.85% to 3.50%).

## 29. DEFERRED TAX ASSETS (LIABILITIES)

The following is the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the years ended 31 March 2022 and 2021:

| | **Accelerated tax depreciation** HK$'000 |
|---|---|
| At 1 April 2020 | (74) |
| Credit to profit or loss | 553 |
| At 31 March 2021 | 479 |
| Credit to profit or loss | 543 |
| At 31 March 2022 | 1,022 |

At the end of the reporting period, the Group has unused tax losses of HK$18,810,000 (2021: HK$9,766,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The unrecognised tax losses are carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. 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$120,074,000 (2021: HK$69,569,000) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## 30. SHARE CAPITAL

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

| | Number of shares | Share capital HK$ |
|---|---|---|
| Ordinary shares of HK$0.01 each | | |
| **Authorised:** | | |
| As 1 April 2020, 31 March 2021 and 31 March 2022 | 6,000,000,000 | 60,000,000 |
| **Issued:** | | |
| At 1 April 2020 | 2,023,062,500 | 20,230,625 |
| Exercise of share options | 22,866,667 | 228,667 |
| At 31 March 2021 | 2,045,929,167 | 20,459,292 |
| Exercise of share options | 1,166,667 | 11,667 |
| Issuance of ordinary shares (Note) | 6,533,397 | 65,334 |
| At 31 March 2022 | 2,053,629,231 | 20,536,293 |

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

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

## 31. SHARE OPTION SCHEMES

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

### (a) Pre-IPO Scheme

#### (i) Purpose of the scheme

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

## 31. SHARE OPTION SCHEMES (CONTINUED)

### (a) Pre-IPO Scheme (Continued)

#### (ii) Participants of the scheme

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

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

750,000 shares (2021: 1,250,000 shares) (being approximately 0.04% (2021: 0.06%) of the issued share capital as at the date of this annual report)

#### (iv) Maximum entitlement of each participant under the scheme

As determined by the board of directors (the “Board”).

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

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

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

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

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

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

#### (viii) The basis of determining the exercise price

As determined by the Board.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 31. 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 2022 and 2021 are set out below:

| | Number of share options | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Category of participants | Outstanding at 1.4.2020 | Granted during the year | Exercised during the year | Lapsed during the year | Outstanding at 31.3.2021 & 1.4.2021 | Granted during the year | Exercised during the year | Lapsed during the year | Outstanding at 31.3.2022 | Date of grant of share options | Exercise period | Share price at the date of grant of share options | Exercise price of share options |
| | | | | | | | | | | | | | HK$ |
| **Under the Pre-IPO Scheme** | | | | | | | | | | | | | |
| Employees[1,2] | 750,000 | – | – | – | 750,000 | – | – | – | 750,000 | 18.03.2016 | From 18.3.2019 to 17.3.2026 | N/A | 0.026 |
| Employees[1,2] | 500,000 | – | – | – | 500,000 | – | – | – | 500,000 | 18.03.2016 | From 18.3.2019 to 17.3.2026 | N/A | 0.052 |
| Total | 1,250,000 | – | – | – | 1,250,000 | – | – | – | 1,250,000 | | | | |
| Share options exercisable at the end of respective years | 1,250,000 | | | | 1,250,000 | | | | 1,250,000 | | | | |
| Weighted average exercise price | 0.04 | – | – | – | 0.04 | – | – | – | 0.04 | | | | |
| Weighted average remaining contractual lives | 5.96 | | | | 4.96 | | | | 3.96 | | | | |

Notes:

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

2. The share options granted on 18 March 2016 are divided into 2 tranches exercisable from 18 March 2019 and 18 March 2019 respectively to 17 March 2026.

## 31. SHARE OPTION SCHEMES (CONTINUED)

### (b) Post-IPO Scheme

#### (i) Purpose of the scheme

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

#### (ii) Participants of the scheme

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

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

169,287,499 shares (2021: 170,454,166 shares) (being approximately 8.24% (2021: 8.30%) of the issued share capital as at the date of this 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.

#### (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.

## 31. SHARE OPTION SCHEMES (CONTINUED)

### (b) Post-IPO Scheme (Continued)

**(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.

## 31. SHARE OPTION SCHEMES (CONTINUED)

### (b) Post-IPO Scheme (Continued)

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

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

Details of the movements within the Post-IPO Scheme of the Company for the years ended 31 March 2022 and 2021 are set out below:

| | Number of share options | | | | | Number of share options | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Category of participants | Outstanding at 1.4.2020 | Granted during the year | Exercised during the year | Lapsed during the year | Outstanding at 31.3.2021 & 1.4.2021 | Granted during the year | Exercised during the year | Forfeited during the year | Outstanding at 31.3.2022 | Date of grant of share options | Exercise period | Share price at the date of grant of share options | Exercise price of share options |
| | | | | | | | | | | | | | HK$ |
| Directors[1,4] | 9,600,000 | – | – | – | 9,600,000 | – | – | – | 9,600,000 | 28.06.2019 | From 28.6.2019 to 27.6.2029 | 1.04 | 1.04 |
| Directors[1,5] | – | 9,600,000 | – | – | 9,600,000 | – | – | – | 9,600,000 | 08.12.2020 | From 08.12.2024 to 07.12.2030 | 0.77 | 0.788 |
| | 9,600,000 | 9,600,000 | – | – | 19,200,000 | – | – | – | 19,200,000 | | | | |
| Employees[1,2] | 23,200,000 | – | (22,866,667) | – | 333,333 | – | – | – | 333,333 | 06.07.2017 | From 6.7.2020 to 5.7.2027 | 0.198 | 0.198 |
| Employees[1,3] | 9,733,333 | – | – | (133,333) | 9,600,000 | – | (1,166,667) | (133,333) | 8,300,000 | 10.08.2018 | From 10.8.2021 to 9.8.2028 | 0.62 | 0.62 |
| Employees[1,4] | 3,300,000 | – | – | – | 3,300,000 | – | – | (533,334) | 2,766,666 | 28.06.2019 | From 28.6.2022 to 27.6.2029 | 1.04 | 1.04 |
| Employees[1,4] | 14,500,000 | – | – | (900,000) | 13,600,000 | – | – | (2,775,000) | 10,825,000 | 28.06.2019 | From 28.6.2023 to 27.6.2029 | 1.04 | 1.04 |
| Employees[1,5] | – | 10,600,000 | – | – | 10,600,000 | – | – | (3,066,667) | 7,533,333 | 08.12.2020 | From 08.12.2023 to 07.12.2030 | 0.77 | 0.788 |
| Employees[1,5] | – | 8,200,000 | – | – | 8,200,000 | – | – | (600,000) | 7,600,000 | 08.12.2020 | From 08.12.2024 to 07.12.2030 | 0.77 | 0.788 |
| | 50,733,333 | 18,800,000 | (22,866,667) | (1,033,333) | 45,633,333 | – | (1,166,667) | (7,108,334) | 37,358,332 | | | | |
| Total | 60,333,333 | 28,400,000 | (22,866,667) | (1,033,333) | 64,833,333 | – | (1,166,667) | (7,108,334) | 56,558,332 | | | | |
| Share options exercisable at the end of respective years | 9,600,000 | | | | 9,933,333 | | | | 18,233,333 | | | | |
| Weighted average exercise price | 0.64 | 0.788 | 0.198 | 0.986 | 0.86 | – | 0.620 | 0.902 | 0.863 | | | | |
| Weighted average remaining contractual lives | 8.16 | | | | 8.74 | | | | 7.75 | | | | |

## 31. SHARE OPTION SCHEMES (CONTINUED)

### (b) Post-IPO Scheme (Continued)

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

Notes:

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

2. The share options granted on 6 July 2017 exercisable from 6 July 2020 to 5 July 2027.

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

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

5. The share options granted on 8 December 2020 are divided into 2 tranches exercisable from 8 December 2023 and 8 December 2024 respectively to 7 December 2030.

## 31. SHARE OPTION SCHEMES (CONTINUED)

On 8 December 2020, the Company granted a total of 28,400,000 share options to its Directors and employees, which entitle them to subscribe for a total of 28,400,000 Shares at an exercise price of HK$0.788 per Share. The validity period of the options is ten years, from 8 December 2020 to 7 December 2030. The share price of the Company at the date grant was HK$0.77.

The estimated fair values of the 28,400,000 share options granted on 8 December 2020 was approximately HK$13,611,000. The fair value per option granted on 8 December 2020 range from HK$0.4592 to HK$0.4912.

The Black-Scholes Option Pricing Model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of a share option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

| | 8 December 2020 |
|---|---|
| Share price at date of grant of share options | HK$0.77 |
| Exercise price | HK$0.788 |
| Expected life | 5–6 years |
| Expected volatility | 76.89% |
| Expected dividend yield | 0% |
| Risk-free rate | 0.33% |

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

The Group recognised total expenses of HK$6,285,000 for the year ended 31 March 2022 (2021: HK$7,003,000) in relation to the share options granted by the Company.

## 32. 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 27 and 28 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 33. FINANCIAL INSTRUMENTS

### Categories of financial instruments

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Financial assets at amortised cost | **458,890** | 411,799 |
| Financial assets at FVTPL | **24,258** | 1,647 |
| **Financial liabilities** | | |
| At amortised cost | **60,972** | 53,356 |
| Derivative financial instruments | **620** | — |

### Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables and deposits, amount due from a joint venture, pledged bank deposits, bank balances and cash, financial assets at FVTPL, trade and other payables, bank borrowings, lease liabilities and derivative financial instruments. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk**

The Group is primarily exposed to the financial risks of changes in interest rates and foreign currency exchange rates. Details of each type of market risks are described as follows:

***(i) Interest rate risk***

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HKBLR and HIBOR arising from the Group's Hong Kong dollars denominated borrowings and being regularly monitored and evaluated by reference to anticipated changes in market interest rate by the Group.

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

***(i) Interest rate risk (Continued)***

The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

A 50 basis points increase or decrease in the prevailing rates of relevant banks is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for variable rate bank borrowings, with all other variables held constant, the Group's post-tax profit for the year ended 31 March 2022 would decrease/increase by HK$31,000 (2021: HK$25,000).

***(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.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, which mainly includes trade and other receivables, bank balances and cash, and trade and other payables as at the end of each reporting period are as follows:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | Assets | Liabilities |
| | **HK$'000** | **HK$'000** | HK$'000 | HK$'000 |
| United States Dollar ("US$") | **133,072** | **7,740** | 148,539 | 4,351 |
| Euro Dollar ("EURO") | **26,010** | **5,273** | 18,243 | 3,338 |
| Renminbi ("RMB") | **7,224** | **944** | 6,583 | 1,828 |
| Canadian Dollar ("CAD") | **43,294** | **2** | 1,801 | 23 |

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

***(ii) Foreign currency risk (Continued)***

Sensitivity analysis

The Group is mainly exposed to the risk of fluctuation against US$, EURO, RMB and CAD during the years ended 31 March 2022 and 2021.

The following table details the sensitivity to a 2%, 5%, 5% and 5% increase and decrease in HK$ against US$, EURO, RMB and CAD, respectively. These rates are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a change in foreign currency rates. The negative number below indicates a decrease in the post-tax profit where HK$ strengthens 2%, 5%, 5% and 5% against US$, EURO, RMB and CAD, respectively. For a 2%, 5%, 5% and 5% weakening of HK$ against US$, EURO, RMB and CAD, there would be an equal and opposite impact on the profit or loss for the year.

| | **Profit for the year** | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| US$ | **(2,093)** | (2,408) |
| EURO | **(866)** | (622) |
| RMB | **(262)** | (199) |
| CAD | **(1,807)** | (74) |

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### Credit risk and impairment provision

As at 31 March 2022 and 2021, 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. The Group would charge penalty on certain customers for overdue settlement according to the sales agreement.

***Trade and unbilled receivables and contract assets arising from contracts with customers***

The Group has concentration of credit risk as 16% (2021: 60%) and 30% (2021: 71%) of the trade and unbilled 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 the US which accounted for 33% (2021: 68% in the PRC) of the trade and unbilled receivables as at 31 March 2022.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. Trade and unbilled receivables and contract assets that with significant balances or credit-impaired are assessed for ECL individually. The management of the Group estimates the amount of lifetime ECL of the remaining trade and unbilled receivables and contract assets using a collective basis grouped by geographical locations, and then further grouped by past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information that is reasonable and supportable available without undue costs or effort. Details of the quantitative disclosures are set out below in this note.

In relation to contract assets arisen from provision of advertising spaces, the management performs impairment assessment on a periodic basis. Based on the assessment, the management is of the opinion that the probability of defaults of the relevant counterparties are insignificant since the counterparties are either listed or multinational companies with continuing business relationship. In addition, the management is confident that the target impression rate or click rate stipulated in the contracts will be satisfied in due course and the accrued revenue on the advertising spaces are fully recoverable but only subject to timing of satisfying the target impression rate or click rate pursuant to the contracts. Accordingly, the credit risk regarding contract assets is limited.

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### Credit risk and impairment provision (Continued)

***Amount due from a joint venture***

For the purpose of impairment assessment for amount due from a joint venture, exposure to credit risk for this balance is assessed individually with lifetime ECL. Impairment of HK$8,694,000 (2021: HK$4,019,000) was recognised by the Group during the year ended 31 March 2022.

***Other receivables and deposits, pledged bank deposits and bank balances***

The Group performs impairment assessment under ECL model on other receivables and deposit, pledged bank deposits and bank balances based on 12m ECL as no significant increase in credit risk since initial recognition.

The credit risk on other receivables and deposits is limited because the counterparties have no historical default record and the Directors expect that the general economic conditions will not significantly changed for the 12 months after the reporting date.

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Based on the Group's internal credit rating, no material impairment loss allowance is recognised for other receivables and deposits. No material impairment loss allowance is recognised for pledged bank deposits and bank balances based on external credit rating.

The Group is exposed to concentration of credit risk on:

- Liquid funds which are deposited with several banks with high credit ratings; and
- Amount due from a joint venture.

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### Credit risk and impairment provision (Continued)

Other than above, the Group does not have any other significant concentration of credit risk. The tables below is the internal credit policy of the Group:

| Internal credit rating | Description | Trade and unbilled receivables/ contract assets | Other financial assets/other items |
|---|---|---|---|
| Low risk | The counterparty has a low risk of default and does not have any past-due amounts | Lifetime ECL — not credit-impaired | 12m ECL |
| High risk | There have been significant increases in credit risk since initial recognition through information developed internally or external resources | Lifetime ECL — not credit-impaired | Lifetime ECL — not credit-impaired |
| Loss | There is evidence indicating the asset is credit-impaired | Lifetime ECL — credit-impaired | Lifetime ECL — credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off | Amount is written off |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### Credit risk and impairment provision (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

| | Notes | Credit rating | Credit rating | 12-month or lifetime ECL | 2022 Gross carrying amounts HK'000 | 2022 Gross carrying amounts HK'000 | 2021 Gross carrying amounts HK'000 | 2021 Gross carrying amounts HK'000 |
|---|---|---|---|---|---|---|---|---|
| **Financial assets at amortised cost** | | | | | | | | |
| Trade and unbilled receivables | 22 | N/A | (Note) | Lifetime ECL (collective assessment) | **102,038** | | 134,776 | |
| | | | Low risk | Lifetime ECL (not credit-impaired) | **50,607** | **152,645** | 38,893 | 173,669 |
| Other receivables and deposits | 22 | N/A | Low risk | 12m ECL | | **12,921** | | 10,382 |
| Amount due from a joint venture | 20 | N/A | Loss | Lifetime ECL (credit-impaired) | | **8,694** | | – |
| | | | High risk | Lifetime ECL (not credit-impaired) | | **–** | | 13,120 |
| Pledged bank deposits | 24 | AA+ | N/A | 12m ECL | | **10,000** | | 10,000 |
| Bank balances | 24 | AA+ | N/A | 12m ECL | | **284,269** | | 209,575 |
| Contract assets | 23 | N/A | Low risk | Lifetime ECL (collective assessment) | | **5,154** | | 1,484 |

Note: The following table provides information about the exposure to credit risk for trade and unbilled receivables which are assessed based on collective assessment as at 31 March 2022 within lifetime ECL. Trade receivables with significant outstanding balances and credit-impaired balances with gross carrying amounts of HK$50,607,000 (2021: HK$38,893,000) as at 31 March 2022 were assessed individually. As all these debtors with significant balances are either listed or multinational companies with good financial position and without recent default history, they are all classified as low risk and loss rate of 0.10% to 1.00% (2021: 0.10% to 1.00%) is applied.

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### Credit risk and impairment provision (Continued)

Gross carrying amount of trade and unbilled receivables assessed collectively:

| | **2022** Average loss rate (Note) | **2022** Gross trade receivables HK$'000 | **2022** ECL HK$'000 | 2021 Average loss rate (Note) | 2021 Gross trade receivables HK$'000 | 2021 ECL HK$'000 |
|---|---|---|---|---|---|---|
| Current (not past due) | **0.2%** | **68,144** | **152** | 0.4% | 118,007 | 443 |
| 1–30 days past due | **0.5%** | **13,636** | **68** | 0.7% | 10,510 | 74 |
| 31–60 days past due | **1.0%** | **9,426** | **94** | 1.3% | 2,786 | 36 |
| 61–90 days past due | **1.5%** | **1,501** | **23** | 2.5% | 2,102 | 53 |
| 91–180 days past due | **2.0%** | **6,736** | **135** | 5.0% | 316 | 16 |
| 181–365 days past due | **5.0%** | **2,505** | **125** | 7.5% | 670 | 50 |
| More than 365 days past due | **10%** | **90** | **9** | 12.5% | 385 | 48 |
| | | **102,038** | **606** | | 134,776 | 720 |

Note: The average loss rate is calculated as average loss rate of corresponding past due aging from various geographic locations.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the trade and unbilled receivables and are adjusted for forward-looking information that is available without undue cost or effort. The Group determines the average loss rate by considering the geographic locations of trade receivables, after considering aging, repayment history and/or past due status of respective trade receivables. The grouping is regularly reviewed by management to ensure relevant information about specific trade receivable is updated.

During the year ended 31 March 2022, the Group provided impairment losses under ECL model for not credit-impaired trade and unbilled receivables of HK$606,000 (2021: HK$720,000) based on the collective assessment and HK$322,000 (2021: HK$174,000) based on significant balances.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies (Continued)

**Credit risk and impairment provision (Continued)**

The following table shows the movement in lifetime ECL that has been recognised for trade and unbilled receivables under the simplified approach.

| | Lifetime ECL (not credit-impaired) HK$'000 | Lifetime ECL (credit-impaired) HK$'000 | Total HK$'000 |
|---|---|---|---|
| **As at 1 April 2020** | 894 | — | 894 |
| *Changes due to financial instruments recognised as at 1 April 2021:* | | | |
| —transfer to credit-impaired | (776) | 776 | — |
| —impairment losses reversed | (118) | — | (118) |
| —write-offs | — | (776) | (776) |
| *New financial assets originated:* | | | |
| —impairment losses recognised | 894 | — | 894 |
| —Exchange adjustments | 34 | — | 34 |
| **As at 31 March 2021** | 928 | — | 928 |
| *Changes due to financial instruments recognised as at 1 April 2021:* | | | |
| —transfer to credit-impaired | (220) | 220 | — |
| —impairment losses reversed | (708) | — | (708) |
| —write-offs (Note) | — | (220) | (220) |
| *New financial assets originated:* | | | |
| —impairment losses recognised | 928 | 2,767 | 3,695 |
| —write-offs (Note) | — | (2,767) | (2,767) |
| —Exchange adjustments | 17 | — | 17 |
| **As at 31 March 2022** | 945 | — | 945 |

Note: The Group writes off trade and unbilled receivables when there is information indicating that the debtor is in severe financial difficulty or there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over one year past due, whichever occurs earlier.

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the Directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Directors monitor the utilisation of bank borrowings.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity of other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative financial instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management manages that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

| | Weighted average effective interest rate % | Repayable on demand or less than 1 year HK$'000 | 1 to 2 years HK$'000 | 2 to 5 years HK$'000 | More than 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|---|---|
| As at 31 March 2022 | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Trade and other payables | – | 53,609 | – | – | – | 53,609 | 53,609 |
| Bank borrowings | 2.37 | 7,363 | – | – | – | 7,363 | 7,363 |
| Lease liabilities | 3.50 | 22,630 | 21,937 | 38,393 | 3,581 | 86,541 | 73,948 |
| | | 83,602 | 21,937 | 38,393 | 3,581 | 147,513 | 134,920 |
| **Derivative financial liabilities – net settlement** | | | | | | | |
| Foreign currency forward contracts | | 620 | – | – | – | 620 | 620 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies (Continued)

**Liquidity risk (Continued)**

| | Weighted average effective interest rate % | Repayable on demand or less than 1 year HK$'000 | 1 to 2 years HK$'000 | 2 to 5 years HK$'000 | More than 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|---|---|
| As at 31 March 2021 | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Trade and other payables | – | 47,360 | – | – | – | 47,360 | 47,360 |
| Bank borrowings | 3.37 | 5,996 | – | – | – | 5,996 | 5,996 |
| Lease liabilities | 3.20 | 20,432 | 16,927 | 43,268 | 14,027 | 94,654 | 81,779 |
| | | 73,788 | 16,927 | 43,268 | 14,027 | 148,010 | 135,135 |

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 2022, the aggregate carrying amounts of these bank borrowings amounted to HK$7,363,000 (2021: HK$5,996,000). 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** % | **Total Less than 1 year** HK$'000 | **1 to 2 years** HK$'000 | **2 to 5 years** HK$'000 | **undiscounted cash flows** HK$'000 | **Carrying amount** HK$'000 |
|---|---|---|---|---|---|---|
| **Bank borrowings with repayment on demand clause** | | | | | | |
| As at 31 March 2022 | **2.37** | **6,217** | **1,456** | **–** | **7,673** | **7,363** |
| As at 31 March 2021 | 3.37 | 2,794 | 2,184 | 1,456 | 6,434 | 5,996 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purpose. In estimating the fair value, the Group uses market observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

**(i) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis**

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

| | Fair value at | | | | |
|---|---|---|---|---|---|
| **Financial assets and liabilities** | **31 March 2022 HK$'000** | 31 March 2021 HK$'000 | **Fair value hierarchy** | **Valuation techniques and key inputs** | **Significant unobservable inputs** |
| **Financial assets** | | | | | |
| Investments in REIT | **6,241** | N/A | Level 3 | Net asset value approach of the REIT | Net asset value of approximately US$1,500 per share |
| Investments in preference shares | **2,483** | N/A | Level 3 | Back-solve method and equity allocation method | Risk-free rate: 2.41%<br>Volatility: 63%<br>Liquidation scenario: 90%<br>IPO scenario: 10% |
| Investments in preference shares | **2,337** | N/A | Level 2 | The fair value is determined with reference to the recent transaction price of the investments | N/A |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### Fair value measurements of financial instruments (Continued)

**(i) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)**

| Financial assets and liabilities | Fair value at 31 March 2022 HK$'000 | Fair value at 31 March 2021 HK$'000 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs |
|---|---|---|---|---|---|
| Unlisted equity investments | **3,979** | N/A | Level 3 | Back-solve method and equity allocation method | Risk-free rate: 2.41%<br>Volatility: 67%<br>Liquidation scenario: 50%<br>Redemption scenario: 50%<br>IPO scenario: 0% |
| Unlisted equity investments | **5,285** | 1,647 | Level 3 | Back-solve method and equity allocation method<br><br>(2021: Adjusted cost approach based on market capitalization) (Note) | Risk-free rate: 2.41%<br>Volatility: 63%<br>Liquidation scenario: 90%<br>IPO scenario: 10%<br><br>(2021: Market capitalization: 0%) |
| Unlisted equity investments | **1,975** | N/A | Level 2 | The fair value is determined with reference to the recent transaction price of the investments | N/A |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### Fair value measurements of financial instruments (Continued)

**(i) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)**

| Financial assets and liabilities | Fair value at 31 March 2022 HK$'000 | Fair value at 31 March 2021 HK$'000 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs |
|---|---|---|---|---|---|
| Investments in SAFE | **1,958** | N/A | Level 2 | The fair value is determined with reference to the recent transaction price of the investments | N/A |
| **Financial liability** | | | | | |
| Derivative financial instruments — net settlement | **620** | N/A | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates | N/A |

Note: Adjusted cost approach assumes a reasonable investor will pay no more for an asset than it would cost to replace the same asset, to the extent the existing asset provides less utility than a new asset and adjusted by market capitalisation. It is based on the concept of replacement, less depreciation from physical deterioration and functional obsolescence, as an indication of value.

There were no transfer out of Levels 2 and 3 during both years. No sensitivity analysis is performed for the Level 3 financial assets as the Directors consider that the exposure is insignificant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

### Fair value measurements of financial instruments (Continued)

#### (ii) Reconciliation of Level 3 fair value measurements

| | Investments in preference shares HK$'000 | Unlisted equity investments HK$'000 | Investments in REIT HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 April 2020 | — | — | — | — |
| Purchased | — | 1,647 | — | 1,647 |
| At 31 March 2021 | — | 1,647 | — | 1,647 |
| Purchased | 2,333 | 3,979 | 5,848 | 12,160 |
| Change in fair value credited to profit or loss | 150 | 3,638 | 393 | 4,181 |
| At 31 March 2022 | **2,483** | **9,264** | **6,241** | **17,988** |

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 34. 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 statement of cash flows as cash flows from financing activities.

| | Bank Borrowings HK$'000 (note 27) | Lease liabilities HK$'000 (note 28) | Interest payables HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 April 2020 | 32,836 | 46,761 | — | 79,597 |
| Financing cash flows | (26,840) | (20,221) | (493) | (47,554) |
| Interest expenses | — | 1,129 | 493 | 1,622 |
| New leases entered | — | 56,239 | — | 56,239 |
| Lease termination | — | (2,129) | — | (2,129) |
| At 31 March 2021 | **5,996** | **81,779** | **—** | **87,775** |
| Financing cash flows | **1,367** | **(24,260)** | **(196)** | **(23,089)** |
| Interest expenses | **—** | **4,392** | **196** | **4,588** |
| New leases entered | **—** | **12,037** | **—** | **12,037** |
| At 31 March 2022 | **7,363** | **73,948** | **—** | **81,311** |

## 35. 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 2022, the total retirement benefits scheme contribution arising from the MPF Scheme and state-managed retirement benefit scheme charged to profit or loss were HK$6,934,000 (2021: HK$5,677,000).

## 36. 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 | As at/Year ended 31 March<br>**2022**<br>**HK$'000** | <br>2021<br>HK$'000 |
|---|---|---|---|
| Mr. Lee Chung Ming and Ms. Chan Lai Kuen | Repayment of lease liabilities for Director's quarter | **210** | 210 |
| | Interest expense on lease liabilities for Director's quarter | **11** | 10 |
| | Right-of-use assets for Director's quarter at year end | **168** | 364 |
| | Lease liability for Director's quarter at year end | **165** | 363 |

### Compensation of key management personnel

The Directors are identified as key management member of the Group, and their compensation during the years was set out in note 12. The remuneration of key management personnel is determined with regard to the performance of individuals and market trends.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 37. PARTICULARS OF SUBSIDIARIES AND VIE OF THE COMPANY

Details of the Group's subsidiaries and VIE at the end of the reporting period are set out below.

| Name of subsidiaries and VIE | Place of incorporation/ registration | Issued and fully paid-up share | Attributable equity interest held by the Group | | | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | | Indirectly | | |
| | | | **2022** | 2021 | **2022** | 2021 | |
| | | | **%** | % | **%** | % | |
| **Subsidiaries** | | | | | | | |
| COREone Limited | The British Virgin Island ("BVI") | US$1 | **100** | 100 | **–** | – | Investment holding |
| COREtwo Limited | BVI | US$1 | **100** | 100 | **–** | – | Investment holding |
| COREthree Limited | BVI | US$1 | **100** | 100 | **–** | – | Investment holding |
| Hypebeast Hong Kong Limited | Hong Kong | HK$1,000 | **–** | – | **100** | 100 | Provision of advertising spaces services, services for creative agency projects, operation of online and offline retail platform and publication of magazines |
| 102 Media Lab Limited | Hong Kong | HK$1,000 | **–** | – | **100** | 100 | Provision of advertising spaces services |
| Hypebeast UK Limited | UK | GBP1 | **–** | – | **100** | 100 | Provision of advertising spaces services |
| Hypebeast Inc. | US | US$5,000 | **–** | – | **100** | 100 | Investment holding |
| HBX New York Inc. | US | US$100 | **–** | – | **100** | 100 | Customer service support of HBX retail operation |
| HBX 41 Division LLC | US | US$100 | **–** | – | **100** | 100 | HBX retail operation |
| 北京賀彼貿易有限公司[1] ("北京賀彼" or "Beijing Hypebeast") | PRC | RMB1,000,000 | **–** | – | **100** | 100 | Provision of services for creative agency projects |
| Hypebeast Japan 株式會社 | Japan | JPY10,000,000 | **–** | – | **100** | 100 | Provision of advertising spaces services, services for creative agency projects |
| Cravee Limited | Hong Kong | HK$1,000 | **–** | – | **85** | 85 | Inactive |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 37. PARTICULARS OF SUBSIDIARIES AND VIE OF THE COMPANY (CONTINUED)

| Name of subsidiaries and VIE | Place of incorporation/ registration | Issued and fully paid-up share | Attributable equity interest held by the Group | | | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | Directly | | Indirectly | | |
| | | | **2022 %** | 2021 % | **2022 %** | 2021 % | |
| Hype Capital Limited | BVI | US$1 | **–** | – | **100** | 100 | Investment holding |
| Hypebeast Asia Pacific Limited [3] | Hong Kong | HK$1,000 | **–** | – | **100** | – | Provision of advertising spaces services, services for creative agency projects and operation of online retail platform |
| Hypebeast Company SG Pte. Ltd. [4] | Singapore | SGD1 | **–** | – | **100** | – | Provision of advertising spaces services and services for creative agency projects |
| Hypebeast WAGMI Inc. [5] | US | US$10 | **–** | – | **100** | – | Investment holding |
| **VIE** | | | | | | | |
| 賀彼文化傳播（北京）有限公司[2] ("賀彼文化" or "Hypebeast Cultural") | PRC | RMB383,000 | **–** | – | **VIE** | VIE | Provision of services for creative agency projects |

1 The entity was registered as a wholly foreign-owned enterprise under PRC law.

2 The entity is a limited liability company established under the PRC law and legally owned by an individual (the "Legal Owner"). Under certain agreements (the "VIE Agreements") entered into among the Legal Owner, Hypebeast Cultural and Beijing Hypebeast, Beijing Hypebeast has the practical ability to direct the relevant activities of Hypebeast Cultural unilaterally and accordingly, the Group was deemed to have control over Hypebeast Cultural.

3 Hypebeast Asia Pacific Limited was newly incorporated on 14 April 2021.

4 Hypebeast Company SG Pte. Ltd. was newly incorporated on 25 June 2021.

5 Hypebeast WAGMI Inc. was newly incorporated on 10 January 2022.

None of the subsidiaries had issued any debt securities at the end of both reporting periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 37. PARTICULARS OF SUBSIDIARIES AND VIE OF THE COMPANY (CONTINUED)

### Consolidation of Variable Interest Entity

In order to comply with the PRC laws and regulations which restrict foreign control of companies involved in provision of value-added telecommunications services, which is classified as one of the restricted business, the Group operates its restricted business in the PRC through Hypebeast Cultural, its PRC domestic company, whose equity interests are held by the Legal Owner.

The Group was deemed to obtain the control over the finance and operation of Hypebeast Cultural for purpose of accounting and the entire interests and benefits generated by entering into the VIE Agreements on 27 August 2019 among the Legal Owner, Hypebeast Cultural and Beijing Hypebeast. The VIE Agreements include (i) the loan agreement, (ii) the exclusive option and equity trust agreement, (iii) the service agreement, (iv) the equity pledge agreement, and (v) the non-competition agreement. The VIE Agreements can be extended at the Group's options prior to the expiration date. Management concluded that Hypebeast Cultural is consolidated VIE of the Group, of which the Group is the ultimate primary beneficiary. As such, the Group consolidated the financial results of Hypebeast Cultural in the Group's consolidated financial statements.

**(i) The Loan Agreement**

Pursuant to the Loan Agreement, Beijing Hypebeast has granted an interest-free loan to the Legal Owner of the Hypebeast Cultural with the sole purpose of investing into the equity interest in Hypebeast Cultural. Beijing Hypebeast can require the Legal Owner to settle the loan amount with the equity interest of Hypebeast Cultural, subject to any applicable PRC laws, rules and regulations. The Loan Agreement is renewable upon expiration.

**(ii) The Exclusive Option and Equity Trust Agreement**

Pursuant to the Exclusive Option and Equity Trust Agreement, the Legal Owner has granted the full power and authority to Beijing Hypebeast or its nominee (i) exercise an option to purchase all or part of the Legal Owner's equity interests in Hypebeast Cultural at the consideration being either RMB1 (or any price mutually agreed by the parties) or the minimum price allowed by applicable laws if such transfer of equity interests is allowed by the applicable PRC laws ("Exclusive Option"); and (ii) purchase all or part of the assets of Hypebeast Cultural at the minimum price allowed under the applicable PRC laws during the option period, being the period from the effective date of the Exclusive Option and Equity Trust Agreement to the date on which all the equity interest in Hypebeast Cultural having been transferred to Beijing Hypebeast or its nominee. Without the prior written consent of Beijing Hypebeast, Hypebeast Cultural and the Legal Owner shall not engage in any transaction or action which will create any substantive influence to the assets, business, rights or operation management of Hypebeast Cultural and its investment company, controlling or shareholding company. The Legal Owner has executed a power of attorney to grant Beijing Hypebeast the power to act on its behalf on all matters pertaining Hypebeast Cultural and to exercise all of its rights as a shareholder, including but not limited to convene, attend and vote at shareholders' meetings, designate and appoint directors and senior management members. The Exclusive Option and Equity Trust Agreement shall remain effective during the exercise period unless terminated by Beijing Hypebeast by written notice.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 37. PARTICULARS OF SUBSIDIARIES AND VIE OF THE COMPANY (CONTINUED)

### Consolidation of Variable Interest Entity (Continued)

**(iii) The Service Agreement**

Pursuant to the Service Agreement, Beijing Hypebeast shall provide to Hypebeast Cultural certain management consulting and technical services, including but not limited to business and strategic planning, marketing development, clientele management and development, software development and application, etc. at the agreed service fees. The service fee shall be an amount reasonable determined by Beijing Hypebeast, which is based on the management consulting and technical service provided by Beijing Hypebeast to Hypebeast Cultural under the Service Agreement. Beijing Hypebeast has the exclusive proprietary rights to all intellectual property rights created or bought by Hypebeast Cultural. In the absence of prior written prior consent of Beijing Hypebeast, Hypebeast Cultural may not accept any management consulting and technical services provided by any third party.

**(iv) Equity Pledge Agreement**

Pursuant to the Equity Pledge Agreement, the Legal Owner has pledged all her equity interests in Hypebeast Cultural as well as all rights and benefits relating to such equity interests to Beijing Hypebeast to secure Hypebeast Cultural and Legal Owner's due performance of their respective obligations under the VIE Agreements. During the term of the pledge, all interests, distributions and dividends arising from the pledged equity shall belong to Beijing Hypebeast. The pledge shall remain valid until the last contract in the VIE Agreements is terminated (including any renewal).

**(v) Non-Competition Agreement**

Pursuant to the Non-Competition Agreement, the Legal Owner agreed to avoid any direct or indirect competition in the same business with Beijing Hypebeast and Hypebeast Cultural, during the period that the Legal Owner pledged her respective interests in Hypebeast Cultural. Such businesses include, but are not limited to (i) management consulting, marketing and promotion planning and economic and trade consulting services; (ii) technical development, consulting, assignment, services business under type II value-added telecommunications services; and (iii) sales of clothes, apparel accessories and daily necessities, commission agent (excluding auctioning) and the importation and exportation of goods and technology.

The Non-Competition Agreement has a term of ten (10) years commencing from the effective date. At the request of Beijing Hypebeast, the Non-competition Agreement may be renewed for a further term of the (10) years for unlimited times. Notwithstanding the above, all obligations of the Legal Owner under the Non-Competition Agreement shall automatically terminate upon the expirations of two (2) years from the date on which the Legal Owner is no longer a shareholder, director or staff of Hypebeast Cultural.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 37. PARTICULARS OF SUBSIDIARIES AND VIE OF THE COMPANY (CONTINUED)

### Risks in relations to the VIE structure

The Company believes that the contractual arrangements among Beijing Hypebeast, Hypebeast Cultural and its shareholder are in compliance with the current PRC laws and legally enforceable. However, uncertainties in the interpretation and enforcement of the PRC laws, regulations and policies could limit the Company's ability to enforce these contractual arrangements. As a result, the Company may be unable to consolidate the Hypebeast Cultural in the consolidated financial statements. The Company's ability to control its VIE also depends on the authorization by the shareholder of the Hypebeast Cultural to exercise voting rights on all matters requiring shareholder's approval in the Hypebeast Cultural. The Company believes that the agreements on authorization to exercise shareholder's voting power are legally enforceable. If the corporate structure and contractual arrangements are found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, including:

- revoking the business licenses of such entities;
- discontinuing or restricting the conduct of any transactions between the Company and Hypebeast Cultural;
- imposing fines, confiscating the income from Hypebeast Cultural, or imposing other requirements with which the Company or Hypebeast Cultural may not be able to comply;
- requiring the Company to restructure its ownership structure or operations, including terminating the Contractual Arrangements with Hypebeast Cultural and deregistering the equity pledges of Hypebeast Cultural, which in turn would affect Company's ability to consolidate, derive economic interests from, or exert effective control over Hypebeast Cultural; or
- restricting or prohibiting Company's use of the proceeds of any of its financing outside PRC to finance Company's business and operations in PRC.

The following table sets forth the assets, liabilities, results of operations and changes in cash, cash equivalents of the Hypebeast Cultural (the "VIE") structured by the VIE Agreements, which have eliminated the intercompany transactions:

| | As of 31 March | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| Trade and other receivables | **15,075** | 10,756 |
| Bank balance and cash | **19,298** | 14,661 |
| Other assets | **137** | 972 |
| Total assets | **34,510** | 26,389 |

## 37. PARTICULARS OF SUBSIDIARIES AND VIE OF THE COMPANY (CONTINUED)

### Risks in relations to the VIE structure (Continued)

| | As of 31 March | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| Trade and other payables | **12,197** | 11,027 |
| Total liabilities | **12,197** | 11,027 |

| | Year ended 31 March | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| Total revenues | **56,670** | 34,975 |
| Profit for the year | **33,230** | 16,820 |

| | Year ended 31 March | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| Net cash generated from operating activities | **3,012** | 341 |
| Net cash generated from investing activities | **51** | 33 |

As of 31 March 2022, the total assets of the Group's consolidated VIE after eliminating the intra-company balances and transactions within the Group were HK$34,510,000 (2021: HK$26,389,000), which were mainly consisting of bank balance and cash, trade and other receivables, and other assets. As of 31 March 2022, the total liabilities of the consolidated VIE after eliminating the intra-company transactions within the Group were HK$12,197,000 (2021: HK$11,027,000), which were mainly consisting of trade and other payables.

For the year ended 31 March 2022, the total revenues of the Group's consolidated VIE were HK$56,670,000 (2021: HK$34,975,000), which have been reflected in the Group's consolidated financial statements with the intra-company transactions within the Group eliminated.

There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests that require the Company to provide financial support to the VIE. However, if the VIE was ever to need financial support, the Company may, at its option and subject to statutory limits and restrictions, provide financial support to the VIE through loans to the shareholders of the VIE or entrustment loans to the VIE.

## 37. PARTICULARS OF SUBSIDIARIES AND VIE OF THE COMPANY (CONTINUED)

### Risks in relations to the VIE structure (Continued)

The Company believes that there are no assets held in the consolidated VIE that can be used only to settle obligations of the VIE, except for registered capital and the PRC statutory reserves. As the consolidated VIE is incorporated as a limited liability company under the PRC Company Law, creditors of the VIE do not have recourse to the general credit of the Company for any of the liabilities of the consolidated VIE.

Relevant PRC laws and regulations restrict the VIE from transferring a portion of their net assets, equivalent to the balance of its registered capital and the PRC statutory reserves, to the Company in the form of loans and advances or cash dividends.

## 38. CAPITAL COMMITMENTS

On 14 April 2021, the Group entered into a construction agreement for the renovation work of a lease premises in USA at a total contract sum of US$3,391,468 (equivalent to HK$26,413,000). As at the end of the current year, the remaining unpaid contract sum was US$134,573 (equivalent to HK$1,054,000) (2021: nil).

## 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 31/3/2022<br>HK$'000 | 31/3/2021<br>HK$'000 | 1/4/2020<br>HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Amounts due from subsidiaries (Note) | **61,741** | 67,980 | 58,850 |
| Unlisted investments in subsidiaries | **—** | — | — |
| | **61,741** | 67,980 | 58,850 |
| CURRENT ASSETS | | | |
| Prepayments and other receivables (Note) | **1,588** | 878 | 660 |
| Bank balances and cash (Note) | **6,658** | 3,398 | 185 |
| | **8,246** | 4,276 | 845 |
| CURRENT LIABILITIES | | | |
| Other payables | **19,001** | 1,499 | 460 |
| Amount due to subsidiaries | **650** | 650 | 650 |
| | **19,651** | 2,149 | 1,110 |
| NET CURRENT (LIABILITIES) ASSETS | **(11,405)** | 2,127 | (265) |
| NET ASSETS | **50,336** | 70,107 | 58,585 |
| CAPITAL AND RESERVES | | | |
| Share capital (see note 30) | **20,536** | 20,459 | 20,231 |
| Reserves | **29,800** | 49,648 | 38,354 |
| | **50,336** | 70,107 | 58,585 |

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

### Movements in the Company's reserves

| | Share premium HK$'000 | Share options reserve HK$'000 | Accumulated profit (loss) HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 April 2020 | 29,579 | 8,524 | 251 | 38,354 |
| Loss and other comprehensive expense for the year | — | — | (8) | (8) |
| Exercise of share options | 7,194 | (2,895) | — | 4,299 |
| Recognition of share-based payment expense | — | 7,003 | — | 7,003 |
| At 31 March 2021 | **36,773** | **12,632** | **243** | **49,648** |
| Loss and other comprehensive expense for the year | **—** | **—** | **(33,399)** | **(33,399)** |
| Issuance of ordinary shares | **6,855** | **—** | **—** | **6,855** |
| Transaction costs attributable to issuance of new shares | **(300)** | **—** | **—** | **(300)** |
| Exercise of share options | **1,202** | **(491)** | **—** | **711** |
| Recognition of share-based payment expense | **—** | **6,285** | **—** | **6,285** |
| At 31 March 2022 | **44,530** | **18,426** | **(33,156)** | **29,800** |

## 40. EVENT AFTER THE REPORTING PERIOD

On 3 April 2022, the Company, Iron Spark I Inc. (the "Iron Spark"), and Hypebeast WAGMI Inc. (the "Merger Sub"), a wholly-owned subsidiary of the Company, entered into an agreement and plan of merger (the "Merger") (the "Merger Agreement"), pursuant to which, subject to satisfaction of the conditions precedent stipulated under the Merger Agreement, (a) Merger Sub will merge with and into Iron Spark, with Iron Spark being the surviving entity in the Merger, and after giving effect to the Merger, Iron Spark will become a wholly-owned subsidiary of the Company; and (b) each Iron Spark Share issued and outstanding immediately before completion of the Merger will be cancelled and automatically converted into the right to receive, without interest, one consolidated share at completion of the Merger.

Concurrently with the signing of the Merger Agreement, several investors (the "PIPE Investors") have entered into the PIPE Share Subscription Agreements with the Company, pursuant to which the PIPE Investors have conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the subscription shares at the subscription price, being an issue price identical to the consideration share issue price, for an aggregate subscription price of US$13,335,000 (equivalent to approximately HK$104,013,000), substantially concurrently with (and subject to) completion of the Merger.

On 5 May 2022, the Company has filed with the U.S. Securities and Exchange Commission a registration statement on Form F-4 for the consideration shares to be issued.

Details of the above are set out in the announcements of the Company dated 3 April 2022 and 6 May 2022.

# FINANCIAL SUMMARY

For the five years ended 31 March 2018, 2019, 2020, 2021 and 2022

## RESULTS

| | **2022** | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **895,632** | 674,212 | 751,367 | 672,192 | 385,079 |
| Profit before tax | **142,050** | 93,091 | 86,377 | 76,649 | 55,194 |
| Income tax expense | **(41,883)** | (22,507) | (20,602) | (14,851) | (10,023) |
| Profit for the year | **100,167** | 70,584 | 65,775 | 61,798 | 45,171 |

As at 31 March 2018, 2019, 2020, 2021 and 2022

## ASSETS AND LIABILITIES

| | **2022** | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Total Assets | **730,036** | 581,585 | 454,165 | 333,275 | 199,942 |
| Total Liabilities | **(252,120)** | (220,342) | (178,970) | (127,308) | (58,693) |
| Net Assets | **477,916** | 361,243 | 275,195 | 205,967 | 141,249 |